

YAMAHA CORPORATION

Interim Flash Report

Consolidated Basis

Results for the interim period ended September 30, 2000

Company name: YAMAHA CORPORATION

Code number: 7951

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Date of the interim meeting of the Board of Directors: November 17, 2000

Date of interim dividend payment: December 12, 2000

Interim dividend: Yes No

Stock listings: Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section),
Nagoya Stock Exchange (First Section)

1. RESULTS FOR THE INTERIM PERIOD (April 1, 2000 to September 30, 2000)

Figures less than ¥1 million have been omitted.

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring profit	
	Millions of yen	(% change from the previous interim period)	Millions of yen	(% change from the previous interim period)	Millions of yen	(% change from the previous interim period)
Interim period (Ended September 30, 2000)	¥251,268	—%	¥12,596	—%	¥13,969	—%
Previous interim period (Ended September 30, 1999)	—	—	—	—	—	—
Previous fiscal year (Ended March 31, 2000)	¥527,897	—%	¥ 8,082	—%	¥ 8,506	—%

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	(% change from the previous interim period)	Yen	Yen
Interim period (Ended September 30, 2000)	¥ 10,028	—%	¥ 48.56	¥45.56
Previous interim period (Ended September 30, 1999)	—	—	—	—
Previous fiscal year (Ended March 31, 2000)	¥(40,777)	—%	¥(197.45)	—

Notes: 1. Equity in net income of affiliates for the interim years ended September 30,

Interim period ended September 30, 2000 ¥3,310 million

Previous interim period ended September 30, 1999 ¥— million

Previous fiscal year ended March 31, 2000 ¥4,209 million

2. Changes in method of accounting: YES

(2) Consolidated Financial Data

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim period (Ended September 30, 2000)	¥515,862	¥186,892	36.2%	¥ 904.97
Previous interim period (Ended September 30, 1999)	—	—	—	—
Previous fiscal year (Ended March 31, 2000)	¥543,088	¥221,750	40.8%	¥1,073.75

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period (Ended September 30, 2000)	¥(15,015)	¥(2,418)	¥17,001	¥32,721
Previous interim period (Ended September 30, 1999)	—	—	—	—
Previous fiscal year (Ended March 31, 2000)	¥10,851	¥12,474	¥(7,522)	¥33,632

(4) Matters Related to Consolidated Companies and Companies Accounted for Using the Equity Method

Number of consolidated subsidiaries: 73

Number of non-consolidated companies: 0

Number of affiliated companies: 3

(5) Changes in Accounting Methods

Changes in the status of consolidated companies and companies accounted for using the equity method

Consolidated companies:

Number of companies newly consolidated: 4

Number of companies removed from consolidation: 3

Equity method:

Number of companies newly accounted for using the equity method: 0

Number of companies removed from the equity method: 0

2. FORECASTS FOR RESULTS FOR THE FISCAL YEAR (April 1, 2000 to March 31, 2001)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Fiscal year	¥520,000	¥19,000	¥12,500

Reference: Net income per share for the fiscal year is forecast to be ¥60.53 on a consolidated basis.

(References)

1. THE YAMAHA GROUP

The YAMAHA Group consists of the YAMAHA CORPORATION in Japan, 104 subsidiaries and 17 affiliated companies and is involved in a wide range of businesses including musical instruments, AV/IT, lifestyle related products, electronic equipment and metal products, recreation and other fields.

Our main products and main subsidiaries and affiliated companies, as well as their positioning are as shown below.

Business segment	Major products & services	Major consolidated subsidiaries
Musical instruments	Pianos, Digital musical instruments, Wind instruments, String instruments, Percussion instruments, Educational musical instruments, Audio equipment, and Music schools	Yamaha Music Tokyo Co., Ltd., and 15 other domestic musical instruments sales subsidiaries Yamaha Corporation of America Yamaha Canada Music Ltd. Yamaha Europa G.m.b.H Yamaha-Kemble Music (U.K.) Ltd. Yamaha Musique France S.A. P.T. Yamaha Music Manufacturing Asia Tianjin Yamaha Electronic Musical Instruments, Inc.
AV, IT	Audio products, and IT equipment	Yamaha Corporation of America Yamaha Europa G.m.b.H Yamaha Electronics Manufacturing (M) Sdn. Bhd.
Lifestyle related products	System kitchen, bathrooms, washstands, furniture, parts for housing facilities, sound equipment for residential use	Yamaha livingtec Corporation
Electronic equipment and metal products	Semiconductors, and specialty metals	Yamaha Kagoshima Semiconductor Inc. Yamaha Metanix Corporation
Recreation	Sightseeing facilities, accommodation facilities, ski resort and sports facilities	Yamaha Resort Corporation Kiroro Development Corporation
Others	Golf and archery gear, Automobile interior components and Industrial robots	Yamaha Fine Technologies Co., Ltd.

In the case of major subsidiaries that carry out various business activities, those activities are mentioned separately.

2. MANAGEMENT PLAN

(1) Basic Management Plan

In order to create new value, we at Yamaha have striven to grow as a company that contributes to the enrichment of the lives and culture of people all over the world. In order to achieve this goal, we continue to work to increase the speed of our decision-making processes, improve our capacity to meet the demands of rapidly advancing technology and the ever changing market environment as well as develop and provide high quality products and services that meet the needs of our customers. In addition, we have worked to make more efficient and effective use of our resources in order to increase our competitiveness in the global marketplace. Furthermore, in order to grow into a truly global corporation, we are increasing network connectivity and aggressively implementing environmentally friendly policies.

