New Medium-Term Business Plan
April 2007 – March 2010

April 6, 2007
Yamaha Corporation
1. YSD50 Review
Although the Company’s financial position improved, growth and profitability targets could not be met.

<table>
<thead>
<tr>
<th>FY2007.3</th>
<th>YSD50 Target</th>
<th>Results Announced Feb. 7, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥590 billion</td>
<td>¥542.5 billion</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥50 billion</td>
<td>¥26.0 billion</td>
</tr>
<tr>
<td>Net income</td>
<td>¥34 billion</td>
<td>¥30.5 billion</td>
</tr>
<tr>
<td>ROE</td>
<td>10.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>FCF (3-year)</td>
<td>¥60 billion</td>
<td>¥40.3 billion</td>
</tr>
<tr>
<td>Actual interest-bearing debt</td>
<td>zero</td>
<td>- ¥9.4 billion</td>
</tr>
<tr>
<td>Inventory</td>
<td>2.9 months</td>
<td>2.9 months</td>
</tr>
</tbody>
</table>
Review of YSD50 Results

Sales growth targets not achieved

Net Sales (billions of yen)

<table>
<thead>
<tr>
<th>FY2004.3</th>
<th>FY2005.3</th>
<th>FY2006.3</th>
<th>FY2007.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>90.9</td>
<td>78.3</td>
<td>293.4</td>
</tr>
<tr>
<td>Electronic equipment &amp; metal products</td>
<td>84.8</td>
<td>69.0</td>
<td>302.6</td>
</tr>
<tr>
<td>AV/IT</td>
<td>76.9</td>
<td>77.7</td>
<td>314.1</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>87.9</td>
<td>75.9</td>
<td>322.0</td>
</tr>
</tbody>
</table>

Change from FY2004.3 results

- Others: +3.0
- Electronic equipment & metal products: 0.0
- AV/IT: -17.0
- Musical instruments: +2.5

YSD50 results/projections

<table>
<thead>
<tr>
<th>FY2004.3</th>
<th>FY2005.3</th>
<th>FY2006.3</th>
<th>FY2007.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>534.1</td>
<td>534.1</td>
<td>542.5</td>
</tr>
<tr>
<td>Electronic equipment &amp; metal products</td>
<td>539.5</td>
<td>534.1</td>
<td>542.5</td>
</tr>
<tr>
<td>AV/IT</td>
<td>90.9</td>
<td>78.3</td>
<td>293.4</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>87.9</td>
<td>75.9</td>
<td>322.0</td>
</tr>
</tbody>
</table>

Change from YSD50 targets

- Others: +2.6
- Electronic equipment & metal products: -9.5
- AV/IT: -21.9
- Musical instruments: -6.3

YSD50 targets

<table>
<thead>
<tr>
<th>FY2004.3</th>
<th>FY2005.3</th>
<th>FY2006.3</th>
<th>FY2007.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>550.0</td>
<td>550.0</td>
<td>550.0</td>
</tr>
<tr>
<td>Electronic equipment &amp; metal products</td>
<td>590.0</td>
<td>550.0</td>
<td>550.0</td>
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<tr>
<td>AV/IT</td>
<td>103.0</td>
<td>98.0</td>
<td>93.5</td>
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<tr>
<td>Musical instruments</td>
<td>334.0</td>
<td>334.0</td>
<td>334.0</td>
</tr>
</tbody>
</table>

Sales growth targets not achieved

Review of YSD50 Results
Although musical instrument profitability is improving, overall targets were not met.
YSD50 Review

Reasons sales growth targets not achieved

Net Sales
(billions of yen)

- Target for piano sales not met in Japanese & North American markets
- Growth in demand for Electones below target
- Slow response to changes in guitar market

- Target for increase of home theater sales not met
- Weak progress with launch of new products (video equipment/MusicCAST)
- Sluggish sales in Japanese, Chinese and European markets

Musical instruments
- 12.0

AV/IT
- 26.0

Electronic equipment & metal products
± 0

Others
- 9.5

590.0

542.5

YSDD50 target
FY2007.3 projection (Feb. 7, 2007)

- Target for piano sales not met in Japanese & North American markets
- Growth in demand for Electones below target
- Slow response to changes in guitar market

- Target for increase of home theater sales not met
- Weak progress with launch of new products (video equipment/MusicCAST)
- Sluggish sales in Japanese, Chinese and European markets

Net Sales
(billions of yen)
YSD50 Review

Reasons income growth target not achieved

Operating Income (Billions of yen)

- Decline in gross profits due to sales and production targets not being met
- Unit prices and volumes of LSI sound chips for mobile phones lower than anticipated
- Recreation sales targets not met
- Slow to improve profitability of lifestyle-related products

YSD50 target

FY2007.3 projection
Summary

- There is no denying that sales and income targets were over-optimistic.

