

**New Medium-Term Business Plan
April 2007 – March 2010**

**April 6, 2007
Yamaha Corporation**

1. YSD50 Review

Review of YSD50 Results



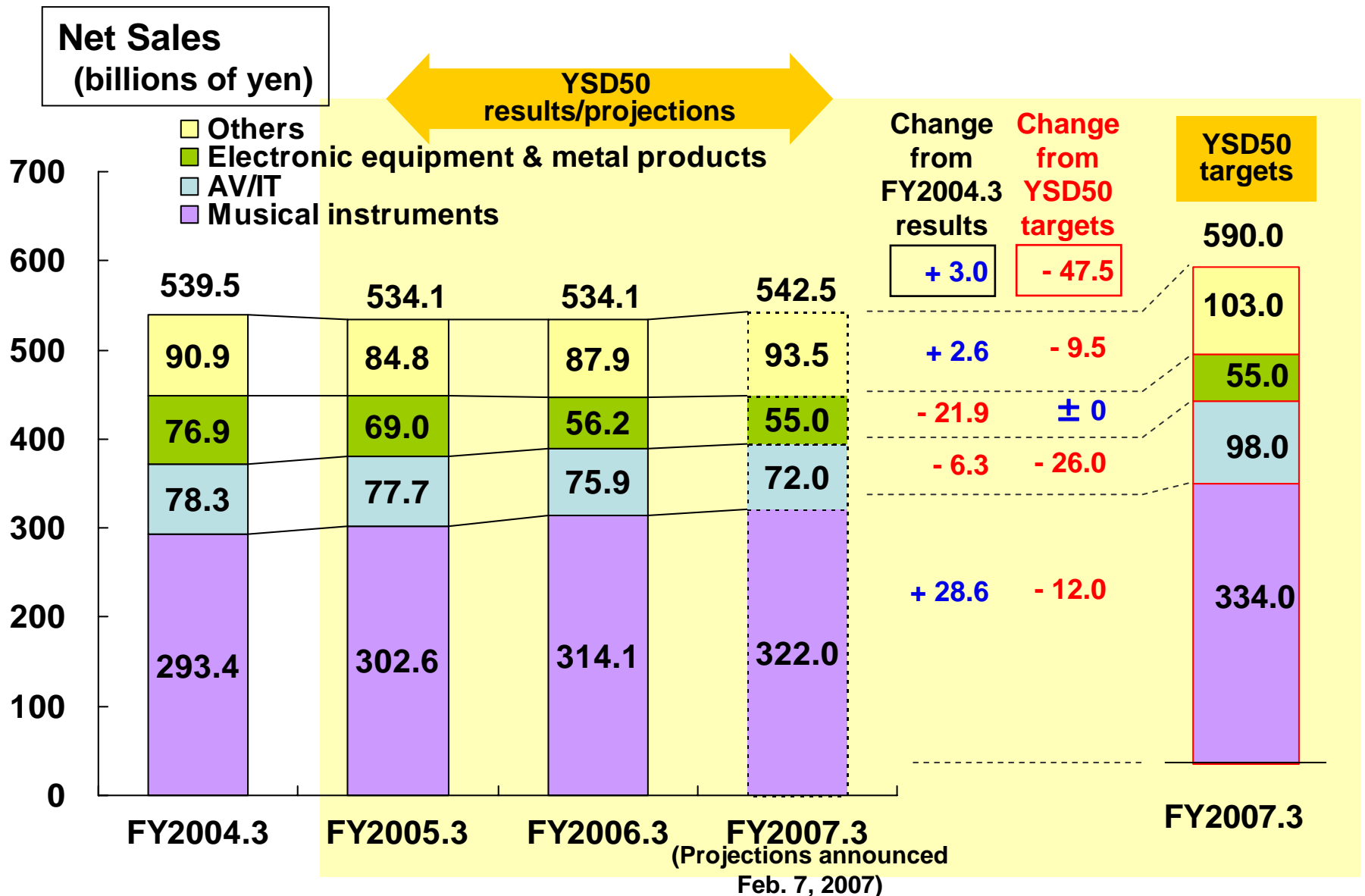
Although the Company's financial position improved, growth and profitability targets could not be met

FY2007.3	YSD50 Target	Results Announced Feb. 7, 2007
Net sales	¥590 billion	¥542.5 billion
Operating income	¥50 billion	¥26.0 billion
Net income	¥34 billion	¥30.5 billion
ROE	10.0%	9.2%
FCF (3-year)	¥60 billion	¥40.3 billion
Actual interest-bearing debt	zero	- ¥9.4 billion
Inventory	2.9 months	2.9 months

Review of YSD50 Results



Sales growth targets not achieved

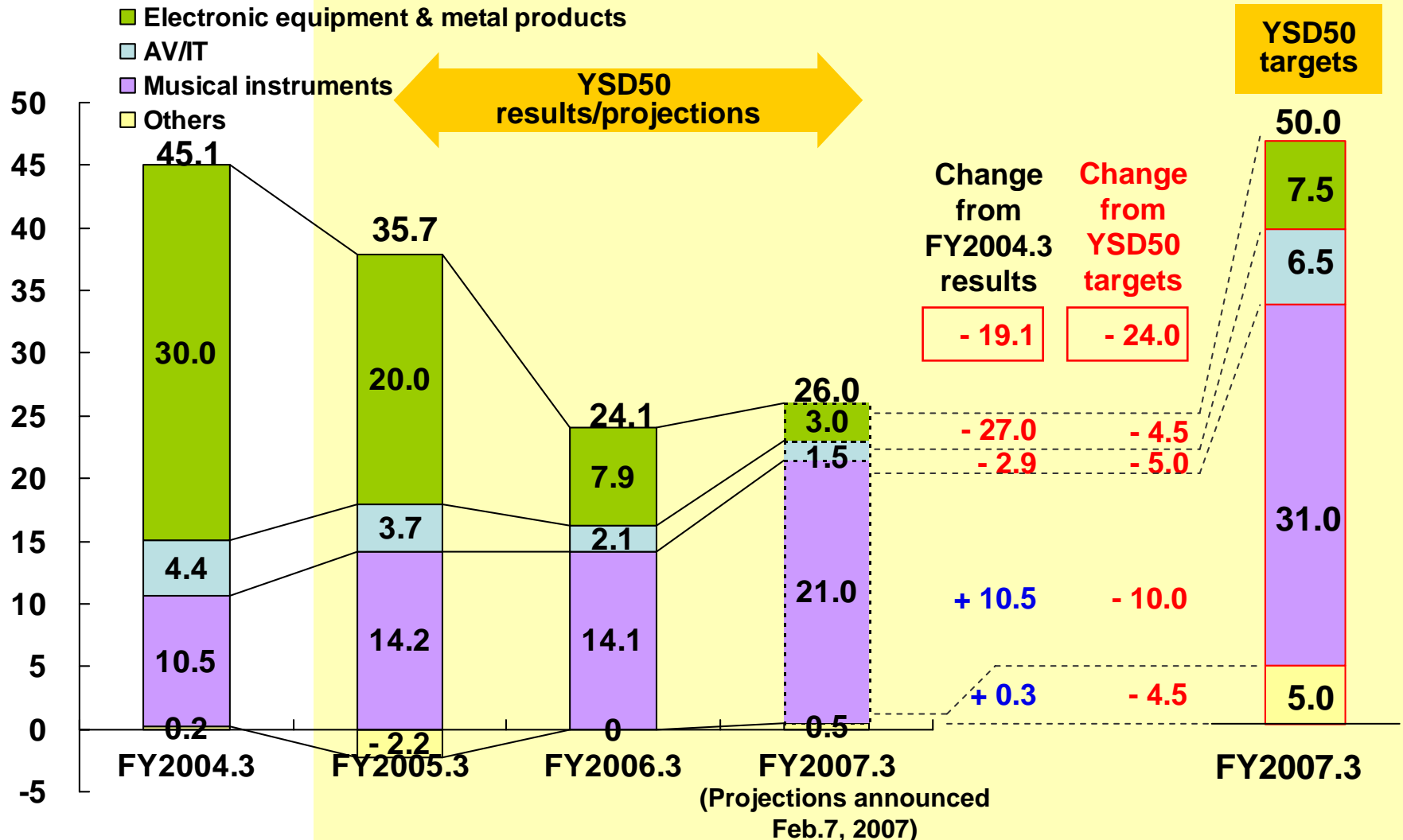


Review of YSD50 Results



Operating Income
(billions of yen)

Although musical instrument profitability is improving, overall targets were not met