(2) Basic Plan for Allocation of Profits

Our basic business plan is to strengthen our business base and improve the profit ratio of shareholder capital with regular and stable dividends. As for our internal capital reserves, we make use of these funds to invest in R&D, manufacturing facilities and future expansion of our businesses based on consideration of our business results and financial conditions.

(3) Issues to be Faced and Medium- and Long-term Strategy

In pursuit of growth, we focus our resource allocation on core business areas such as musical instruments, AV/IT, media and sound related electronic equipment. Particularly in the area of media, we work to increase demand for hardware designed for the Internet such as musical instruments and AV/IT devices as well as software, content and services related to music information, entertainment and education. In addition, we work to establish profitable frameworks for diversified businesses in areas such as lifestyle-related products and recreation.

Our aims are to strengthen the position of the Yamaha Group, improve Group business results and increase brand name value. We are working to achieve higher efficiency from top to bottom and improve management effectiveness by reorganizing our business process, reconstructing our key information systems, promoting supply chain management and revolutionizing our human resources system to make it more result-oriented.

Through implementation of the above measures, our goal is to achieve a 9% return on equity over the medium- and long-term.

3. BUSINESS RESULTS

Overall Business Conditions This Term

Although private sector's capital investment was solid in Japan this term, this has not yet sparked individual consumer spending and economic recovery has been slow. Overseas, the U.S. economy has continued to be strong and the European and Asian economies have, generally speaking, undergone smooth transitions.

Against this backdrop, Yamaha celebrated 100 years of fine piano craftsmanship by sponsoring a variety of events designed to encourage our customers to reflect on how wonderful and enjoyable pianos are. We also strengthened the Yamaha brand name in the area of acoustic instruments by developing and marketing an acoustic violin. At the same time, we expanded our mobile phone melody service and pioneered a new type of audition on our Web site called "Music Front" which combines the Internet with live performance. We also focused on promoting our media businesses by establishing a label company, Yamaha Music Communications, Inc. and an electronic musical score publishing and distribution company, Yamaha Music Interactive (USA). We also strengthened our line of home theater products and telecommunications devices and worked to expand sales of sound source chips for mobile phones.

Total sales for the term were ¥251.3 billion due to a sluggish Japanese market for musical instruments and the foreign exchange. Of these sales, domestic (Japanese) sales were ¥153.8 billion and export sales were ¥97.5 billion.

In the area of profit and loss, although sales fell and the effect of foreign currency exchange rates was detrimental, thanks to effective restructuring measures combined with wide-ranging sales increases in semiconductors and electronic metallic products, this term's recurring income was ¥14.0 billion. This term's net income was ¥10.0 billion.

4. RESULTS BY BUSINESS SEGMENT

Musical Instruments

Although sales of musical instruments continued to increase overseas, sluggish sales in Japan and unfavorable exchange rates resulted in overall flat sales.

Piano unit sales were sound.

In the area of digital musical instruments, sales of Electones® continued to fall.

In wind, string and percussion instruments, sales of stock instruments and string instruments continued to decline.

Tuition income from Yamaha music schools declined slightly due to a decrease in the number of children enrolled.

As a result of these factors, sales for this segment were ¥142.6 billion, and operating income was ¥9.2 billion.

AV/IT

Sales of home theater products and ISDN routers continued to increase. However, due to unfavorable foreign exchange conditions caused by the strong yen, although unit sales of CD-R/RW drives increased, income from sales fell as a result of sluggish growth due to falling prices.

As a result, sales for this segment were ¥42.5 billion, and operating income was ¥540.0 million.

Lifestyle Related Products

As a result of the falling number of new housing starts in Japan, sales of our main products in this area, system kitchens and system bathrooms, were sluggish.

As a result of these factors, sales for this segment were ¥25.1 billion, and an operating income for the term of ¥655.0 million was recorded for the segment.

Electronic Equipment and Metal Products

Although sales fell due to our withdrawal from the storage heads business, semiconductor sales were strong due to large sales growth in sound source chips for mobile phones and the continued upward trend in amusement chips.

In electronic metallic products, sales rose due to increased demand as a result of greater proliferation of PCs and mobile phones.

As a result of these factors, sales for this segment were ¥24.5 billion, and an operating income for the term of ¥3.4 billion was recorded for the segment.

Recreation

As a result of falling sales due to sluggish market conditions, sales for this segment were ¥10.4 billion, and an operating loss for the term of ¥1.1 billion was recorded for the segment.

Others

Sales of automobile interior components increased. However, sales for golf equipment fell due to the slow Japanese economy.

As a result, sales for this segment were ¥9.4 billion, and operating income was ¥40.0 million.

Results by Geographical Segment

Sales in Japan this term were ¥243.8 billion, and operating income was ¥9.1 billion. Sales in North America this term were ¥42.0 billion, and operating income was ¥3.1 billion. Sales in Europe this term were ¥33.6 billion and operating loss was ¥176.0 million. Sales in Asia, Oceania and other areas this term were ¥39.8 billion, and operating income was ¥1.4 billion.

(1) Forecast for the Current Fiscal Year

Regarding the forecast for this fiscal year, sales of musical instruments and AV/IT are expected to slightly fall compared with the previous forecast due to a worsening of the export environment caused by a weak euro. As for electronic equipment and metal products, sales are expected to rise due to increased sales of semiconductors and metal materials. Profit and loss are expected to improve thanks to increasing profitability in semiconductors and such rationalization efforts as expenditures cut across the company. As for the forecast by segment, musical instruments and AV/IT are expected to slightly decrease in profit due to a weak euro. Electronic equipment and metal products are planned to increase profit, and lifestyle related products are expected to show a transition from red to black. Recreation is expected to decrease profit due to falling sales per head.

