

**Analyst and Investor Briefing on the
First Quarter of on the Fiscal Year
Ending March 31, 2005**

(April 1, 2004, to June 30, 2004)

**August 2, 2004
YAMAHA CORPORATION**

Overview of Performance in the First Quarter



- **Fiscal 2005 is the first year of Yamaha's new medium-term management plan. In 1Q fiscal 2005, although net sales were slightly lower than projected, operating income was higher than expected, and the Company made a good start overall.**

- Net sales, while ¥1.4 billion lower than initially projected, were ¥6.8 billion higher than in 1Q fiscal 2004. Sales of musical instruments, AV/IT products, and electronic equipment and metal products increased compared with 1Q fiscal 2004. However, sales in the lifestyle-related products and recreation businesses declined.
- Due to increased income from core musical instruments, AV/IT products, and electronic equipment and metal products, operating income compared with the initial projection and 1Q fiscal 2004 increased ¥3.1 billion and ¥3.2 billion, respectively.
- Due to the strong euro, Yamaha recorded ¥0.7 billion in gain on foreign exchange.
- The Company recorded an impairment loss of ¥32.5 billion owing to the accelerated application of impairment accounting standards for idle real estate assets and fixed assets in the recreation business. In 1Q fiscal 2005, net loss amounted to ¥12.6 billion.
- At the end of 1Q fiscal 2005, inventory levels were ¥3.1 billion above the initial projection, although ¥9.2 billion below the 1Q fiscal 2004 level. Increased musical instrument inventories were a major factor.
- Actual interest-bearing debt compared with 1Q fiscal 2004 and the initial projection decreased ¥27.7 billion and ¥8.1 billion, respectively.

Performance in the First Quarter



- Sales and income increased compared with 1Q fiscal 2004
- Lower sales and higher income than initially projected on May 7, 2004

(Billions of Yen)

	FY2004 1Q	FY2005 1Q	Change from same period of previous year	Initial Projections	Change from Initial projections
Net Sales	126.1	132.9	+5.4%	134.3	(1.0)%
Operating Income (Operating Income Ratio)	11.8	15.0	+27.1%	11.9	+26.1%
Recurring Profit (Recurring Profit Ratio)	13.4	17.2	+28.4%	13.6	+26.5%
Net Income (Net Income Ratio)	12.6	(12.6)	—	(19.2)	—
Equity Method Income	2.4	2.8		2.1	

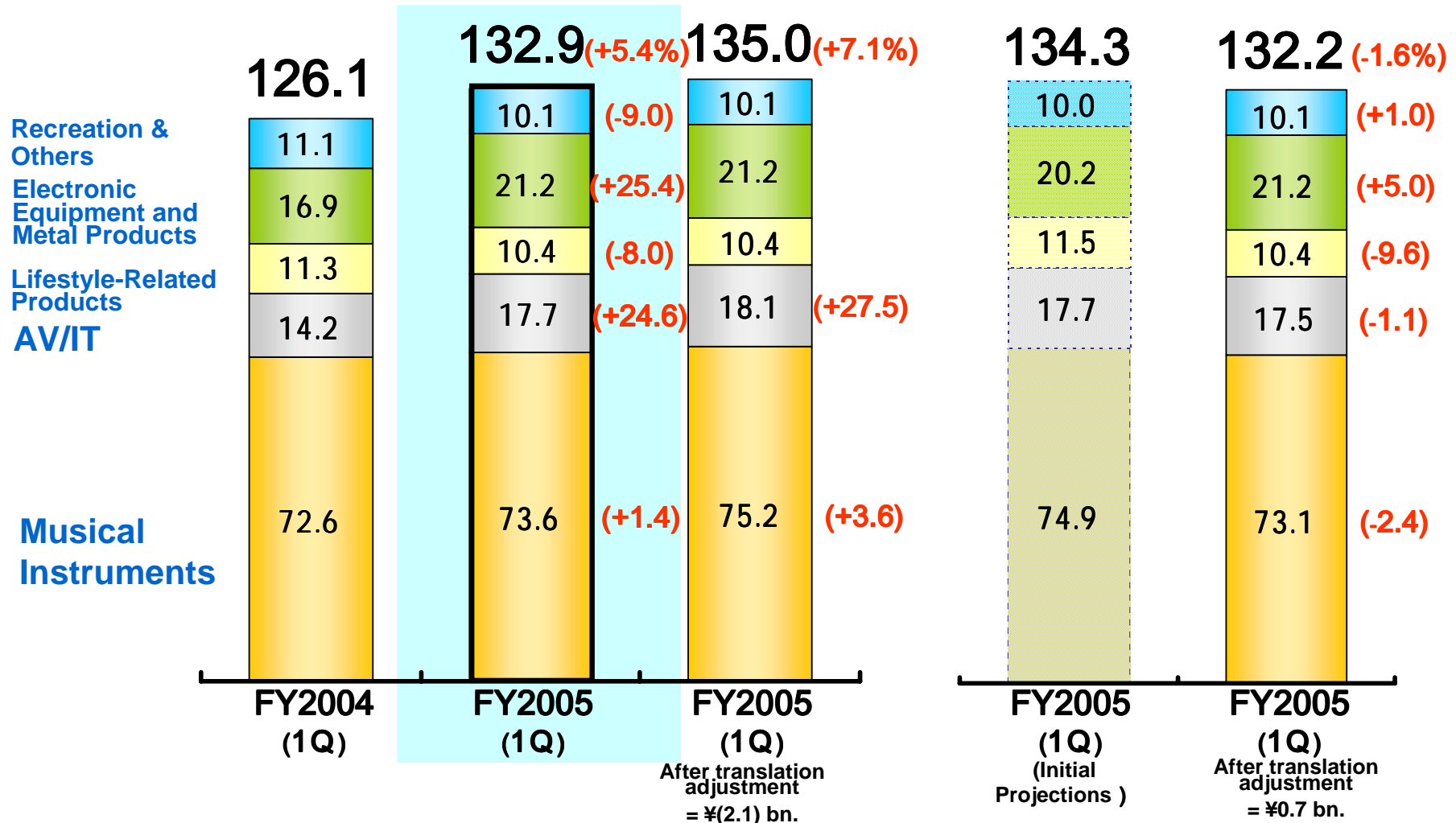
Currency Exchange Rate

Net Sales	US\$	118	110	110
	EUR	135	132	127
Operating Income	US\$	119	109	110
	EUR	124	132	127

Net Sales by Business Segment in the First Quarter



(Billions of Yen)



Compared with Same Period of the Previous Year

Figures in parentheses represent changes from same period of the previous year

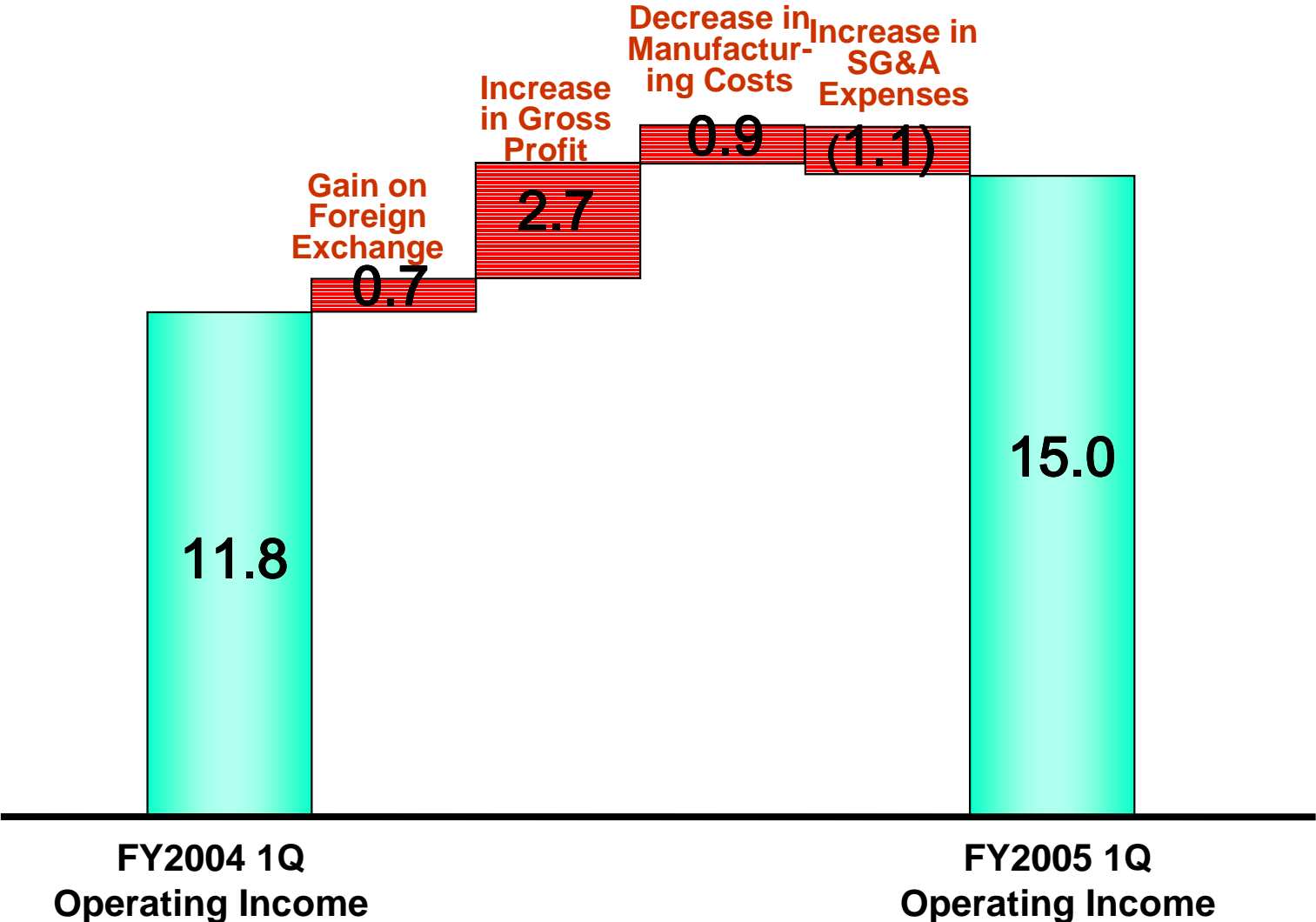
Compared with the Initial Projections

Figures in parentheses represent deviations from the initial projections

Breakdown of Operating Income/Loss in the First Quarter



(Billions of Yen)



Operating Income by Business Segment in the First Quarter



(Billions of Yen)

	FY2004 (1Q)	FY2005 (1Q)	Increase/ (Decrease)	Currency Exchange Impact	Actual Increase/ (Decrease)	Initial (May 7) Projections
Musical Instruments	5.5	6.6	+1.1	+0.2	+ 0.9	5.1
AV/IT	0.2	1.8	+1.6	+0.5	+1.1	0.4
Lifestyle-Related Products	0.4	(0.1)	(0.5)		(0.5)	0.5
Electronic Equipment and Metal Products	6.1	7.7	+1.6		+1.6	6.5
Recreation	(0.4)	(0.8)	(0.4)		(0.4)	(0.7)
Others	0	(0.2)	(0.2)		(0.2)	0.1
TOTAL	11.8	15.0	+3.2	+0.7	+2.5	11.9

*Operating income was ¥3.1 billion more than projected on May 7th.

