

Interview With the President

Question 1

What is your assessment of results for fiscal 2009?

Although we failed to meet our initial targets, we edged ahead in enacting the initiatives outlined in the “YGP2010” medium-term management plan.

We launched a number of new products in fiscal 2009, such as digital musical instruments, acoustic guitars, electronic drums, and AV amplifiers, which were well received by customers. With that said, deterioration in a host of external environmental factors, including the global economic slowdown, soaring prices for raw materials in the first half of the year, and the sharp and rapid appreciation of the yen in the second half, led to tough results for the year. Not only were net sales lower year on year, but we ultimately posted a net loss of ¥20.6 billion for the year. Moreover, we were not sufficiently able to foster new growth in “The Sound Company” business domain, which consists mainly of musical instruments, audio, music entertainment, AV/IT, and semiconductors. This remains an issue.

In musical instruments, sales of high-end grand pianos fell further than anyone predicted in the United States and Japan. Similarly, professional audio (PA) equipment saw business struggle from the second half of the year, especially for the corporate sector. In electronic devices, while we strove to develop new devices that will replace the sound generator LSIs for mobile phones that have led our growth to date, we were unfortunately unable to achieve the kind of outcomes we initially projected.

Ultimately, we had to conclude that under this situation, our quantitative targets for the “YGP2010” medium-term management plan will be practically unattainable. I believe, however, that we were able to promote initiatives in line with the direction outlined in “YGP2010.”

To put it differently, we made steady progress in enacting initiatives based on our initial targets. One outcome was the realignment of our piano factories and other production bases for musical instruments. Our guitars and electronic drums proved popular, particularly in the North American market, and the music entertainment business also did well for the most part. Meanwhile in emerging markets, which we see as a priority, we posted double-digit growth, most notably in China.

Business Positioning

“The Sound Company” Business Domain

**Musical instruments,
audio, music entertainment
AV/IT
Semiconductors**

Use sound/music/network-related technologies as a platform to drive Groupwide growth by deepening, expanding and creating business in the fields of musical instruments/audio/music entertainment, AV/IT and devices

Diversification Business Domain

**Lifestyle-Related
Products**

Recreation

PT*

Golf Products

Contribute to increasing Group corporate value by utilizing the original technologies and insight built up in the course of Yamaha's operations to secure strength in each industry and achieve sound business management

*PT: Productive Technologies
(FA, metallic molds, automobile interior wood components)



Question 2

Earlier you stated that management has concluded that completing the “YGP2010” medium-term management plan will be practically unachievable.

Would you elaborate on how the situation differs from Yamaha’s initial expectations?