As a result of the above factors, it is expected that sales for the fiscal year ending March, 2001 will be ¥520 billion (down 1.5% from the previous fiscal year), and net income will be ¥12.5 billion (last year's net loss was ¥40.7 billion).

Cautionary Statement with Regard to Forecast for the Current Fiscal Year Statements

Certain statements made in this flash report are for the current fiscal year and involve certain risks and uncertainties which could cause actual results to differ materially from those projected.

5. CONSOLIDATED BALANCE SHEETS

(1) Consolidated Balance Sheets

	Millions of yen		
	Interim period as of September 30, 2000	Previous fiscal year as of March 31, 2000	Increase (decrease)
ASSETS			
Current assets:	¥221,942	¥205,979	¥15,963
Cash and bank deposits	32,844	33,796	(952)
Account receivable	81,506	73,482	8,024
Inventories	92,225	77,416	14,809
Deferred income taxes	9,947	12,354	(2,407)
Other current assets	5,418	8,930	(3,512)
Fixed assets:	293,920	292,460	1,460
Property, plant and equipment, net of accumulated depreciation	163,866	168,121	(4,255)
Building and structures	78,732	81,478	(2,746)
Machinery and equipment	23,347	23,153	194
Land	48,523	48,970	(447)
Other fixed assets	13,263	14,518	(1,255)
Intangible assets	1,080	1,030	50
Investment	128,973	123,308	5,665
Investment securities	39,480	35,418	4,062
Investment in unconsolidated subsidiaries and affiliates	45,623	43,056	2,567
Deferred tax assets	30,320	32,123	(1,803)
Other investment assets	13,549	14,735	(1,186)
Valuation reserve for investment securities and investments in unconsolidated subsidiaries and affiliates	—	(2,024)	2,024
Translation adjustment	—	44,649	(44,649)
Total assets	¥515,862	¥543,088	¥(27,226)

Note: Figures less than ¥1 million have been omitted.

	Millions of yen		
	Interim period as of September 30, 2000	Previous fiscal year as of March 31, 2000	Increase (decrease)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:	¥172,694	¥178,281	¥ (5,587)
Notes and accounts payable	51,379	52,335	(956)
Short-term loans	61,334	42,638	18,696
Current portion of long-term debt	6,590	11,527	(4,937)
Accrued expenses	37,580	48,580	(11,000)
Income taxes payable	1,872	1,803	69
Allowance reserve	2,820	2,794	26
Deferred income taxes	204	122	82
Other current liabilities	10,912	18,479	(7,567)
Fixed liabilities:	153,150	139,716	13,434
Convertible bonds	24,317	24,317	—
Long-term debt	14,183	9,685	4,498
Long-term accounts payable	—	42,448	(42,448)
Deferred income taxes	54	132	(78)
Deferred income taxes on land revaluation	1,632	1,632	—
Retirement benefits	—	18,635	(18,635)
Reserve for retirement allowance	69,736	—	69,736
Other fixed liabilities	43,226	42,865	361
Total liabilities	325,845	317,998	7,847
Minority interest	3,124	3,340	(216)
Common stock	28,533	28,533	—
Additional paid-in capital	26,924	26,924	—
Reserve for land revaluation	8,301	8,331	(30)
Retained earnings	168,289	157,962	10,327
Revaluation of other investment securities	354	—	354
Translation adjustment	(45,505)	—	(45,505)
Total	186,898	221,752	(34,854)
Treasury stock, at cost	(5)	(2)	(3)
Total shareholders' equity	186,892	221,750	(34,858)
Total liabilities and shareholders' equity	¥515,862	¥543,088	¥(27,226)

(2) Consolidated Statement of Operations

	Interim period from April 1, 2000 to Sept. 30, 2000		Previous fiscal year from April 1, 1999 to March 31, 2000	
	Millions of yen	%	Millions of yen	%
Net sales	¥251,268	100.0	¥527,897	100.0
Cost of sales	165,760	66.0	371,922	70.5
Gross profit	85,507	34.0	155,975	29.5
Unrealized profit	59		164	
Total gross profit	85,567	34.0	156,140	29.5
Selling, general and administrative expenses	72,970	29.0	148,057	28.0
Operating income	12,596	5.0	8,082	1.5
Non-operating income	5,004		11,192	
Non-operating expenses	3,632		10,768	
Recurring profit	13,969	5.6	8,506	1.6
Other profit	5,544		13,640	
Gain on sale of fixed assets	3,420		2,971	
Gain on sale of investment securities	1,933		9,091	
Other loss	3,433		69,748	
Loss on removal of fixed assets	383		1,151	
Difference resulting from change in accounting standards for retirement benefit	2,820		—	
Loss on sale of investment securities	—		17	
Special retirement benefits	—		21,281	
Cumulative effect of accounting change with respect to prior service cost of the pension plan	—		29,507	
Loss on disposal of discontinued operations	—		422	
Loss on disposal of discontinued operations	—		17,368	
Loss from revaluation on investment securities	210		—	
Loss from revaluation on golf club membership	20		—	
Income (Loss) before income taxes and minority interests	16,080	6.4	(47,601)	(9.0)
Current income taxes (benefit)	1,586		2,947	
Deferred income taxes (benefit)	4,332		(10,167)	
Minority interests	133		395	
Net income (loss)	10,028	4.0	(40,777)	(7.7)

Note: Figures less than ¥1 million have been omitted.

