YAMAHA CORPORATION

Flash Report

Consolidated Basis

Results for the fiscal year ended March 31, 2002

Company name: YAMAHA CORPORATION
Code number: 7951
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Date of the meeting of the Board of Directors: May 17, 2002
Stock listings: Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section),
Nagoya Stock Exchange (First Section)

The accounting methods used in this report are not consistent with U.S. standard accounting methods.

1. RESULTS FOR FY2002 (April 1, 2001 to March 31, 2002)

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 fiscal year)	Millions of yen	(% change from the previous fiscal year)	Millions of yen	(% change from the previous fiscal year)
FY2002 (Ended March 31, 2002)	¥504,406	(2.8)	¥11,043	(52.0)	¥ 7,680	(60.1)
FY2001 (Ended March 31, 2001)	¥519,104	(1.7)	¥23,001	184.6	¥19,238	126.2

	Net income		Net income per share	Net income per share after full dilution	Ratio of net income to shareholders' equity	Ratio of recurring profit to total assets	Ratio of recurring profit to sales
	Millions of yen	(% change from the previous fiscal year)	Yen	Yen	%	%	%
FY2002 (Ended March 31, 2002)	¥(10,274)	—	¥(49.75)	¥ —	(5.2)	1.5	1.5
FY2001 (Ended March 31, 2001)	¥ 13,320	—	¥ 64.50	¥61.84	6.4	3.6	3.7

Notes: 1. Equity in net income of affiliates for the fiscal years ended March 31,
FY2002 ended March 31, 2002 ¥2,993 million
FY2001 ended March 31, 2001 ¥2,433 million
2. Average yearly number of (consolidated) shares
FY2002 ended March 31, 2002 206,508,465 shares
FY2001 ended March 31, 2001 206,518,383 shares
3. Changes in method of accounting: NONE

(2) Consolidated Financial Data

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2002 (As of March 31, 2002)	¥509,663	¥201,965	39.6	¥978.15
FY2001 (As of March 31, 2001)	¥522,486	¥196,733	37.7	¥952.62

Note: Number of outstanding shares at the end of the year (consolidated):
FY2002 as of March 31, 2002 206,477,225 shares
FY2001 as of March 31, 2001 206,518,127 shares

(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
FY2002 (Ended March 31, 2002)	¥26,016	¥(10,437)	¥(12,880)	¥40,571
FY2001 (Ended March 31, 2001)	¥ (9,089)	¥ (5,441)	¥ 12,987	¥32,725

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

Number of consolidated subsidiaries: 82
Number of non-consolidated companies: 0
Number of affiliated companies: 3

(5) Changes in the Status of Consolidated Companies and Companies Accounted for Using the Equity Method

Consolidated companies:
Number of companies newly consolidated: 13
Number of companies removed from consolidation: 4
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 FY2003 (April 1, 2002 to March 31, 2003)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2003 interim period	¥250,000	¥ 8,000	¥ 6,500
FY2003	530,000	18,500	14,000

Reference: Net income per share for the fiscal year is forecast to be ¥67.80 on a consolidated basis.

(References)

1. THE YAMAHA GROUP

The YAMAHA Group consists of YAMAHA CORPORATION in Japan, 110 subsidiaries and 17 affiliated companies and is involved in a wide range of businesses, including musical instruments, AV/IT products, 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, Professional audio equipment, Music schools, English schools, Soundproof rooms, Content distribution and Piano tuning	Yamaha Music Tokyo Co., Ltd., and 11 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 products	Audio products and IT equipment	Yamaha Electronics Corporation, U.S.A. Yamaha Elektronik Europa G.m.b.H Yamaha Electronics Manufacturing (M) Sdn. Bhd.
Lifestyle-related products	System kitchens, Bathrooms, Washstands, Furniture and Parts for housing facilities	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 resorts and Sports facilities	Yamaha Resort Corporation Kiroro Development Corporation
Others	Golf and archery gear, Automobile interior components, FA and Metal molds	Yamaha Fine Technologies Co., Ltd.

2. MANAGEMENT POLICY

(1) Basic Management Policy

In the 21st century, YAMAHA CORPORATION will continue to grow as a company that works together with people throughout the world to enrich culture and create ***Kando****. To this end, the Company will expedite decision-making processes, improve its responsiveness to technological innovations and rapidly changing markets, and meet customer needs through the provision and development of high-quality products and services. In addition, YAMAHA will make effective use of its management resources, rationalize and improve the efficiency of its business practices, and secure a competitive position in the global marketplace. Furthermore, by adapting to the proliferation of networks and information technology (IT) and working proactively to protect the environment, the Company will conduct its business in line with the three corporate mottoes set forth in its medium-term management plan: “Striving for Growth,” “Consolidated Group Management,” and “Value-Added Business, Sparkling YAMAHA Brand.”