Of that, the influence of exchange gains in the first quarter was ¥0.5 billion (¥0.4 billion for musical instruments and ¥0.1 billion for AV/IT products)

Thus, in real terms, operating income was ¥2.6 billion more than projected

Forecasts of Business Performance in FY2005 (Full Year)



➤ Consistent with the initial forecast, 2Q-4Q exchange rates are assumed to be \$US = ¥110 and Euro = ¥127

(Billions of Yen)

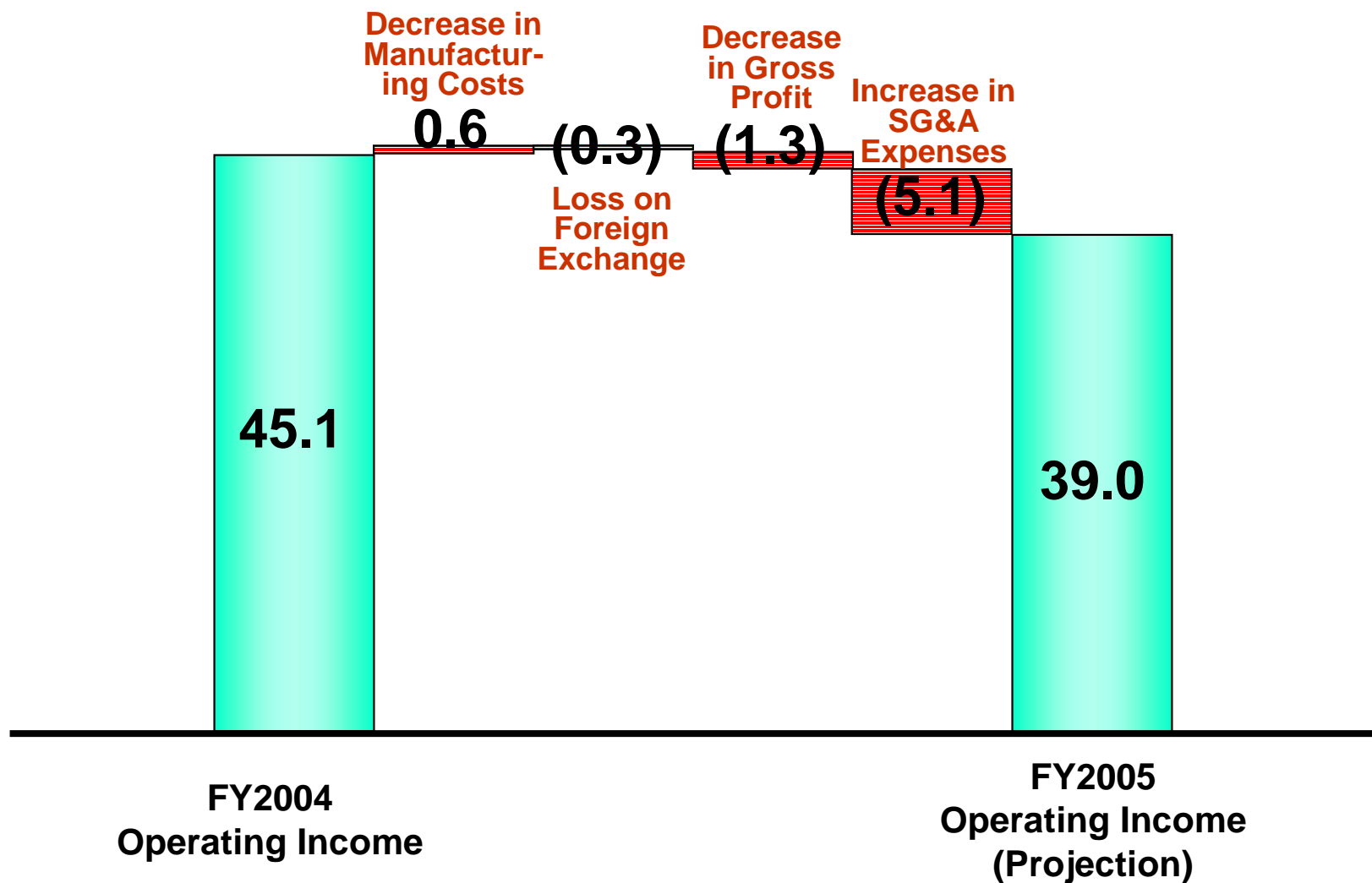
	Interim Period			Full Year		
	FY2005 (Initial Projections)	FY2005 (Projections)	FY2004 (Previous Year)	FY2005 (Initial Projections)	FY2005 (Projections)	FY2004 (Previous Year)
Net Sales	273.0	273.5	266.2	553.0	554.5	539.5
Operating Income <small>(Operating Income Ratio)</small>	23.0 <small>(8.4%)</small>	25.5 <small>(9.3%)</small>	26.4 <small>(9.9%)</small>	37.5 <small>(6.8%)</small>	39.0 <small>(7.0%)</small>	45.1 <small>(8.4%)</small>
Recurring Profit <small>(Recurring Profit Ratio)</small>	25.5 <small>(9.3%)</small>	28.0 <small>(10.2%)</small>	29.7 <small>(11.2%)</small>	40.0 <small>(7.2%)</small>	41.0 <small>(7.4%)</small>	51.0 <small>(9.5%)</small>
Net Income <small>(Net Income Ratio)</small>	(10.0) <small>(-)</small>	(5.0) <small>(-)</small>	26.2 <small>(9.8%)</small>	16.0 <small>(2.9%)</small>	19.5 <small>(3.5%)</small>	43.5 <small>(8.1%)</small>
Equity Method Income	4.2	4.2	5.2	7.0	7.0	10.4

Currency Exchange Rate		FY2005 (Initial Projections)	FY2005 (Projections)	FY2004 (Previous Year)	FY2005 (Initial Projections)	FY2005 (Projections)	FY2004 (Previous Year)
Net Sales	US\$	110	110	118	110	110	113
	EUR	127	130	133	127	128	133
Operating Income	US\$	110	110	119	110	110	114
	EUR	127	130	128	127	128	129

FY2005 (Full Year) Breakdown of Operating Income



(Billions of Yen)



Musical Instruments



1Q Overview

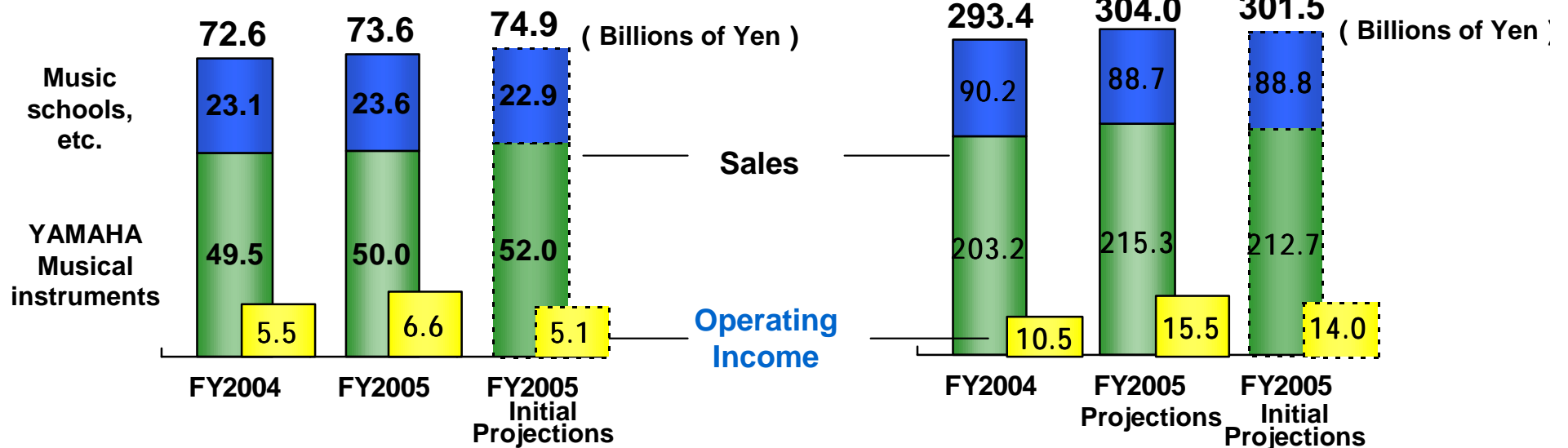
- Increased sales and income compared with 1Q fiscal 2004
- Sales increased 3.6% in real terms compared with 1Q fiscal 2004 (Sales decreased 2.4% compared with the initial projection)
- Sales were lower than expected in U.S. market; piano sales were particularly sluggish
Sales in all other countries, including China, were consistent with the initial projection
- The success of “STAGEA™” resulted in a doubling of Electone™ sales compared with 1Q fiscal 2004
- Inventories at the end of 1Q fiscal 2005 were higher than initially projected
- In the content business, “chaku-uta” sold well in Japan and other content businesses are being successfully developed for Taiwan, U.S., and Australian markets