- Sales finished at decline of ¥47.5 billion (estimated), well below target. As a result, operating income was ¥24.0 billion (estimated) below target, half of the figure set in the medium-term business plan.

- All business segments except electronic equipment and metal products failed to meet sales targets. All business segments failed to meet operating income targets.

- Although the musical instrument business failed to meet targets, it is becoming more profitable.

- Operating income: Doubled to ¥21.0 billion (estimated) vs. FY2004.3
- Operating income margin: Improved approx. 3 points to 6.5% (estimated) vs. FY2004.3
Musical instrument business operating income target: ¥30 billion

Reasons Medium-Term Business Plan targets not achieved

- Decline in gross profits due to sales and production targets not being met
- Slow in taking steps to drop prices and differentiate products amid polarizing demand trends
  - Products made in China has penetrated into market more quickly than anticipated and the measures to the situation is behind.
  - Although efforts to expand sales of high-added-value products showed results for wind instruments, they were insufficient overall
  - Pianos: While new products were launched, targets were not met due to shrinking demand in North America and Japan
  - Electronic pianos: Market share of volume fell amid lower unit prices and expanding market
    Launched high-added-value initiatives aimed at sparking new demand such as design pianos, but full-scale roll-out was delayed
  - Guitars: Yamaha lacked presence and lost market share amid growing overall demand
- Delay in taking steps to expand demand for keyboard products in the Japanese market led to sluggish sales
Progress during Medium-Term Business Plan period

- Growth in professional audio (PA) equipment business
  - Progress in building platform for business expansion, e.g. alliance with Nexo, acquisition of Steinberg and Fuji Sound
  
- Growth in Chinese market
  - Progress in building sales network and music school platforms, continuing steady growth

- Growth in other regions
  (outside of Japan, Europe, North America and China)
  - In addition to expansion in emerging markets, took a larger share of the mature Korean market

- Revitalization of Japanese market
  - Steady investment in driving future growth through music schools and stores designed to draw in customers

- Manufacturing reforms
  - Reorganization of production bases to strengthen manufacturing capabilities is largely progressing according to plan

Musical instrument business operating income target: ¥30 billion

- 51% growth in 3 years, sales increased ¥10.4 billion (PA products)
- 33% growth in 3 years, sales increased ¥2.6 billion
- 40% growth in 3 years, sales increased ¥11.6 billion
Stabilization of income base in other core businesses

AV Business
Reasons Medium-Term Business Plan targets not achieved
- Shrinking home theater market and slow responses to market changes such as lower prices and fiercer competition
  - Home theater systems: No sales growth in the face of lower price competitiveness and shrinking market
  - Video equipment/MusicCAST: Weak progress with launch of new products
- Sluggish sales in Japan, Europe and China
  - Japan: Slow response to expansion of audio market in conjunction with growing market for flat-panel TVs
  - Europe: Slow in taking steps to compete with rivals in a highly competitive environment
  - China: Lack of market penetration for Yamaha brand

Progress during Medium-Term Business Plan period
- Improved profitability due to increased YSP sales and growth in sales of AV receivers and hi-fi equipment
  - Sales growth with development of mass merchandiser in the North American market
    Sales grew 14% in 3 years, increased ¥3.1 billion
YSD50 Review by Topic

Stabilization of income base in other core businesses

- Semiconductor business
  - Sales volumes and unit prices of LSI sound chips for mobile phones lower than anticipated
  - Insufficient growth in other product areas

All business units becoming profitable

- Lifestyle-related products business
  - Business restructuring reforms have begun and although targets were not met profitability has been achieved
- Recreation business
  - Although costs are being reduced, profitability could not be achieved due to targets for increased sales not being met
- Golf products business
  - Profitability has been achieved
  - Greater recognition of the "inpres" brand
2. New Medium-Term Business Plan
New Medium-Term Business Plan
(April 2007-March 2010)

Yamaha Growth Plan 2010
- Act & Change! -

The entire company acts as one to steadily implement
growth strategies and changes to shift into a growth phase!