**Kando* is a Japanese word meaning the inspiration of hearts and minds.

(2) Basic Dividend Policy

Under its basic dividend policy, YAMAHA is working hard to strengthen its management base, increase the profit ratio of shareholder capital, and pay regular, stable dividends. Internal capital reserves will be used to fund future business expansion, investment in R&D, and investment in plant and equipment with due consideration given to the Company's business results and financial condition.

(3) Reduction in Size of Minimum Stock Purchase Lot

At the Board of Directors Meeting held on May 17, 2002, it was resolved that the size of the minimum stock purchase lot would be reduced from 1,000 to 100 shares. An announcement to this effect was made on the same day. It is hoped that this change will stimulate the liquidity of YAMAHA's stock and expand the number of its shareholders. The change will go into effect on August 1, 2002, at which time the size of the lots traded on stock exchanges will be reduced from 1,000 to 100 shares.

(4) Medium-to-Long-Term Management Strategies and Issues to be Faced

In line with the slogan “Creating ***Kando*** Together,” YAMAHA will develop its businesses in the following ways.

1. YAMAHA’s operations are divided into three main business segments—Core Businesses (musical instruments and AV/IT), Lifestyle-Related and Leisure, and Electronic Parts and Materials—and for each segment the Company has mapped out specific strategies to improve growth.

   (a) In the Core Businesses segment, YAMAHA is raising its operational efficiency and pursuing an effective investment strategy aimed at expanding and developing its operations on a global scale.

   In musical instruments, YAMAHA is working to reinvigorate the domestic market through timely investments and the provision of enhanced products. Overseas, the Company is cultivating new markets, particularly those of China and South Korea, which are undergoing extraordinary growth. In addition, it is strengthening its position in the market for music production equipment and stimulating demand in the market targeted for adults.

   In AV/IT products, YAMAHA is seeking to maintain profitability through the promotion of its “number one in home theaters” strategic approach. In addition, the Company is implementing a new business model designed in accordance with structural changes that have occurred in the market for CD-R/RW drives and taking steps to expand its router business through the provision of broadband-enabled products.

   In the electronic device business, YAMAHA is seeking to expand its mobile phone audio chip business-thereby strengthening its profitability—as well as to increase its share of the market for amusement products.

   In the area of content provision, YAMAHA is working to globalize its ringer melody distribution service. In its media-related business, the Company is making efforts to stimulate the market for media products and create new business models.

   (b) The Lifestyle-Related and Leisure segment is facing severe market conditions. As a result, YAMAHA will focus on improving the group’s revenues and prioritizing its business activities through a process of selective resource allocation.

   In the lifestyle-related products business, YAMAHA is concentrating on expanding its market share by strategically allocating resources to the provision of priority products. In the Recreation segment, the Company is making an effort to increase the profits generated by each management subsidiary through its respective resort and enhance the ability each resort has to attract customers.

   (c) In the Electronic Parts and Materials group, YAMAHA will leverage the technologies developed in its Core Business group and draw on all its business strengths to achieve balanced growth.

   In the electronic metals and FA and metallic molds businesses, the Company will continue to watch for signs of recovery in IT-related markets and strengthen its business structure by focusing on such areas as manufacturing and technology. In the interior automotive components and fittings segment, YAMAHA will cultivate new markets and strengthen the competitiveness of its products.

2. To strengthen the Group’s consolidated management, YAMAHA is working to rebuild its central information system and promote the implementation of global production strategies, procurement systems, and quality management systems.

   In addition, the Company is strengthening its patent procurement system and adopting patenting strategies adapted to IT and digitization, establishing an efficient distribution system and effective mechanisms for managing its operational infrastructure, and promoting law-abiding management practices across the entire Group.

By implementing the measures outlined above, YAMAHA is aiming for a 9% return on equity over the medium-to-long term.

3. BUSINESS RESULTS

(1) Fiscal 2002 Summary

During fiscal 2002, the Japanese economy remained weak due to such factors as a protracted slump in housing investment and consumer spending, as well as a drop in private-sector capital investment, which declined throughout the term. Overseas, the slowdown in the global economy was exacerbated by the multiple terrorist attacks in the United States. However, by the end of the term, signs of a partial recovery could be seen in the U.S. and Asian economies.

Against this backdrop, YAMAHA has worked steadily to strengthen its technological development capabilities, improve productivity, upgrade and enhance its sales units in Japan and abroad, improve the working practices of its staff members, and rebuild its central information system. Furthermore, the Company is working hard to create attractive products, bring new products to market, and stimulate market demand while expanding its ringer melody distribution service and other software and content businesses.