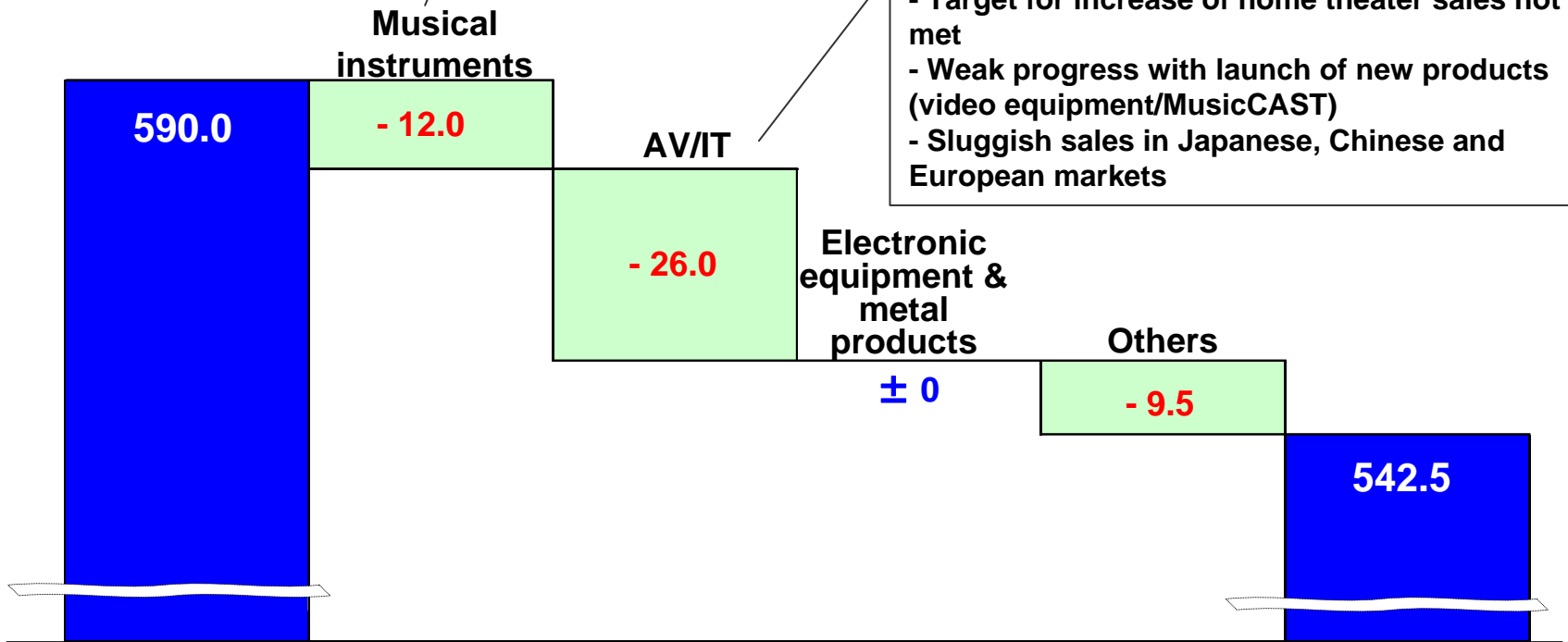


Reasons sales growth targets not achieved

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

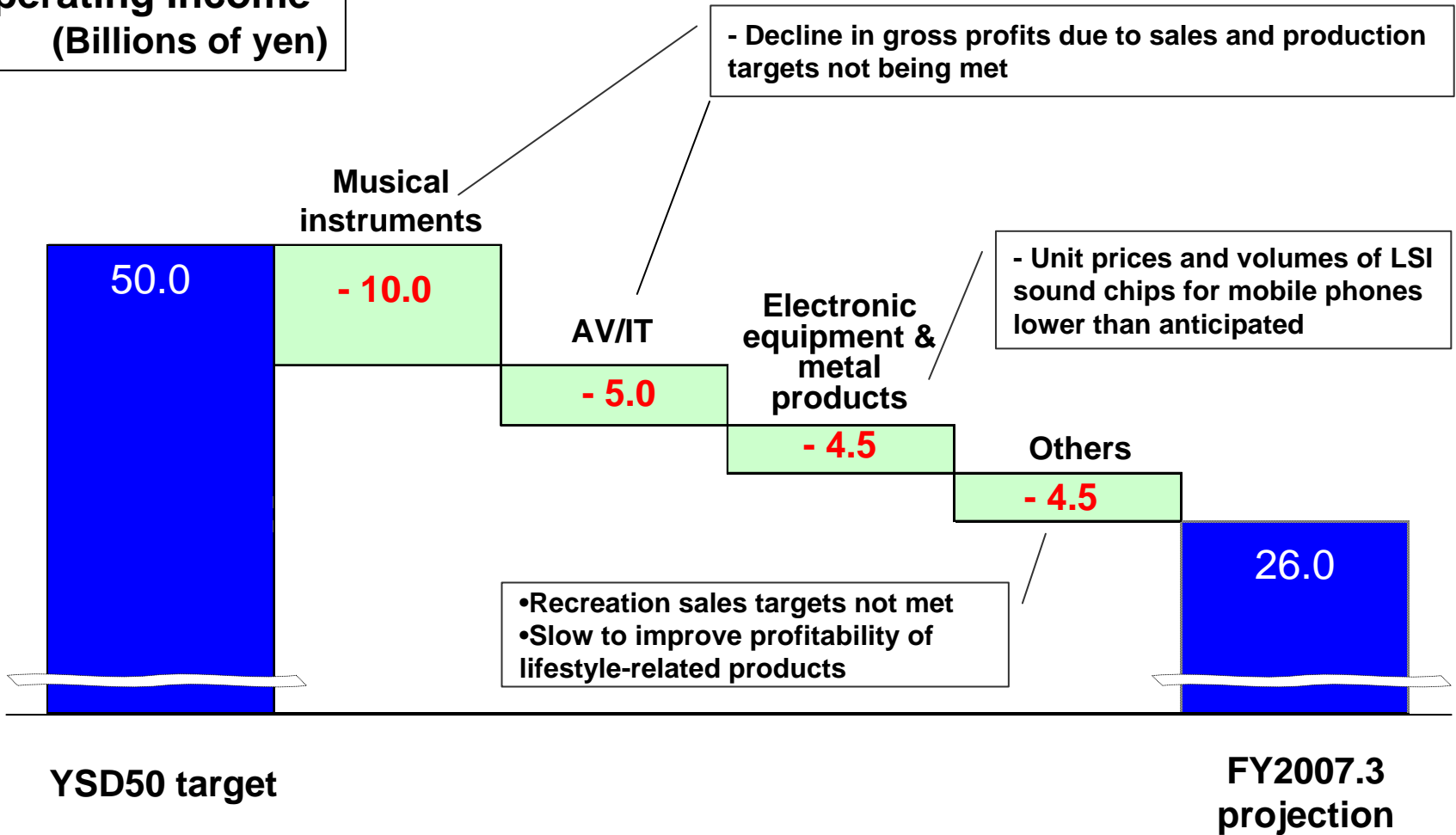


YSD50 target

FY2007.3
projection
(Feb. 7, 2007)

Reasons income growth target not achieved

Operating Income
(Billions of yen)



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.

- Percentage of target achieved

Net sales: 92% (estimated)
Operating income: 52% (estimated)

- 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

Musical instrument business operating income target: ¥30 billion

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

51% growth in 3 years,
sales increased ¥10.4 billion (PA products)

- Growth in Chinese market

- Progress in building sales network and music school platforms, continuing steady growth

33% growth in 3 years,
sales increased ¥2.6 billion

-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

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

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!* -

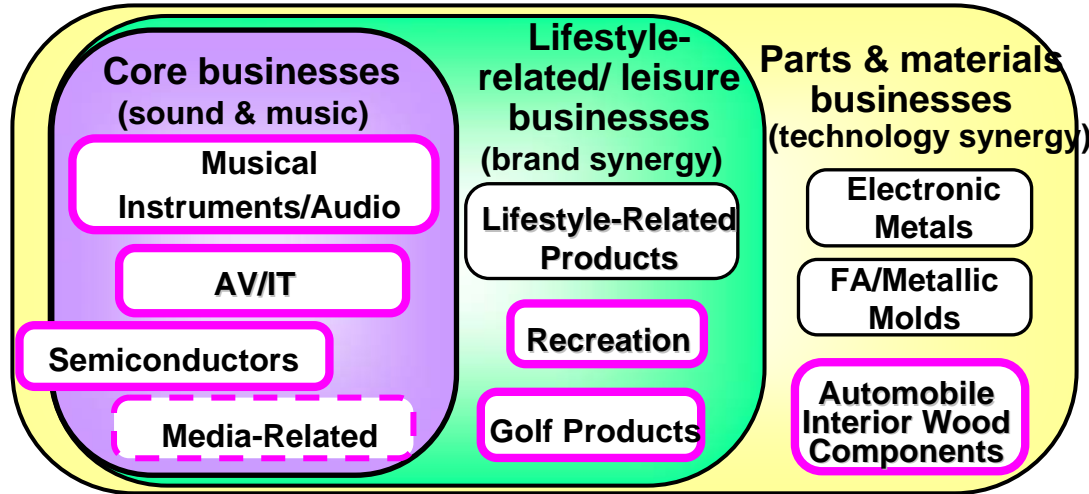


*The entire company **acts** as one to **steadily implement** growth strategies and **changes** to shift into a growth phase!*