(3) Interim Retained Earnings

	Millions of yen	
	Interim period from April 1, 2000 to Sept. 30, 2000	Previous fiscal year from April 1 1999 to March 31, 2000
Balance at beginning of year	¥157,962	¥159,441
Cumulative effect of initial adoption of tax-effect accounting	—	39,411
Add:		
Effect of change in scope of consolidation	957	—
Effect of change in interests in subsidiaries	84	—
Effect of change in revaluation reserve	—	1,157
Effect of change in revaluation	30	—
Deduct:		
Decrease in consolidated subsidiaries	23	945
Effect of change in interests in subsidiaries	130	116
Cash dividends paid	619	206
Bonuses to directors and statutory auditors	1	2
Net income	10,028	(40,777)
Balance at end of year	¥168,289	¥157,962

(4) Consolidated Statement of Cash Flows

	Millions of yen	
	Interim period as of September 30, 2000	Previous fiscal year as of March 31, 1999
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥ 16,080	¥(47,601)
Depreciation and amortization	8,798	28,635
Allowance for doubtful accounts	1,424	(19,322)
Increase in long-term accounts payable-other	—	42,448
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,310)	(4,209)
Gain on sale of investment securities	(1,933)	(9,091)
Interest and dividend income	(633)	(958)
Interest expenses	1,303	2,968
Increase (Decrease) in accounts and notes receivable-trade	(8,357)	11,511
Increase (Decrease) in inventories Increase in accounts and notes payable-trade	(15,056)	9,811
Increase (Decrease) in accounts and notes payable	(1,325)	3,087
Increase (Decrease) in employees' money entrusted	(8,378)	—
Others	(1,498)	(4,779)
Total	(12,885)	12,501
Interest and dividends receivable	624	959
Interest paid	(1,397)	(2,968)
Refundable income taxes, net of payment	(1,356)	358
Net cash provided by operating activities	(15,015)	10,851
Cash flows from investing activities:		
Proceeds from sale of marketable securities	—	3,733
Purchases of properties	(7,883)	(20,175)
Proceeds from sale of properties	6,196	17,137
Purchases of investment securities	(3,102)	(34,321)
Proceeds from sale of investment securities	2,076	45,290
Other, net	296	310
Net cash provided by investing activities	(2,418)	12,474
Cash flows from financing activities:		
Decrease in short-term loans, net	18,340	(4,666)
Proceeds from long-term loans	8,364	2,382
Repayments of long-term debt	(8,860)	(5,033)
Other, net	(842)	(206)
Net cash used in financing activities	17,001	(7,522)
Effect of exchange rate changes on cash and cash equivalents	(229)	(1,467)
Net increase in cash and cash equivalents	(660)	14,335
Cash and cash equivalents at beginning of year	33,632	17,923
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	351	1,373
Cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(620)	—
Cash and cash equivalents at end of year	32,721	33,632

Note: Cash and cash equivalents at end of interim period and at interim balance sheets.

(Millions of yen)

	Interim period as of September 30, 2000	Previous fiscal year as of March 31, 1999
Cash and bank deposits	¥32,844	¥33,796
Time deposit for over 3 months	(163)	(163)
Cash and cash equivalents	¥32,721	¥33,632

(5) Basic Items for the Preparation of the Interim Term Consolidated Financial Statement

1. *Scope of Consolidation*

Consolidated subsidiaries: 73 corporations

When taking into consideration the assets, sales, interim term current term net profit/loss and surplus of non-consolidated subsidiaries, even viewed as a whole, they do not have a major impact on the interim term consolidated financial statement.

2. *Adherence to the Equity Method*

Of Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries, investments in the main affiliated corporations, YAMAHA MOTOR CO., LTD. as well as 2 other corporations are accounted for using the equity method.

Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries, YAMAHA-OLIN METAL CORPORATION, and other affiliates not accounted for using the equity method individually have a very small effect on the interim term consolidated net profit/loss and the consolidated surplus and they have no major effect when viewed as a whole.

3. *Interim Term Fiscal Year of Consolidated Subsidiaries*

Interim term settlement days for consolidated subsidiaries with the exception of the following 18 companies, are all the same as the companies included in consolidated financial statement submissions.

P.T. Yamaha Indonesia
 P.T. Yamaha Music Manufacturing Indonesia
 P.T. Yamaha Music Indonesia (Distributor)
 P.T. Yamaha Music Manufacturing Asia
 P.T. Yamaha Musical Products Indonesia
 Yamaha de Mexico, S. A. de C. V.
 Yamaha Electronics Manufacturing (M) Sdn, Bhd.
 Tianjin Yamaha Electronic Musical Instruments, Inc.
 Yamaha Music (Asia) PTE. LTD. (and 9 other corporations)

The interim term settlement day for the above 18 corporations is June 30. They currently use the interim term financial statement for this settlement day. However, as for major transactions taking place from July 1, 2000 to the interim term consolidated settlement day, September 30, 2000, necessary adjustments for consolidation are made.

4. *Accounting Standards*

a) Valuation Standards and Valuation Methods for Major Assets

Inventory

Mainly as per valuation at cost or market based on present value method as per last-in first-out method.

Marketable securities

Securities to be held until maturity Depreciation method
 Shares of subsidiaries and affiliated corporations Depreciation method using gross average method
 Other marketable securities
 With current price Depreciation method using gross average method
 With no current price Depreciation method using gross average method
Derivatives Current price method
 With no current price Depreciation method using gross average method

b) Depreciation method of main depreciated assets

Tangible fixed assets Mainly as per the fixed percentage on reducing balance method
Intangible fixed assets As per the equal installment method

c) Appropriation Standards for Major Reserves

Allowance for doubtful accounts

To evaluate the loans for business correctly, calculation for regular securities is as per the loan loss ratio method and calculation for doubtful account securities and bankruptcy revision securities is as per the property valuation method

Retirement benefits

In order to provide retirement benefits to our employees, we have appropriated a sum that has been recognized as being available as of the final day of this interim term consolidated accounting term based on retirement benefit liabilities as of the end of the fiscal year covered in this consolidated accounting report and estimated future pension fund assets.