During the term under review, despite gain recorded due to the weak yen, sales of information and communication devices, lifestyle-related products, and electronic metals all declined due rapid market deterioration, collapsed domestic demand, and the prolonged slump in the market for IT-related products. As a result, consolidated net sales fell 2.8% from the previous year, to ¥504,406 million. Of this, domestic sales amounted to ¥289,951 million, down 6.0% from the previous term, and overseas sales increased 1.8%, to ¥214,455 million.

Regarding income, the gross margin fell and income from manufactured products declined as a result of the Company’s efforts to reduce inventories that had built up during the previous year due to the deceleration of the U.S. and Japanese economies. Due to these factors, consolidated recurring profit totaled ¥7,680 million, down 60.1% from the previous term. Furthermore, due to a fall in the value of the Company’s shareholdings, which mainly comprise shares of bank stock, loss from the revaluation of investment securities increased, resulting in a net loss for the period of ¥10,274 million, compared with a net income of ¥13,320 million for the previous term.

(2) Performance by Segment

MUSICAL INSTRUMENTS

During the interim period, markets in the United States and other countries continued to weaken. However, as this was offset by favorable currency exchange rates due to the weak yen, overseas sales remained steady. In Japan, protracted market stagnation dented sales. In the field of education, music school sales fell slightly, while sales from English-language instruction schools grew steadily due to an increase in student enrollment, especially in children’s courses. Income from the content-delivery business grew substantially owing to the continued expansion of the ringer melody distribution service.

Due to these factors, segment sales amounted to ¥286,920 million, a 0.7% increase from the previous term, and operating income totaled ¥4,738 million, a 61.4% decrease.

AV/IT

Sales of audio products related to home theaters grew. Furthermore, YAMAHA entered the visual entertainment market with a new video projector. In the information and telecommunications device product category, faltering demand for IT-related products exerted downward pressure on the prices of CD-R/RW drives and routers, resulting in lower sales.

Due to these factors, segment sales totaled ¥95,214 million, a 5.0% decrease from the previous term, and operating income fell to ¥3,037 million, a 22.2% decrease.

LIFESTYLE-RELATED PRODUCTS

Sales decreased slightly amid severe market conditions resulting from a decline in the number of new housing starts. However, income increased compared with the previous term, owing to enhanced production efficiency.

Due to these factors, segment sales totaled ¥45,714 million, down 2.6% from the previous term, and operating income totaled ¥1,046 million, a 17.3% increase.

ELECTRONIC EQUIPMENT AND METAL PRODUCTS

In semiconductors, sales of sound chips for mobile phones increased substantially. However, as sales of other semiconductor products were adversely impacted by difficult market conditions, overall sales decreased.

In the electronic metals product segment, faltering demand in the semiconductor market hampered sales of lead frame materials.

Due to these factors, segment sales totaled ¥36,628 million, a 15.3% decrease compared with the previous term, and operating income amounted to ¥4,351 million, a 34.6% decrease.

Recreation

In the midst of a slump in the Japanese tourism industry, although the number of customers using YAMAHA's services increased, returns per customer fell resulting in a slight sales decrease. In addition, because the Company made improvements to its facilities and took other measures to improve the strength of its operations, profits from the segment decreased.

Due to these factors, segment sales totaled ¥21,590 million, a 0.8% decrease from the previous term, and an operating loss of ¥1,741 million was recorded, compared with an operating loss of ¥1,283 million for the previous term.

Others

Sales of golf products were flat, and sales of FA products, metallic molds, and interior automotive components and fittings decreased.

Due to these factors, segment sales amounted to ¥18,339 million, a 16.9% decrease from the previous term, and an operating loss of ¥389 million was recorded, compared with an operating income of ¥543 million for the previous term.

(3) Results by Region

In Japan, sales totaled ¥304,945 million, down 6.9% from the previous term, and operating income fell 76.0%, to ¥3,219 million. In North America, sales increased 3.0%, to ¥92,246 million, and operating income decreased 39.5%, to ¥3,484 billion. In Europe, sales increased 0.7%, to ¥73,260 million, and operating income fell 51.8%, to ¥649 million. In the Asia, Oceania, and Other region, sales expanded 15.4%, to ¥33,954 million, and operating income increased 23.1%, to ¥3,733 million.

(4) Forecast for Fiscal 2003

Musical Instruments

Stable domestic sales are expected from the musical instrument business because increased income from the content-delivery and professional audio product segments will most likely offset any decrease in piano sales resulting from prolonged market stagnation. Overseas, sales of pianos, wind instruments, digital musical instruments, and other products are expected to increase, buoyed by modest economic recovery.

Due to these factors, income for the segment is expected to increase slightly in Japan and substantially overseas, resulting in an overall increase in income for the segment.