Shift into a growth phase based on a stronger financial position
YGP2010: Redefining Business Domains

Before April 2007
- Core businesses (sound & music)
  - Musical Instruments/Audio
  - AV/IT
  - Semiconductors
  - Media-Related
- Lifestyle-related/leisure businesses (brand synergy)
  - Lifestyle-Related Products
  - Recreation
  - Golf Products
- Parts & materials businesses (technology synergy)
  - Electronic Metals
  - FA/Metallic Molds
  - Automobile Interior Wood Components

After April 2007
- The Sound Company
  - Musical Instruments/Audio/Music Entertainment
  - AV Equipment
  - Sound Networks
  - Semiconductors

Diversification businesses
- Lifestyle-Related Products
- PT
- Recreation
- Golf Products

Aim at growth focused on sound/music/audio field

Business fields aiming for active growth
Business domains utilizing original Yamaha technology and sense, whose sound operation helps boost group corporate value
YGP2010 Business Vision

“The Sound Company” business domain
Use sound/music/network technologies as a platform to drive group-wide growth by deepening, expanding and creating business in the fields of musical instruments/audio/music entertainment, AV/IT and devices

“Diversification” business domain
Inspired by the brand slogan "Creating ‘Kando’* Together," contribute to increasing group corporate value by utilizing the original technologies and sense built up in the course of Yamaha operations to secure a strong position in each industry and achieve sound business management

*Kando is a Japanese word that signifies an inspired state of mind
Identifying “The Sound Company” as a growth domain

Achieve growth by further reinforcing areas of strength focusing on musical instruments and expanding business in fields utilizing sound at their core (audio, sound/networks)

- Examples of "Sound Company" products and keywords relating to sound
Key Areas for Growth

**Music/Musical Instruments**
- Piano business (Total Piano Strategy)
- Guitar business
- Music entertainment business

**Audio**
- Professional audio business
- AV equipment business

**Sound networks**
- IP conferencing system business
- Semiconductor business (development of new devices)

**Market measures**
- Emerging markets
  - China
  - Russia

**Active commitment of management resources**
- Including strategic M&A and alliances

Achieving growth in "The Sound Company" business domain
Trends for Musical Instrument Products

Growth in music/musical instruments field

- Growth in various pianos
- Customer-oriented sales plans/marketing

- Electronic pianos 15%
- Wind instruments 4%
- Acoustic pianos 2%
- Drums 5%
- Guitars 10%

Electronic drums 14%

- Achieve stable growth
- Boost share of high-level products
- Maintain share of lower-priced products

Wind instruments 4%

- Achieve stable growth
- Increase volume in China
- Strengthen development of next-generation top-of-line models

Acoustic pianos 2%

- Achieve stable growth
- Increase volume in China
- Strengthen development of next-generation top-of-line models

Guitars 10%

- Rebuild platform for growth
- Prioritize quality and stable supply
- Target electric-acoustic guitar market in North America ($180 million market, 20% annual growth)

Drums 5%

- Achieve stable growth
- Strengthen position of mid- and high-level products
- Focus resources on electronic drums

Large-scale market

% indicates 3-year market growth rate assumed in new medium-term plan

% indicates 3-year market growth rate assumed in new medium-term plan

Market scale (Billions of yen) (wholesale basis)

*Market share and scale are the year 2006 estimation.
Piano Business

Efforts to expand piano business through Total Piano Strategy

- Rebuild piano line-up from customer perspective
  -- Supply the total range of pianos that customers want, regardless of acoustic/digital distinction
  - Merge acoustic and digital pianos to create new pianos that have the strengths of both
  - Acoustic pianos: aim even higher
    Digital pianos: offer value for money

Increase total piano business sales by ¥10 billion
(Current piano + electronic piano sales: approx ¥87.0 billion)
Guitar Business

Rebuild platform for growth

- Prioritize stable quality and boost manufacturing capabilities
  - Increase and strengthen production at Hangzhou Yamaha
    (100,000 -> 200,000 units per year)
  - Ensure stable quality and on-time delivery
  - Restructure Indonesian plant to specialize in guitars
    (500,000 -> 600,000 units per year)
  - Boost capacity and manufacturing capabilities for mid-level products

- Utilize Yamaha Artist Services Hollywood in product plans and marketing

- Focus resources on development of elemental technologies for electric-acoustic guitars (pick-up, DSP, and etc.)