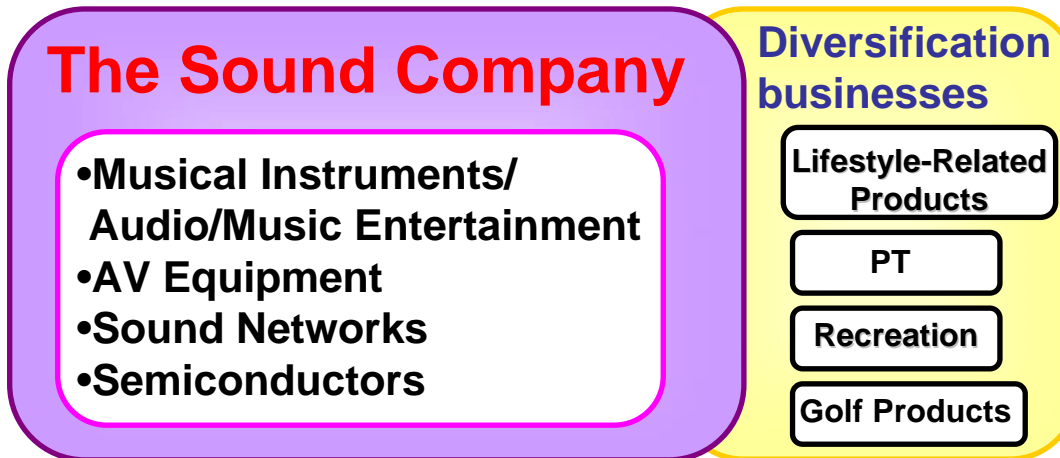
Shift into a growth phase based on a stronger financial position

YGP2010: Redefining Business Domains

**Before
April
2007**



**After
April
2007**



**Aim at growth
focused on
sound/music/audio
field**

PT: Productive Technology
(FA/metallic molds/automobile interior wood components)

Business fields aiming for active growth

Business domains utilizing original Yamaha technology and sense, whose sound operation helps boost group corporate value

“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

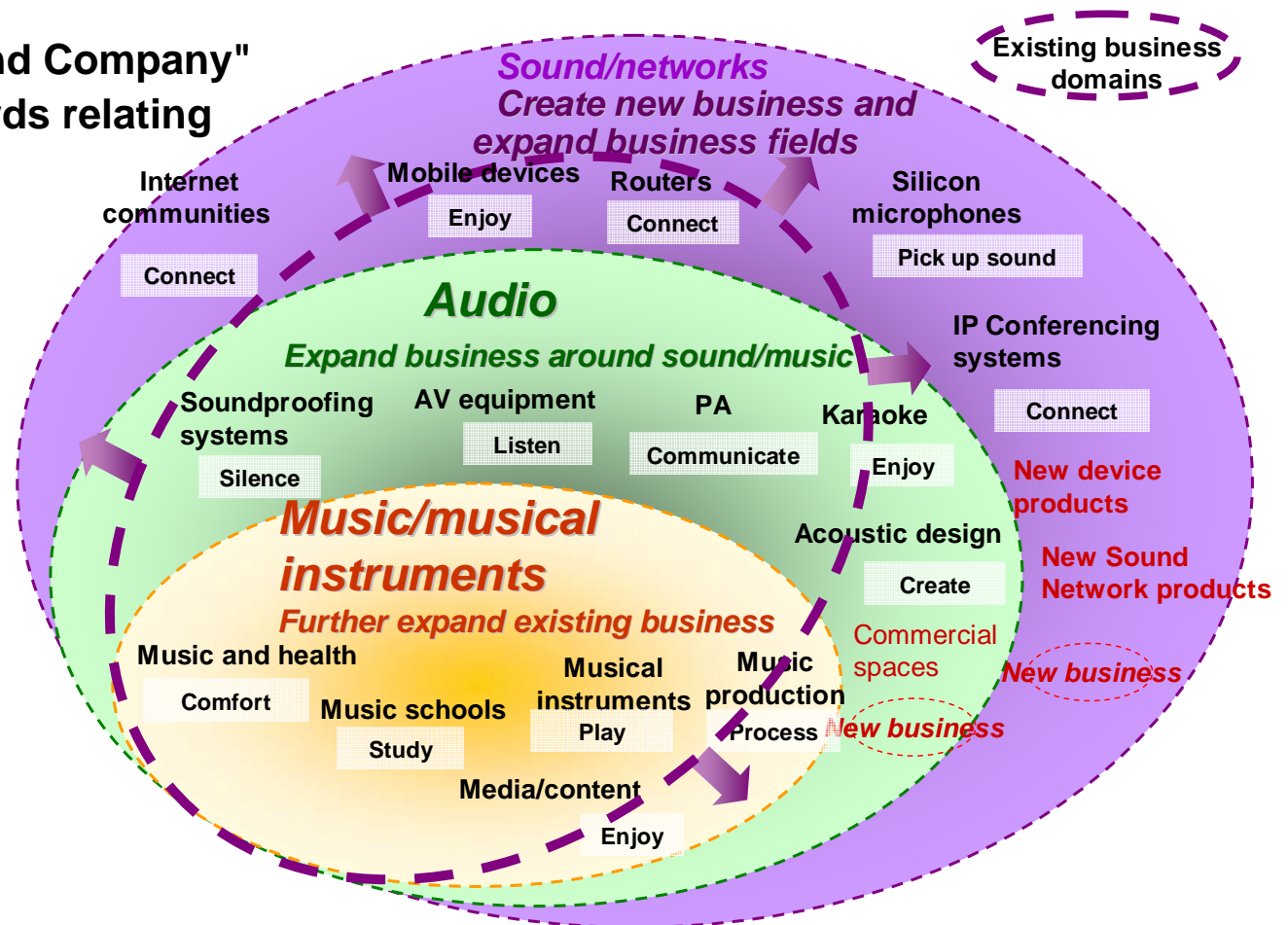
Inspired by the brand slogan "Creating 'Kando'* Together," contribute to increasing group corporate value by utilizing the original technologies and sense built up in the course of Yamaha operations to secure a strong position in each industry and achieve sound business management

*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

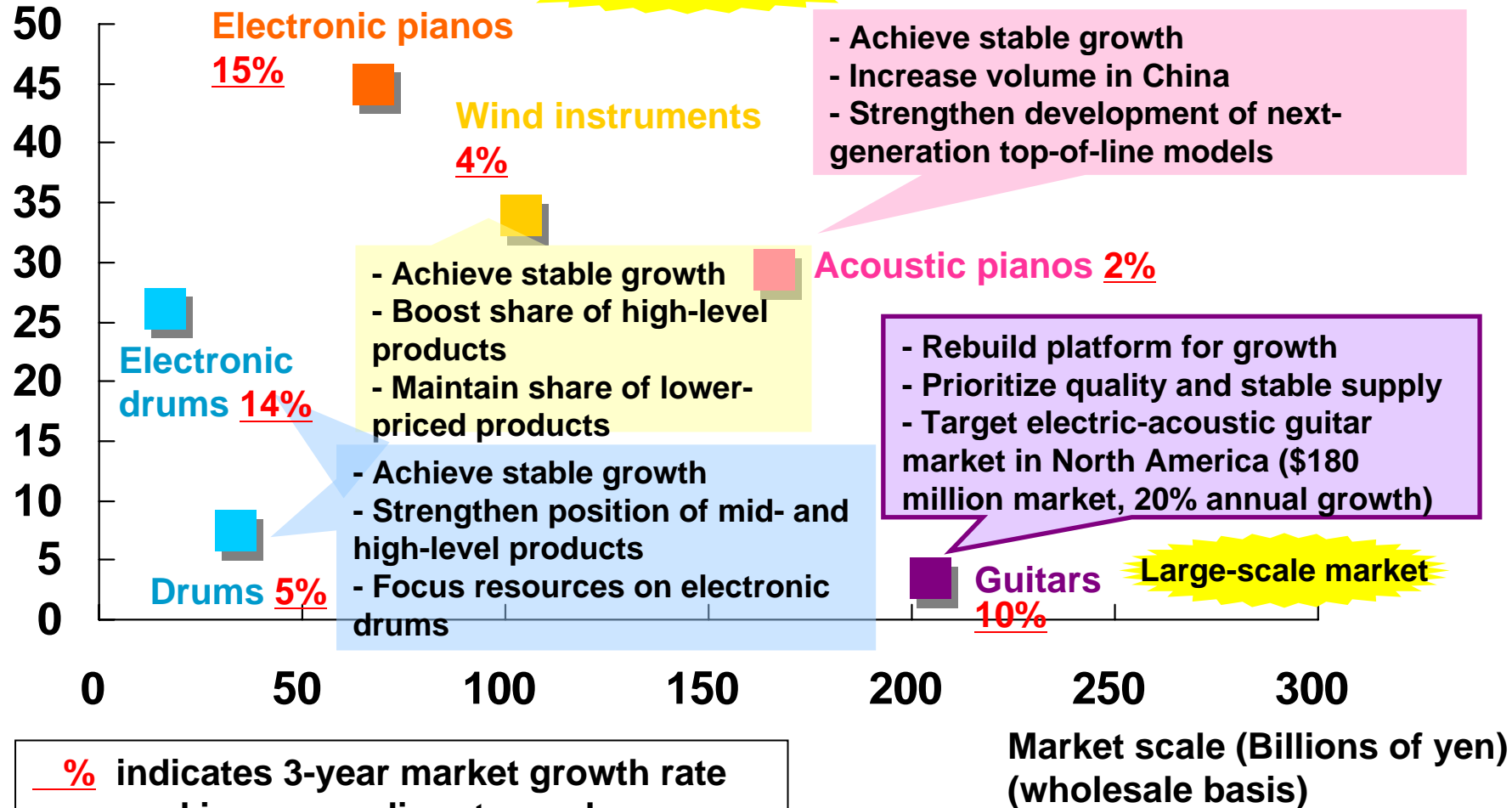
- Emerging markets
 - China
 - Russia

Active commitment of management resources

Including strategic M&A and alliances

Trends for Musical Instrument Products

Yamaha sales share (%)



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

*Market share and scale are the year 2006 estimation.