The variance due to adoption of new accounting procedures ¥2.8 billion will be processed as a lump sum this interim term fiscal year.

Retirement bonuses for directors

In order to provide retirement bonuses to our directors, we have appropriated a sum at the end of this term based on internal regulations for retirement bonuses for directors.

Warranty reserve

In order to provide for post-sale repair expenses, etc. we have made appropriations based on a percentage of the amount or volume of sales and considering past experience with repairs to products under warranty.

(6) Standards for Assets in Foreign Currencies and Translation of Liabilities into Yen

Debt in foreign currency is translated into yen at the spot exchange rate in effect at the interim term settlement date. The exchange balance is processed as profit and loss. Assets and liabilities of subsidiaries located in foreign countries are translated into yen at the spot exchange rate in effect at the interim term settlement date. Income and expenses are translated into yen at the average spot exchange rate for the term. The exchange balance is included under capital as exchange adjustment.

Accounting changes

Amount for income and expenses among the various items on the financial statements of overseas consolidated subsidiaries and others were previously converted into yen based on prevailing exchange rates on the settlement date. However, the systemization of the Company's consolidated interim financial statements from the interim period beginning April 1, 2000 has been accompanied by a notable divergence between the exchange rate applied for the interim period and the exchange rate applied for the entire fiscal year. From the current consolidated interim period, to maintain conformity between profit and loss figures for the interim period and the entire fiscal period, the calculation method for converting yen has been changed to the use of an average exchange rate.

As a result of this change, operating income is ¥719 million higher than with the previous method. The impact of this amount on interim recurring profit and interim net income before income taxes is minimal. The impact of this change on each segment is shown in 5. Segment Information.

(7) Processing Methods for Lease Transactions

Finance leases other than those wherein the lease agreements stipulate the transfer of ownership rights of the leased assets to the lessee are accounted for as per the normal method of lease transactions.

(8) Hedging Methods

1. *Methods for Hedging Accounting*

Among foreign currency-denominated money credits and obligations, handling has been applied to those items with forward contracts. Deferred hedge accounting is used for hedges for exchange rate risk for the planned amount of a foreign currency-denominated transaction.

2. *Hedging measures and Targets*

Hedging measures	Derivatives (forward exchange contracts)
Hedging targets	Items which carry a potential loss due to rate fluctuation, etc. and whose valuation does not reflect rate fluctuation, etc. and whose cash flow is fixed and not subject to these changes.

3. *Hedging Policy*

In order to reduce the risk due to fluctuations in spot exchange which accompany regular import transactions, forward currency exchange (inclusive orders) and currency option contracts (put foreign currency/call yen) are conducted as required, but never exceeding actual demand.

4. *Methods for Evaluation of Effectiveness of Hedging*

Evaluation of effectiveness has been omitted because it is clear whether there is a continuing correlative relationship between hedging measures and cash flow fixing/prevention of fluctuation.

5. *Funds Included on the Interim term Cash Flow Statement*

Cash on hand, demand deposits and short term investments that are easily exchangeable for cash, which carry little risk due to change in valuation and whose refund date is within 3 months of their receiving date.

6. *Other Significant Items upon which the Interim term Financial Statement is Based*

Accounting Procedures for Consumption Tax, etc.

Accounting procedures for consumption tax, etc. are as per the net off tax method.

(9) Additional Information

1. *Retirement Benefits*

The accounting standards for retirement benefits from this interim term consolidated accounting term ("Statement on Establishment of Accounting Standards for Retirement Benefits" Business Accounting Council, June, 16, 1998) were applied. With these changes in calculation, difference resulting from change in accounting standards for retirement benefit (¥2,820 million) is accounted for as extraordinary loss. Compared with the previous method, recurring profit fell slightly. In addition, retirement bonuses and accrued liabilities and long-term accrued liabilities of the corporate pension system related to past service liabilities are shown under retirement benefits.

2. *Financial Products*

The accounting standards for financial products from this interim term consolidated accounting term ("Statement on Establishment of Accounting Standards for Financial Products" Business Accounting Council, January, 22, 1999) were applied. With these changes in calculation, compared to calculation using the previous method, recurring profit fell by ¥1.4 billion and pretax interim term net profit rose by ¥324 million.

In addition, the purpose of holding of the marketable securities held at the end of the term was considered and of those marketable securities held for the purpose of sale and other marketable securities, marketable securities with a date of maturation within one year were shown as current assets and all others were shown as investment securities.

Also, the previously allocated allowance for share valuation calculated at the end of the term was abrogated due to a change in the accounting method to direct abatement of the shares in question and amount invested.

As a result of the above, marketable securities fell by ¥919 million, investment securities fell by ¥672 million and value of shares held of affiliated companies fell by ¥433 million.

3. *Accounting Standards for Foreign Currency Transactions*

The accounting standards for foreign currency transactions from this interim term consolidated accounting term until after the revision were applied. With these changes in calculation, compared to calculation using the previous method, recurring profit and pretax interim term net profit are minor recession.

In addition, in the previous consolidated accounting term, exchange adjustment calculated as assets, due to a revision of the interim term consolidated financial statement, were calculated as shareholders' equity as well as minority shareholders' interests.

