

**Analyst and Investor Briefing on
the First Quarter of the Fiscal Year
Ending March 31, 2007 (FY2007.3)**

**August 3, 2006
YAMAHA CORPORATION**

- **Net sales were slightly below initial projections. Although they rose ¥2.6 billion year-on-year, sales actually declined slightly if the effect of exchange rates (¥3.3 billion) is discounted.**
Musical instruments: Largely in line with the first quarter of the previous year if the effect of exchange rates is discounted. Sales lower than initial projections.
AV/IT products, electronic equipment/metal products and lifestyle-related products: Sales down year-on-year, but higher than initial projections.
- **Operating income in the core businesses of musical instruments, AV/IT products, electronic equipment/metal products was higher than initial projections, maintaining almost the same level as the first quarter of the previous year overall.**
- **The impact of foreign exchange rates on operating income in the first quarter was ¥500 million higher than the initial projection and up ¥900 million year-on-year, chiefly due to the strength of the euro.**
- **At the end of the quarter, inventory levels remained largely unchanged year-on-year, but they actually declined if the effect of exchange rates (¥3.0 billion) is discounted, and they were ¥5.6 billion higher than initial projections.**
While musical instrument inventories were in line with initial projections, AV product inventories rose, partly due to accelerated production of some items because of enhanced production capabilities.

Performance in the First Quarter



➤ Operating income was higher than initially projected on April 28, while sales reflected initial projections

Sales increased year-on-year, while operating income remained at the same level

(Billions of yen)

| | FY2006.3 (1Q) | FY2007.3 (1Q) | Change from same period of previous year | Initial projections | Change from initial projections |
|------------------|------------------|------------------|---|------------------------|---------------------------------------|
| Net sales | 124.1 | 126.7 | + 2.1% | 126.9 | - 0.2% |
| Operating income | 6.9 | 6.7 | - 2.1% | 3.8 | +77.1% |
| Recurring profit | 11.6 | 12.7 | + 9.2% | 7.1 | +78.4% |
| Net income | 9.8 | 10.0 | + 1.9% | 6.5 | +54.2% |

Equity method income 5.3 6.4 3.9

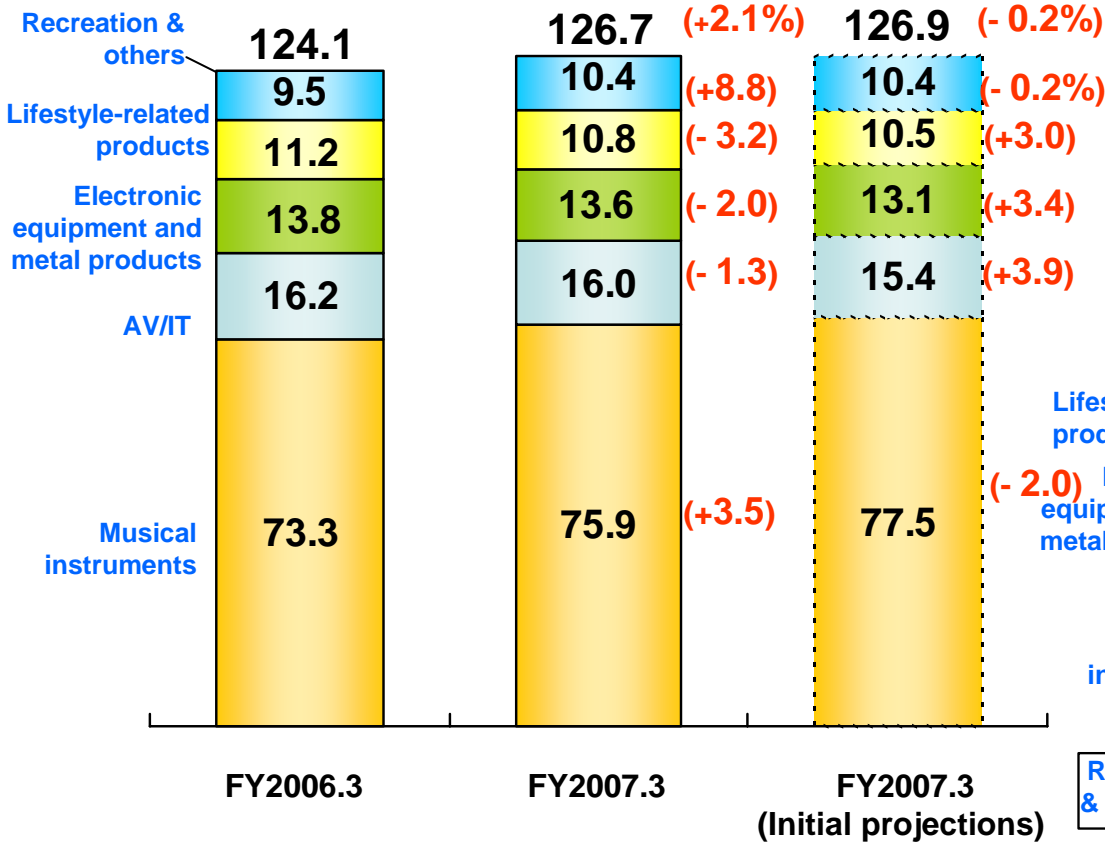
Currency exchange rates

| | | | | |
|------------------|------|-----|-----|-----|
| Net sales | US\$ | 108 | 115 | 115 |
| | EUR | 135 | 144 | 134 |
| Operating income | US\$ | 107 | 115 | 115 |
| | EUR | 134 | 139 | 134 |

Results by Business Segment in the First Quarter

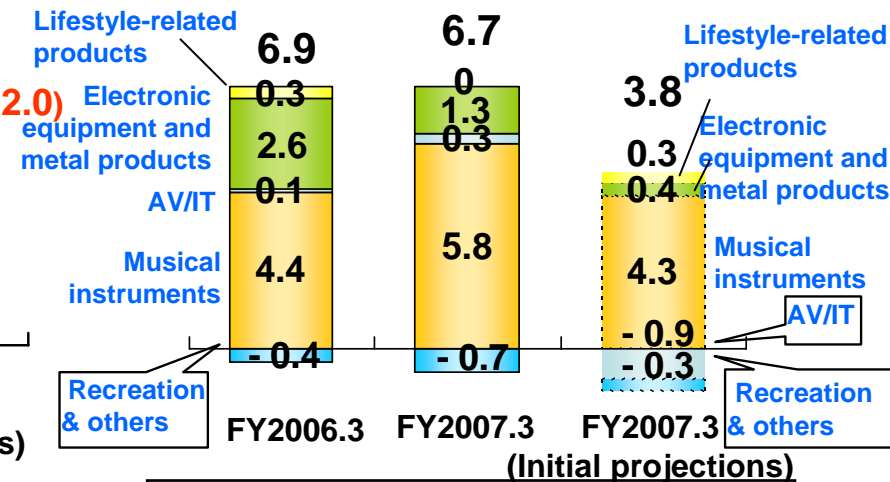


Net Sales



Operating Income

(Billions of yen)



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

Impact of exchange rates

Year-on-year: +¥3.3 billion (musical instruments +¥2.5 billion, AV/IT +¥0.8 billion)

Versus initial projections: +¥1.3 billion (musical instruments +¥1.0 billion, AV/IT +¥0.3 billion)

Impact of exchange rates

Year-on-year: +¥0.9 billion (musical instruments +¥1.0 billion, AV/IT -¥0.1 billion)

Versus initial projections: +¥0.5 billion (musical instruments +¥0.3 billion, AV/IT +¥0.1 billion)

Forecast of Business Performance in FY2007.3 (Full Year)



➤ Full year forecasts remain unchanged from the initial projections

(Billions of yen)

| | FY2006.3 (Previous Year) | FY2007.3 (Projections) | Change |
|------------------|-----------------------------|---------------------------|--------|
| Net sales | 534.1 | 546.0 | +2.2% |
| Operating income | 24.1 | 25.0 | +3.7% |
| Recurring profit | 35.2 | 35.0 | - 0.6% |
| Net income | 28.1 | 28.0 | - 0.4% |

Currency exchange rates

FY2006.3
(Previous Year) FY2007.3
(Projections)

| | | | |
|------------------|------|-----|-----|
| Net sales | US\$ | 113 | 115 |
| | EUR | 138 | 134 |
| Operating income | US\$ | 113 | 115 |
| | EUR | 135 | 134 |