FY2005 Projections and Priority Policies

- In fiscal 2005, sales of Electone™ and electronic instruments are expected to increase. Revised projections are ¥2.5 billion higher, at ¥304.0 billion
- Assured introduction of new products and expectation of expanded sales

Disklavier Mark IV
New CVP Series, PM 5D

- Recovery of U.S. market and continued stable growth in the European market
- In Japan, continue pursuing strategies for music school business and take measures to promote Electone™ sales beyond the second year
- Establish foundation in the Chinese market
- Accelerate reformation of manufacturing system

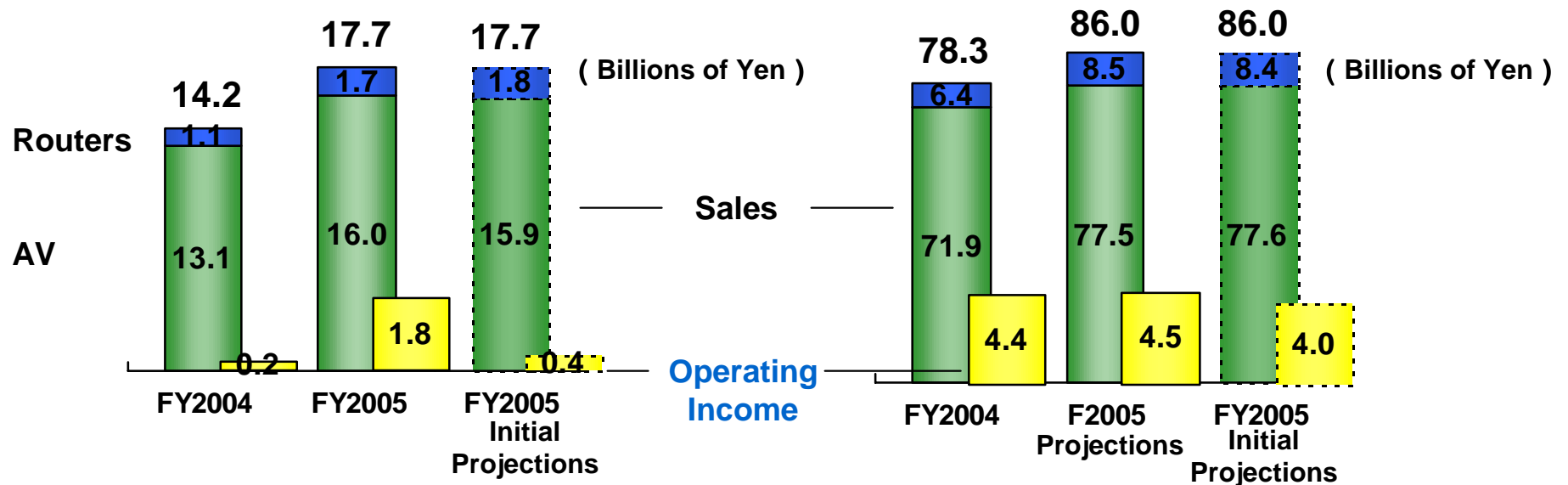


1Q Overview

- In real terms, 1Q fiscal 2005 sales were consistent with the initial projections and 27.5% higher than in 1Q fiscal 2004. 1Q fiscal 2004 sales were sluggish due to the delay of product development
- Strong sales of AV products in North America
Sales of on-line karaoke and routers remained favorable
- Operating income increased dramatically compared with the initial projection and 1Q fiscal 2004 owing to a gain on foreign currency exchange and reduced costs
- Inventories at the end of 1Q fiscal 2005 were consistent with the initial projection

FY2005 Projections and Priority Policies

- In fiscal 2005, sales of ¥86.0 billion are projected for fiscal 2005 (no change from initial projections)
- Home theater business will continue to grow
Develop products for use with flat-screen TVs in response to evolving demand
Form alliances with other manufacturers and brands
Increase sales of high- and medium-end AV receivers and expand line of inexpensive system products
Establish sales networks in China and South Korea
- Strengthen router business
Develop products compatible with VPN (Virtual Private Network)



Electronic Equipment and Metal Products

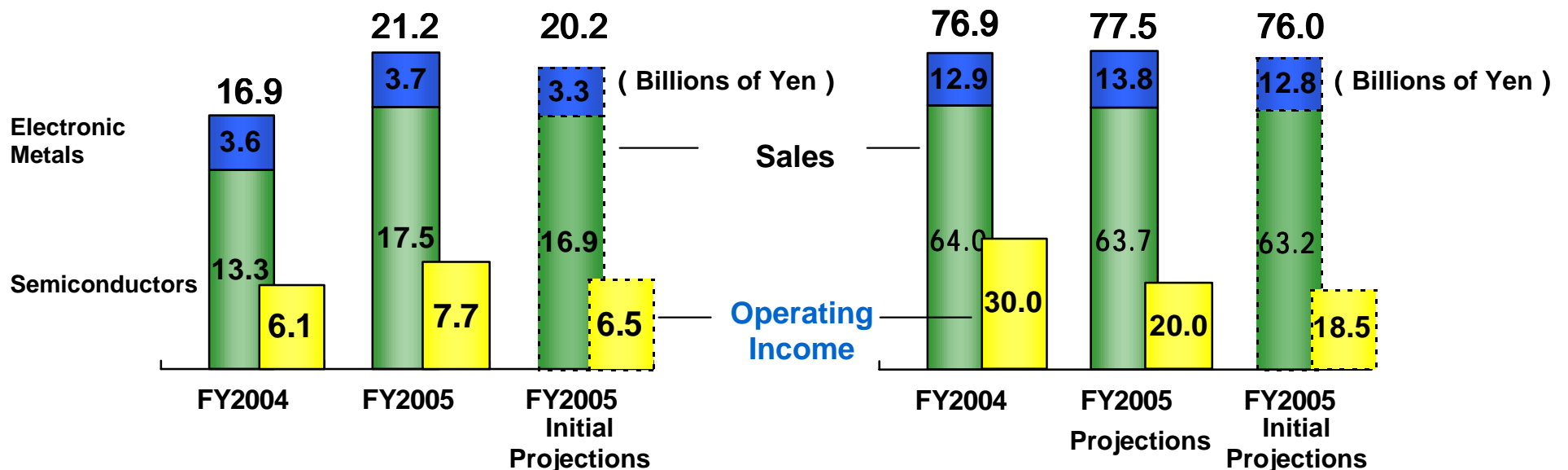


1Q Overview

- As expected, in 1Q fiscal 2005, sales of semiconductors and electronic metals were strong
- Sales of LSI sound chips for mobile phones continued to increase in China and South Korea
- The market for electronic metals continued to expand, and rising bare metal prices drove up unit prices, resulting in higher than expected earnings

FY2005 Projections

- The current outlook for sales for fiscal 2005 is consistent with the initial projection
- Inventory adjustments of LSI sound chips for mobile phones will take place in 2Q fiscal 2005 in China
- In electronic metals, strong sales are expected due to favorable market conditions



Lifestyle-Related Products

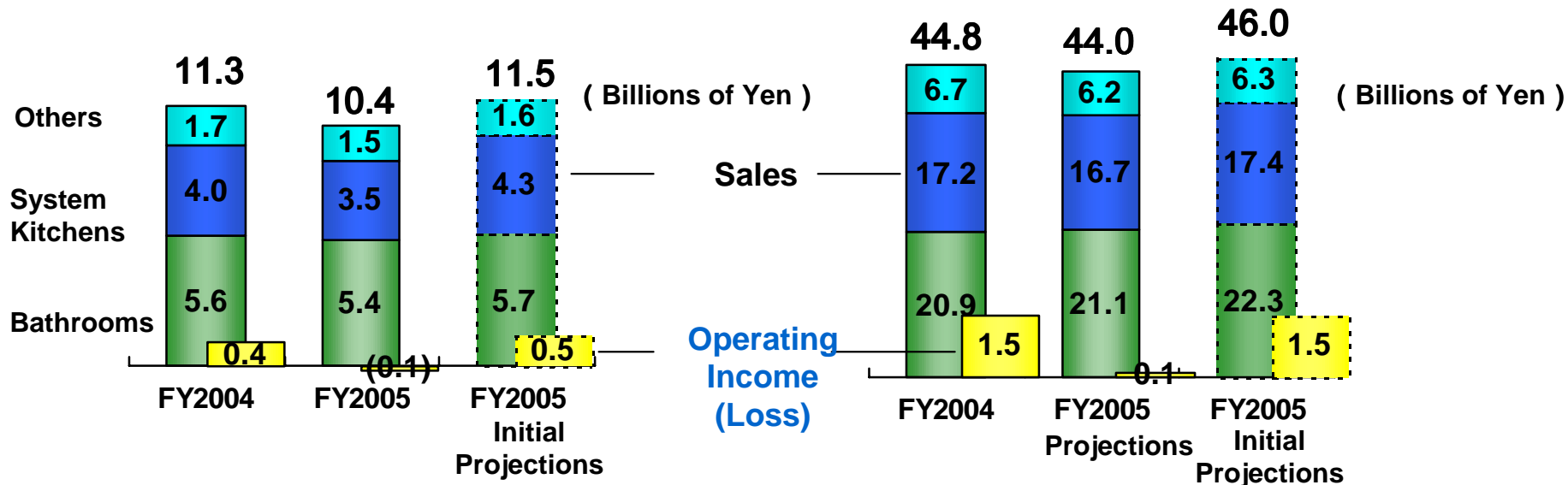


1Q Overview

- In 1Q fiscal 2005, intensified competition caused sales to fall 7.6% compared with 1Q fiscal 2004
The segment also recorded an operating loss
- Sales of mainstay system bathrooms were lower than projected despite a favorable response to new products released in February
- The introduction of new kitchen products was delayed and sales remained stagnant