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)

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

Market Scale

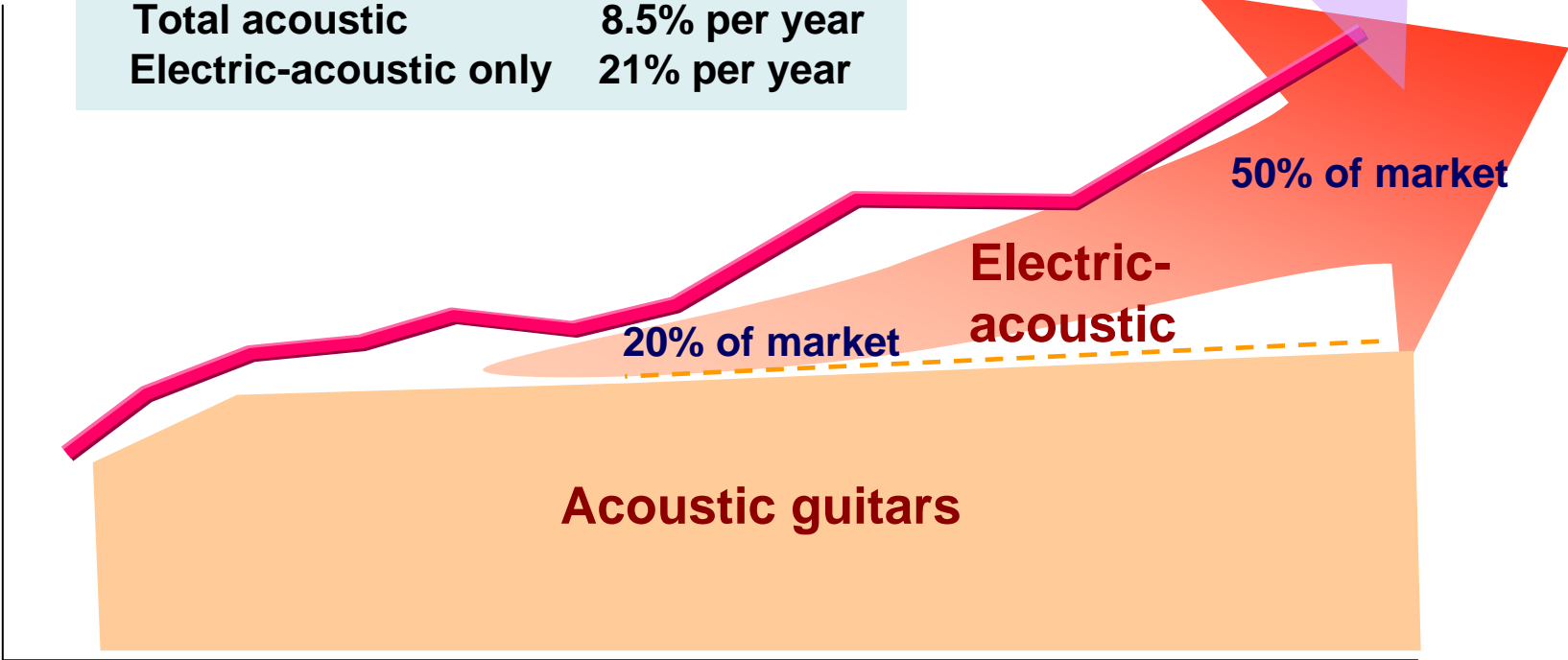
Sales
(wholesale)
M\$

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

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

360

118



1992

1997

2005

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.

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.

Plants scheduled to finish production

- Taiwan: guitars (Feb. 2007)
- North America: pianos (March 2007), wind instruments (April 2007)

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

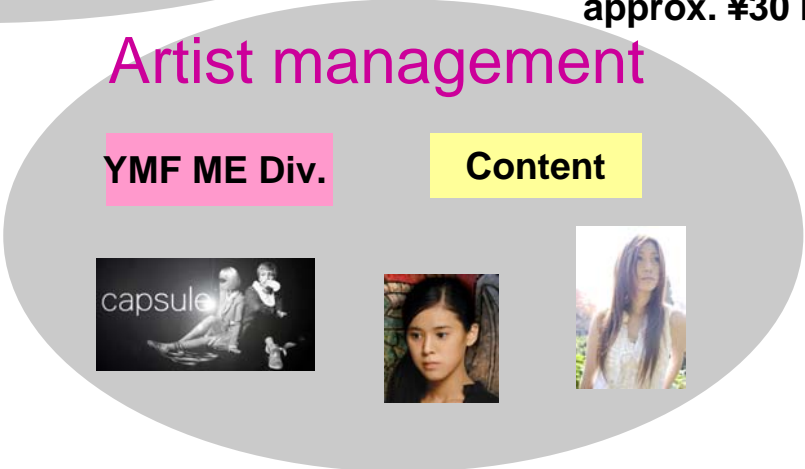
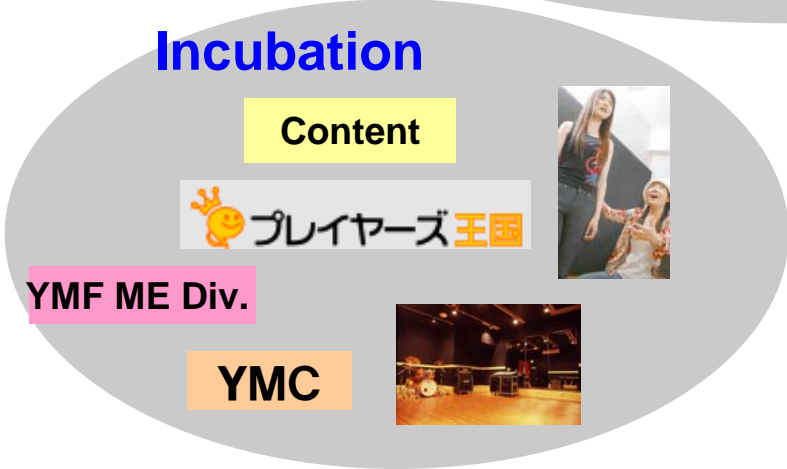
(current sales: approx. ¥12 billion)

Music school sales is not included in above-mentioned figure

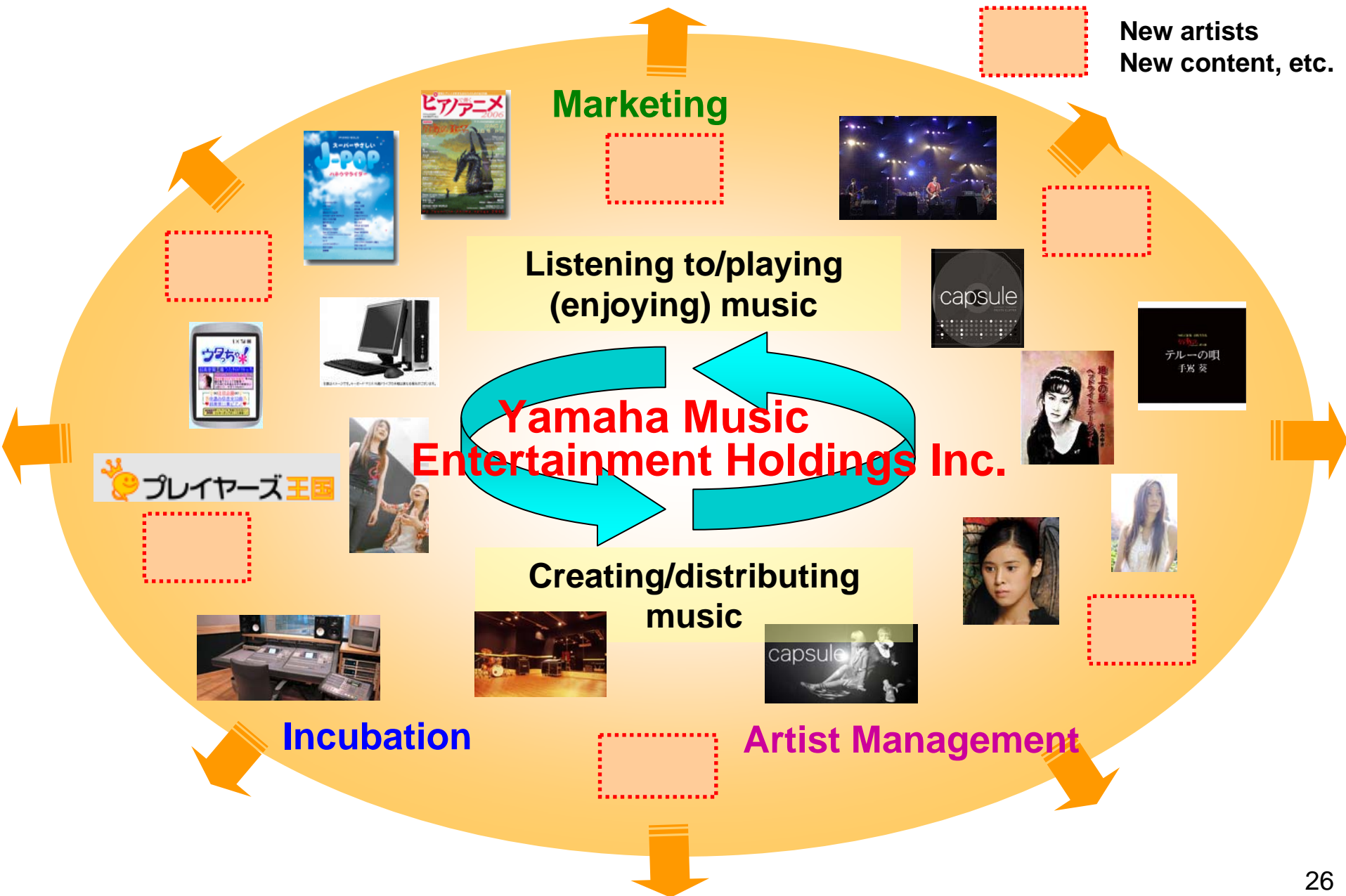
(current sales: approx ¥43 billion)

Current Situation: Functions related to the music entertainment business are scattered across organization

Scale of Japanese market (2006 estimate)



Concentrate the total power of the Group!