(10) Items for Explanation

	Interim period as of September 30, 2000	Previous fiscal year as of March 31, 2000
1. <i>Accumulated Depreciation of Fixed Assets</i>	¥206,107 million	¥226,825 million
2. <i>Mortgage Assets</i>		
Cash	¥30 million	¥52 million
Marketable Securities	¥889 million	¥1,349 million
Fixed assets	¥16,208 million	¥16,544 million
Investments and other assets	¥1,798 million	¥12,730 million
Total	¥18,927 million	¥30,676 million
3. <i>Allowance for doubtful accounts</i>		
Current assets	¥2,857 million	¥2,852 million
Fixed assets	¥1,153 million	¥1,009 million
4. <i>Guarantee Obligations</i>	¥168 million	¥212 million
5. <i>Balance of Receivable Discounted Export Bills</i>	¥1,506 million	¥1,821 million
6. <i>Treasury Stock (Shares)</i>	5,904 shares	3,914 shares

7. *Treatment of Bills Expiring at End of Interim Consolidated Accounting Period*

Bills expiring at end of interim consolidated accounting period are settled at the bill clearance date. Because the last day of the interim consolidated accounting period was a holiday for financial institutions, bills expiring at the end of the interim consolidated accounting period are included as follows.

Bills receivable	¥1,828 million
Bills payable	¥925 million

8. *Current Valuation of Other Marketable Securities*

During the interim consolidated accounting period, current value appraisal of other marketable securities was not carried out. In accordance with Article 3 of attached stipulation 11 of the 2000 Ministry of Finance Ordinance, the interim period consolidated balance sheet amounts for other marketable securities are as follows.

Amount recorded on interim period consolidated balance sheets	¥35,075 million
Current value	¥52,121 million
Amount corresponding to appraisal amount differentials	¥10,079 million
Amount corresponding to deferred tax liabilities	¥6,966 million

The appraisal amount differentials have been calculated based on the lower of aggregate cost or market method of two companies accounted for using the equity method.

6. SEGMENT INFORMATION

(1) Business Segments (Interim period from April 1, 2000 to September 30, 2000)

(Millions of yen)

	Musical instruments	AV, IT	Lifestyle related products	Electronic equipment and metal product	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥142,551	¥42,519	¥24,209	¥22,159	¥10,393	¥9,435	¥251,268	¥ —	¥251,268
Intersegment sales or transfers	—	—	892	2,375	—	—	3,268	(3,268)	
Total sales	¥142,551	¥42,519	¥25,102	¥24,535	¥10,393	¥9,435	¥254,536	¥(3,268)	¥251,268
Operating expenses	133,369	42,014	24,446	21,225	11,488	9,395	241,940	(3,268)	238,671
Operating income (loss)	9,181	504	655	3,309	(1,094)	40	12,596		12,596

(Previous fiscal year from April 1, 1999 to March 31, 2000)

(Millions of yen)

	Musical instruments	Lifestyle related products	Electronic equipment and metal product	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥387,004	¥46,865	¥ 55,880	¥23,484	¥14,663	¥527,897	¥ —	¥527,897
Intersegment sales or transfers		1,243	4,966		3,735	9,944	(9,944)	
Total sales	¥387,004	¥48,108	¥ 60,846	¥23,484	¥18,398	¥537,842	¥ (9,944)	¥527,897
Operating expenses	¥359,926	¥49,104	¥ 78,960	¥24,266	¥18,194	¥530,451	¥(10,636)	¥519,814
Operating income (loss)	¥ 27,077	¥ (995)	¥(18,113)	¥ (781)	¥ 204	¥ 7,390	¥ 692	¥ 8,082

Notes: 1. Business Sectors

Divided into the categories of musical instruments, AV/IT, lifestyle related products, electronic equipment and metal products, recreation and others based on consideration of similarities of product type, characteristics and market, etc.

- In order to more accurately reflect actual business conditions, starting this interim term consolidated accounting term, we have divided the previous segment of musical instruments and audio products into the two segments of musical instruments and AV/IT.
- As stated in "Important matters that serve as the basis for preparing the interim income statements," there was a shift from the use of the exchange rate on the settlement date to the use of an average exchange rate for the interim period for converting income and expenses of overseas consolidated companies into yen during the consolidated interim period. As a result, operating income rose ¥357 million in musical instruments and ¥362 million in AV/IT, compared with the previously applied method.

(2) Geographical Segments (Interim period from April 1, 2000 to September 30, 2000)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥162,859	¥40,962	¥33,355	¥14,090	¥251,268	¥ —	¥251,268
Intersegment sales or transfers	80,981	1,000	261	25,618	107,861	(107,861)	
Total sales	¥243,840	¥41,963	¥33,617	¥39,708	¥359,129	¥(107,861)	¥251,268
Operating expenses	¥234,768	¥38,825	¥33,793	¥38,287	¥345,675	¥(107,003)	¥238,671
Operating income (loss)	¥ 9,072	¥ 3,137	¥ (176)	¥ 1,421	¥ 13,454	¥ (857)	¥ 12,596

(Previous fiscal year from April 1, 1999 to March 31, 2000)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥331,323	¥ 94,703	¥73,096	¥28,773	¥527,897	¥ —	¥527,897
Intersegment sales or transfers	163,616	6,228	510	47,722	218,078	(218,078)	
Total sales	¥494,940	¥100,932	¥73,607	¥76,496	¥745,976	¥(218,078)	¥527,897
Operating expenses	¥500,051	¥ 94,973	¥70,666	¥74,733	¥740,425	¥(220,610)	¥519,814
Operating income (loss)	¥ (5,110)	¥ 5,958	¥ 2,940	¥ 1,763	¥ 5,551	¥ 2,531	¥ 8,082

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan

North America: U.S.A., Canada

Europe: Germany, England

Asia, Oceania and other: Singapore, Australia

- As stated in "Important matters that serve as the basis for preparing the interim income statements," there was a shift from the use of the exchange rate on the settlement date to the use of an average exchange rate for the interim period for converting income and expenses of overseas consolidated companies into yen during the consolidated interim period. As a result, operating income declined ¥215 million in North America, rose ¥815 million in Europe and rose ¥119 million in Asia, Oceania and other compared with the previously applied method.