FY2005 Projections and Priority Policies

- In fiscal 2005, sales are expected to be ¥44.0 billion, ¥2.0 billion less than originally projected. Our goal is to restore profitability despite sales declines and an increase in depreciation expenses due to capital investment
- Sales are expected to improve due to the introduction of new system kitchens in autumn and additional bathroom products
- Increase benefits of operational tie-up with Air Water Emoto Co., Ltd., and reinforce product development capabilities



Recreation

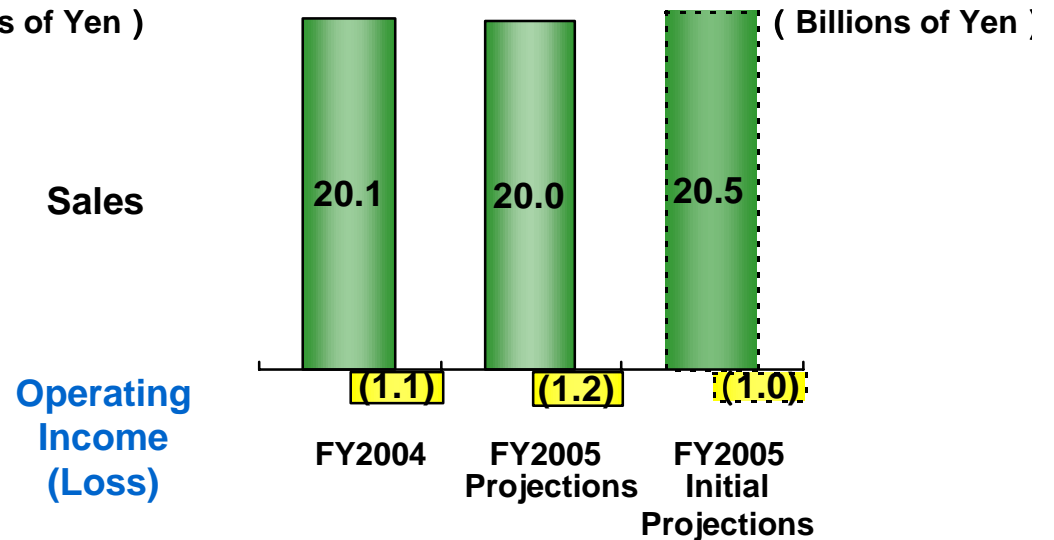
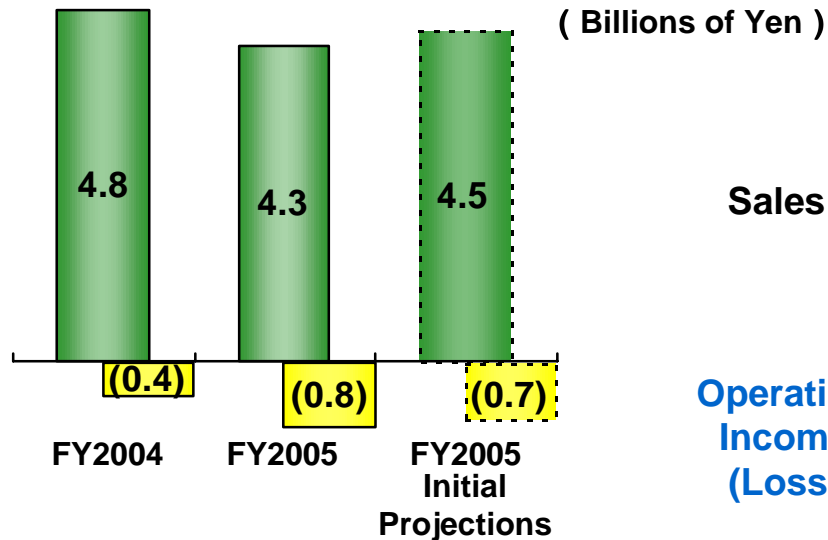


1Q Overview

- Sales decreased due to a decline in the number of visitors to the “Kiroro” Resort
- Sales from other facilities were in line with initial projections
- Decreased sales pushed the segment deeper into the red in 1Q fiscal 2005
- Impact of closure of “Sunza Villa” and “Kiroro” Golf Course decreased sales of approximately ¥0.2 billion compared with 1Q fiscal 2004

FY2005 Projections and Priority Policies

- Sales and income targets have been revised downward
- Aim for improved profitability through enhanced operating efficiency and the development of policies to maintain the current number of customers
- In the second half of the term, improving the profitability of the “Kiroro” Resort is a major issue as it enters the busy season



Others

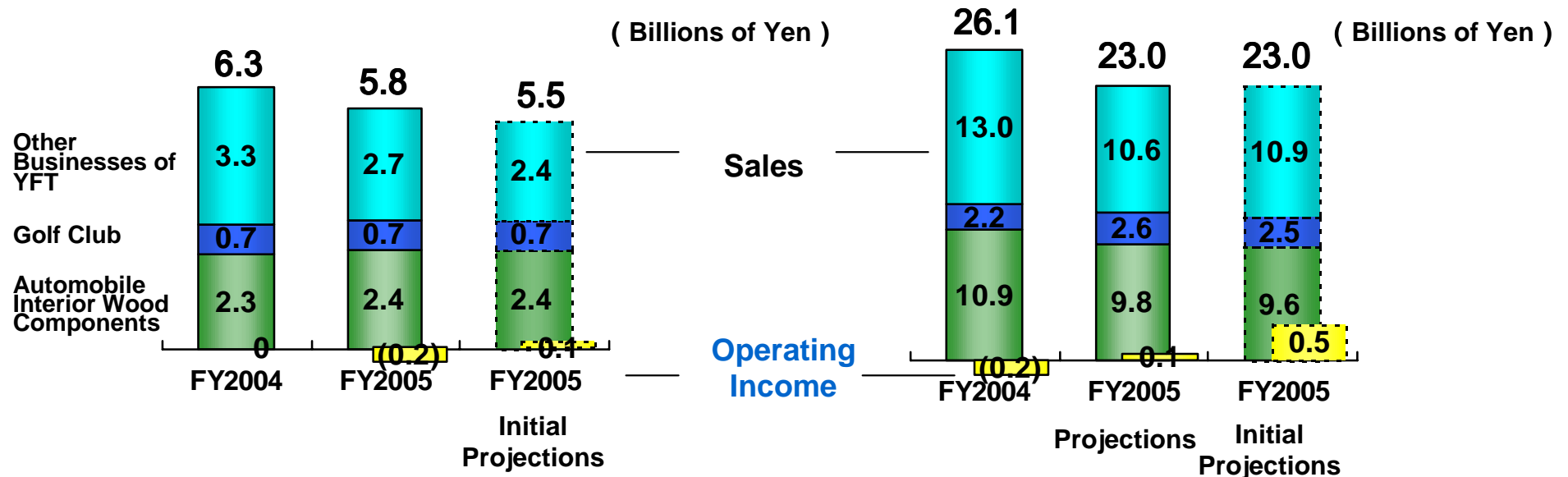


1Q Overview

- In 1Q fiscal 2005, sales of golf products and automobile interior wood components were even with or slightly above 1Q fiscal 2004
- As projected, sales of magnesium parts for mobile phones declined by half
- Overall, segment income decreased compared with the initial projection

FY2005 Projections and Priority Policies

- Fiscal 2005 sales projection is ¥23.0 billion (no change from initial projection)
- Major issues are improving earning power by increasing manufacturing yields for magnesium parts used in mobile phones and reducing the cost of automobile interior wood components by using better manufacturing methods