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***

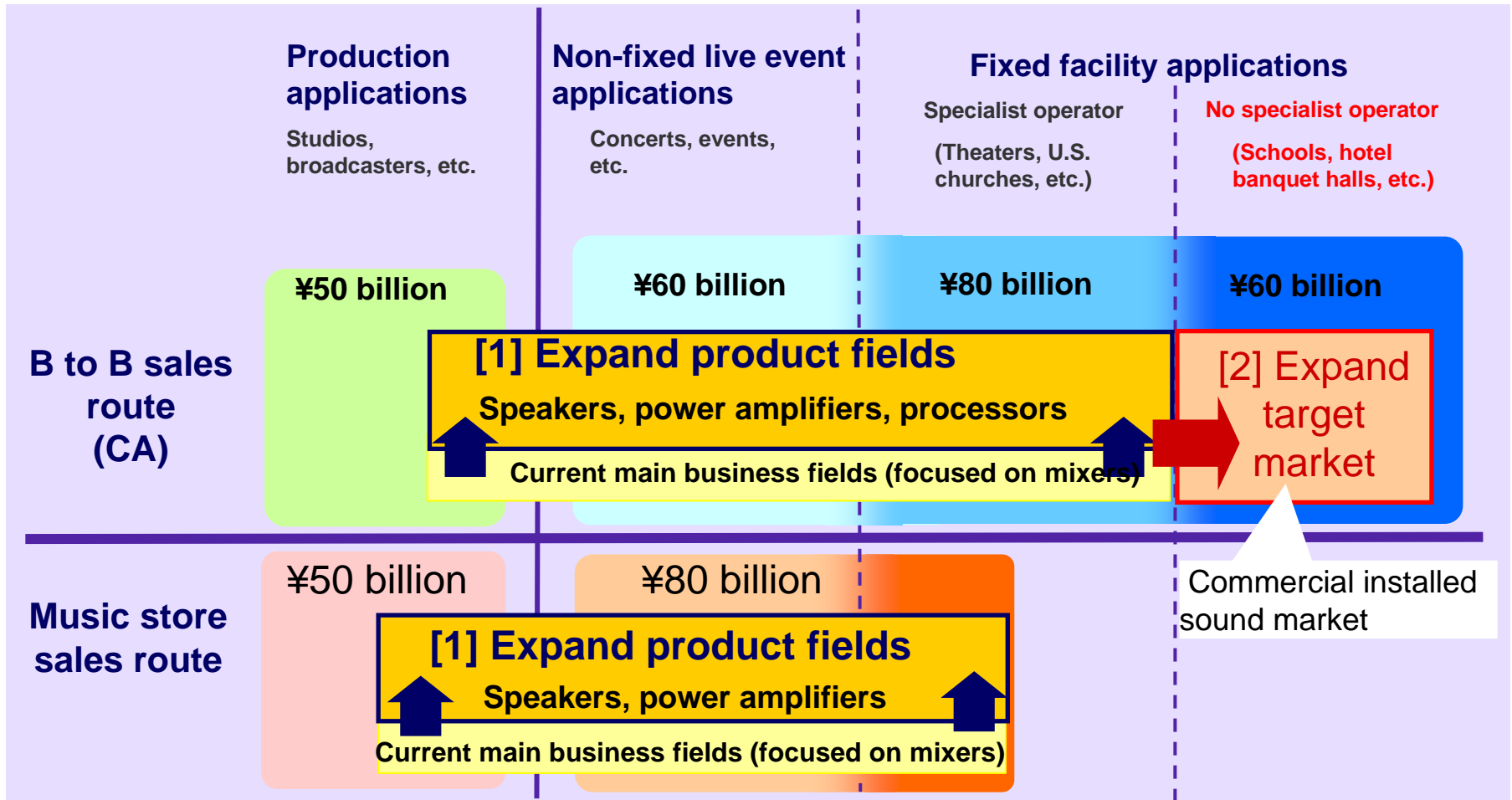
*Music facilities without specialist operators, where the main purpose is offering services other than music (exhibition spaces, schools, banquet halls, restaurants, etc.)



**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)



AV Equipment Business

Concentrate product development resources on growth areas

Business Environment (2006 shipment figures)

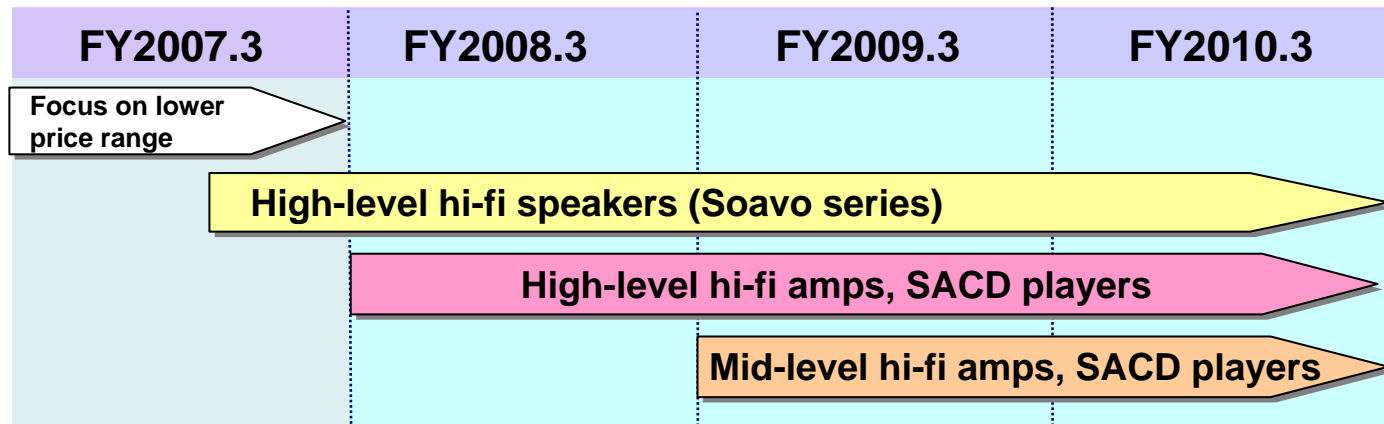
- **Shrinking of existing home theater audio market**
 - HT system market : **95% of previous year** (11 million units)
 - AV amp/receiver market : **96% of previous year** (3 million units)
- **Rebound of hi-fi market**
 - German hi-fi amp/receiver market: 99% of previous year (100,000 units)
105% of 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.)