AV/IT

Sales of audio products for home theaters are expected to increase both in Japan and abroad. Sales of routers are expected to expand due to the Company's focus on routers for business use, and, despite a projected decrease in sales of CD-R/RW drives, overall segment sales are expected to increase slightly. Income is expected to increase for the segment as a whole, due to the inventory reduction carried out during fiscal 2002, which will help improve the gross profit, and a rise in sales of audio products.

Lifestyle-Related Products

The number of housing starts is expected to decrease during fiscal 2003. However, YAMAHA projects enhanced profits due to a modest increase in income, which will be achieved through intensified sales efforts directed at home builders and remodeling contractors, and a reduction in manufacturing distribution costs.

Recreation

In the midst of fierce competition due to prolonged market stagnation, the implementation of stronger sales policies should increase the number of customers staying at YAMAHA Resorts, thus offsetting an expected decrease in returns per customer and resulting in a modest sales increase. In addition, as a management subsidiary has been established for each resort, segment costs should decline in fiscal 2003.

Electronic Equipment and Metal Products

In the semiconductor product segment, the market is beginning to recover but, as competition is intensifying, only a modest sales increase is projected. Although no full-scale market recovery is forecast until the second half of fiscal 2003, sales of electronic metals are expected to increase, reflecting increased production of invar and copper materials.

The recovery of the electronic metal business is expected to result in improved income for the segment as a whole.

Due to these factors, in fiscal 2003, YAMAHA projects consolidated net sales of ¥530.0 billion, a 5.1% increase from fiscal 2002, consolidated recurring profits of ¥18.5 billion, a 140.9% increase, and consolidated net income of ¥14.0 billion, compared with a net loss of ¥10.2 billion.

4. FISCAL 2002 FINANCIAL POSITION

(1) Cash Flows

During the term under review, cash and cash equivalents (hereinafter "cash") increased ¥6,821 million, to ¥40,571 million, compared with a ¥656 million decrease during fiscal 2001.

Cash Flows from Operating Activities

Income before income taxes and minority interests amounted to a loss of ¥5,784 million compared with income of ¥23,491 million in the previous term. Net cash used in operating activities amounted to ¥29,016 million, compared with ¥9,089 million used during the previous term, mainly owing to the revaluation of the Company's shareholdings, the deliberate reduction of inventories, and a reduction in accounts receivable.

Cash Flows from Investing Activities

The level of capital investment roughly matched the level of amortization and depreciation during the term. However, because proceeds from the sale of investment securities amounted to ¥4,074 million, cash used in investing activities totaled ¥10,437 million, compared with ¥5,441 million in the previous term-at which the Company recorded ¥9,137 million of gains on sale of tangible fixed assets.

Cash Flows from Financing Activities

Cash used for repayments of short-term loans and other financing activities resulted in net cash used in financing activities of ¥12,880 million, compared with ¥12,987 million in cash provided by financing activities during the previous term.

(2) Financial Outlook for Fiscal 2003

During fiscal 2003, improved earnings and a further reduction in inventories should result in stable cash flows. Cash outflows from capital investment are expected to increase from fiscal 2002. However, the Company plans to ensure that such outflows remain below the amount of the amortization and depreciation expense. Regarding cash flows from financing activities, YAMAHA plans to minimize short-term borrowings by ensuring that cash used in investing activities is less than cash provided by operating activities.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	FY2002 (as of March 31, 2002)	FY2001 (as of March 31, 2001)	Increase (decrease)
ASSETS			
Current assets:			
Cash and bank deposits	**¥ 41,074**	¥ 32,885	¥ 8,189
Notes and accounts receivable	**74,519**	88,466	(13,947)
Marketable securities	**356**	1,349	(993)
Inventories	**84,264**	97,664	(13,400)
Deferred income taxes	**9,332**	9,201	131
Other current assets	**4,267**	5,094	(827)
Allowance for doubtful accounts	**(2,675)**	(2,788)	113
Total current assets	**211,140**	231,872	(20,732)
Fixed assets:			
Tangible assets			
Buildings and structures	**70,745**	77,617	(6,872)
Machinery and equipment	**22,401**	23,664	(1,263)
Tools, furniture and fixtures	**13,039**	10,852	2,187
Land	**78,069**	48,619	29,450
Construction in progress	**1,003**	2,363	(1,360)
Total tangible assets	**185,261**	163,117	22,144
Intangible assets			
Excess of cost over net assets acquired of subsidiaries	**173**	333	(160)
Other intangible assets	**1,028**	714	314
Total intangible assets	**1,202**	1,047	155
Investments and other assets			
Investment securities	**76,307**	84,980	(8,673)
Long-term loans	**2,680**	3,274	(594)
Guarantee deposits for leased real estate	**5,087**	5,185	(98)
Deferred income taxes	**26,384**	28,876	(2,492)
Other assets	**2,545**	5,218	(2,673)
Allowance for doubtful accounts	**(947)**	(1,086)	139
Total investments and other assets	**112,058**	126,449	(14,391)
Total fixed assets	**298,522**	290,614	7,908
Total assets	**¥509,663**	¥522,486	¥(12,823)