3-year milestone: increase sales by ¥2 billion
(current sales: approx 12.0 billion)
Growth in North American Acoustic Guitar Market

Growth rate (1992-2005 average)
- Total acoustic: 8.5% per year
- Electric-acoustic only: 21% per year

Sales (wholesale) M$

118 360

1992 1997 2005

Acoustic guitars

Field we can display strength in Fusion of acoustic and digital technology

Electric-acoustic

20% of market

50% of market
Manufacturing Reforms

Reorganize and reinforce acoustic musical instrument production bases

China
Aim for quality, cost control and supply capability
- Hangzhou Yamaha
  - Increase piano production, establish integrated production systems
    - Upright pianos 50,000 units p.a.
    - Grand pianos 5,000 units p.a.
  - Launch guitar manufacturing to meet increased demand for production
    - 200,000 units p.a.
- Xiaoshan Yamaha
  - Establish systems for increased production of wind instruments
    - 128,000 units p.a.
  - Main factory for high-level drum products
    - 7,000 units p.a.

Plants scheduled to finish production
- Taiwan: guitars (Feb. 2007)
- North America: pianos (March 2007), wind instruments (April 2007)

Japan
Aim for mother factory functions, added value
- Kakegawa: Complete integration of piano production bases (2010)
- Toyooka/Saitama/Yamaha Music Craft, etc.: Continue pursuing creation of added value (wind, string & percussion)

Indonesia
Strengthen supply and manufacturing capabilities
- Yamaha Indonesia (YI): Equip for increased piano production and integrate production processes
  - Upright pianos 25,000 units p.a.
  - Grand pianos 7,500 units p.a.
- Yamaha Music Manufacturing Indonesia (YMMI): Specialize in guitars, expand into mid-level products
  - 600,000 units p.a.
Music Business

Full-scale entry into music entertainment business, establish business unit for this purpose

- Expand business through realignment and integration of music entertainment related business
  - Full lineup of operations including support for amateur activities, identifying/nurturing/backing of artists, producing content and supplying music to the market

Increase music entertainment business sales by ¥5 billion
Create ¥30 billion business in 5 years’ time
(current sales: approx. ¥12 billion)

Music school sales is not included in above-mentioned figure
(current sales: approx ¥43 billion)
Current Situation: Functions related to the music entertainment business are scattered across organization

**Marketing**
- YMM (publishing)
- YMC (CDs)

**Content (distribution)**
- Sales ¥6.0 billion
- Sales ¥1.5 billion
- Sales ¥3.9 billion

**Incubation**
- YMF ME Div.
- YMC

**Artist management**
- YMF ME Div.
- Content

Scale of Japanese market (2006 estimate)
- Music CDs approx. ¥500 billion
- Music distribution over Internet approx. ¥30 billion
- Music books/sheet music approx. ¥30 billion

Digital Content Business Division  |  ME Division, Yamaha Music Foundation  |  Yamaha Music Media Corporation  |  Yamaha Music Communications Co., Ltd.
Concentrate the total power of the Group!

Marketing

Listening to/playing (enjoying) music

Yamaha Music Entertainment Holdings Inc.

Creating/distributing music

Incubation

Artist Management

New artists
New content, etc.
Commercial Audio Equipment Business

More growth through expansion of business fields
- Speed up efforts to become a system solutions provider*

*Build capability to provide solutions utilizing digital network technology

- Provision of full-system products/network technology
- System design proposals/technology support

- Maintain No.1 position for mixers and strengthen business for output-type products (power amplifiers, speakers, etc.)

- Expand business into commercial installed sound market*
  *Music facilities without specialist operators, where the main purpose is offering services other than music (exhibition spaces, schools, banquet halls, restaurants, etc.)

Increase total professional audio (PA) product sales by ¥12 billion, with a focus on output-type products
(current sales: approx ¥30 billion)
Estimated Market Scale for Commercial Audio (CA) Equipment

(Worldwide wholesale value)

Production applications
Studios, broadcasters, etc.

Non-fixed live event applications
Concerts, events, etc.