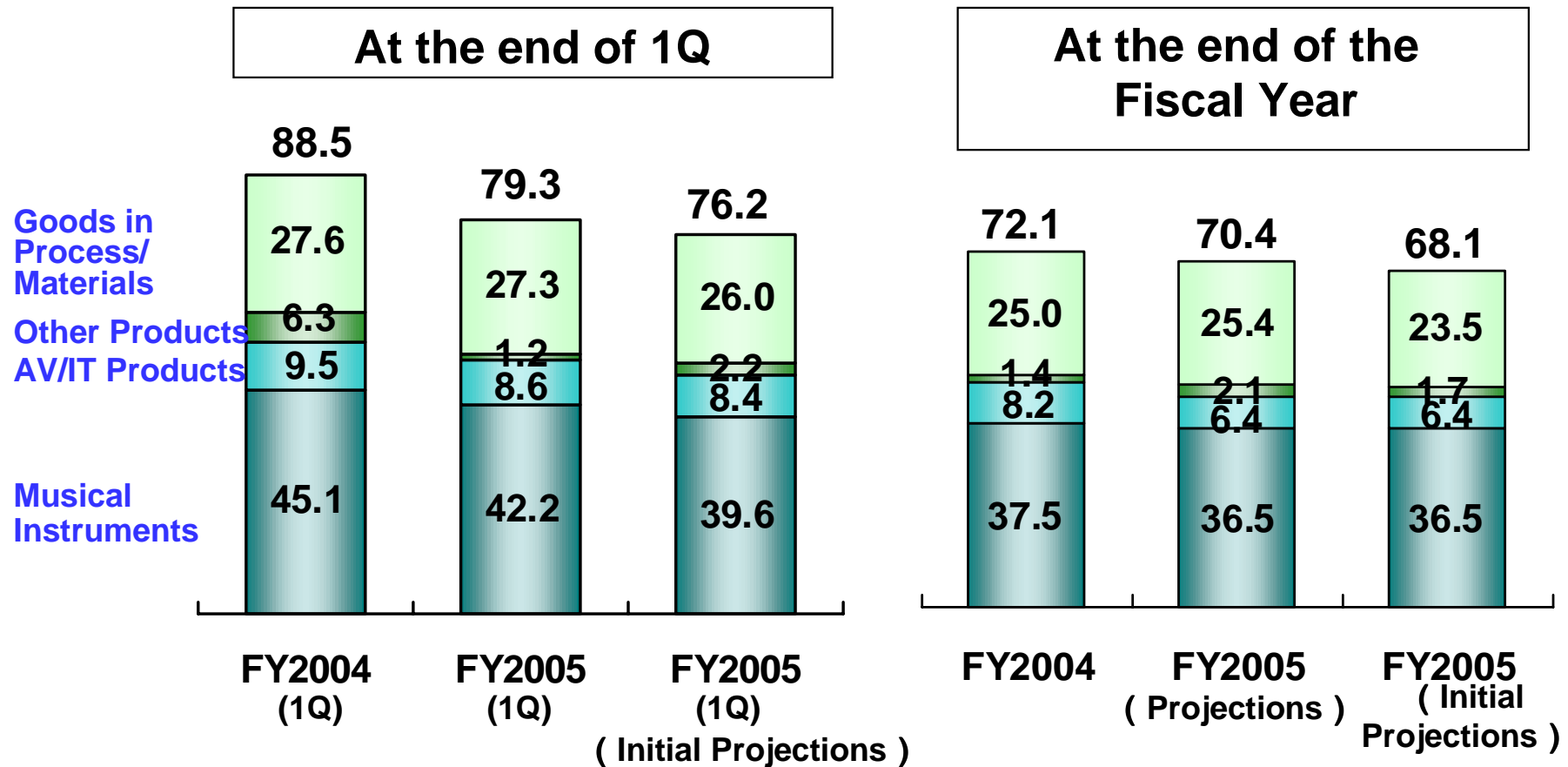
Inventories



➤ At the end of 1Q fiscal 2005, inventories increased compared with the initial projection.

However, our goal is to shrink inventories by the end of fiscal 2005.

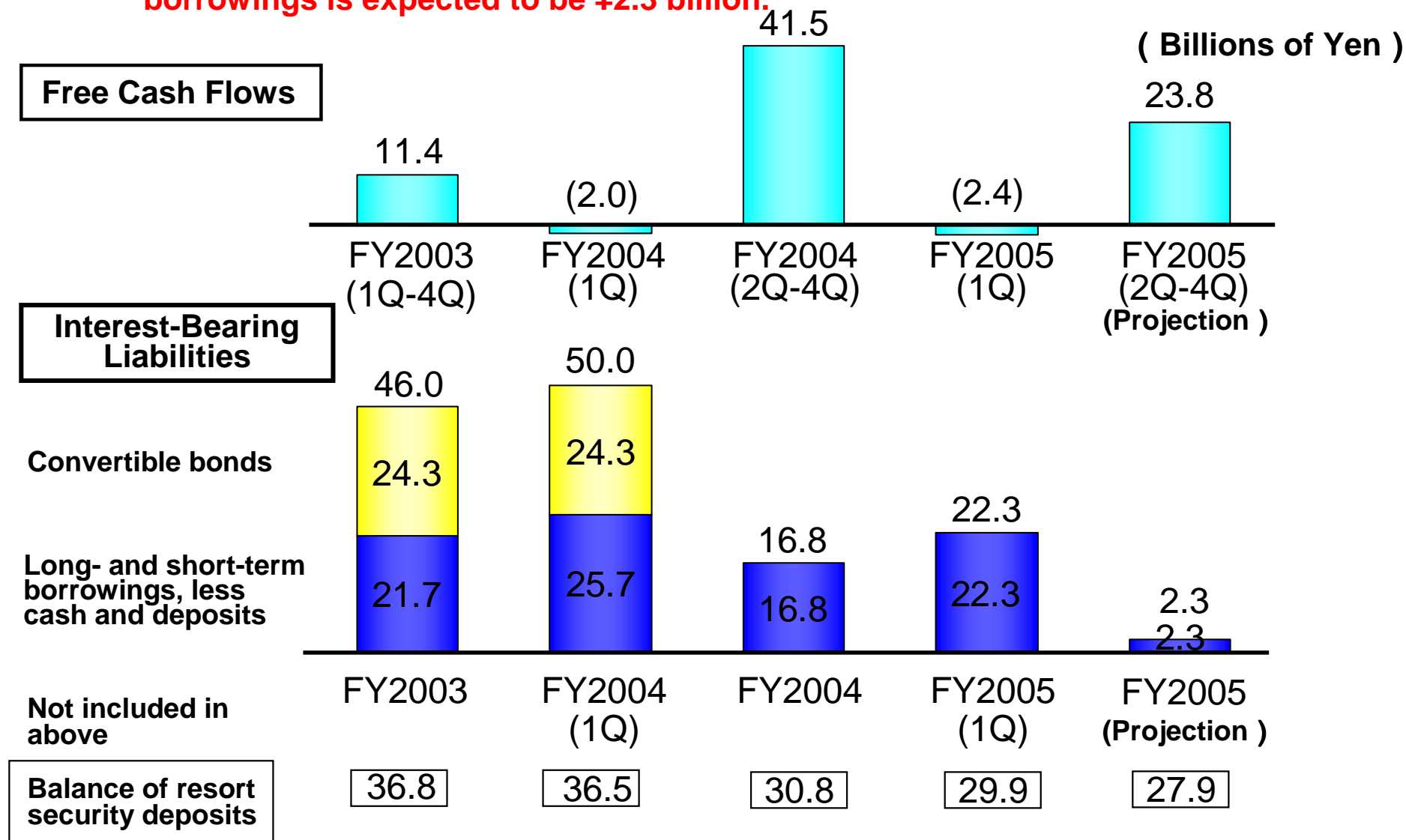
(Billions of Yen)



Interest-Bearing Liabilities (Actual Balance)



➤ By the end of fiscal 2005, the actual balance of short- and long-term borrowings is expected to be ¥2.3 billion.



Balance Sheet Summary



➤ In the 1Q of 2005, shareholder's equity and total assets decreased due to the implementation of impairment accounting.

(Billions of Yen)

	As of June 30, 2003	As of March 31, 2004	As of June 30, 2004	As of March 31, 2005
Cash and Bank Deposits	33.2	32.1	30.5	45.2
Accounts and Notes Receivable	79.5	78.7	81.0	77.2
Inventories	88.5	72.1	79.3	70.4
Other Current Assets	17.2	18.8	22.2	22.9
Fixed Assets	294.3	307.0	278.8	278.3
Total Assets	512.7	508.7	491.8	494.0
Accounts and Notes Payable	44.0	39.9	42.8	42.8
Short-and Long-Term Borrowings	58.9	48.9	52.9	47.5
Convertible Bonds	24.3	0	0	0
Other Liabilities*	155.4	160.2	150.2	129.2
Shareholders' Equity	230.1	259.7	245.9	274.5
Total Liabilities and Shareholders' Equity	512.7	508.7	491.8	494.0

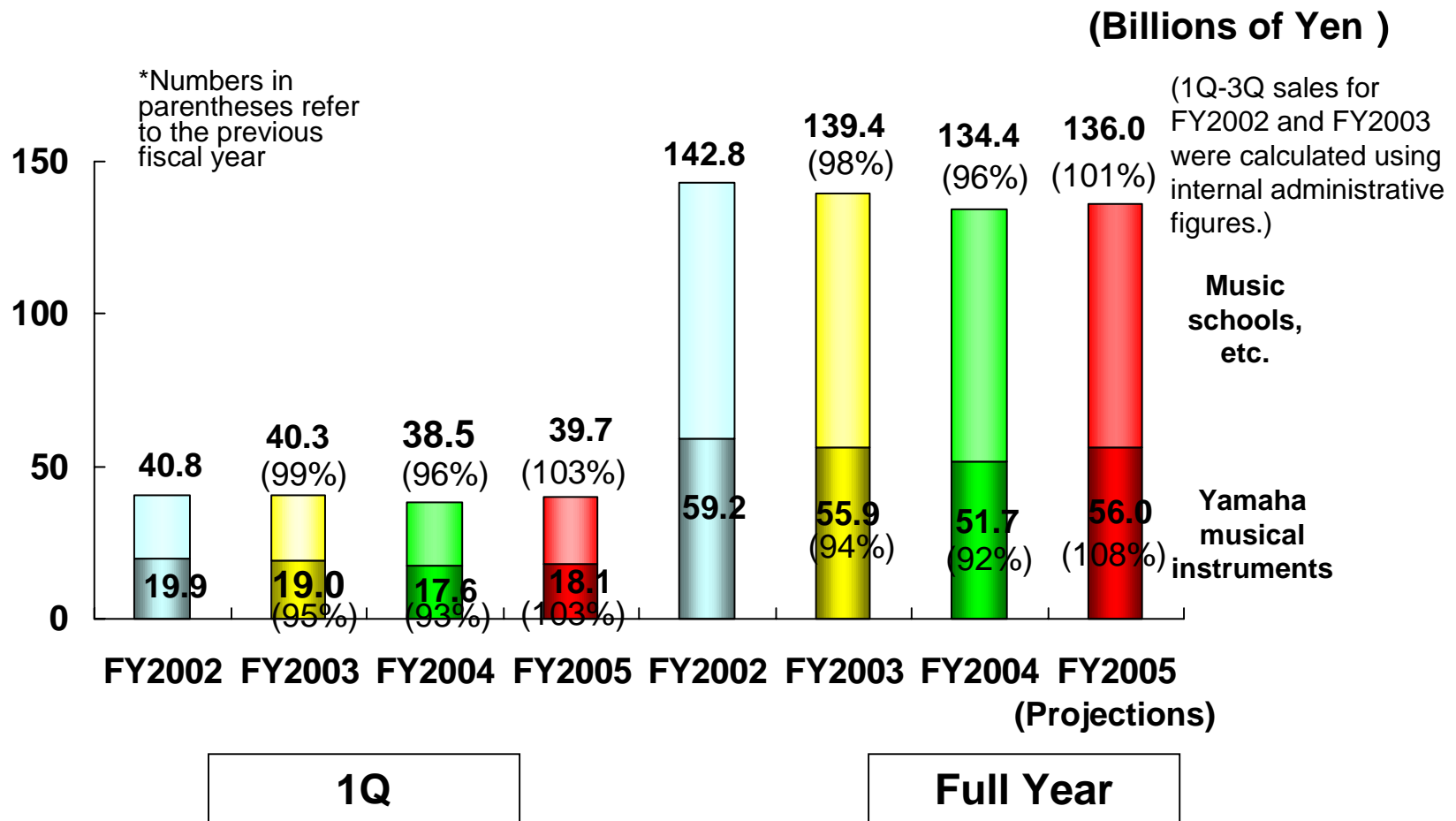
*Other liabilities include minority interests

Appendix

YAMAHA Musical Instrument Sales in the Japanese Market



In the 1Q of fiscal 2005, although piano sales declined due to slack demand, overall sales increased compared to 1Q fiscal 2004 thanks to the introduction of the “STAGEA™” Electone™. Electone™ sales are expected to increase through the end of fiscal 2005, resulting in increased segment sales compared with the previous fiscal year.