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

	Millions of yen		
	FY2002 (as of March 31, 2002)	FY2001 (as of March 31, 2001)	Increase (decrease)
LIABILITIES			
Current liabilities:			
Notes and accounts payable	**¥ 36,880**	¥ 48,924	¥(12,044)
Short-term loans	**47,871**	58,349	(10,478)
Current portion of long-term debt	**4,363**	10,160	(5,797)
Accrued expenses	**41,987**	40,888	1,099
Income taxes payable	**1,224**	1,858	(634)
Earmarked trade advances	**3,742**	4,417	(675)
Deferred income taxes	**65**	34	31
Reserve for after-care expenses	**138**	155	(17)
Warranty reserve	**3,033**	3,013	20
Reserve for product return adjustment	**65**	65	0
Unrealized profit on deferred payments	**672**	879	(207)
Other current liabilities	**4,452**	6,624	(2,172)
Total current liabilities	**144,498**	175,371	(30,873)
Long-term liabilities:			
Convertible bonds	**24,317**	24,317	—
Long-term debt	**19,615**	10,478	9,137
Deferred income taxes	**316**	257	59
Deferred income taxes on land revaluation	**14,638**	1,632	13,006
Accrued employees' retirement benefits	**59,074**	67,250	(8,176)
Directors' retirement benefits	**859**	792	67
Long-term deposits received	**38,472**	40,592	(2,120)
Other fixed liabilities	**1,191**	1,341	(150)
Total long-term liabilities	**158,486**	146,662	11,824
Total liabilities	**302,984**	322,034	(19,050)
MINORITY INTERESTS	**4,712**	3,718	994
SHAREHOLDERS' EQUITY			
Common stock	**28,533**	28,533	—
Additional paid-in capital	**26,924**	26,924	—
Reserve for land revaluation	**16,482**	8,269	8,213
Retained earnings	**157,589**	170,496	(12,907)
Revaluation gains/losses on other securities	**766**	308	458
Translation adjustments	**(28,280)**	(37,794)	9,514
	202,014	196,739	5,275
Treasury stock, at cost	**(49)**	(5)	(44)
Total shareholders' equity	**201,965**	196,733	5,232
Total liabilities and shareholders' equity	**¥509,663**	¥522,486	¥(12,823)

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

(2) Consolidated Statement of Operations

	FY2002 (April 1, 2001– March 31, 2002)		FY2001 (April 1, 2000– March 31, 2001)		Increase (decrease)
	Millions of yen	%	Millions of yen	%	Millions of yen
Net sales	**¥504,406**	**100.0**	¥519,104	100.0	¥(14,698)
Cost of sales:	**340,646**	**67.5**	346,419	66.7	(5,773)
Gross profit	**163,759**	**32.5**	172,684	33.3	(8,925)
Unrealized profit	**235**		219		16
Total gross profit	**163,994**	**32.5**	172,904	33.3	(8,910)
Selling, general and administrative expenses:					
Sales commissions	**2,640**		2,542		98
Transport expense	**12,095**		11,848		247
Advertising and sales promotion expenses	**22,455**		22,052		403
Various reserves	**6,782**		7,271		(489)
Personnel expenses	**60,483**		58,131		2,352
Rent	**4,853**		4,953		(100)
Depreciation and amortisation	**5,470**		6,712		(1,242)
Other	**38,171**		36,388		1,783
Total selling, general and administrative expenses	**152,951**	**30.3**	149,902	28.9	3,049
Operating income	**11,043**	**2.2**	23,001	4.4	(11,958)
Non-operating income:					
Interest received	**477**		579		(102)
Dividends received	**258**		558		(300)
Equity in earnings of unconsolidated subsidiaries and affiliates	**2,993**		2,434		559
Other	**1,410**		1,761		(351)
Total non-operating income	**5,140**	**1.0**	5,333	1.0	(193)
Non-operating expenses:					
Interest paid	**2,911**		3,014		(103)
Cash discounts	**4,477**		4,391		86
Equity in loss of unconsolidated subsidiaries and affiliates	**—**		0		0
Loss on foreign exchange	**352**		879		(527)
Other	**762**		811		(49)
Total non-operating expenses	**8,503**	**1.7**	9,097	1.7	(594)
Recurring profit	**7,680**	**1.5**	19,238	3.7	(11,588)
Other profit:					
Gain on sale of fixed assets	**99**		5,795		(5,696)
Reversal of allowances	**741**		381		360
Gain on sale of investment securities	**3,694**		3,152		542
Total other profit	**4,536**	**0.9**	9,329	1.8	(4,793)
Other loss:					
Loss on removal of fixed assets	**1,771**		1,709		62
Loss on sale of investment securities	**27**		—		27
Loss from revaluation on investment securities	**14,857**		513		14,344
Loss on revaluation of stock in subsidiaries	**283**		—		283
Special retirement benefits	**1,061**		—		1,061
Loss from revaluation on golf club membership	**—**		32		(32)
Cumulative effect of accounting change with respect to prior service cost of the pension plan	**—**		2,820		(2,820)
Total other loss	**18,001**	**3.5**	5,075	1.0	12,926
Income before income taxes and minority interests	**(5,784)**	**(1.1)**	23,491	4.5	(29,275)
Current income taxes (benefit)	**1,507**	**0.3**	2,900	0.5	(1,393)
Deferred income taxes (benefit)	**2,429**	**0.5**	6,826	1.3	(4,397)
Minority interests	**551**	**0.1**	444	0.1	107
Net income (loss)	**¥ (10,274)**	**(2.0)**	¥ 13,320	2.6	¥(23,594)