(3) Overseas Sales (Interim period from April 1, 2000 to September 30, 2000)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥42,233	¥33,464	¥21,789	¥ 97,487
Consolidated net sales				251,268
% of consolidated net sales	16.8%	13.3%	8.7%	38.8%

(Previous fiscal year from April 1, 1999 to March 31, 2000)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥96,005	¥73,397	¥50,452	¥219,855
Consolidated net sales				527,897
% of consolidated net sales	18.2%	13.9%	9.5%	41.6%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions

North America: U.S.A., Canada

Europe: Germany, England

Asia, Oceania and others: Singapore, Australia

7. MARKETABLE SECURITIES

(1) Marketable Securities with Market Value

(Millions of yen)

	Amount recorded on interim balance sheets	Market value	Differences
Bonds with maturity holder			
Government bonds and local bonds	¥ 9	¥ 9	¥ 0
Corporate bonds	2,081	2,098	17
Others	2,440	2,457	17
Total	¥4,531	¥4,566	¥34

(2) Marketable Securities without Market Value (excluding the bonds with maturity holder)

(Millions of yen)

	Amount recorded on interim balance sheets
Subsidiaries' and affiliates' stock	
Unlisted stock (excluding over-the-counter stock)	¥1,011
Subsidiaries' and affiliates' stock	
Subsidiaries' stock	¥3,077
Affiliates' stock	2,171

YAMAHA CORPORATION

Interim Flash Report

Non-Consolidated Basis

Results for the interim period ended September 30, 2000

Company name: YAMAHA CORPORATION

Code number: 7951

Address of headquarters: 10-1, Nakazawa-cho, Hamamatsu, Shizuoka 430-8650, Japan

For further information, please contact: Tokihisa Makino

Telephone: +81 53 460 2141

Date of the interim meeting of the Board of Directors: November 17, 2000

Date of interim dividend payment: December 12, 2000

Interim dividend: Yes No

Stock listings: Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section),
Nagoya Stock Exchange (First Section)

1. RESULTS FOR THE INTERIM PERIOD (April 1, 2000 to September 30, 2000)

Figures less than ¥1 million have been omitted.

(1) Non-Consolidated Operating Results

	Net sales		Operating income		Recurring profit	
	Millions of yen	(% change from the previous interim period)	Millions of yen	(% change from the previous interim period)	Millions of yen	(% change from the previous interim period)
Interim period (Ended September 30, 2000)	¥178,326	(10.7)%	¥ 8,336	—%	¥10,382	—%
Previous interim period (Ended September 30, 1999)	199,667	(2.8)	(157)	—	(637)	—
Previous fiscal year (Ended March 31, 2000)	¥369,129	%	¥(5,663)	%	¥ (7,388)	%

	Net income		Net income per share
	Millions of yen	(% change from the previous interim period)	Yen
Interim period (Ended September 30, 2000)	¥ 7,470	—%	¥ 36.17
Previous interim period (Ended September 30, 1999)	(15,946)	—	(77.22)
Previous fiscal year (Ended March 31, 2000)	¥(36,798)	%	¥(178.18)

Notes: 1. Average number of shares outstanding:

Interim period: 206,523,263

Previous interim period: 206,523,263

Previous fiscal year: 206,523,263

2. Changes in method of accounting: NO

(2) Dividends

	Dividends per share	
	Interim	Total for the year
	Yen	Yen
Interim period (Ended September 30, 2000)	3.00	—
Previous interim period (Ended September 30, 1999)	0.00	—
Previous fiscal year (Ended March 31, 2000)	—	3.00

(3) Non-Consolidated Financial Data

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Interim period (Ended September 30, 2000)	¥306,797	¥149,240	48.6%	¥722.63
Previous interim period (Ended September 30, 1999)	301,798	132,682	44.0	642.46
Previous fiscal year (Ended March 31, 2000)	¥307,476	¥142,389	46.3%	¥689.46

2. FORECASTS FOR RESULTS FOR THE FISCAL YEAR (April 1, 2000 to March 31, 2001)

	Net sales	Recurring profit	Net income	Dividend per share	
	Millions of yen	Millions of yen	Millions of yen	End of the interim period	
Fiscal year	¥340,000	¥10,500	¥7,500	¥3.00	¥6.00

Reference: Net income per share for the fiscal year is forecast to be ¥36.32 on a consolidated basis.

(References)

(1) Non-Consolidated Balance Sheets

	Millions of yen		
	Interim period as of September 30, 2000	Previous interim period as of March 31, 2000	Previous fiscal year as of March 31, 2000
ASSETS			
Current assets:			
Cash and bank deposits	¥ 18,924	¥ 18,791	¥ 14,222
Notes and bills receivable	8,978	4,275	5,274
Account receivable	37,094	43,265	36,057
Marketable securities	48	599	1,454
Treasury stock	5	0	2
Product and goods	18,527	20,321	20,601
Raw material	2,738	2,862	2,324
Product in progress	9,708	17,814	9,364
Deferred tax assets	7,614	—	10,361
Corporate tax unpaid	—	—	62
Consumption tax unpaid	—	—	2,131
Other current assets	2,772	5,854	2,277
Allowance for doubtful accounts	(1,317)	(1,324)	(1,348)
Fixed assets:			
Property, plant and equipment, net of accumulated depreciation	52,055	82,458	55,693
Building and structures	15,337	21,701	16,755
Machinery and equipment	9,100	29,617	10,200
Vehicles	55	62	56
Furniture and fixture	5,369	6,459	5,380
Land	21,635	23,005	22,331
Construction in progress	556	1,612	968
Intangible assets	197	198	197
Rights on leasehold land	100	100	100
Right to use facilities	96	97	96
Investments:			
Investment securities	48,632	42,134	45,955
Subsidiaries' stock	57,494	69,121	80,394
Investment in subsidiaries	7,917	8,112	8,112
Long-term loans	3,445	4,488	3,750
Guarantee money paid	3,061	3,337	3,228
Deferred tax assets	28,567	—	30,614
Other investment	1,378	2,235	1,653
Allowance for doubtful accounts	(1,048)	(1,003)	(892)
Allowance for stock valuation	—	(21,746)	(24,019)
Total assets	¥306,797	¥301,798	¥307,476