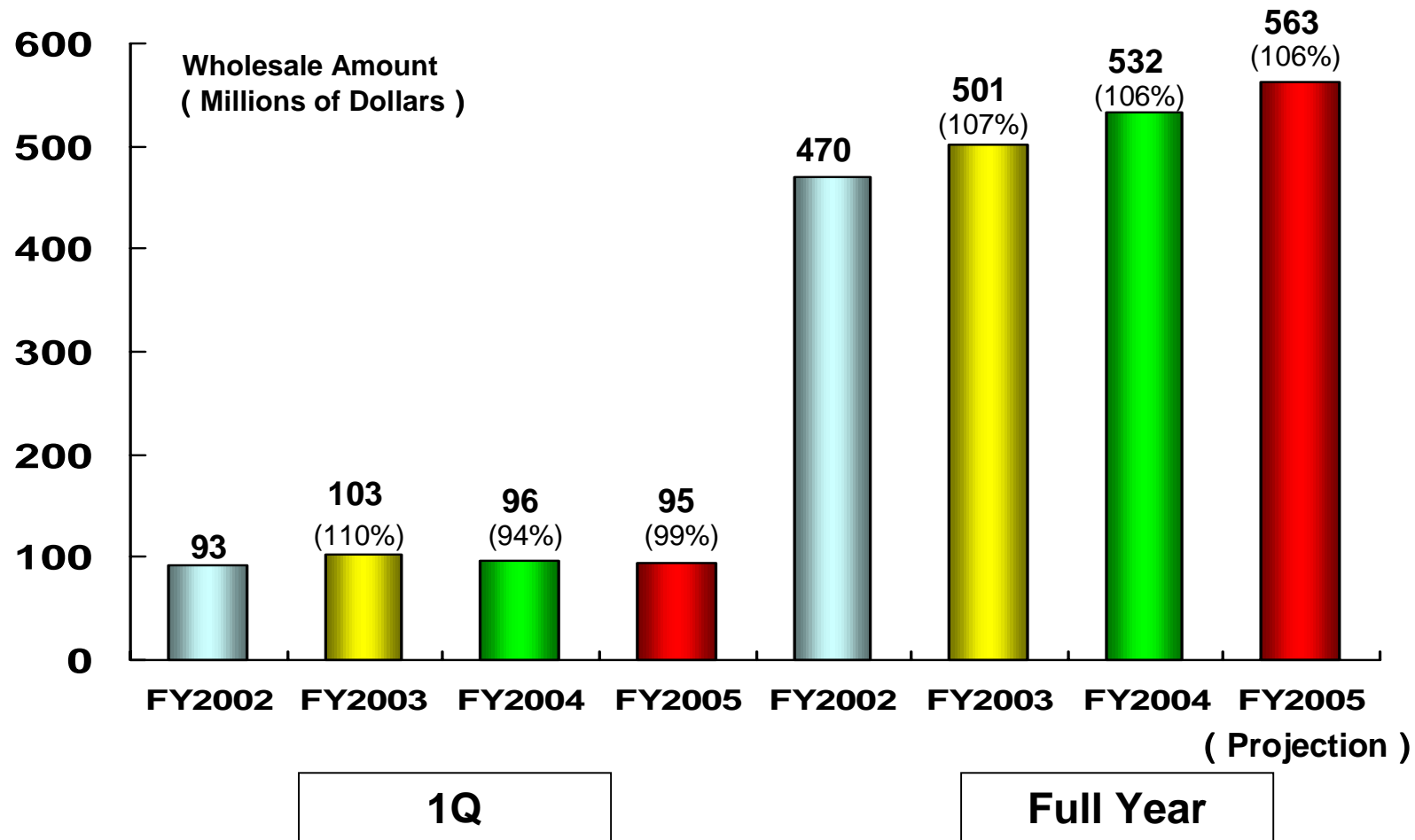


YAMAHA Musical Instrument Sales in the U.S. Market



In 1Q fiscal 2005, piano and electronic piano sales fell well short of expectations, reflecting inventory adjustments carried out by musical instrument retailers.

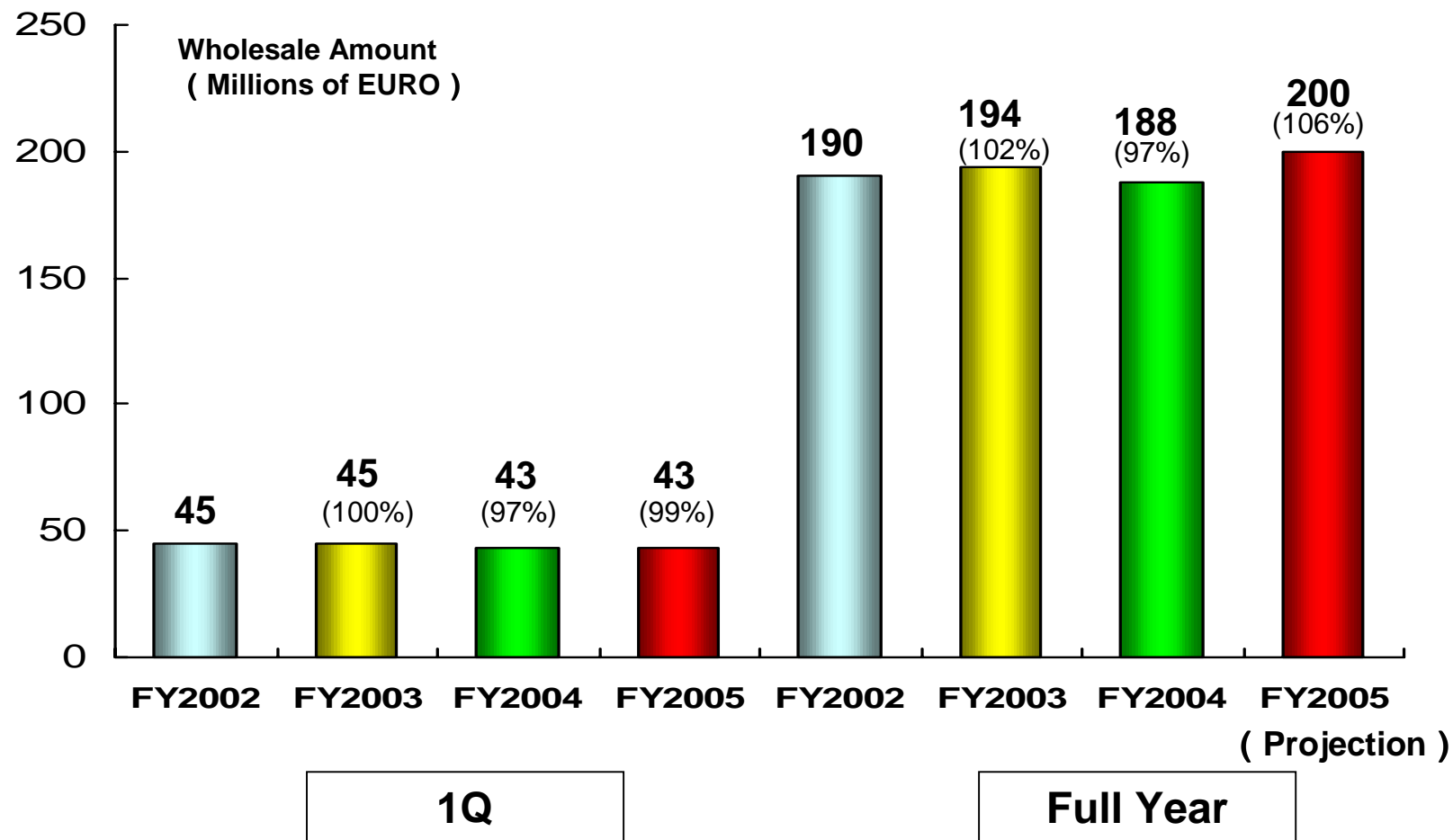
Starting in 2Q fiscal 2005, sales are expected to recover due to the introduction of new player pianos and other new products.



YAMAHA Musical Instrument Sales in the German Market



Consumption remained stagnant despite a partial economic recovery.
Despite large shipments to dealers, retail sales were weak.
Strong sales of new portable keyboards are expected.

