

AV/IT

Fiscal 2009 Performance Overview

Sales in the AV/IT business declined 19.9% year on year in fiscal 2009 to ¥56,722 million. The segment posted an operating loss of ¥410 million versus operating income of ¥1,839 million in the previous fiscal year.

In audio products, shrinking overall market demand as a result of adverse market conditions led to lower sales for AV receivers. In Japan, front surround systems with furniture stands received high appraisal in the market. In routers, Yamaha maintained its top share enjoying the benefits of its strong market reputation in the SOHO market.

Business Strengths

- Front surround sound technology for Digital Sound Projector™
- Wireless transmitting technology for iPod*1 audio players
- High-quality sound technology in AV components and HiFi audio products
- Router solutions business
- Signal processing technology for high sound quality and wide coverage of microphone speakers for Web conferencing

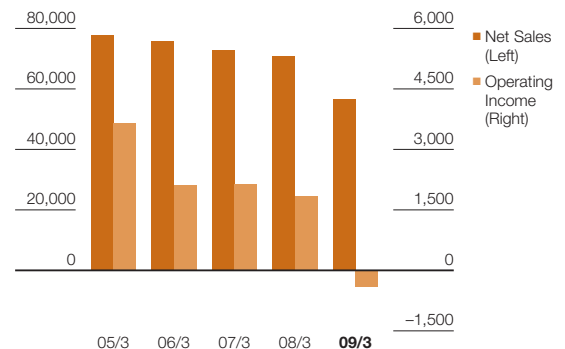
Key Business Indicators

(Millions of Yen)

| | 05/3 | 06/3 | 07/3 | 08/3 | 09/3 |
|-------------------------|---------|---------|---------|---------|---------|
| Net Sales | ¥77,720 | ¥75,939 | ¥72,823 | ¥70,814 | ¥56,722 |
| Operating Income (Loss) | 3,651 | 2,113 | 2,137 | 1,839 | (410) |
| Capital Expenditures | 1,111 | 1,129 | 1,539 | 2,009 | 1,451 |
| Depreciation Expenses | 1,492 | 1,542 | 1,610 | 1,794 | 1,631 |
| R&D Expenses | 5,069 | 4,919 | 4,858 | 5,087 | 5,257 |

Net Sales/Operating Income (Loss)

(Millions of Yen)



Market Trends and Business Strategy

Market Trends

High expectations for desktop audio systems

Shrinking of the SOHO router market continues

In the audio products market, competition in AV receivers and home theater systems is likely to intensify even more due to the worldwide slowdown in consumption. The widespread use of iPods, meanwhile, is expected to spur growth in the desktop audio market. In commercial online karaoke equipment and routers for the SOHO market in Japan, further market contraction is predicted as both markets are well-matured. The market for conferencing systems, by contrast, is expanding as business globalizes and the Internet comes into widespread use. Demand is also likely to grow as corporate users turn to these systems as a means to reduce travel expenses and enhance operational efficiency during the recession.

Business Strategy

Introduce mainstream consumer audio products in a broader range of markets

In audio products, Yamaha is seeking to upgrade its product lineups by introducing mainstream consumer products*2 in a wider range of markets. In addition to medium and moderately priced AV receivers launched in spring 2009, this push will

include the entry of new Digital Sound Projector™ models, innovative surround sound systems, and newly designed desktop audio speakers, as well as an enhanced lineup of moderately priced micro-component stereo systems. In parallel, Yamaha will strive to bolster its profitability by paring down manufacturing costs. Specifically, the Company will promote greater in-house production of components and take aggressive steps to reduce materials costs.

In the commercial online karaoke equipment business, Yamaha will endeavor to increase sales and improve earnings through proactive development for next-generation products.

In the routers business, the Company will further apply technologies accumulated over the years to develop products fully compliant with next-generation networks. Complementing this effort is Yamaha's goal of increasing sales through expansion in sales volume for existing models and the new RTX1200.

In the conferencing systems business, Yamaha will focus on building up sales networks, while continuing its effort to provide solutions and broaden its market share in Japan for microphone speakers used in Web conferencing.

*1 iPod is a trademark of Apple Inc. registered in the United States and other countries.

*2 Mainstream consumer products refer to products targeting a broad user base that make it easy to enjoy music with a single unit, rather than several system components.