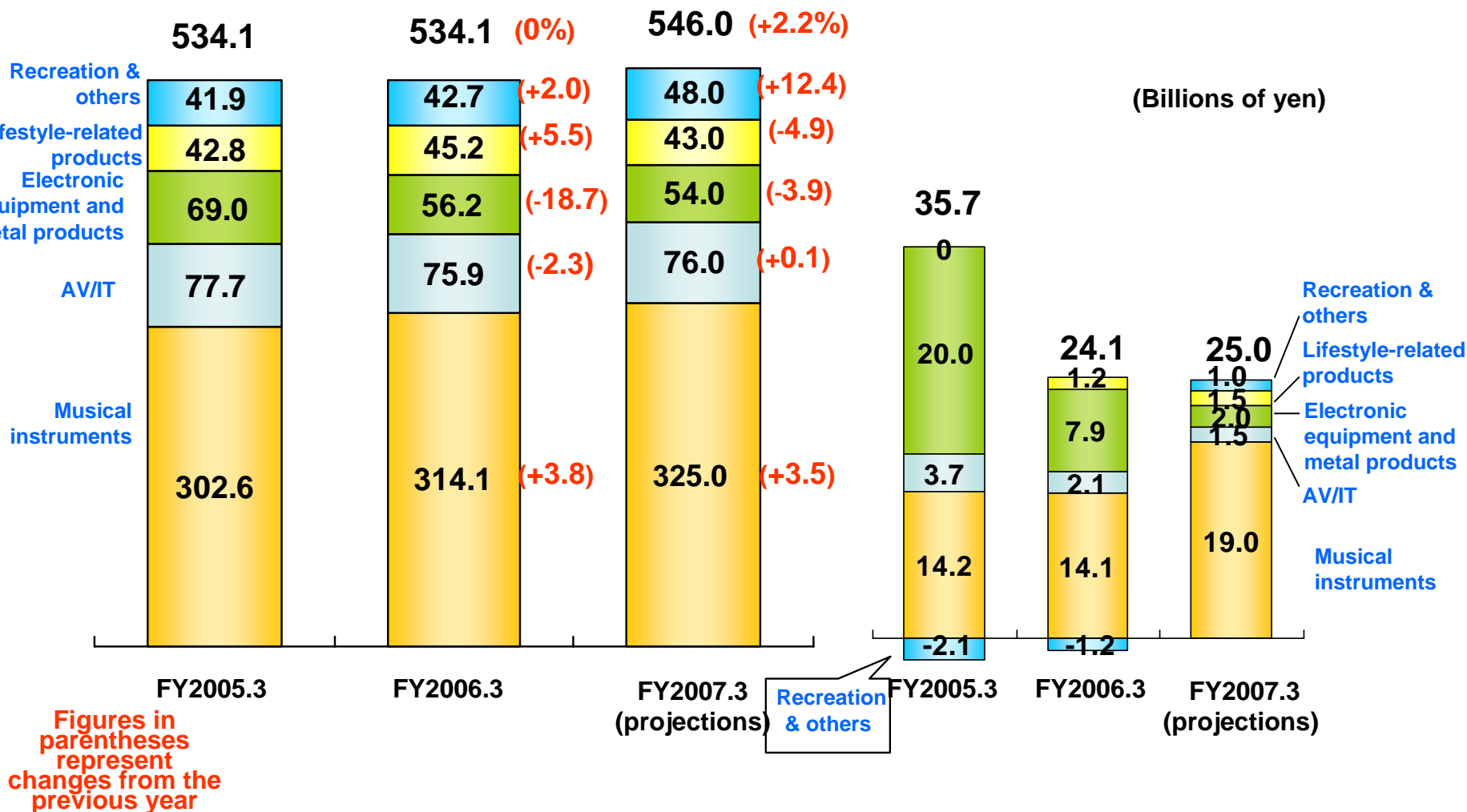
FY2007.3 (Full Year) Results by Business Segment



Net Sales

Operating Income

(Billions of yen)



Musical Instruments

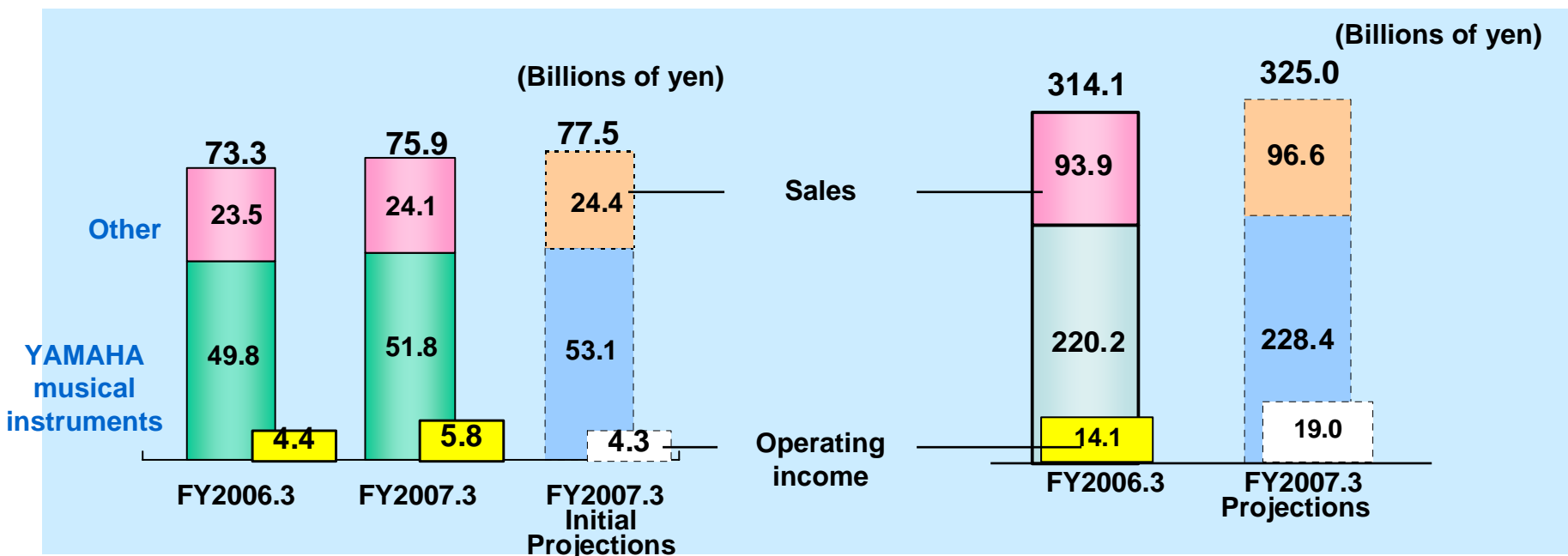


1Q Overview

- Excluding the impact of exchange rate fluctuations, net sales in the first quarter were at a similar level to the previous year, but 3.3% below initial projections. In particular, sales were below expectations in Europe and the U.S. Sales remained robust in Korea and China.
- Wind instruments and professional audio equipment continued to sell well.
- Inventory levels at the end of the first quarter were largely in line with projections. Year-on-year, inventory declined by ¥3.8 billion after currency exchange adjustments.

FY2007.3 Projections and Priority Policies

- Steadily launch new products in time for Christmas sales push
- Strengthen and expand CA business
- Aim at recovery in the U.S. market. In Europe, boost share in key countries and push ahead with strategies for sales increase in expanded E.U. market
- In Japan, reinforce responses to market changes
- Push ahead with structural reform of manufacturing, including reorganization of production bases

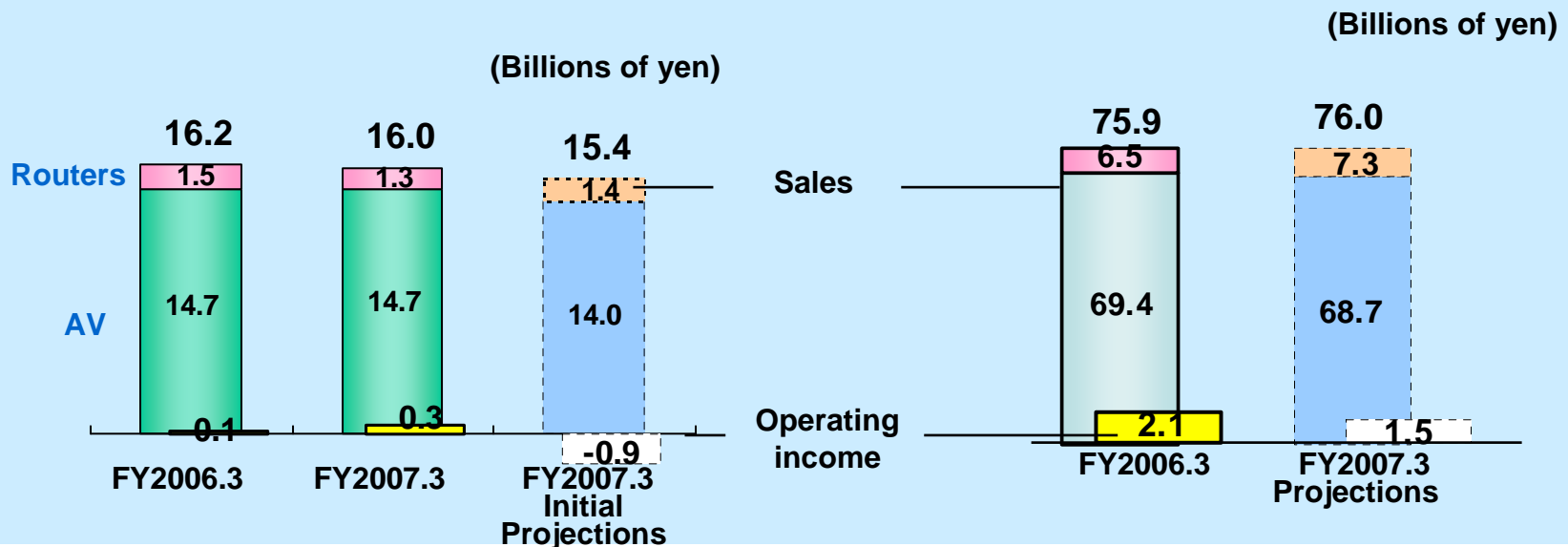


1Q Overview

- Excluding the impact of exchange rate fluctuations, first quarter sales were 1.9% above the initial projections and 6.3% lower than the same quarter of the previous year. While AV sales in Japan were sluggish, they were steady in Europe and the U.S. Competition heated up in the router segment.
- YSP shipments were steady (first quarter sales amounted to ¥1.4 billion).
- Due in part to accelerated production of some items, inventories at the end of the first quarter increased year-on-year and compared to initial projections.