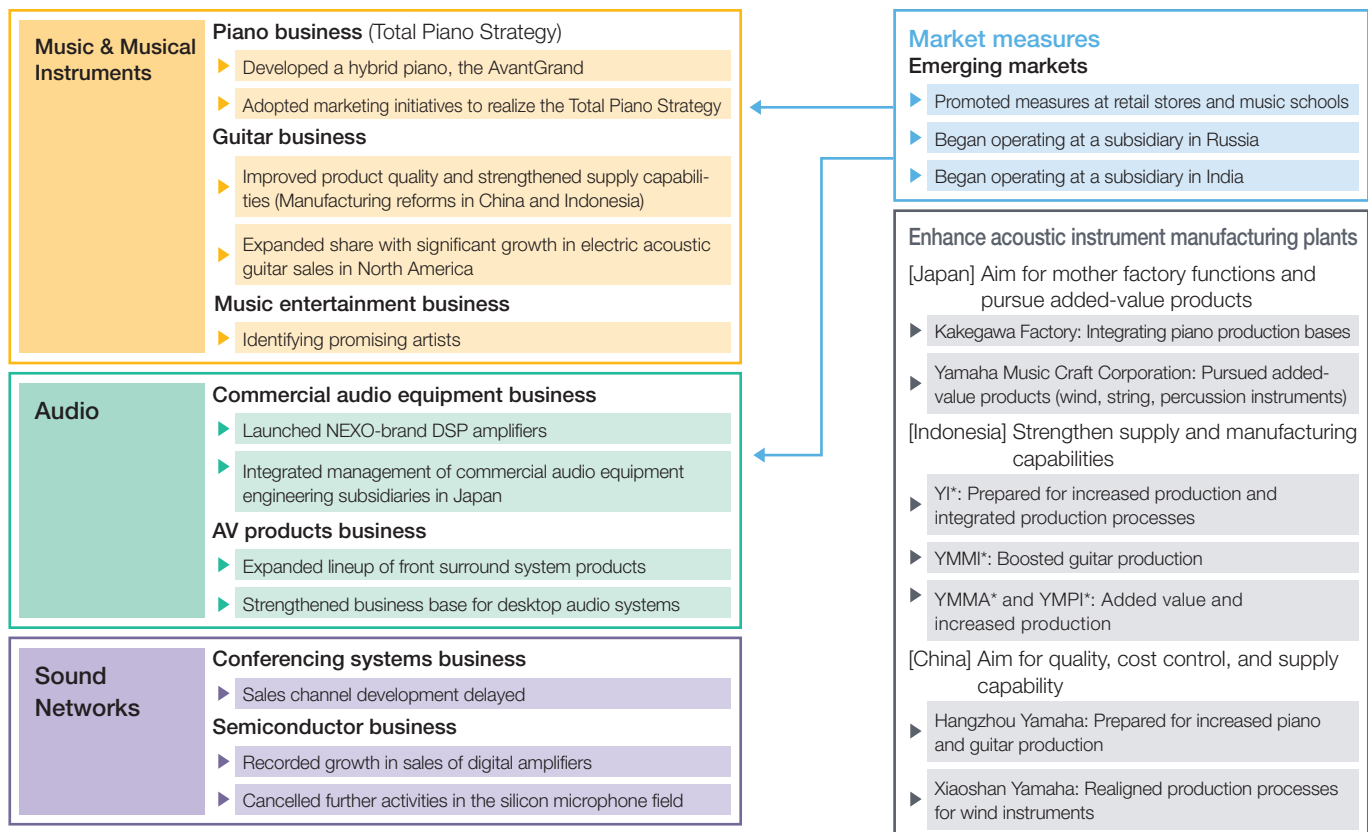
The magnitude of the global economic slowdown and the yen’s rapid appreciation have defied all predictions. Nothing conformed to our initial scenarios.

Fiscal 2010 is slated as the final fiscal year of the “YGP2010” medium-term management plan, but meeting the quantitative targets we were aiming for by then will be exceptionally difficult. Instead, we have opted to treat fiscal 2010 as the year for mounting our response to a drastically changing operating environment, reconfiguring our management base, and deciding the direction for our next medium-term management plan. Furthermore, results were far lower than we expected due to the sudden worsening in market conditions. We also encountered delays in developing new products as well as increasingly fierce competition, and consequently

began enacting business structural reforms, including withdrawing from certain businesses.

To understand why we failed to complete “YGP2010” successfully, we need to reflect honestly on a number of points; this includes my own awareness of the business environment, which in retrospect was too optimistic. Nevertheless, there is no change whatsoever in the core pillars of our approach: gaining a footing in musical instruments and sound-related business and improving the earnings potential of our diversification business.

Progress of Growth Strategy in “The Sound Company” Business Domain



* YI: PT. Yamaha Indonesia
 YMMI: PT. Yamaha Music Manufacturing Indonesia
 YMMA: PT. Yamaha Music Manufacturing Asia
 YMPI: PT. Yamaha Musical Products Indonesia

Question 3

Can you go into more detail on the performance improvement program?

Through the Management Reform Committee, which I personally chair, we are exploring short-term earnings improvements and clarifying the direction of Yamaha businesses over the medium to long term.

In November 2008, we established the Management Reform Committee, of which every director is a member and which I directly chair. This committee is charged with proposing and enacting measures to improve earnings over the short term, as well as clarifying the medium- to long-term direction of Yamaha businesses. From the standpoint of short-term earnings improvement, we took steps to reduce base costs and cut expenses, reviewed investments, and raised wholesale prices to respond to volatility in currency exchange rates. These efforts resulted in the improvements in earnings we recorded in fiscal 2009.