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



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

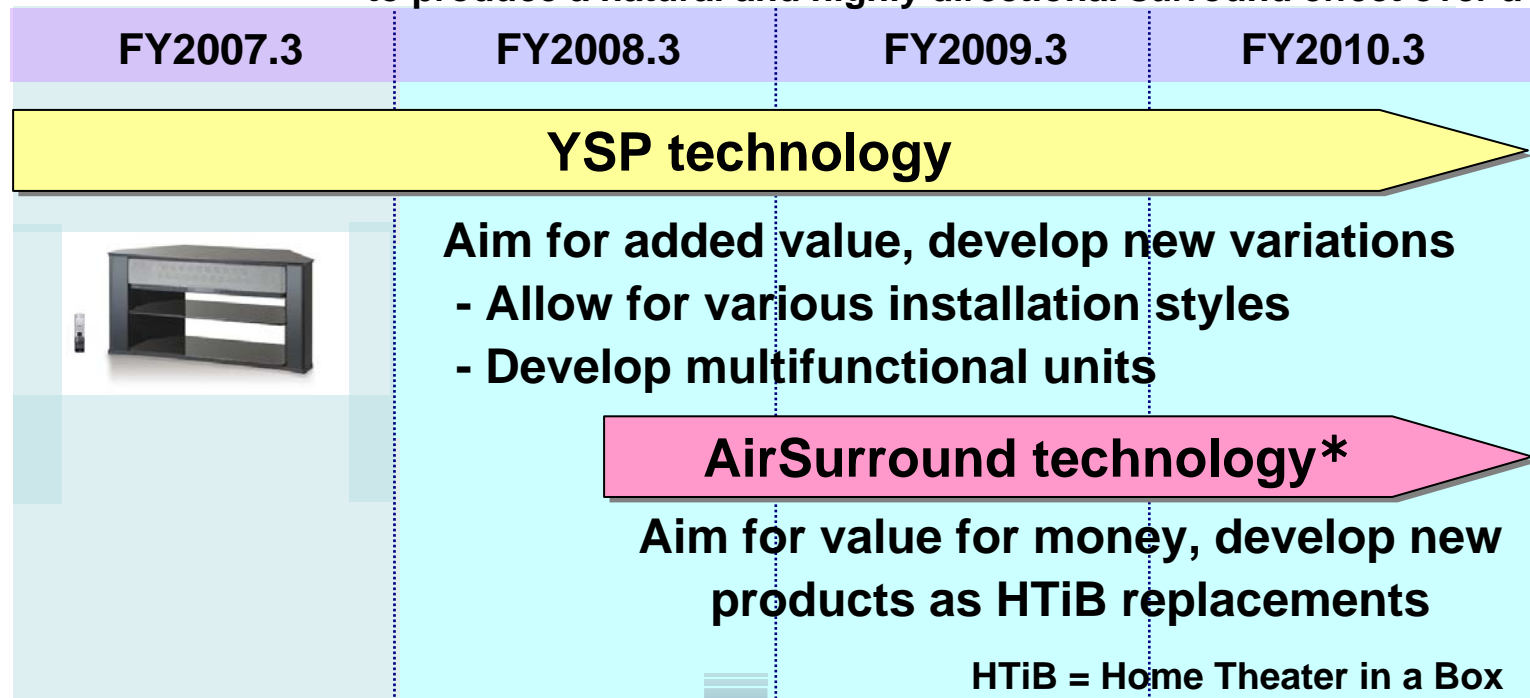


AV Equipment Business

■ 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



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



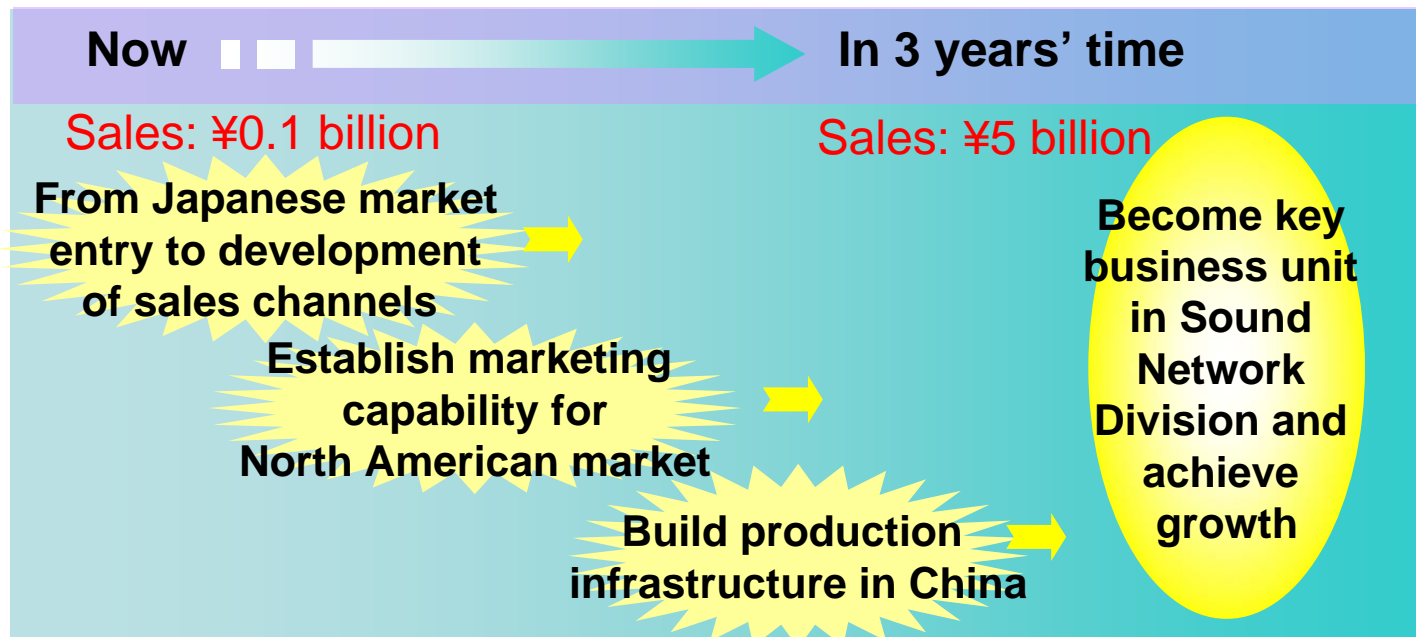
- New advance into small commercial space business
- Use core technologies (ArraySp, etc.) with theme of fusing sound and light



**Increase sales by ¥3 billion
(current sales: approx. ¥0.3 billion)**





Rapidly establish new business unit

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



Scale of IP Conferencing System Market

(Estimate of Current Market)

	Conferences using special terminals		PC/Web conferencing
	Video conferencing	Audio conferencing	
Scale of world market for terminals	¥70 billion	¥30 billion	¥5 billion (for microphones, speakers)
Annual market growth rate	10%	0%	20%
Existing Yamaha products	 <p>PJP-300V</p>	 <p>PJP-100H (IP connection)</p>	 <p>PJP-100UH (USB connection)</p>
		 <p>PJP-50R</p>	

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



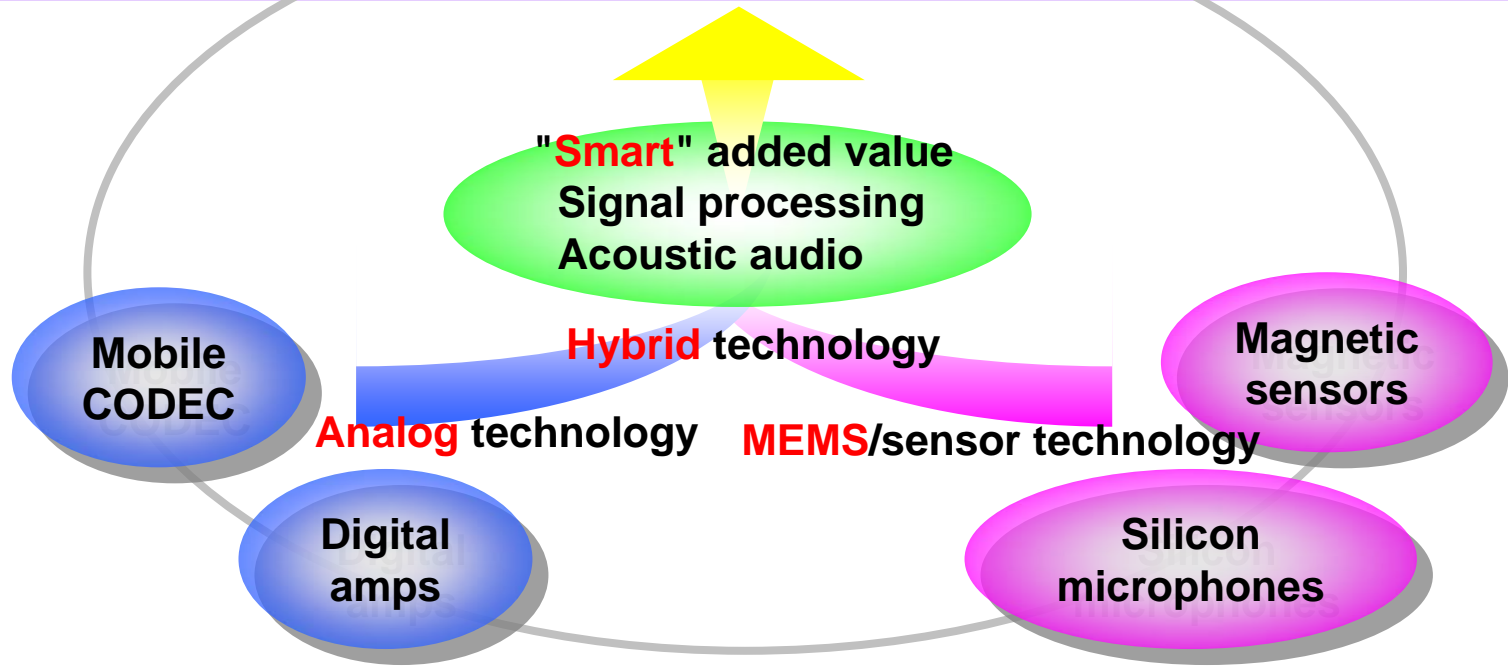
Increase sales by ¥6.4 billion

(current sales: ¥38.6 billion)

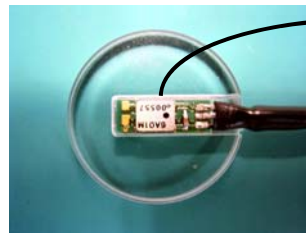
Aim for operating income of ¥5 billion

"Smart AnaHyM"

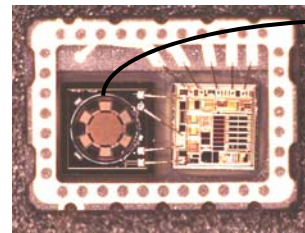
Develop superior devices by reinforcing analog (Ana), hybrid (Hy) and MEMS (M) technologies and adding value with Yamaha's strengths in the Smart technology field