Fixed facility applications
Specialist operator
(Theaters, U.S. churches, etc.)
No specialist operator
(Schools, hotel banquet halls, etc.)

B to B sales route (CA)

Music store sales route

[1] Expand product fields
Speakers, power amplifiers, processors
Current main business fields (focused on mixers)

[2] Expand target market

Commercial installed sound market

¥50 billion
¥60 billion
¥80 billion
¥60 billion
¥50 billion
¥80 billion

[1] Expand product fields
Speakers, power amplifiers
Current main business fields (focused on mixers)
AV Equipment Business

Concentrate product development resources on growth areas

Business Environment  (2006 shipment figures)

- Shrinking of existing home theater audio market
  - HT system market : 95% of previous year (11 million units)
  - AV amp/receiver market : 96% of previous year (3 million units)

- Rebound of hi-fi market
  - German hi-fi amp/receiver market: 99% of previous year (100,000 units)
    105% of previous year in value terms (€29M)
  - Japanese hi-fi amp/receiver market: 107% of previous year (88,000 units)

- Expansion of market surrounding flat-panel TVs

Aim for growth by concentrating development resources on
hi-fi amplifier, AV components, front surround speaker for
flat-panel TVs and new product fields (desktop audio, small-

scale commercial spaces, etc.)

Growth in audio field
AV Equipment Business

- Strengthen mid- and high-level products in the hi-fi market
  - No.1 share for mid- and high-level hi-fi amplifiers in terms of volume
  - Re-enter market for high-level hi-fi components
    - Lead with Soavo speakers and launch hi-fi amplifiers, CD players

<table>
<thead>
<tr>
<th>FY2007.3</th>
<th>FY2008.3</th>
<th>FY2009.3</th>
<th>FY2010.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on lower price range</td>
<td>High-level hi-fi speakers (Soavo series)</td>
<td>High-level hi-fi amps, SACD players</td>
<td>Mid-level hi-fi amps, SACD players</td>
</tr>
</tbody>
</table>

Increase sales by ¥3 billion
(current sales: ¥10.5 billion)

Growth in audio field
AV Equipment Business

- Growth in front surround speakers field
  - Increase sales by adding low-priced products with "AirSurround*" technology to existing YSP technology

  *Original sound field creation technology that uses two front speaker units to produce a natural and highly directional surround effect over a wide area.

<table>
<thead>
<tr>
<th></th>
<th>FY2007.3</th>
<th>FY2008.3</th>
<th>FY2009.3</th>
<th>FY2010.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>YSP technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aim for added value, develop new variations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Allow for various installation styles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Develop multifunctional units</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>AirSurround technology*</td>
<td></td>
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<td></td>
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<tr>
<td>Aim for value for money, develop new products as HTiB replacements</td>
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<tr>
<td>HTiB = Home Theater in a Box</td>
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</tbody>
</table>

Increase sales by ¥6 billion (current sales: approx. ¥7 billion)
AV Equipment Business

- Growth in new fields
  - Establish position in the desktop audio genre
  - Develop products utilizing compact, high-sound-quality technologies
    (SR-Bass, PowerStorage, etc.)
    Compact, stylish audio speakers for users of DAP and mobile music players
    Audio devices for business users of PCs
  - New advance into small commercial space business
    - Use core technologies (ArraySp, etc.) with theme of fusing sound and light

Increase sales by ¥3 billion
(current sales: approx. ¥0.3 billion)
IP Conferencing System Business

Rapidly establish new business unit

- Focus on volume sales in Japan & North America
  - Develop sales network
  - Develop e-sales (Internet-based proposals/sales/support)

Now
Sales: ¥0.1 billion
From Japanese market entry to development of sales channels
Establish marketing capability for North American market
Build production infrastructure in China

In 3 years’ time
Sales: ¥5 billion
Become key business unit in Sound Network Division and achieve growth

Growth in sound network field
# Scale of IP Conferencing System Market

*(Estimate of Current Market)*

<table>
<thead>
<tr>
<th></th>
<th>Conferences using special terminals</th>
<th>PC/Web conferencing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Video conferencing</td>
<td>Audio conferencing</td>
</tr>
<tr>
<td>Scale of world</td>
<td>¥70 billion</td>
<td>¥30 billion</td>
</tr>
<tr>
<td>market for terminals</td>
<td>(for microphones, speakers)</td>
<td></td>
</tr>
<tr>
<td>Annual market</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>growth rate</td>
<td></td>
<td></td>
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<tr>
<td>Existing Yamaha</td>
<td></td>
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<tr>
<td>products</td>
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<tr>
<td>PJP-300V</td>
<td></td>
<td>PJP-100H</td>
</tr>
<tr>
<td>(IP connection)</td>
<td></td>
<td>(USB connection)</td>
</tr>
<tr>
<td>PJP-300V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJP-100H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(IP connection)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJP-50R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PJP-100UH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(USB connection)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Semiconductor Business