In parallel, we have launched an in-depth review and are examining the direction of each business, and are exploring options for dealing with unprofitable businesses and improving income. One

outcome was our decision to withdraw from the magnesium molded parts business for digital single-lens reflex cameras. Another was our decision to cancel further activities in semiconductor silicon microphones. We also chose to close piano production bases Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd., and Kemble & Company Ltd. in the United Kingdom. Beyond these moves, we strove to shore up our business structure by targeting fixed assets and goodwill for impairment. This list of business structural reforms is just the beginning of a process that will continue going forward.

As a side note, we intend to formulate Yamaha's next medium-term management plan, which will clarify our business direction, by the spring of 2010.

Key Business Decisions

Major Business Structural Reforms and Impairment	One-time Charge*	Expected Benefit
Withdrawal from magnesium molded parts business	¥0.8 billion	■ Expected medium-term benefit of approx. ¥2.0 billion
Cancellation of further activities in the semiconductor silicon microphone field	¥0.4 billion	■ Benefit of approx. ¥1.1 billion in fiscal 2010
Piano production base realignment (Closure of piano factories in Taiwan and U.K.)	¥1.7 billion	■ Benefit of approx. ¥0.1 billion in fiscal 2010 ■ Expected medium-term benefit of approx. ¥0.5 billion
Impairment of semiconductor and recreation fixed assets and goodwill	¥18.6 billion	■ Benefit of ¥3.2 billion in fiscal 2010 (Musical instruments: ¥1.4 billion, Semiconductors: ¥1.7 billion, Recreation: ¥0.1 billion)

* One-time charge already recorded in fiscal year ended March 31, 2009

Question 4

What criteria and approach guide your decisions to continue with or withdraw from businesses?

Businesses that are likely to record losses for two consecutive terms are put on the table for deciding whether or not to continue with operations.

In those instances, our decisions are based not only on future

earnings potential, but also on whether the business in question offers products and services that are uniquely Yamaha. We also consider how the market evaluates each business, and the contribution it makes to the Yamaha brand.

Question 5

What initiatives are you pursuing to improve earnings in the piano business?

We are scaling back production and integrating or eliminating production sites, while at the same time bolstering efforts to expand sales of the Disklavier™ player piano, and the Silent Piano™.

In fiscal 2009, piano sales saw growth in the Chinese market, as expected, of moderately priced, domestically produced products. However, sales in Japan and the U.S. market of medium- and premium-quality pianos made in Japan fell dramatically due to the economic slowdown. This situation forced a massive scale back in production at our factories in Japan, and caused earnings in the piano business to worsen.

In reviewing our production bases from a global standpoint, we decided to close piano factories in Taiwan and the U.K. in order to further boost production efficiency. Yamaha piano

production will now be concentrated at three bases in Japan, China, and Indonesia. Right now, we are focusing our efforts on integrating and consolidating piano factories in Japan, with a target completion date of summer 2010, and we hope to realize integration benefits as soon as possible.

On the sales side, we will bolster efforts to expand sales in areas of strength for Yamaha—namely the Disklavier player piano, and our Silent Piano. In tandem, we are eyeing growth in the domain of premium pianos, based on two key forces: recently acquired Austrian piano manufacturer L. Bösendorfer Klavierfabrik GmbH and Yamaha's concert grand pianos.

Question 6

What is your outlook for fiscal 2010?

The global economic slowdown and the strong yen will continue to make for an adverse market environment in fiscal 2010, so we are projecting both lower sales and operating income year on year. With that said, our goal is to end the year in the black. To do this, along with continuing to pursue the performance

improvement program I discussed earlier, we plan to consistently launch high-value-added products tailored to the needs present in each business and region. At the same time, we will concentrate our efforts to build a framework for future growth.

Question 7

In what fields do you expect to see growth going forward?

For one, our electronic drums and electric acoustic guitars are proving extremely popular. We also anticipate growth in emerging markets.

Even in a tough economic climate, the market for electronic drums as a new product category is expanding. In fiscal 2009, year-on-year growth in these products was in the double digits. The market response to our electric acoustic guitars has also been outstanding.

In PA equipment, despite present stagnation caused by a deteriorating economic climate, we anticipate growth in this field over the medium term.

By market, over the medium to long term, we expect to see growth in Asia, Latin America, Russia, and other emerging markets.