Note: Figures less than ¥1 million have been omitted.

	Millions of yen		
	Interim period as of September 30, 2000	Previous interim period as of March 31, 2000	Previous fiscal year as of March 31, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable	¥ 2,023	¥ 4,694	¥ 3,232
Accounts payable	37,250	37,214	34,866
Short-term loans	1,034	585	1,039
Current portion of long-term debt	—	6,220	6,220
Accrued expenses	3,038	7,117	11,330
Corporate taxes payable	50	50	—
Advance received	551	361	482
Money entrusted	551	361	482
Other current liabilities	391	—	—
Allowance for after-sale service	81	106	89
Allowance for product warranty	1,012	2,239	1,157
Deferred unrealized profit	1,039	1,248	1,098
Fixed liabilities:			
Corporate bonds	24,317	24,317	24,317
Long-term loans	6,220	—	—
Long-term accrued amount payable	—	—	38,688
Allowance for retirement benefit	—	28,856	13,891
Retirement allowance for employees	60,075	—	—
Retirement benefit for employees	521	—	—
Guaranty deposit	1,063	1,073	1,072
Total liabilities	157,556	169,116	165,087
Capital stock	28,533	28,533	28,533
Legal reserve	30,939	30,877	30,877
Capital reserve	23,924	26,924	26,924
Revenue reserve	4,014	3,952	3,952
Surplus	89,767	73,271	82,978
Reserve for loss from overseas investment	—	260	248
Reserve for extraordinary depreciation	38	75	47
Reserve for advanced depreciation	2,348	4,746	2,828
Special reserve	76,810	81,010	81,010
Unappropriated profit	10,570	(12,819)	(1,155)
(including interim net income for the fiscal year)	7,470	(15,946)	(36,798)
Total shareholders' equity	149,240	132,682	142,389
Total liabilities and shareholders' equity	¥306,797	¥301,798	¥307,476

(2) Non-Consolidated Statement of Operations

	Interim period as of September 30, 2000		Previous interim period as of September 30, 1999		Previous fiscal year as of March 31, 2000	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	¥178,326	100.0%	¥199,667	100.0%	¥369,129	100.0%
Cost of sales	138,458	77.6	168,558	84.4	312,557	84.7
Gross profit	39,868	22.4	31,108	15.6	56,571	15.3
	59		15		164	
Total gross profit	39,928	22.4	31,124	15.6	56,736	15.4
Selling, general and administrative expenses	31,592	17.7	31,281	15.7	62,400	16.9
Operating income	8,336	4.7	(157)	(0.1)	(5,663)	(1.5)
Interest received and dividends	2,422		1,182		1,740	
Gain on sale of marketable securities	—		1,219		3,173	
Others	245		371		532	
Non-operating income	2,667		2,774		5,446	
Interest cost	302		424		841	
Loss from revaluation on marketable securities	—		22		215	
Others	318		2,807		6,113	
Non-operating expenses	620		3,254		7,171	
Recurring profit	10,382	5.8	(637)	(0.3)	(7,388)	(2.0)
Gain on sale of fixed assets	3,382		1,407		2,513	
Dividends	186		345		1,374	
Gain on sale of investment securities	1,933		—		17,121	
Gains on sale of subsidiaries' stock	—		5		5	
Extraordinary profit	5,501		1,757		21,014	
Loss on removal of fixed assets	195		695		1,653	
Loss on sale of investment securities	210		—		—	
Loss from revaluation of subsidiaries stock	1,166		—		—	
Loss from revaluation of golf club membership	20		—		—	
Special allowance for retirement	—		16,320		16,571	
Pension cost for past severance indemnities	—		—		25,147	
Cumulative effect of accounting change with respect to prior service cost of the pension plan	1,977		—		—	
Loss on disposal of discontinued operations	—		—		17,368	
Extraordinary loss	3,569		17,016		60,741	
Income (loss) before income taxes and minority interests	12,314	6.9	(15,946)	(8.0)	(36,798)	(10.0)
Current income taxes (benefit)	50		50		100	
Deferred income taxes (benefit)	4,794		—		(10,416)	
Net income (loss)	7,740	4.2	(15,946)	(8.0)	(36,798)	(10.0)
Retained earnings carried forward from the previous period	3,100		3,126		3,126	
Adjustment for tax-effect from the previous period	—		—		30,559	
Reversal of reserves for foreign investment due to the application of tax-effect accounting	—		—		11	
Reversal of reserves for accelerated depreciation due to the application of tax-effect accounting	—		—		27	
Reversal of reserves for advanced depreciation due to the application of tax-effect accounting	—		—		1,917	
Unappropriated profits	10,570		(12,819)		(1,155)	
Depreciation	(3,361)		(11,628)		(17,869)	

Note: Figures less than ¥1 million have been omitted.