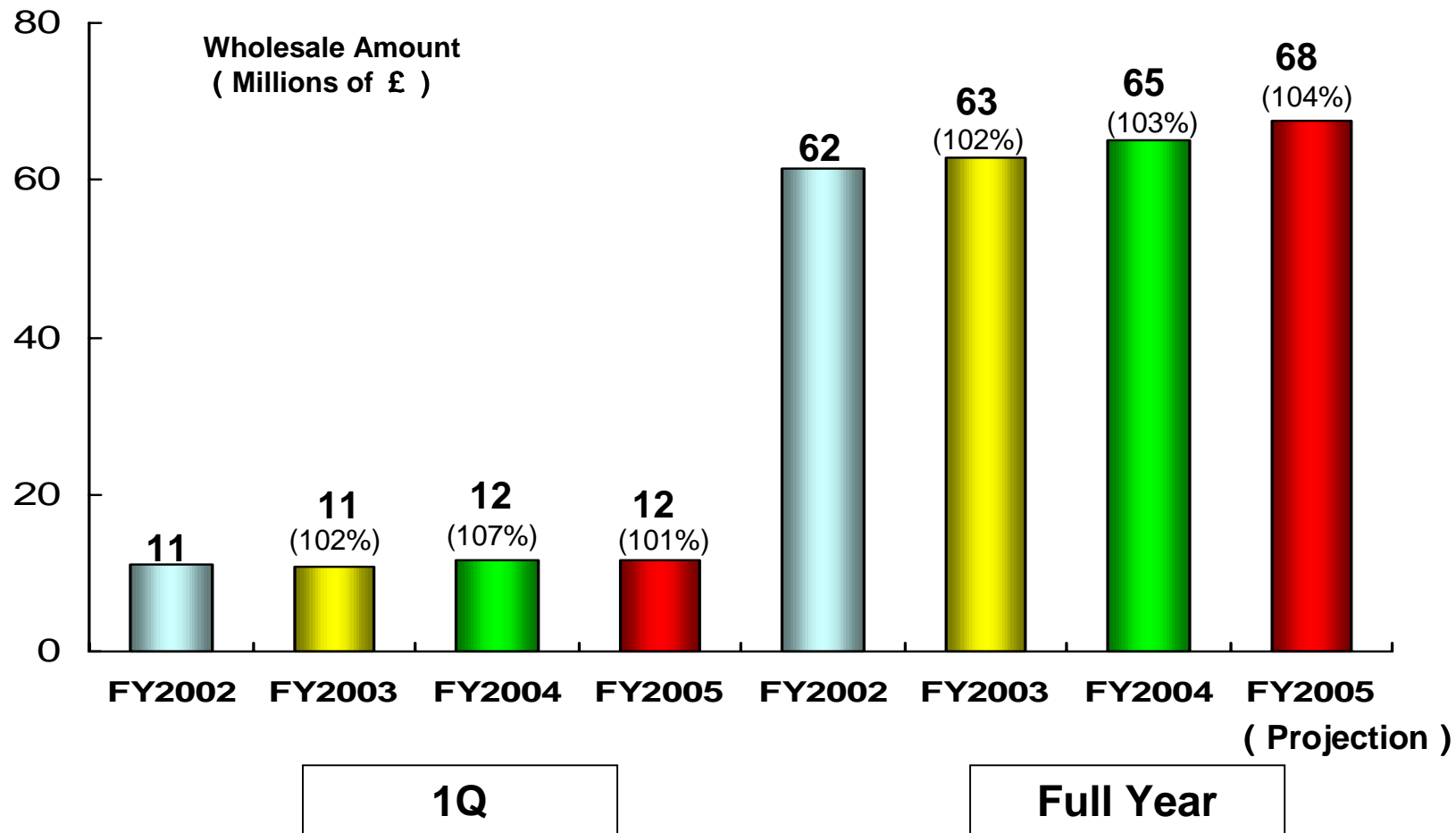


YAMAHA Musical Instrument Sales in the U.K. Market



Favorable piano sales were recorded thanks to price reductions and the launch of a program to sell wind instruments at schools.

Retail sales of electronic instruments were sluggish but are expected to recover due to a stable supply of new products.

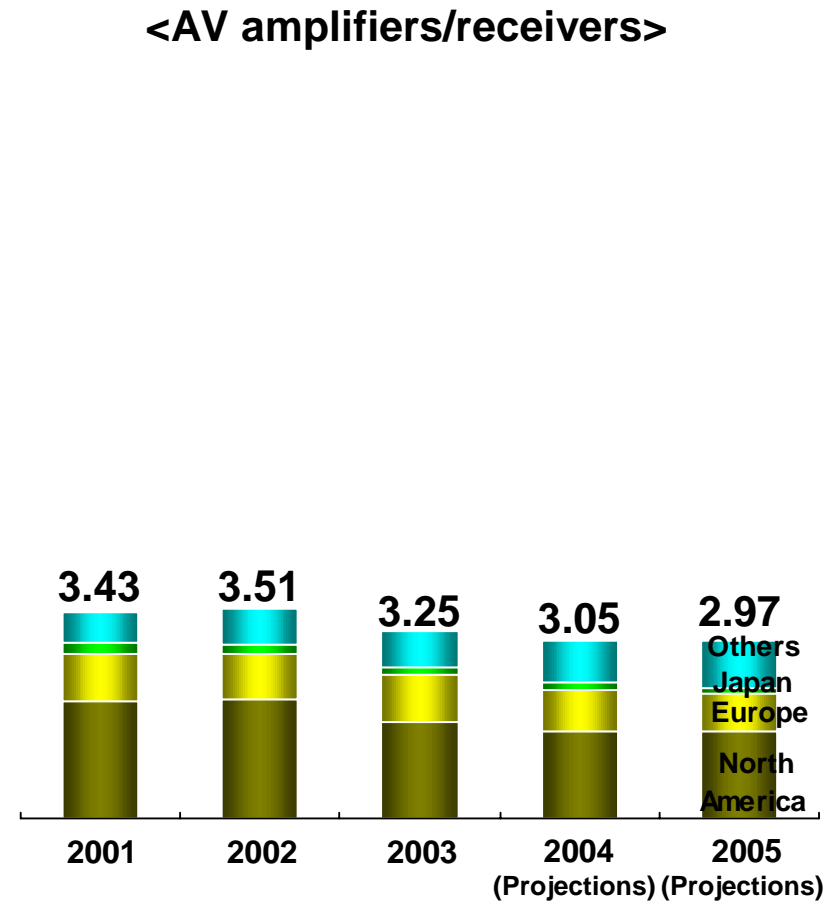
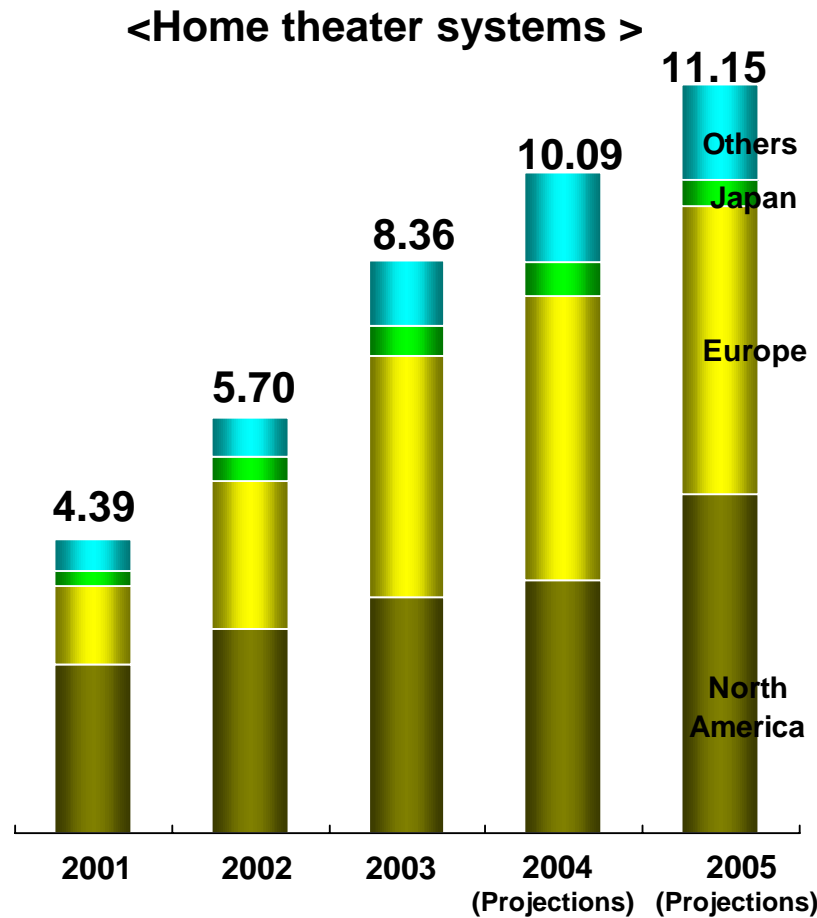


Scale of Global Market for Home Theater Products

(Home theater systems + AV amplifiers/receivers)