FY2007.3 Projections and Priority Policies

- Continue growth of AV business
 - Strengthen and expand YSP business
 - Expand sales of AV receivers
 - Increase sales of Hi-Fi
 - Launch new product types
- Aim at steady growth in router sales through stronger product lineup
- Develop sales channels for IP conferencing systems



Electronic Equipment and Metal Products

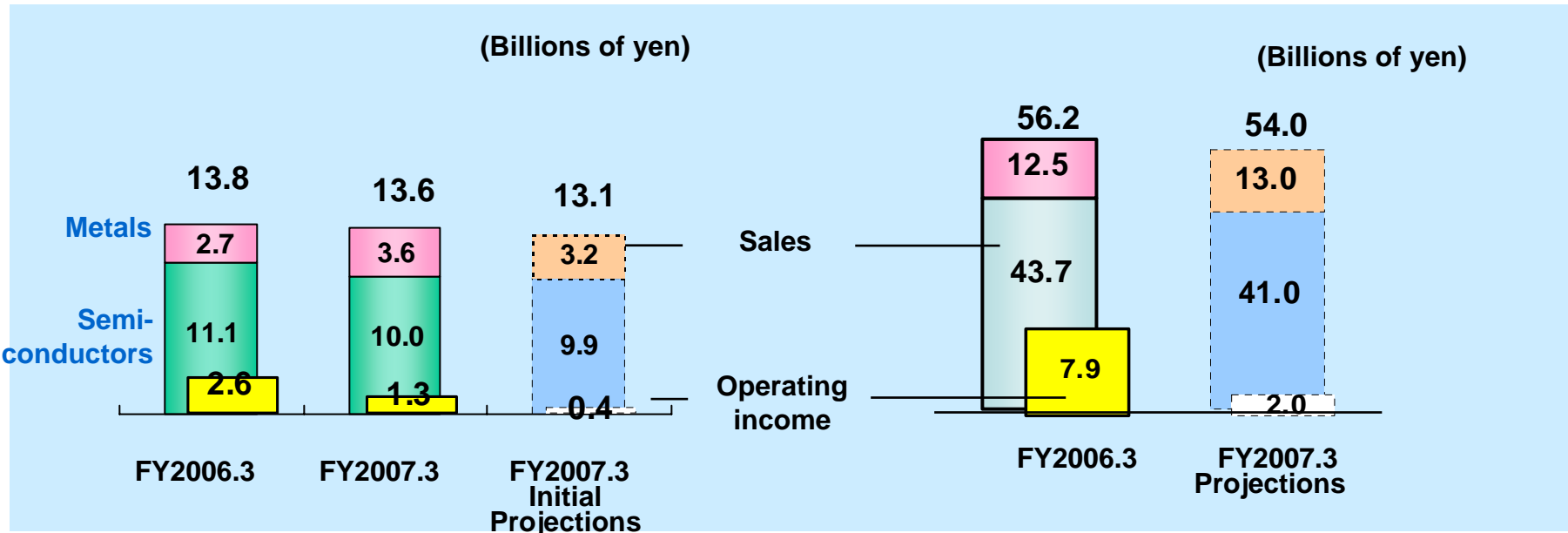


1Q Overview

- Although first quarter sales and operating income exceed initial projections, operating income was half that recorded in the same quarter of the previous year.
- Results for LSI sound chips for mobile phones were affected by falling demand.
- Although sales of electronic metals were below expectations in volume terms, price changes accompanying increased materials prices meant that they exceeded initial projections. Operating income increased.

FY2007.3 Projections and Priority Policies

- Secure sales through shift to high added-value LSI sound chips for mobile phones
- Increase sales of existing LSI products for applications other than mobile phones, e.g. chips for pachinko machines
- Develop new devices matched to the market environment
- Compared to initial projections the market for electronic metal materials has recovered slightly. Enhancing profitability through further reductions in production costs is a key issue.



Lifestyle-related Products



1Q Overview

- Although first quarter sales exceeded initial projections, price competition became fiercer and operating income declined.

- System kitchens continued to sell well.

Although bathroom sales exceeded initial projections, decrease in unit price continued and results were down year-on-year

FY2007.3 Projections and Priority Policies

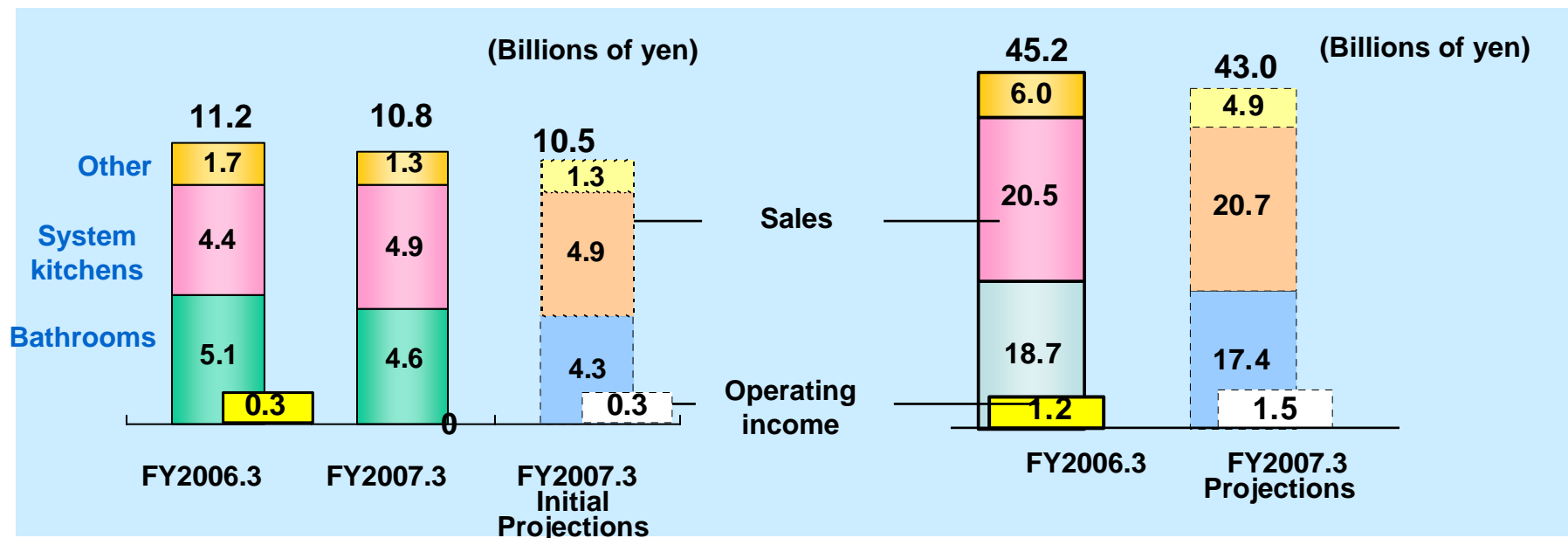
- Steady launch of new autumn products

- Kitchens in the low-price range

- Bathrooms for apartment remodeling

- Strengthen capabilities in the growing remodeling market

- Continue cutting production costs and improving quality

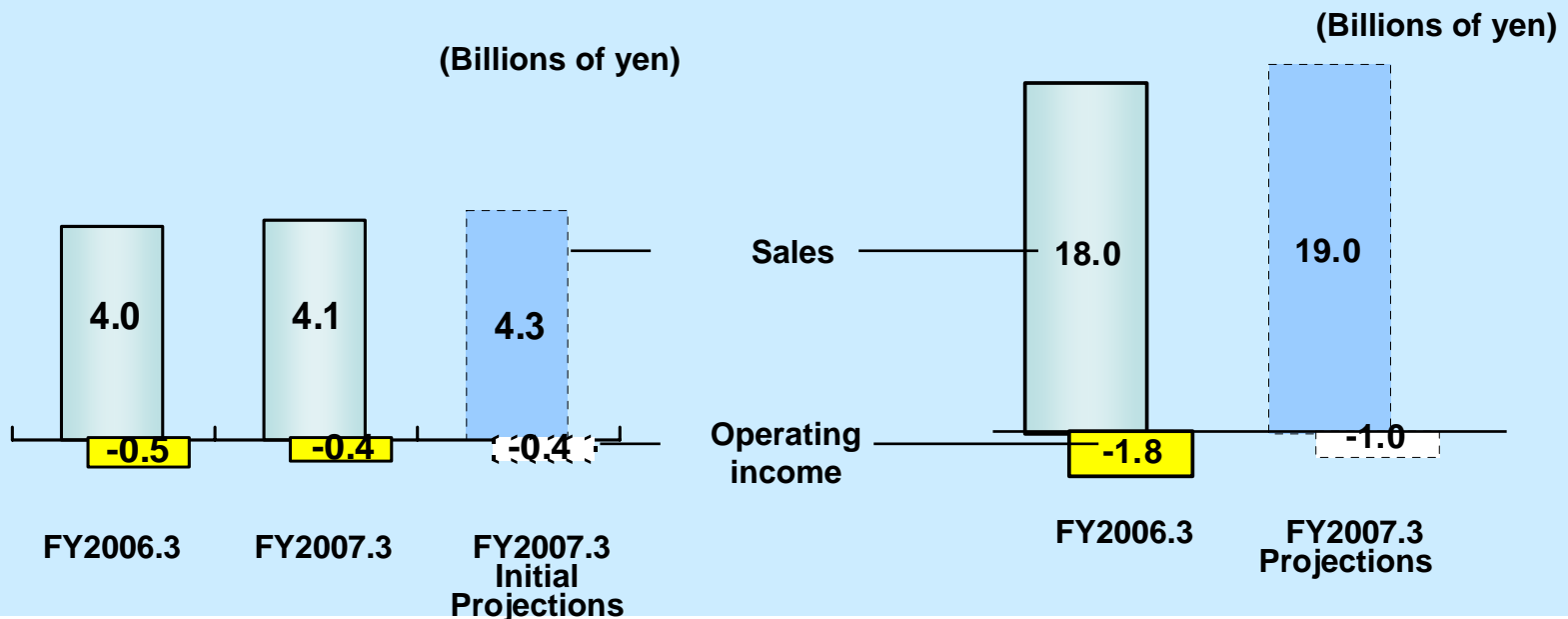


1Q Overview

- Although first quarter sales were below expectations, both accommodation sales and day-tripper numbers increased year-on-year. Sales in the revenue from golf course and bridal business declined.
- Operating losses were reduced compared to the first quarter of the previous year. In addition to increased sales, depreciation declined (down ¥120 million).