Rapidly develop new devices and markets
- Turn business around by preserving strengths and attacking new areas -

- Reinforce foundations of LSI business for mobile phones
  - Strengthen integration of music replay and sound functions
  - Supply sound quality enhancement services to carriers and handset manufacturers

- Growth focused on "Smart AnaHyM" strategy
  - Concentrate investment on developing application devices in fields of strength
    - Develop full series of silicon microphones, boost competitiveness in digital amplifiers, etc.
  - Maximize use of Kagoshima Plant processes and strengthen manufacturing capabilities

Increase sales by ¥6.4 billion
(current sales: ¥38.6 billion)
Aim for operating income of ¥5 billion
"Smart AnaHyM"

Develop superior devices by reinforcing analog (Ana), hybrid (Hy) and MEMS (M) technologies and adding value with Yamaha’s strengths in the Smart technology field.

"Smart" added value
Signal processing
Acoustic audio

Hybrid technology

Analog technology
MEMS/sensor technology

Mobile phone, video camera, PC applications
Semiconductor Business: Sales/Operating Income Targets

(Billions of yen)

- **Growth in devices other than sound chips for mobile phones, with a focus on "Smart AnaHyM"**
  - FY2007.3 estimated: 38.6 billion yen
  - FY2007.3 target: 45.0 billion yen
  - LSI sound chips for mobile phones: 2.1 billion yen
  - Other devices: 5.0 billion yen

Note: The bar chart shows the estimated and target sales/income figures for fiscal years 2007.3 and 2010.3 for the semiconductor business, highlighting growth in devices other than sound chips for mobile phones, with a focus on "Smart AnaHyM".
Chinese Market

Rapidly build musical instrument sales network and strengthen marketing

- **Active investment**
  - Quantitative expansion of piano retail network
    - Core stores 200 -> 350
    - "Yamaha Corners" 70 -> 200
    - Create comprehensive stores with music schools in addition to sales of pianos/electronic keyboards/wind instruments
  - Build platform for music school business
    - 40 schools with 10,000 students
      (currently 6 schools with 1,300 students)
  - Expand functions of YDACC (Beijing)
    - Set up PA demonstration rooms in Shanghai/Guangzhou

**Piano sales targets for China (current levels)**

- Share: 10% (7%)
- Units: 30,000 (16,000)
Increase sales by establishing subsidiary in Russia

- Increase sales by boosting market recognition/customer trust
  - Build sales network to start direct wholesaling
  - Expand lineup of products for Russian market and conduct aggressive promotion campaign
  - Comprehensive lineup of musical instrument, PA and AV products

<table>
<thead>
<tr>
<th>FY2008.3</th>
<th>FY2009.3</th>
<th>FY2010.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>● August</td>
<td>● April</td>
<td>Subsidiary sales ¥9 billion</td>
</tr>
<tr>
<td>Establish subsidiary</td>
<td>Direct wholesaling of all products (musical instruments/PA/AV)</td>
<td></td>
</tr>
<tr>
<td>● September</td>
<td>Kick off business with CA products</td>
<td>(Current musical instrument + AV wholesale value: approx. ¥3.5 billion)</td>
</tr>
</tbody>
</table>
Active Approach to Strategic M&A and Business Alliances

Seek out growth opportunities focused on The Sound Company business domain

Basic policy for M&A and alliances
- Take the lead in examining/building optimum partnerships with a view to growth in The Sound Company business domain

Existing examples
- Complementing Yamaha technologies, sales networks and production bases
  - NEXO: Strengthened ability to propose system solutions by adding Nexo speaker products
  - Fuji Sound: Reinforced/expanded Japanese professional audio equipment business
- Developing more comprehensive product portfolio in fields where Yamaha’s market share is low
  - Steinberg: Enhanced product portfolio in the music production field