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

(3) Retained Earnings

	Millions of yen			
	FY2002 (April 1, 2001– March 31, 2002)		FY2001 (April 1, 2000– March 31, 2001)	
Balance at beginning of period		**¥170,496**		¥157,962
Additional retained earnings:				
Effect of change in scope of consolidation	**¥ 474**		¥ 957	
Effect of change in interests in subsidiaries	**15**		—	
Reversal of reserve for land revaluation	**0**		62	
Reversal of reserve for land revaluation resulting from interest change in subsidiaries	**82**	**573**	—	1,019
Deduction from retained earnings:				
Effect of change in scope of consolidation	**607**		23	
Effect of change in interests in subsidiaries	**945**		542	
Cash dividends paid	**1,652**		1,239	
Bonuses to directors and statutory auditors	**1**	**3,206**	1	1,806
Net income (loss)		**(10,274)**		13,320
Balance at end of period		**¥157,589**		¥170,496

(4) Consolidated Statement of Cash Flows

	Millions of yen	
	FY2002 (April 1, 2001– March 31, 2002)	FY2001 (April 1, 2000– March 31, 2001)
Cash flows from operating activities:		
Income before income taxes and minority interests	**¥ (5,784)**	¥ 23,491
Depreciation and amortization	**18,767**	17,310
Amortization of consolidation goodwill	**152**	138
Allowance for doubtful accounts	**(507)**	(126)
Loss from revaluation of investment securities	**14,857**	513
Loss on revaluation of stock in subsidiaries	**283**	—
Loss from revaluation of golf club membership fees	**—**	32
Increase (decrease) in employees’ retirement benefits, net of payments	**(8,210)**	(957)
Interest and dividend income	**(736)**	(1,137)
Interest expenses	**2,911**	3,014
Net loss (gain) on foreign exchange	**63**	879
Equity in earnings of unconsolidated subsidiaries and affiliates	**(2,993)**	(2,433)
Gain on sale of investment securities	**(3,694)**	(3,152)
Loss on sale of investment securities	**27**	—
Gains on sale of fixed assets	**(99)**	(5,795)
Loss on disposal of fixed assets	**1,771**	1,709
Decrease (increase) in accounts and notes receivable—trade	**18,794**	(8,058)
Decrease (increase) in inventories	**18,532**	(14,863)
Increase (decrease) in accounts and notes payable	**(15,715)**	(5,669)
Decrease in employee savings account	**—**	(8,381)
Other, net	**(5,058)**	(684)
Subtotal	**33,360**	(4,170)
Interest and dividends receivable	**746**	1,113
Interest paid	**(2,918)**	(2,938)
Income taxes paid, net of payment	**(2,171)**	(3,094)
Net cash used in operating activities	**29,016**	(9,089)
Cash flows from investing activities:		
Purchases of fixed assets	**(14,876)**	(15,082)
Proceeds from sale of fixed assets	**888**	9,137
Purchases of investment securities	**(858)**	(3,546)
Proceeds from sale of investment securities	**4,074**	3,381
Payment for loans receivable	**(714)**	(255)
Collection of loans receivable	**1,292**	905
Other, net	**(242)**	18
Net cash used in investing activities	**(10,437)**	(5,441)
Cash flows from financing activities:		
Decrease (increase) in short-term loans	**(13,241)**	13,534
Proceeds from long-term debt	**8,178**	8,112
Repayments of long-term debt	**(5,665)**	(7,197)
Cash dividends paid	**(1,652)**	(1,239)
Cash dividends paid to minority shareholders	**(468)**	(242)
Proceeds from stock issued to minority shareholders	**—**	22
Other, net	**(31)**	(3)
Net cash provided by financing activities	**(12,880)**	12,987
Effect of exchange rate changes on cash and cash equivalents	**1,122**	887
Net increase (decrease) in cash and cash equivalents	**6,821**	(656)
Cash and cash equivalents at beginning of period	**32,725**	33,632
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	**1,025**	351
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	**—**	(602)
Cash and cash equivalents at end of period	**¥40,571**	¥32,725