FY2007.3 Projections and Priority Policies

- In addition to boosting sales by attracting more customers, aim to further reduce operating losses through rationalization of expenses and reduced depreciation

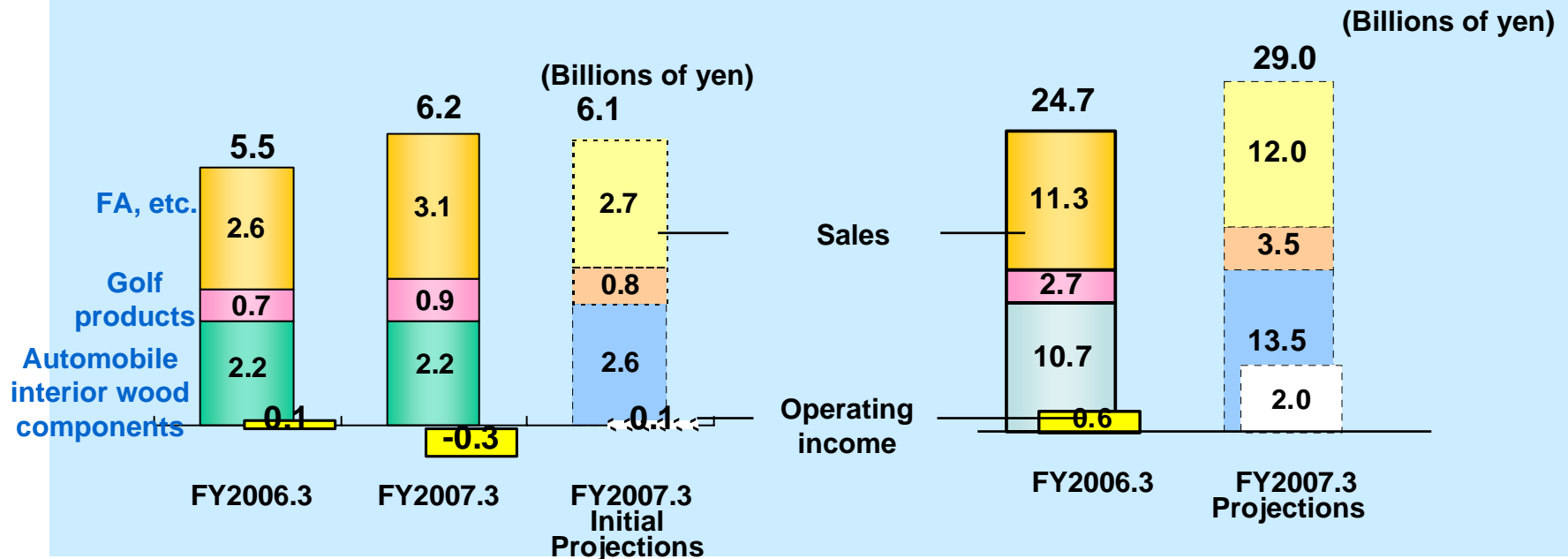


1Q Overview

- Sales of golf products and magnesium molded parts were higher than both initial projections and the same quarter of the previous year. Shipments of golf products to Korea and Hong Kong increased.
- Orders for automobile interior wood components declined. Sales were below initial projections due to postponement of orders by leading finished-product manufacturers.
- Operating income was below initial projections due to deterioration in gross profit on sales resulting from reduced production of automobile interior wood components.

FY2007.3 Projections and Priority Policies

- Securing production volume for automobile interior wood components is the key to meeting full-year targets
- For magnesium molded parts, the focus is on reducing production costs.



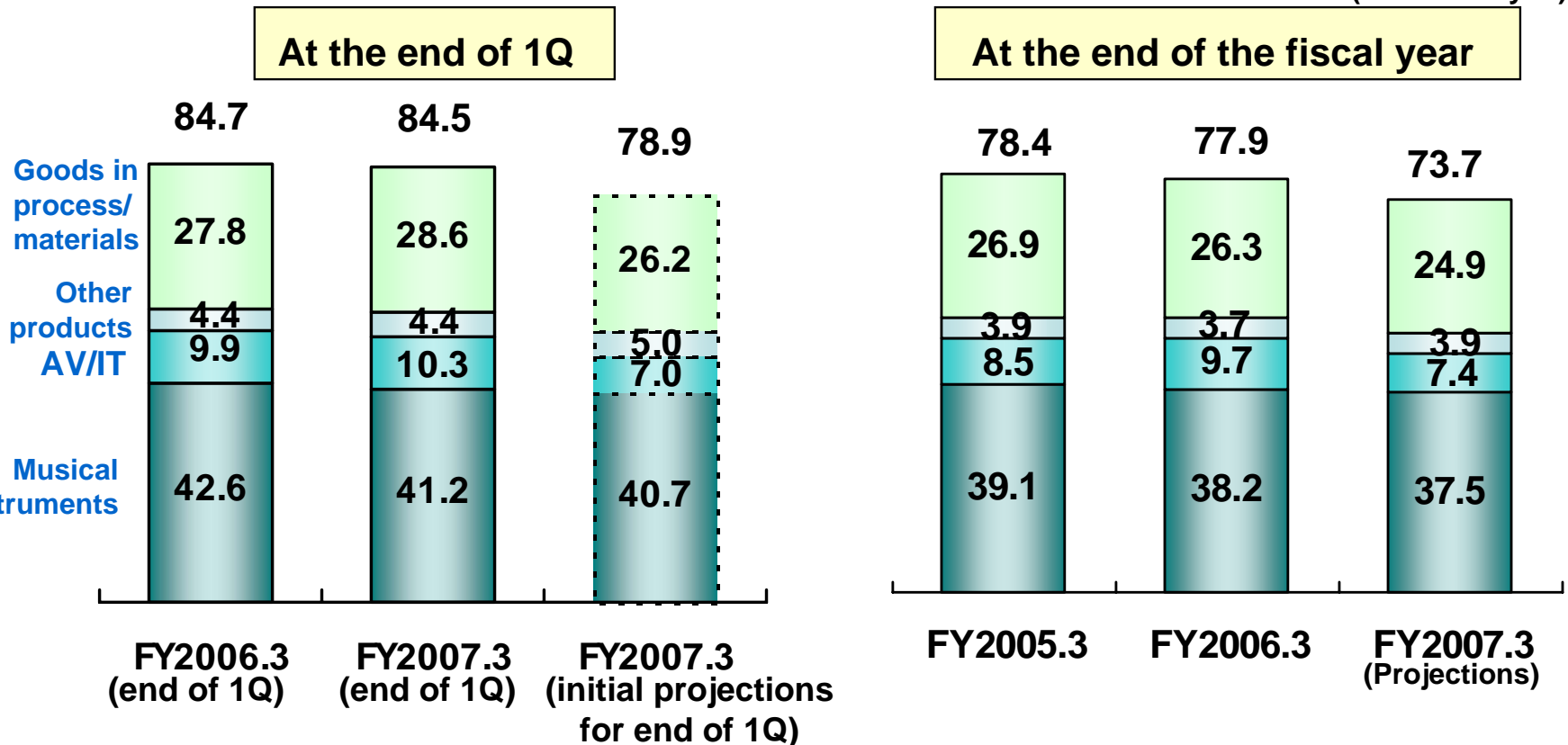
Inventories



➤ Inventories at the end of the first quarter increased compared with the initial projection

Musical instrument inventories are almost at the right level, while AV product inventories increased

(Billions of yen)



Impact of exchange rates in 1Q

Year-on-year: +¥3.0 billion (musical instruments +¥2.4 billion, AV/IT +¥0.6 billion)

Versus initial projections: +¥1.4 billion (musical instruments +¥0.9 billion, AV/IT +¥0.5 billion)

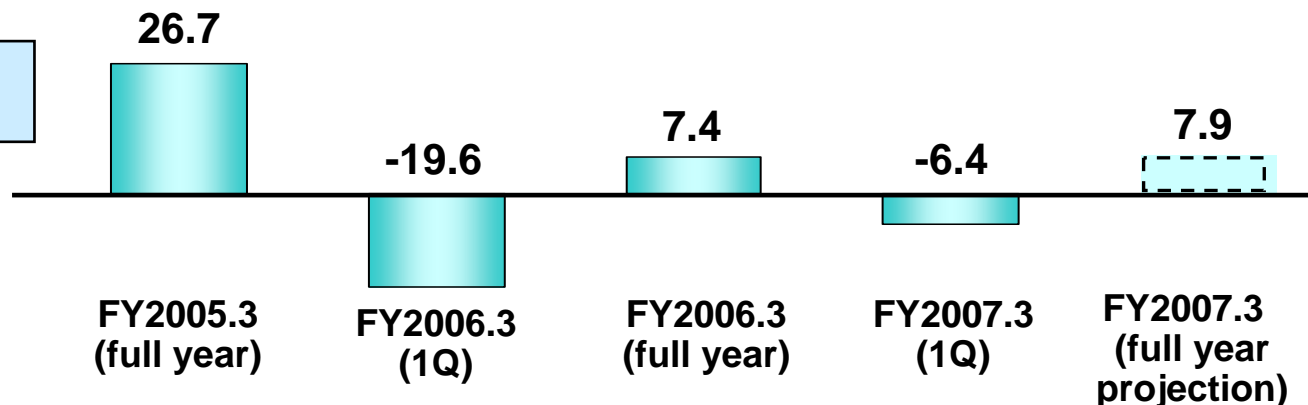
Appendix

Interest-bearing Liabilities



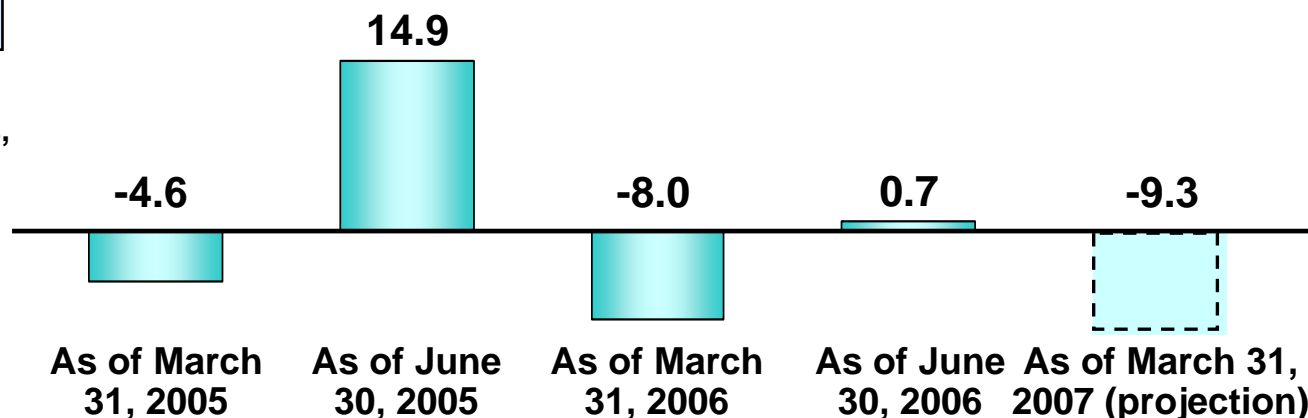
(Billions of yen)