Strengthen M&A unit responsible for this activities
Select and Focus in Recreation Business

Focus on two facilities and concentrate management resources

- Transfer four facilities (Toba Hotel International, Nemunosato, Kiroro and Haimurubushî) to Mitsui Fudosan Co., Ltd. for new development

- Aim to enhance profitability and contribute to Yamaha brand value by utilizing special Yamaha features at the two remaining facilities (Tsumagoi and Katsuragi-Kitanomaru)
  - Tsumagoi
    - Create a facility that embodies the concept of Yamaha as a sound and music company
  - Katsuragi-Kitanomaru
    - Contribute to corporate value by providing the highest levels of service

Diversification businesses domain
Strengthen Lifestyle-Related Products Business

Boost corporate competitiveness in line with the business environment

- Reorganize and enhance product structure into three business units (BUs)
  - Boost competitiveness of platform BU (80% of sales)
  - Reduce number of models and standardize parts and materials
  - Construct profitable business model with high-level easy-order BU and top-level order-made BU
- Fundamental reform of production structures
  - ¥3 billion cost reduction through improved productivity and reduced labor costs
  - Build up core competencies in manufacturing
    - Implement and develop marble craft strategy (artificial marble craftsmanship)
- Sales reforms to boost customer numbers
  - Establish remodeling-oriented business
  - Enhance and make optimum use of showrooms (expand number of showrooms from 38 to 50)
Reorganize and Reinforce Productive Technology Business

Growth in FA/Mold/Component Businesses

- Concentrating the business on Yamaha Fine Technologies Co., Ltd. (YFT)
  - Expand business field through continual reduction of cost in component and metallic molds businesses and development of mass production technology for compound components
  - Start development of new fields in FA business
  - Generate synergy through transfer of automobile interior wood components business to YFT
  - Expand thermoelectric module (TEC) and lens businesses
### YGP2010 Targets

#### FY2010.3 Targets

<table>
<thead>
<tr>
<th></th>
<th>Yamaha Group</th>
<th>“The Sound Company” business domain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥590.0 billion</td>
<td>¥493.0 billion</td>
</tr>
<tr>
<td></td>
<td>3-year sales growth rate: 8.8%</td>
<td>3-year sales growth rate: 14.0%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>¥45.0 billion</td>
<td>¥39.5 billion</td>
</tr>
<tr>
<td></td>
<td>Operating income margin: 7.6%</td>
<td>Operating income margin: 8%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td>3-year ¥55.0 billion</td>
<td></td>
</tr>
</tbody>
</table>
YGP2010 Net Sales Targets

Net Sales

(Billions of yen)

FY2007.3 (estimated) FY2010.3

Musical instruments

AV/IT

Lifestyle-related products

Semiconductors

Recreation

Others

The Sound Company business domain

Diversification business domain

*Including ¥16.4 billion from electronic metal products business

* Including ¥16.4 billion from electronic metal products business
YGP2010 Operating Income Targets

Operating Income

(Billions of yen)

FY2007.3 (estimated) FY2010.3

-1.5 0

Musical instruments

30.0

Recreation

Diversification business domain

The Sound Company business domain

AV/IT

5.0

Semiconductors

Diversification business domain

Others

2.5

Lifestyle-related products

3.0

FY2010 Operating Income Targets (Billions of yen) Diversification business domain

Lifestyle-related products

2.1

Others

2.5

Diversification business domain
YGP2010 Capital Expenditure Targets

Capital Expenditure
(Billions of yen)

71.0
16.3
13.1*
3.8
37.8

74.0
13.6
9.1
6.2
45.1

Diversification business domain
Semiconductors
AV/IT
Musical instruments

The Sound Company business domain

Major investment (Billions of yen)
Piano production facilities/molds 5.6
Expansion of Hangzhou plant 0.8
Construction of new Ginza store 7.0
Semiconductor production-related 3.3

*Including ¥4.6 billion for 0.18μ process development/responding to increased production

3-year YSD50 (estimated)
3-year YGP2010
In this report, the figures forecast for the Company’s future performance have been calculated on the basis of information currently available to Yamaha and the Yamaha Group.

Forecasts are, therefore, subject to risks and uncertainties. Accordingly, actual performance may differ greatly from our predictions depending on changes in our operating and economic conditions, demand trends, and the value of key currencies, such as the U.S. dollar and the euro.