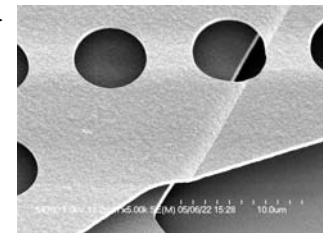
Digital amps



Silicon microphones

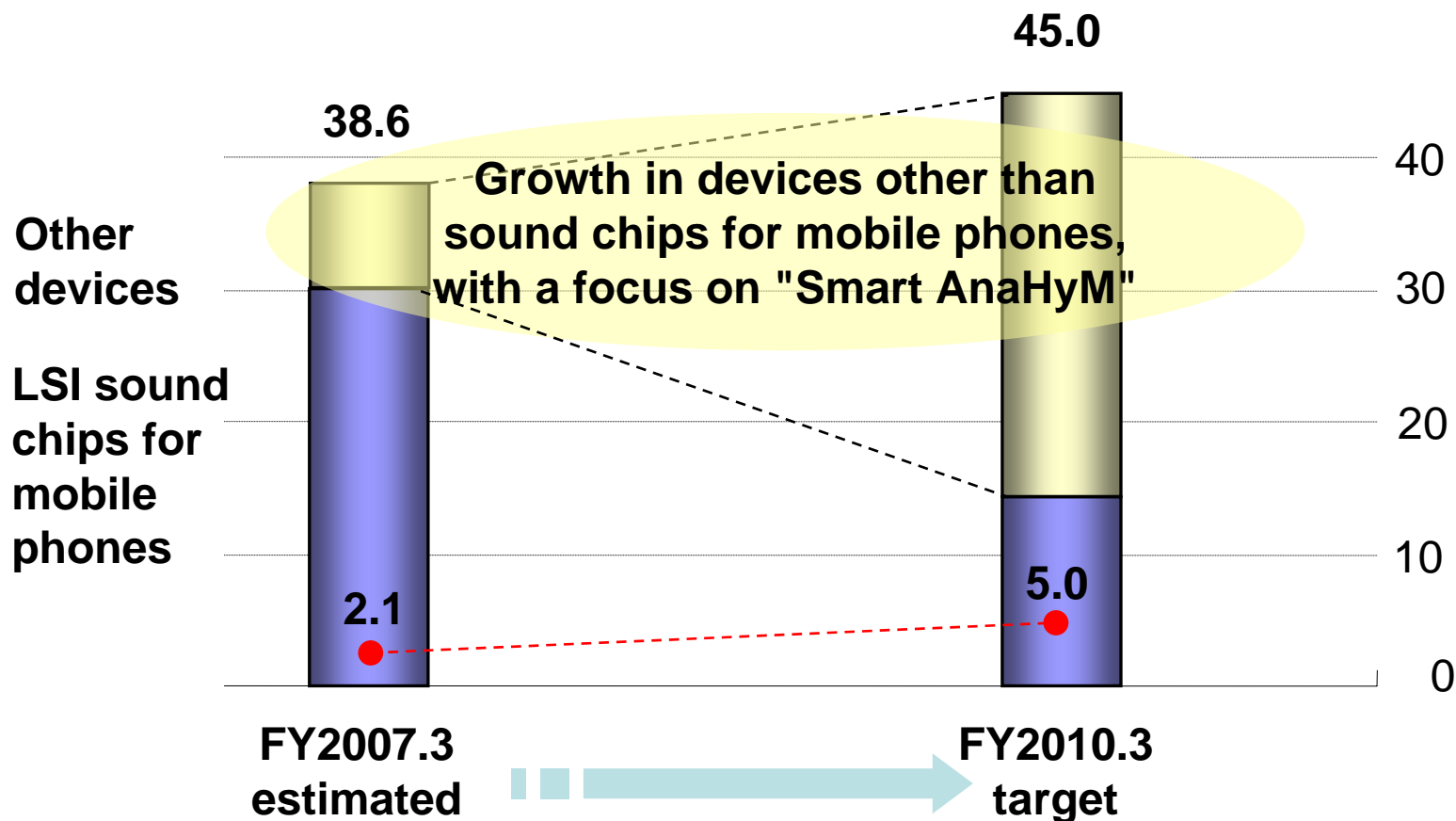


MEMS construction



Semiconductor Business: Sales/Operating Income Targets

(Billions of yen)



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)

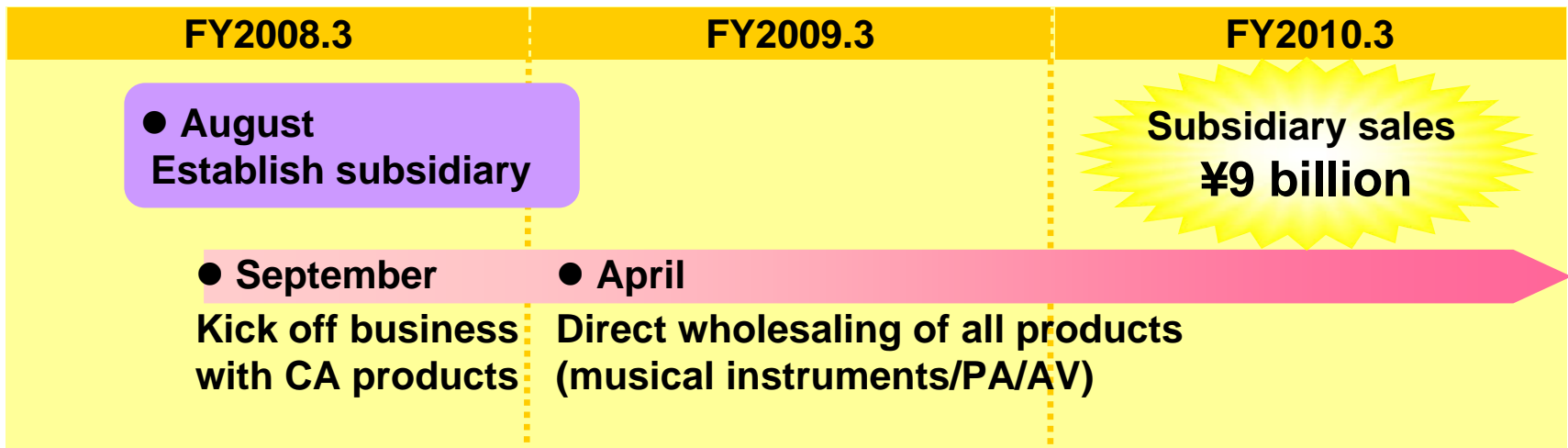
Share	10%	(7%)
Units	30,000	(16,000)



Russian Market

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



(Current musical instrument + AV wholesale value: approx. ¥3.5 billion)

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 Haimurubushi) 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**



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**

FY2010.3 Targets

	Yamaha Group	“The Sound Company” business domain
Net sales	¥590.0 billion 3-year sales growth rate: 8.8%	¥493.0 billion 3-year sales growth rate: 14.0%
Operating income	¥45.0 billion Operating income margin: 7.6%	¥39.5 billion Operating income margin: 8%
ROE	10%	—————
FCF	3-year ¥55.0 billion	—————