Free Cash Flows



Interest-bearing Liabilities

Long- and short-term borrowings, less cash and deposits



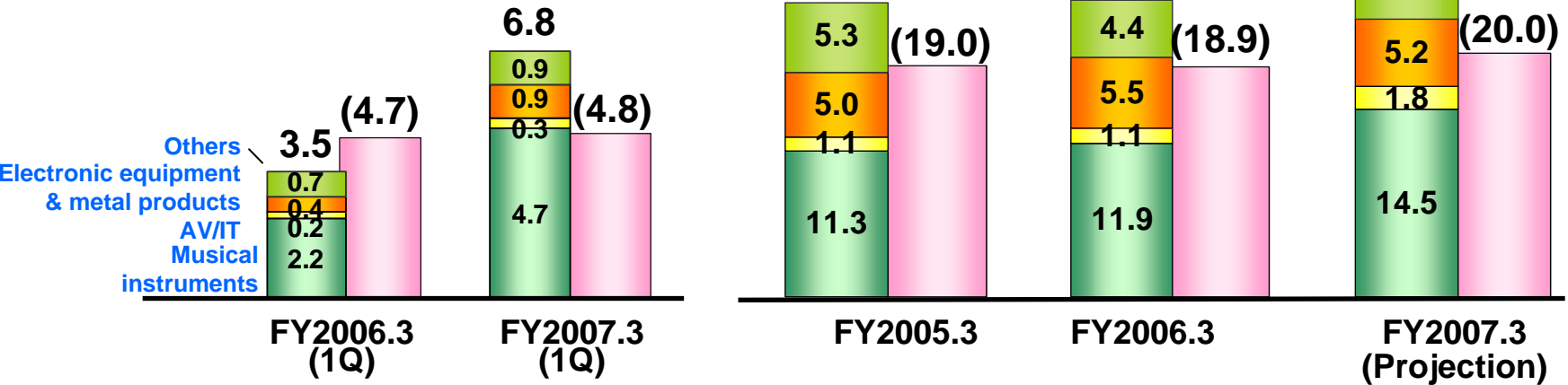
Balance of resort security deposits (not included in above)

| | | | | | | | | | |
|----------------------|------|---------------------|------|----------------------|------|---------------------|------|-----------------------------------|------|
| As of March 31, 2005 | 28.9 | As of June 30, 2005 | 28.3 | As of March 31, 2006 | 27.6 | As of June 30, 2006 | 27.2 | As of March 31, 2007 (projection) | 26.3 |
|----------------------|------|---------------------|------|----------------------|------|---------------------|------|-----------------------------------|------|

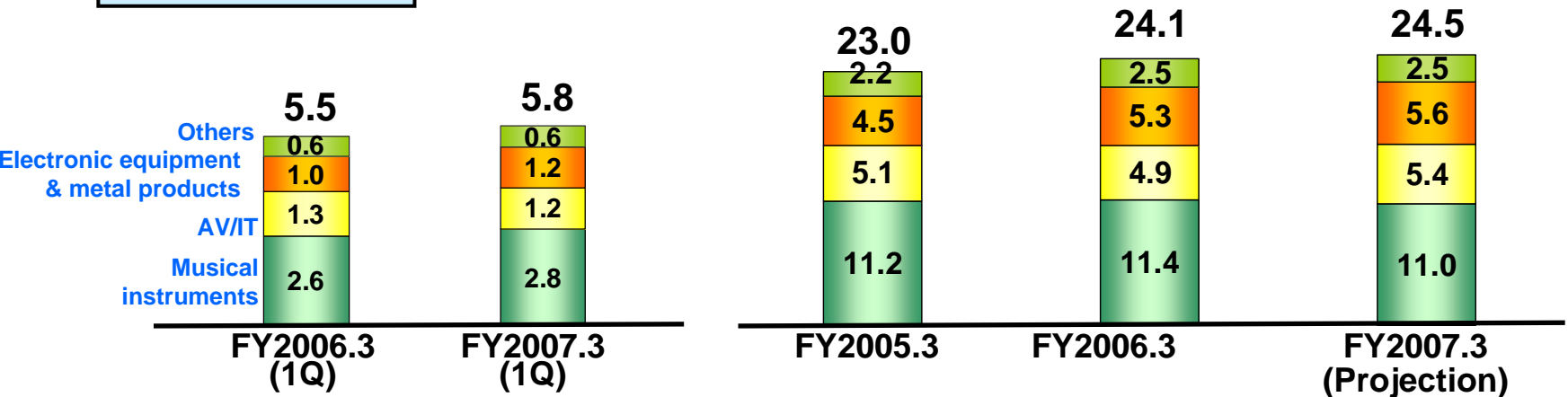
Capital Expenditure/Depreciation/R&D Expenses

(Billions of yen)

Capital Expenditure/ Depreciation



R&D Expenditure



Balance Sheet Summary



(Billions of yen)

| | As of June 30, 2005 | As of March 31, 2006 | As of June 30, 2006 | As of March 31, 2007 |
|---|------------------------|-------------------------|------------------------|-------------------------|
| Cash and bank deposits | 35.6 | 36.4 | 29.4 | 38.5 |
| Accounts and notes receivable | 72.8 | 70.3 | 70.4 | 72.6 |
| Inventories | 84.7 | 77.9 | 84.5 | 73.7 |
| Other current assets | 22.4 | 24.8 | 26.4 | 25.3 |
| Fixed assets | 283.4 | 310.6 | 316.5 | 329.0 |
| Total assets | 498.9 | 520.0 | 527.2 | 539.1 |
| Accounts and notes payable | 38.7 | 37.2 | 42.2 | 36.4 |
| Short- and Long-term Borrowings | 50.5 | 28.5 | 30.1 | 29.2 |
| Other liabilities | 121.4 | 133.8 | 127.0 | 132.8 |
| Shareholders' equity | 288.3 | 320.5 | 327.9 | 340.7 |
| Total liabilities and shareholders' equity | 498.9 | 520.0 | 527.2 | 539.1 |

First Quarter Non-operating Income (Loss)/ Extraordinary Income (Loss)



| | FY2006.3 1Q (actual) | FY2007.3 1Q (actual) | FY2007.3 1Q (initial projections) |
|--|-------------------------|-------------------------|--------------------------------------|
| Non-operating Income (Loss) | | | (Billions of yen) |
| Equity method income | 5.3 | 6.4 | 3.9 |
| Net financial income | 0.2 | 0.4 | 0.1 |
| Other | -0.8 | -0.9 | -0.7 |
| Total | + 4.7 | + 5.9 | +3.3 |
| Extraordinary Income (Loss) | | | |
| Income from (loss on) disposal of fixed assets | 0.7 | 0.1 | 0 |
| Other | 0.5 | 0 | 0 |
| Total | + 1.2 | + 0.1 | 0 |
| Corporate Income Tax and Other Expenses | | | |
| Corporate income tax, etc. | 2.9 | 2.6 | 0.5 |
| Minority interests in consolidated subsidiaries | 0.1 | 0.1 | 0.1 |
| Total | 3.0 | 2.7 | 0.6 |

FY2007.3 Non-operating Income (Loss)/ Extraordinary Income (Loss)



| | FY2005.3 (actual) | FY2006.3 (actual) | FY2007.3 (projections) |
|---|----------------------|----------------------|---------------------------|
| Non-operating Income (Loss) | | | (Billions of yen) |
| Equity method income | 9.1 | 14.8 | 14.8 |
| Net financial income | -0.3 | -0.2 | -0.7 |
| Other | -3.2 | -3.5 | -4.1 |
| Total | + 5.6 | + 11.1 | +10.0 |
| Extraordinary Income (Loss) | | | |
| Income from (loss on) disposal of fixed assets | -1.1 | -0.2 | -0.3 |
| Other | -6.7 | 0.8 | 0.3 |
| Total | -7.8 | + 0.6 | 0 |
| Corporate Income Tax and Other Expenses | | | |
| Corporate income tax, etc. | 13.4 | 7.2 | 6.4 |
| Minority interests in consolidated subsidiaries | 0.4 | 0.5 | 0.6 |
| Total | 13.8 | 7.7 | 7.0 |

- Gain on return of substitutional portion of pension plan: 19.9
 - Gain on sales of investment securities: 6.5
 - Asset impairment loss -32.7