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

1. Scope of Consolidation

Consolidated subsidiaries: 82 corporations

During fiscal 2002, a total of 13 subsidiaries, (three overseas subsidiaries and ten Japanese subsidiaries) were brought into the consolidated group. In addition, four Japanese subsidiaries were removed from the consolidated group.

The names of major consolidated subsidiaries are listed in “1. The YAMAHA Group.”

The effect of the assets, net sales, net income/loss and retained earnings of Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries on the consolidated financial results was immaterial.

2. Application of Equity Method

Of Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries, Yamaha Motor Co., Ltd. and 2 other affiliates are accounted for by the equity method.

As for Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries and Yamaha–Olin Metal Corporation, and other affiliates to which the equity method has not been applied, the effect of their net income/loss and retained earnings on the consolidated financial results was immaterial.

3. Fiscal Year of Consolidated Subsidiaries

Settlement days for consolidated subsidiaries, with the exception of the following 21 companies, are all the same as that for the Company.

P.T. Yamaha Indonesia
P.T. Yamaha Music Indonesia (Distributor)
P.T. Yamaha Music Manufacturing Indonesia
P.T. Yamaha Music Manufacturing Asia
P.T. Yamaha Musical Products Indonesia
P.T. Yamaha Electronics Manufacturing Indonesia
Yamaha de Mexico, S. A. de C. V.
Yamaha Electronics Manufacturing (M) Sdn, Bhd.
Tianjin Yamaha Electronic Musical Instruments, Inc.
Guanzhou Yamaha–Pearl River Piano Inc.
Xiaoshan Yamaha Musical Instrument Co., Ltd.
Yamaha Music (Asia) PTE. LTD. (and 9 other corporations)

The financial statements of the above 21 companies, all of whose fiscal year-end is December 31, are included in the consolidated financial statements on the basis of their fiscal year after making appropriate adjustments for significant transactions during the period from their fiscal year-end to the date of the Company’s fiscal year-end.

4. Accounting Standards

a) Basis and Method of Evaluation of Significant Assets

Marketable securities

Securities to be held until maturity at amortized cost (straight-line method)

Other marketable securities

With market value..................... At fair value (changes in fair value are recorded in a separate component of shareholders’ equity in an amount of net of tax, and the periodic average method is used to calculate the original cost)

Without market value................ At cost, determined by the periodic average method

Derivatives .... At fair value

Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the last-in, first-out method. Inventories of the Company’s foreign consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method.

b) Method of Depreciation

Tangible fixed assets

Mainly calculated by the declining-balance method except that certain consolidated subsidiaries employ the straight-line method at rates based on the estimated useful lives of the respective assets.

Useful lives of tangible fixed assets are as follows:
Buildings: 31-50 years (attachment facilities are mainly 15 years)
Structures: 10-30 years
Machinery and Equipment: 4-11 years
Tools, furniture and fixtures: 5-6 years (metallic molds are mainly two years)

c) Accounting for Reserves and Benefits

Allowance for doubtful accounts

The amount of allowance for normal accounts is determined based on past write-off experience, and the amount of allowance for doubtful accounts is determined based on a review of the collectibility of individual receivables.

Warranty reserve

The warranty reserve is provided to cover costs for possible repairs that may be claimed by customers after the Company's sales. The amount of this reserve is either individually estimated or calculated based on a percentage of the amount or volume of sales after considering past experience with repairs to products under warranty.

Accrued employees' retirement benefits

Accrued employees' retirement benefits are provided on an accrual basis based on the projected retirement benefit obligation and the pension fund assets calculated using various actuarial assumptions as of the end of the fiscal period.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Directors' retirement benefits

Directors' retirement benefits are provided at 100% of the amount that would be required as of the balance sheet date based on the Company' s internal rules.

d) Foreign Currency Transactions

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. The resulting foreign exchange gains or losses are recognized as other income or expenses. Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each balance sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as a component of shareholders' equity and minority interests.

e) Accounting for Lease Transactions

Lease agreements are generally accounted for as operating leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

f) Hedge Accounting

1. Method of Hedge Accounting

Translation differences arising from forward foreign exchange contracts with respect to receivables and payables denominated in foreign currencies are accounted for using the allocation method. Anticipated transactions denominated in foreign currencies designated as hedging instruments are accounted for using deferral hedge accounting.