In China, along with our goal of another year of double-digit growth in piano sales, we are expanding our activities for Yamaha Music Schools to generate demand, and we plan to vigorously pursue sales of digital musical instruments, PA equipment and other products.

In Latin American markets too, particularly Brazil, we are projecting another year of double-digit growth.

Demand in Eastern European markets, which had been expanding relatively smoothly, has struggled over the last fiscal year. Still, this region is home to a deeply rooted music culture, so we expect business opportunities to blossom once the economic climate improves, and will continue efforts to reinforce our sales network.

We initially had high hopes for the Russian market, but the collapse in resource prices has triggered an abrupt about-face in market conditions. Here, we will push ahead with developing our sales network and human resource training, and will prioritize enhancing our business base to prepare for the next stage of growth.



Question 8

What approach are you taking with respect to the Company's balance sheet?

Given an uncertain business climate and the need for strategic investment, we want first and foremost to boost liquidity at hand.

In fiscal 2009, we experienced a dramatic decrease in cash and bank deposits on hand from a share-buyback, dividend payment, the payment of corporate taxes and capital investment, and increased inventories. Yamaha's current business scale requires around ¥30 billion in funds on hand. However, given growing uncertainty in the business environment, and in order to flexibly meet demand for the funds necessary for business growth, we want to keep liquidity in hand as high as we possibly can.

To this end, in conjunction with expanding profit, we hope to generate cash from operating capital mainly by slashing inventories and reducing fixed assets, and will endeavor to strengthen the Company's financial position. We will also take on loans to procure funds if the situation warrants. From a capital efficiency standpoint, we have no plans at the moment to procure capital through equity financing.

Question 9

Can you share with us your thoughts on mergers and acquisitions?

We will proactively explore any M&A with the potential to accelerate growth through synergies with existing businesses.

With the pace of change in the surrounding business environment growing faster, we view M&As as an essential component of management strategy. In determining the viability of an M&A, the criteria we look for are business development potential not possible with Yamaha's present management resources, and whether the M&A can accelerate growth through synergies with Yamaha's existing businesses. All businesses are run by people and have their own organizational culture, so another major precondition is whether the acquisition target's approach to business meshes

well with our own. In fiscal 2008, we welcomed premium piano manufacturing and sales company Bösendorfer of Austria into the Group, alongside Fuji Sound Co., Ltd. of Japan, engaged in the commercial audio equipment business. Both firms have integrated well as Yamaha Group companies. In fiscal 2009, meanwhile, we acquired NEXO S.A., one of France's leading manufacturers and sellers of sound reinforcement loudspeakers. This move is expected to enhance Yamaha's PA equipment business going forward.

Question 10

What is Yamaha's stance with respect to improving shareholder value?

Our comprehensive approach is to appropriately distribute profits through dividends, and to take other measures, including share buybacks as needed to enhance capital efficiency.

In a capitalist society, companies are under pressure to realize sustainable growth. But given the drastic changes in the business environment we face today, our priority must now be on short-term improvement in earnings.

I believe that the source of Yamaha's long-term growth lies in the extent to which we can improve the intrinsic value, if you will, of Yamaha itself. This intrinsic value I'm referring to is actually the role that a company has in society; in other words, to what extent are the products and services that Yamaha offers able to satisfy the customers who use them?

For this reason, our stance is to manage Yamaha in a manner that is customer-oriented, meaning that we always conceptualize, examine, debate and decide from the viewpoint of our customers, and that is quality-conscious, in that Yamaha products and services never compromise on high quality, regardless of the purchase price.

At Yamaha, raising shareholder value is one of our most important management issues. Accordingly, we remain committed to a comprehensive approach that includes the appropriate distribution of profits through dividends, and, as necessary, share buybacks to improve capital efficiency. Our basic policy with respect to dividends is to maintain a consistent and stable dividend, and we strive for a target consolidated payout ratio of 40% in returning profits to shareholders.

For fiscal 2009, we declared an annual dividend of ¥42.5 per share, which includes a special dividend of ¥20 related to the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd. that took place in fiscal 2008. In fiscal 2010, we are projecting a total annual dividend of ¥30 per share, including a special dividend of ¥20.