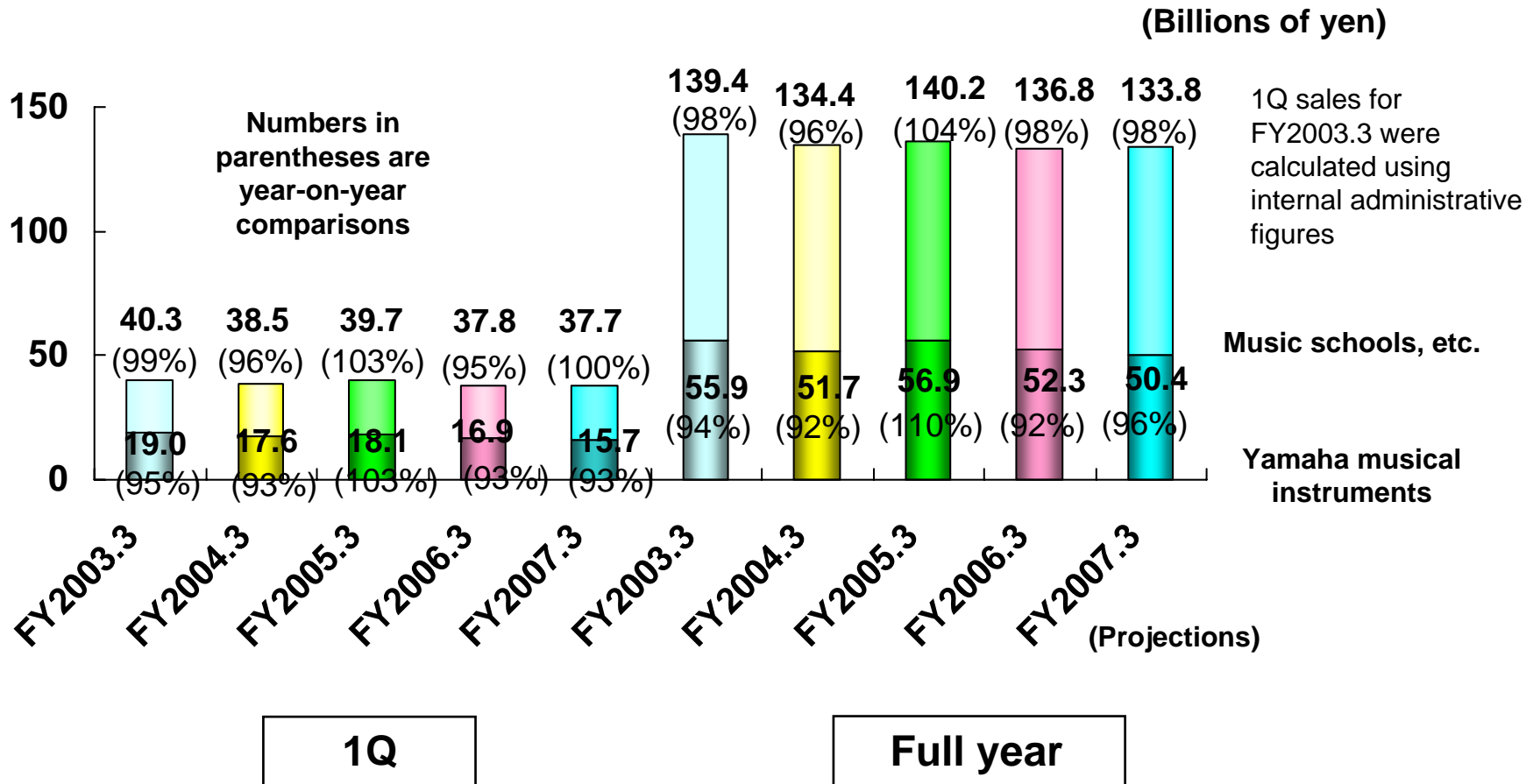
Gain on sales of investment securities: 0.5

Yamaha Musical Instrument Sales in the Japanese Market



Sales were at levels similar to the first quarter of the previous year.
 Electone sales continued to fall.

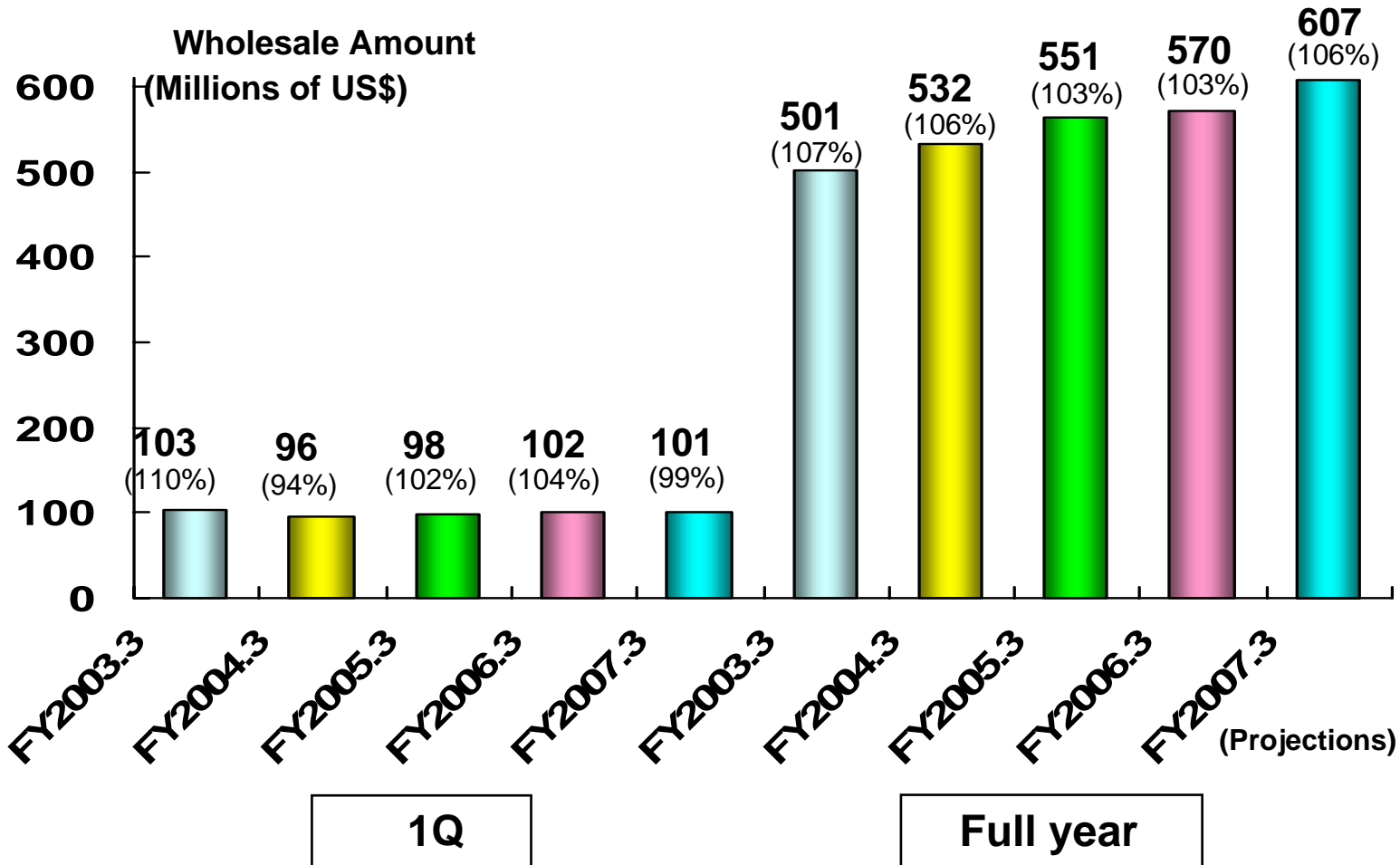
Rising enrollments in music schools are expected to boost sales.



Yamaha Musical Instrument Sales in the U.S. Market



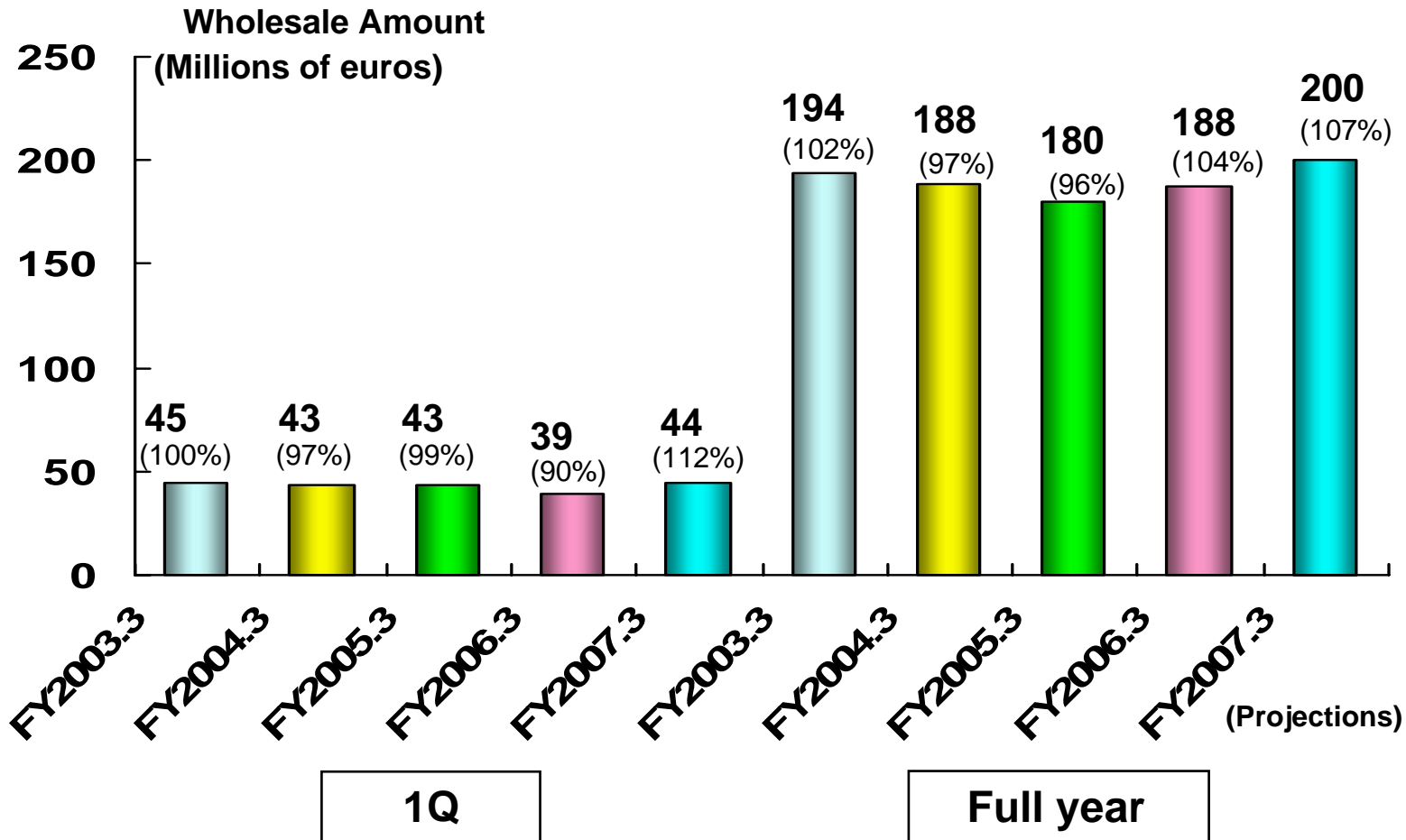
Wholesale for piano declined due to the impact of inventory sell-off at the end of the previous fiscal year. Sales of professional audio equipment were robust (131% of 1Q figures for the previous year) with a new sales company of commercial audio starting business in April. Distributors' inventory increased amid a sluggish retail market due to the slowing economy.