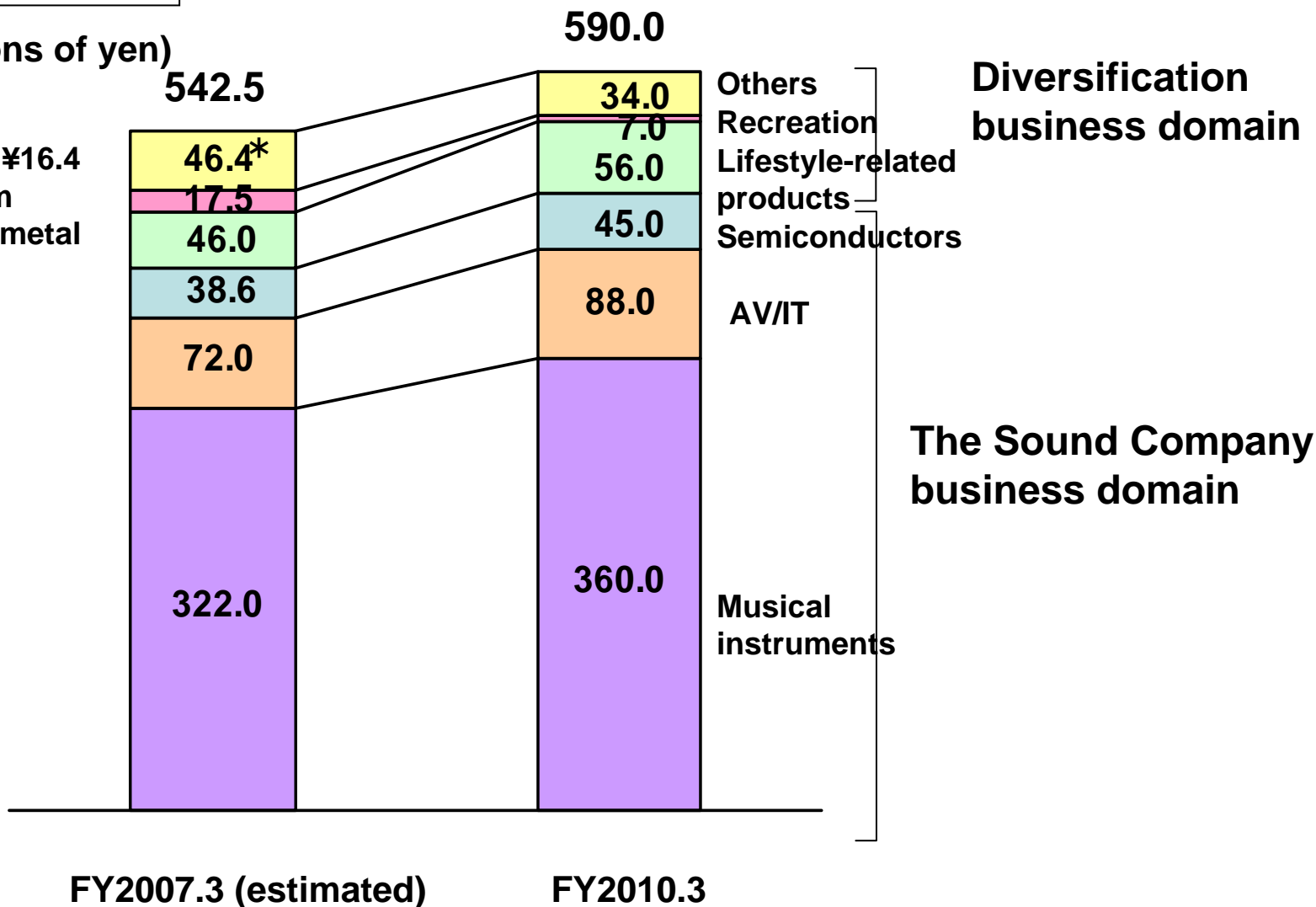
YGP2010 Net Sales Targets



Net Sales

(Billions of yen)

*Including ¥16.4 billion from electronic metal products business

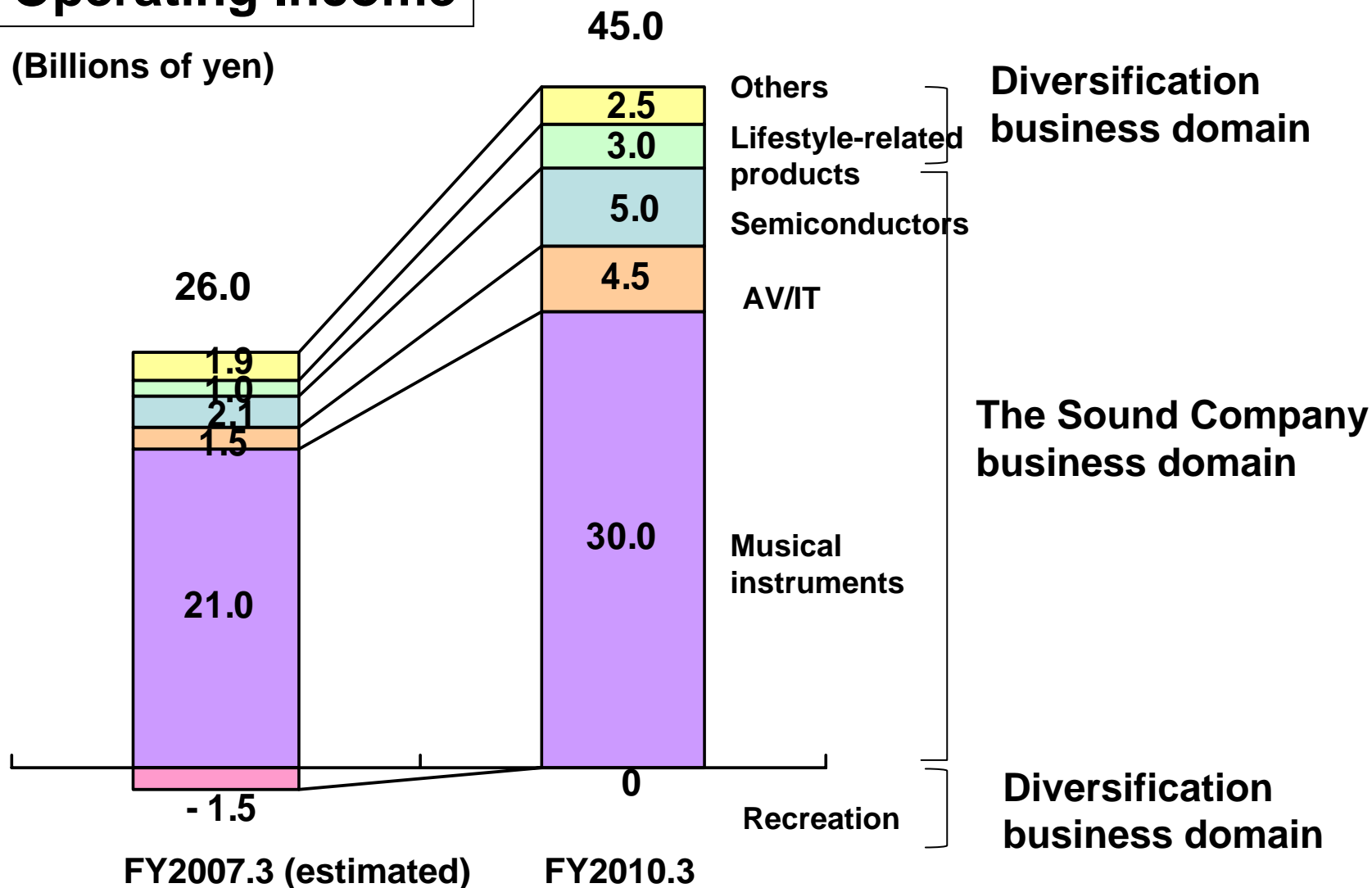


YGP2010 Operating Income Targets



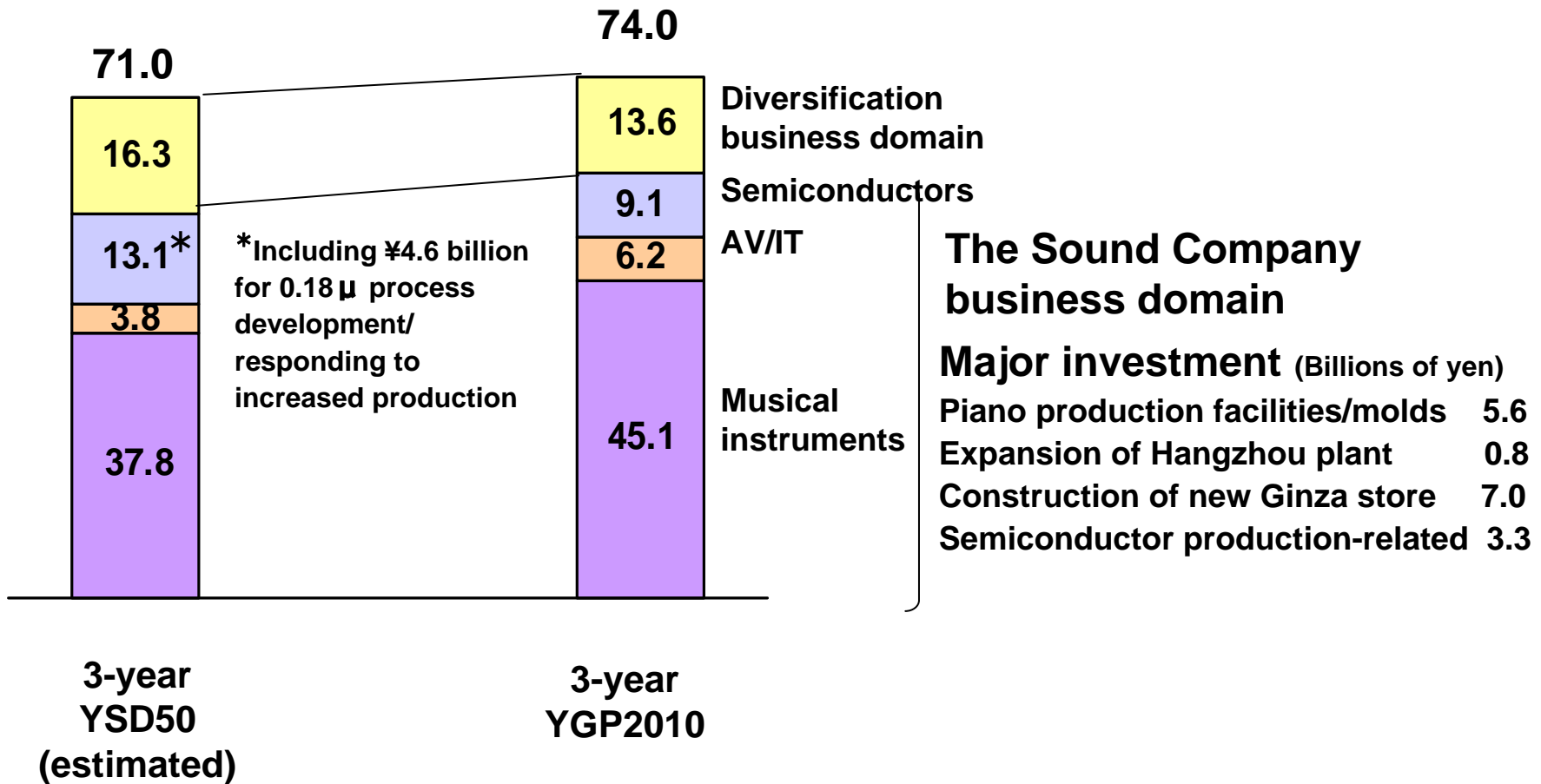
Operating Income

(Billions of yen)



Capital Expenditure

(Billions of yen)



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.