

Electronic Devices

Fiscal 2009 Performance Overview

Sales in the electronic devices segment declined 51.2% year on year, to ¥21,975 million. The segment recorded an operating loss of ¥2,536 million, in contrast to operating income of ¥1,863 million posted a year earlier.

Sales of sound generators for mobile phones fell substantially year on year due to the ongoing shift to the use of sound-generation software in overseas markets, and declining mobile phone sales in Japan. Sales of digital amplifiers, sound generators for amusement equipment (pachinko related products), and graphics controllers for automobiles also fell short of

expectations, reflecting adverse market conditions. The decision was made to withdraw from the silicon microphone business, meanwhile, in light of increased competition.

Business Strengths

- Wealth of expertise in the development of devices for digital musical instruments
- High quality digital signal processing (DSP) technologies
- Software technologies for middleware and content development tools

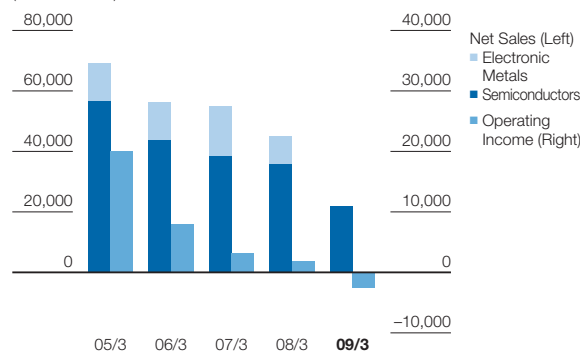
Key Business Indicators

(Millions of Yen)

	05/3	06/3	07/3	08/3	09/3
Net Sales	¥69,048	¥56,167	¥54,809	¥45,000	¥21,975
Operating Income (Loss)	19,970	7,927	3,101	1,863	(2,536)
Capital Expenditures	4,955	5,488	4,395	2,435	3,247
Depreciation Expenses	4,183	4,471	4,676	4,618	3,326
R&D Expenses	4,473	5,345	5,372	5,387	4,474

Net Sales/Operating Income (Loss)

(Millions of Yen)



Market Trends and Business Strategy

Market Trends

Adverse climate to persist from diminished demand for mobile phones

The market for sound generators for mobile phones is witnessing an ongoing shift from hardware-based sound generators to sound-generation software, with this trend most evident overseas. In Japan, actual demand for mobile phones is projected to be weak going forward due to lackluster consumption caused by the economic recession as well as the introduction of an installment sales system for mobile phones, which has led consumers to refrain from buying new handsets. In the amusement equipment sector, the market for pachinko and pachislot machines has contracted in the wake of legal and regulatory changes. In the digital amplifier market, where low heat generation and low power consumption are increasingly in demand, there remains cause for concern regarding slow demand from the flat-panel TV market and lower prices due to greater competition. For graphics controllers for automobiles, tough conditions are likely to persist, reflecting sudden contraction in the automobile market.

Business Strategy

Strengthen expansion of business to replace sound generators

Yamaha will take steps to enhance the semiconductor business as a whole, encompassing mobile phones, amusement equipment, automotive products, and other product areas pursued to date.

As competition heats up, the Company will further strengthen relationships with customers by differentiating Yamaha from competitors, including offering customer support and providing software as middleware. In striving to the next stage of growth, Yamaha will also propose new sound devices that create new added value with respect to sound including proposing applications to customers.

Specifically, as stagnation continues in the mobile phone market, Yamaha will offer detailed support to mobile phone operators and handset manufacturers, in addition to improving call sound quality, proposing applications such as musical instruments performance via mobile phone, and expanding sales of non-sound devices such as CODECs and digital amplifiers. These moves will enable Yamaha to offset future contraction in the sound generator business.

In amusement equipment, Yamaha will focus on the sale of two new sound generators with surround-sound embedded, which are receiving appreciation from the market, and graphics controllers with high-compression decoding, and aim to grow market share.

For graphics controllers for automobiles, as stagnation in the automobile market continues, the market is increasingly adopting new products with internal decoding capabilities. Going forward, the Company is committed to heightening its market presence by developing new products incorporating functions that address customer needs.

In parallel with these efforts, Yamaha will forge ahead with business structure reforms, pursuing extensive measures to reduce fixed costs, lower manufacturing costs, and raise development efficiency in a push to improve profitability.