Yamaha Musical Instrument Sales in the German Market



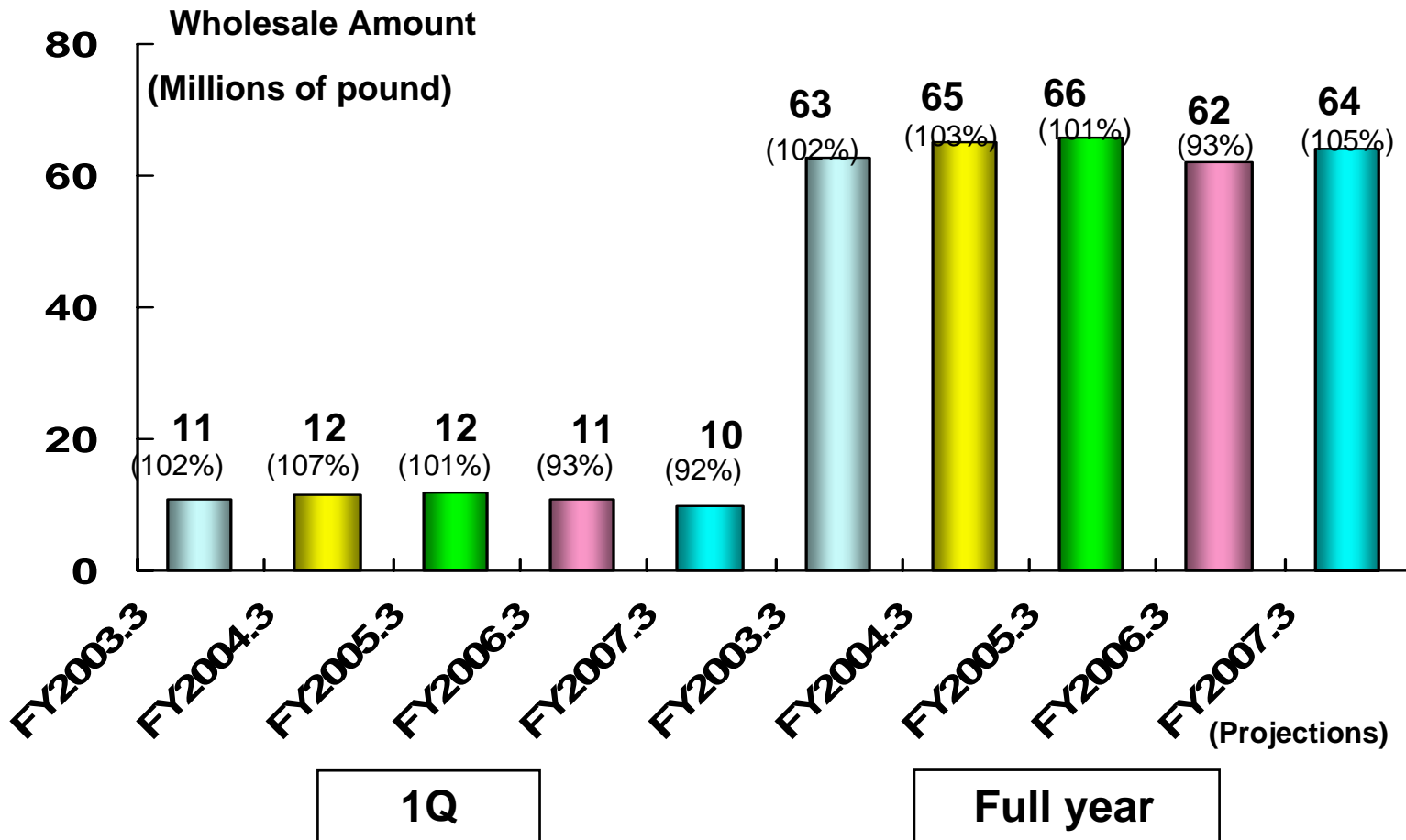
Pianos and electronic instruments sold well in a more severe retail sales environment. The professional audio equipment market is also on an upward trend overall.



Yamaha Musical Instrument Sales in the U.K. Market



The musical instrument market continues to be sluggish. Shipments of new piano and electronic piano models started. A wind instrument sales campaign aimed at schools began in July, and this should recover sales.

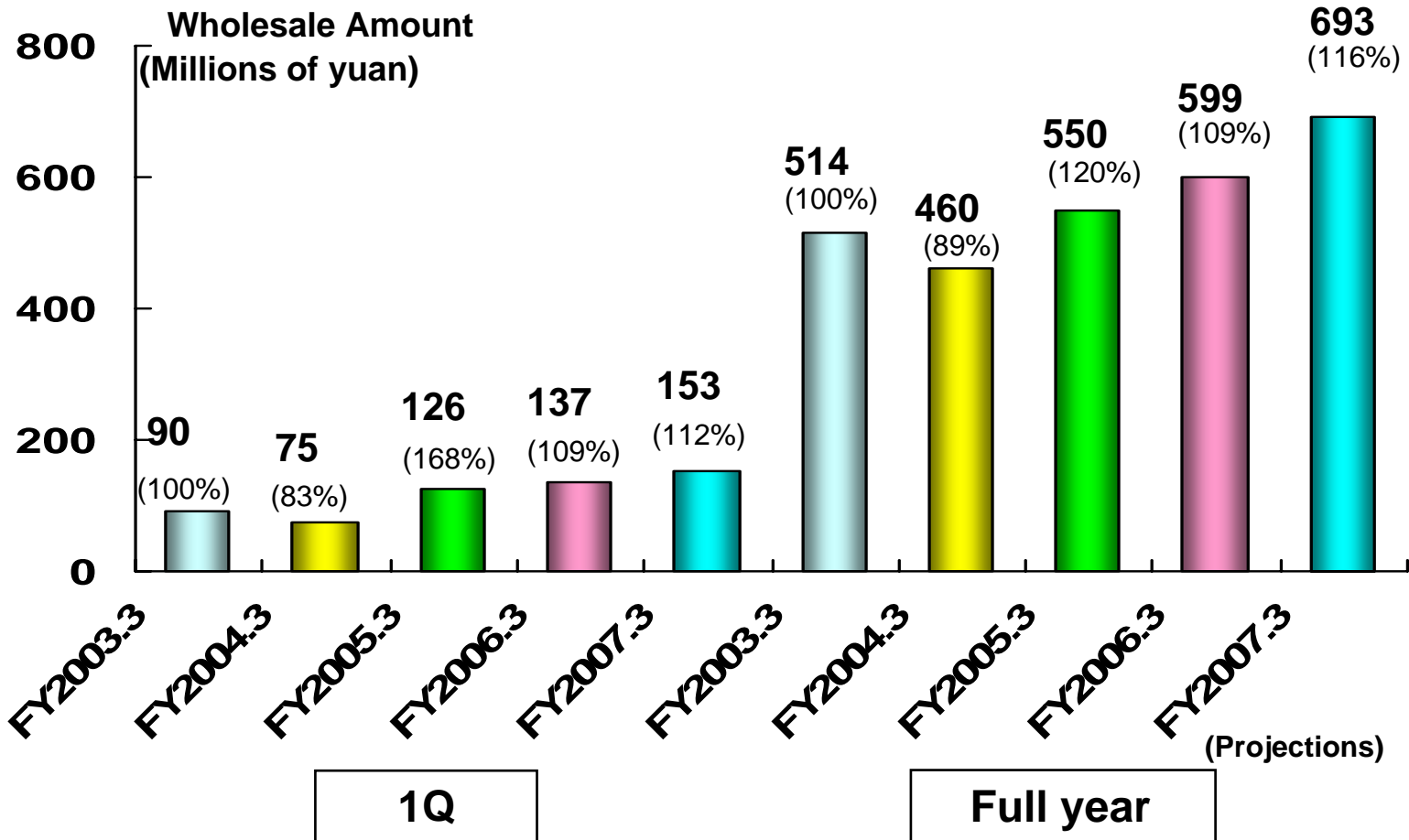


Yamaha Musical Instrument Sales in the Chinese Market



The first quarter saw double-digit year-on-year growth. Large orders for pianos increased and business grew on the back of school sales.

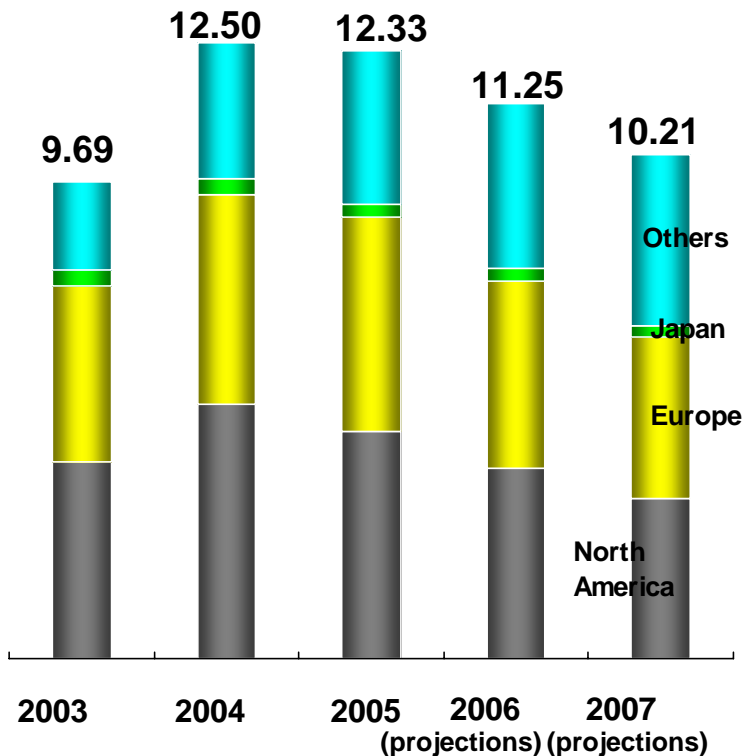
The Yamaha Music Communication Center in Beijing, combining showroom and R&D functions, opened in June.