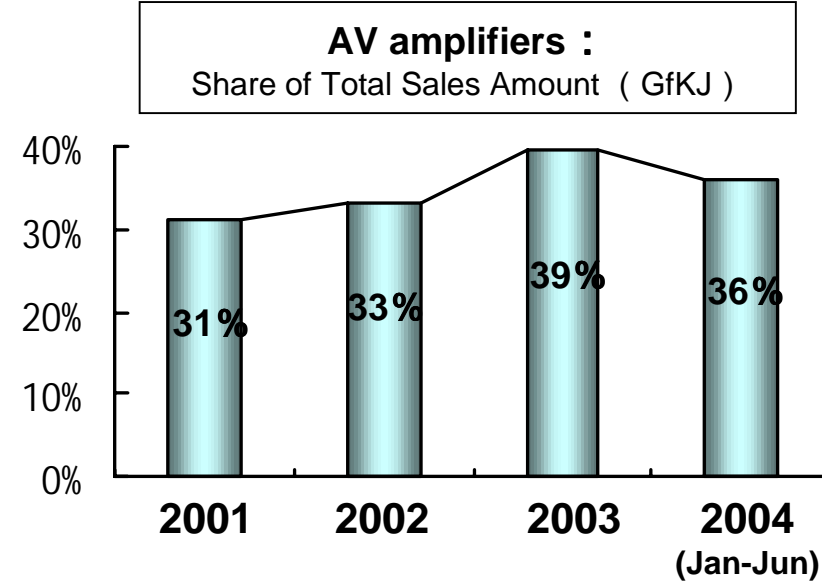
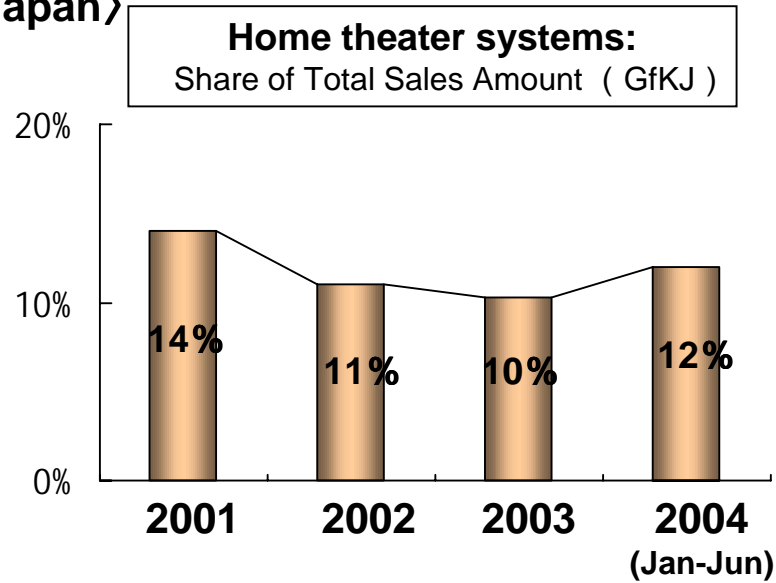
(Million Units)



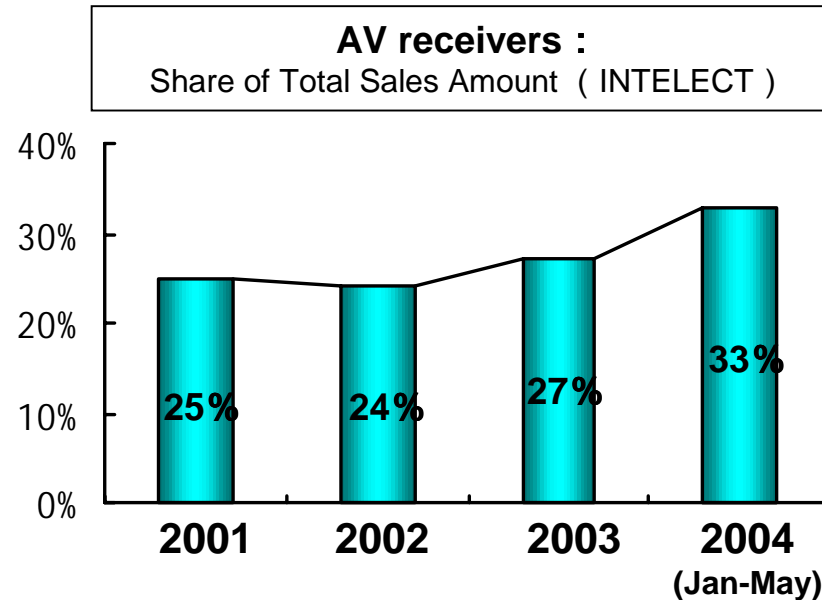
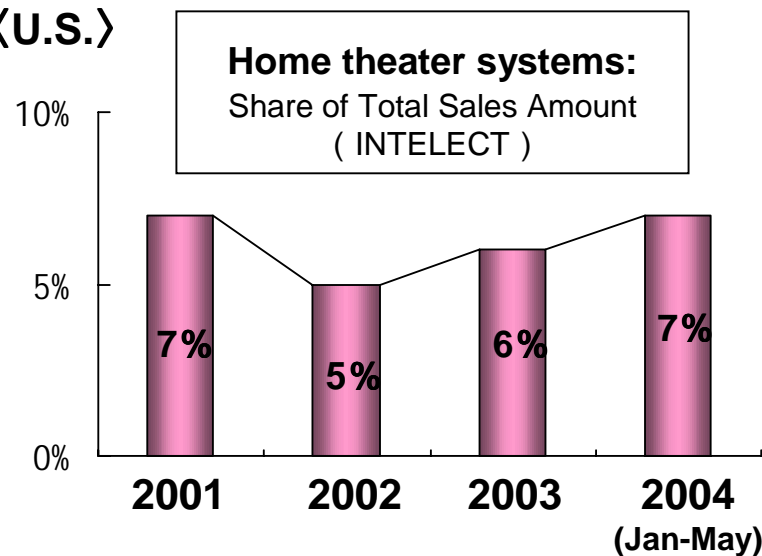
YAMAHA's AV Amplifier Market Share



〈Japan〉



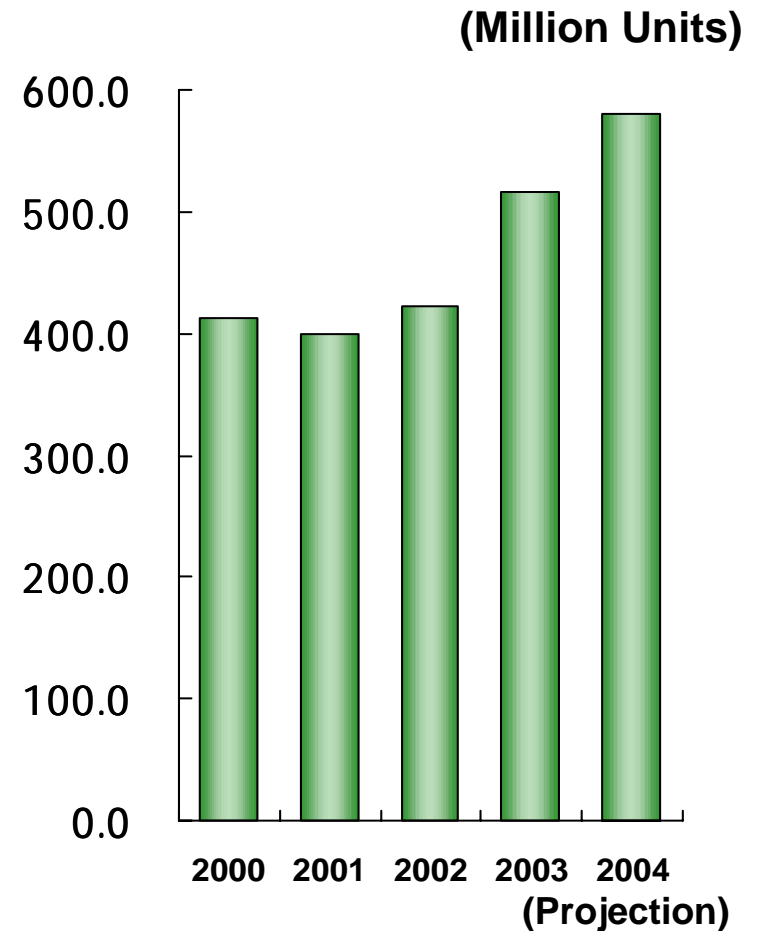
〈U.S.〉



Trends in the Global Market for Mobile Phones



- Unit sales of mobile phones will continue to increase (520 million units in 2003 →600 million units in 2004)
- In the developed European and U.S. markets, demand for mobile-phone replacements with colored displays, camera and other high-performance functions expected to grow
- Increased demand will fuel growth in the BRICs market
- Despite market growth in China, retailers will make adjustments to reduce inventory levels
- Nokia aims to regain lost market share by making dramatic price reductions



Source: Data Quest

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



	FY2004 1Q	FY2005 1Q	FY2005 1Q (Initial Projections)
(Billions of Yen)			
Non-Operating Income			
Equity method income	2.4	2.8	2.1
Net financial income (loss)	(0.1)	0.2	0.4
Other	(0.7)	(0.8)	(0.8)
Total	+ 1.6	+ 2.2	+1.7
Extraordinary Income(Loss)			
Income from (loss on) disposal of fixed assets		(0.1)	(0.7)
Other	0.1	(32.3)	(32.0)
		Impairment Loss (32.5)	Impairment Loss (32.0)
Total	+ 0.1	(32.4)	(32.7)
Corporate Income Tax and Other Expenses			
Corporate income tax, etc.	0.7	(2.7)	0.8
Minority interests in consolidated subsidiaries	0.1	0.1	0.0
Total	0.8	(2.6)	0.8

FY2005 Non-Operating Income /Extraordinary Income (Loss)



	FY2004	FY2005 (Projections)	FY2005 (Initial Projections)
(Billions of Yen)			
Non-Operating Income			
Equity method income	10.4	7.0	7.0
Net financial income(loss)	(1.0)	(0.4)	(0.6)
Other	(3.5)	(4.6)	(3.9)
Total	+ 5.9	+ 2.0	(2.5)
Extraordinary Income(Loss)			
Income from (loss on) disposal of fixed assets	(2.3)	(0.7)	(0.5)
Other	(1.2)	(7.8)	(7.5)
Total	(3.5)	(8.5)	(8.0)
<ul style="list-style-type: none"> •Social insurance fees for previous years payable upon transition to comprehensive remuneration system (0.9) •Payment of European Commission fines (0.3) •Gain on return of substitutional portion of pension plan 19.5 •Gain on disposal of assets etc. 5.0 •Loss on impaired assets (32.5) •Gain on return of substitutional portion of pension plan 19.5 •Gain on disposal of assets etc. 5.0 •Loss on impaired assets (32.0) 			
Corporate Income Tax and Other Expenses			
Corporate income tax, etc.	3.5	12.4	15.4
Minority interests in consolidated subsidiaries	0.5	0.6	0.6
Total	4.0	13.0	16.0

In this report, the figures forecast for the Company's future performance have been calculated on the basis of information currently available to YAMAHA and the YAMAHA Group.

Forecasts are, therefore, subject to risks and uncertainties. Accordingly, our actual performance may differ greatly 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.