

May 21, 2007

For immediate release

**Company Name:** YAMAHA CORPORATION

**President and Representative Director:** Shuji Ito

**Code Number:** 7951 (First Section of Tokyo Stock Exchange)

### **Yamaha to Sell Its Interest in an Overseas Subsidiary**

At its meeting on May 21, 2007, the Board of Directors of Yamaha Corporation (Head Office: 10-1 Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka, Japan; President: Shuji Ito; Hereinafter, Yamaha) decided to sell the shares the Yamaha Group owns in Guangzhou Yamaha-Pearl River Piano Inc. (Head Office: Guangzhou, Guangdong, China; President: Yasushi Yamashita; Hereinafter, Guangzhou Yamaha), which represent a 60% of the outstanding shares of Guangzhou Yamaha, to Guangzhou Pearl River Piano Group Ltd. (Head Office: Guangzhou, Guangdong, China; Chairman: Huang Wei Lin; Hereinafter, Pearl River Piano). Pearl River Piano, Yamaha Music & Electronics (China) Co., Ltd. (A wholly owned subsidiary of Yamaha; Head Office: Shanghai, China; Chairman: Masaaki Koshiba; Hereinafter, YMEC), and Yamaha have concluded a three-party share purchase agreement. The details of the agreement are explained below.

Please note that following the signing of the contract, the formal transfer of the shares in question is scheduled to become effective following the completion of applications to and procedures by the Chinese government authorities on the date the registration of the change in the name of the company from Guangzhou Yamaha to a subsidiary of Pearl River Piano is officially approved.

#### **1. Reason for the Sale of Yamaha Group Interest**

Guangzhou Yamaha was established in 1995 as a Japanese-Chinese joint venture 60% owned by Yamaha (Japan) and 40% owned by Pearl River Piano (China). In

September 2003, accompanying the establishment of YMEC, 45% of the shares held in Guangzhou Yamaha were transferred from Yamaha to YMEC in exchange for an investment in kind, and the ownership of Guangzhou Yamaha changed to its current percentage breakdown (45% ownership by YMEC, 15% by Yamaha, and 40% by Pearl River Piano). Since establishment, Guangzhou Yamaha has focused on the production of upright pianos for sale in the Chinese domestic market and in overseas markets, principally in Europe.

When Guangzhou Yamaha began operations as a joint venture, it was difficult for foreign companies to establish wholly owned subsidiaries in China, but subsequently the establishment of wholly owned foreign companies in China has become easier. As the domestic piano market in China has expanded, Yamaha has made investments to expand production based in China by establishing wholly owned subsidiaries, Xiaoshan Yamaha Musical Instruments Co., Ltd. (Head Office: Hangzhou, Zhejiang, China; Piano parts plant; Established, 1997), and Hangzhou Yamaha Musical Instruments Co., Ltd. (Head Office: Hangzhou, Zhejiang, China; Piano and guitar plant; Established, 2003). Along with the implementation of Yamaha's relocation policy for its global piano manufacturing bases, the joint venture contract for Guangzhou Yamaha will be terminated before the end of the initial 20-year contract, and Yamaha and YMEC will transfer their full ownership to Pearl River Piano, their joint venture partner in Guangzhou Yamaha.

Note that the current production volume of Guangzhou Yamaha (5,280 pianos in 2006) is scheduled to be shifted to Yamaha's Hangzhou plant, where production capacity has been expanded through the completion of a second production plant (completed in April 2007).

## **2. Outline of Company Whose Shares Are to Be Sold (As of December 31, 2006)**

- (1) Company name: Guangzhou Yamaha-Pearl River Piano Inc.
- (2) Address: 5 Canglian 1 Road, East Zone, GETDD, Guangzhou, Guangdong, China
- (3) President: Yasushi Yamashita
- (4) Date of establishment: May 4, 1995
- (5) Line of business: Manufacturing of pianos
- (6) Closing of accounts: December 31

- (7) Number of employees: 155
- (8) Paid-in capital: US\$10 million (82,966 thousand RMB)
- (9) Principal shareholders (Percentage ownership): Yamaha Corporation (15%), Yamaha China (45%), and Pearl River Piano (40%)
- (10) Recent performance (Thousands of RMB)

Closing of accounts	December 31, 2006
Sales	89,259
Operating income	2,807
Net income	2,165
Total assets	110,905
Net assets	102,491

### **3. Purchaser of the Shares**

- (1) Company name: Guangzhou Pearl River Piano Group Ltd.
- (2) Chairman: Huang Wei Lin
- (3) Address: Yu Wei Xi Road, South Hua Di Da Dao, Fang Cun, Guangzhou, Guangdong, China
- (4) Lines of business: Manufacturing and sales of pianos and other musical instruments
- (5) Shareholder: Guangzhou City, National Enterprise

### **4. Details of the Sale of Shares**

- (1) Ownership portions to be sold: Yamaha Corporation (15%), YMEC (45%)
- (2) Transfer prices: Yamaha portion: 10,424 thousand RMB (approximately ¥160 million); YMEC portion: 31,273 thousand RMB (approximately ¥480 million)

### **5. Schedule**

May 21, 2007: Decision by the Board of Directors, concluding of the share purchase agreement

By September 30, 2007: Application for approval by government authorities in China

By September 30, 2007: Date for transfer of shares: (Date for completion of all procedures)

**6. Impact on Yamaha Group Financial Statements**

The impact on Yamaha's consolidated financial statements for FY2009.3 and subsequent years is not expected to be material.

**7. For Further Information, Please Contact:**

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