Scale of Global Market for Home Theater Products (Home Theater Systems + AV Amplifiers/Receivers)

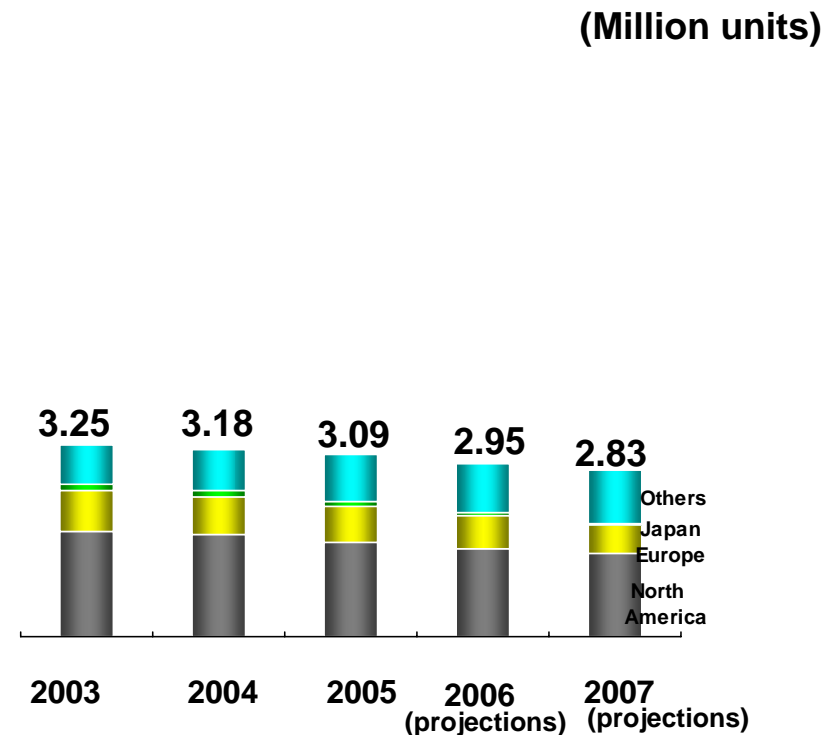
Home Theater Systems

- The market is on a downward trend, especially in Europe and the U.S. (11 million units in 2006)
- North America: Market shrank by 15% year-on-year for both DVD-integrated and HTiB products
- Europe: Market for DVD-integrated products, which represent 90% of business, has begun to decline from 2006
- Japan: Market shrank 7% year-on-year in 2006 (to 250,000 units)
- Other markets: Continuing growth in Asia and Central/Eastern Europe



AV Amplifiers/Receivers

- The global market shrank by approximately 4% year-on-year
- Europe/U.S.: Markets shrinking
- Japan: Market shrank by almost 20% year-on-year
- China, other Asia, Eastern Europe, Russia: Markets expanding, especially for low-priced products

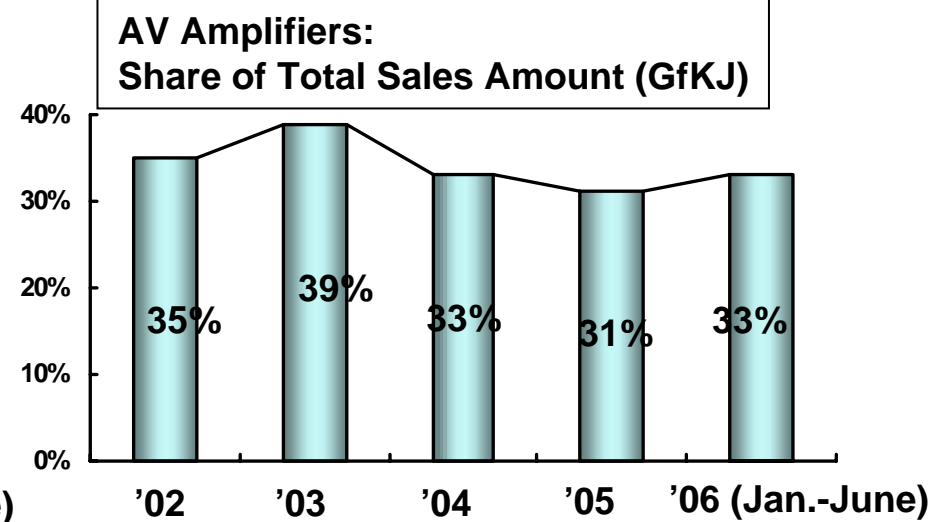
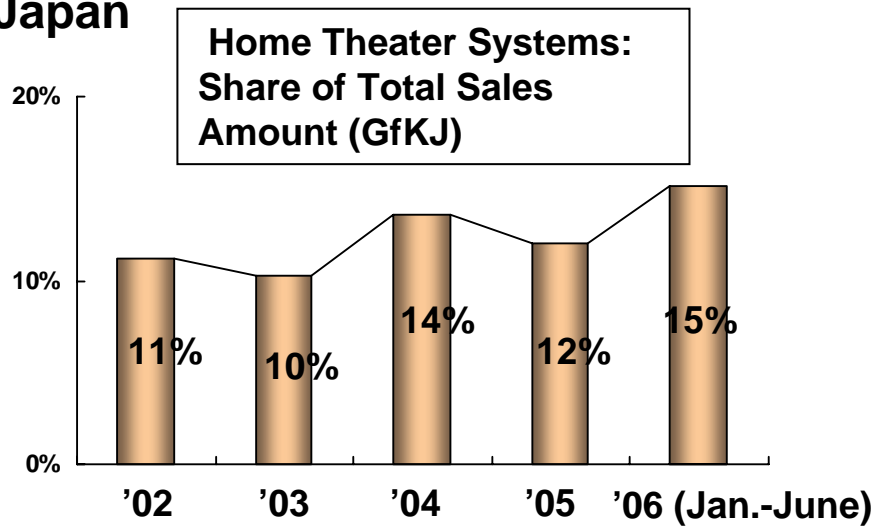


Projections of scale of global market for 2006 and 2007 have been revised downward.

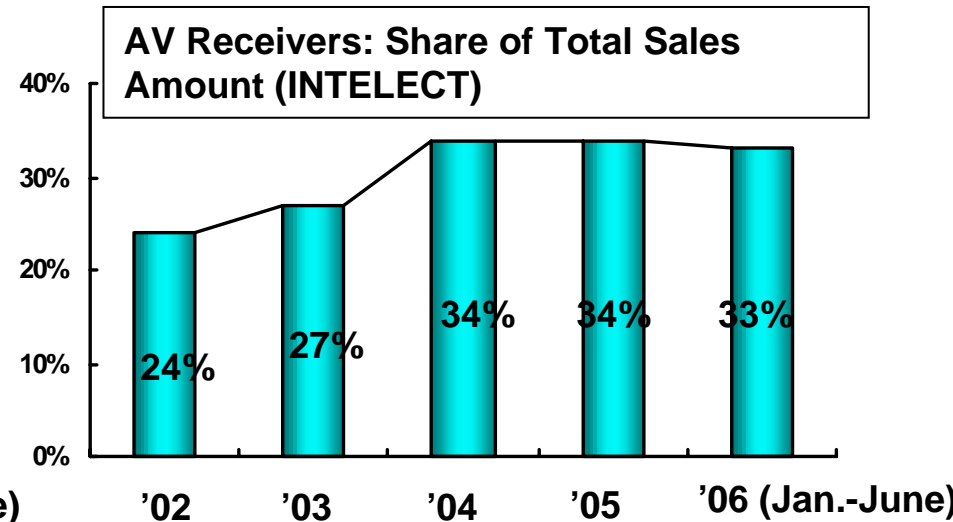
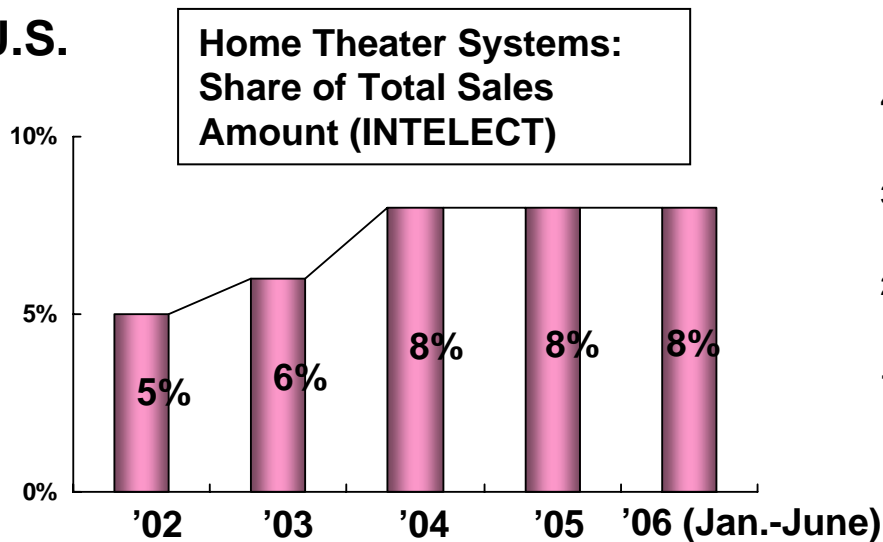
Yamaha's AV Market Share



Japan



U.S.



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 operating and economic conditions, demand trends, and the value of key currencies, such as the U.S. dollar and the euro.