2. Hedged Items and Hedging Instruments

Hedged items	Forward foreign exchange contracts, purchased options with foreign currency-denominated put and yen-denominated call
Hedging instruments	Receivables and payables denominated in foreign currencies and anticipated transactions denominated in foreign currencies

3. Hedging Policy

The Company and consolidated subsidiaries enter into forward foreign exchange contracts and currency options as hedging instruments within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates with respect to export and import transactions in accordance with the internal management rules of each company.

4. Assessment of Effectiveness for Hedging Activities

The Company and its consolidated subsidiaries do not make an assessment of effectiveness for hedging activities because the anticipated cash flows fixed by hedging activities and avoidance of market risk is clear; therefore, there is no need to evaluate such effectiveness.

g) Accounting for Consumption Tax

Income and expenses are recorded net of consumption tax.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of subsidiaries are valued using the full fair value method under which the full amount of the assets and liabilities of a subsidiary is marked to fair value as of the date of acquisition of the control.

6. Excess of Costs over Net Assets of Acquired Subsidiaries

The excess of costs over the net assets of acquired subsidiaries is amortized over a period of five years on a straight-line basis.

7. Appropriations of Retained Earnings

The accompanying consolidated statements of retained earnings have been prepared based on the appropriations approved by shareholders through the end of the fiscal period.

8. Scope of Cash Equivalents in Consolidated Statements of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased and which are readily convertible into cash and are exposed to insignificant risk of changes in value are considered cash equivalents.

(6) Change in Presentation

Consolidated Balance Sheets

Through the previous fiscal year, golf course development expenses were included in “Buildings and structures” but have been presented in “Land” in the current fiscal year due to the revaluation of land for business use. In the previous year, golf course development expenses in “Buildings and structures” amounted to ¥7,657 million.

(7) Additional Information

Accounting Standard for Financial Instruments

Effective the year beginning April 2001, the Company adopted a new accounting standard for other securities with quoted market price. (“Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberation Council (the “BADC”) on January 22, 1999). As a result, the Company and its unconsolidated subsidiaries and affiliates accounted for by the equity method recorded net unrealized gains on other securities of ¥766 million, and deferred tax liabilities of ¥590 million.

(8) Other Notes

NOTES TO THE CONSOLIDATED BALANCE SHEETS

	At March 31, 2002	At March 31, 2001
1. Accumulated Depreciation	¥226,483 million	¥210,744 million
2. Mortgaged Assets		
Of cash and bank deposits	¥ 30 million	¥ 30 million
Of marketable securities	60	1,149
Of tangible fixed assets	13,651	16,316
Of investments and other assets	2,423	1,449
Total	¥16,165 million	¥18,945 million
3. Investments in Non-Consolidated Subsidiaries and Affiliates		
Investment securities	¥51,026 million	¥46,138 million
Other assets	604	3,154

	At March 31, 2002	At March 31, 2001
4. Contingent Liabilities	¥129 million	¥229 million
5. Discount on Export Bills Receivable	¥1,386 million	¥1,404 million

6. Revaluation of Land

The Company, three consolidated subsidiaries and an equity method-applied company have carried out the revaluation of landholdings in accordance with the Law regarding the Partial Revision to the Land Revaluation Law (Law No. 24, published on March 31, 1998).

a) Date of Revaluation

A consolidated subsidiary and an equity method-applied company:	March 31, 2000
The Company and two consolidated subsidiaries:	March 31, 2002

b) Revaluation Method

The Company and three consolidated subsidiaries determined the value of their land based on the values registered in the land tax list or the supplementary land tax list specified in No. 10 or No. 11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the Land Revaluation Law (Cabinet Order No. 119, published on March 31, 1998). An equity method-applied company determined the value of its land based on a reasonable adjustment to the value determined by the method which the Commissioner of the National Tax Administration established and published in order to determine the land value which is the underlying basis for the assessment of land value tax specified in Article 16 of the Local Tax Law governed by Item 4 of Article 2 of the Enforcement Order for the Land Revaluation Law.

c) Revaluation Difference	At March 31, 2002	At March 31, 2001
Land revalued as of March 31, 2002:		
Book value before revaluation	¥46,696 million	¥— million
Book value after revaluation	¥67,997	¥—

d) Difference between current market value at year-end and book value after revaluation

Land revalued as of March 31, 2000	¥(3,025) million	¥(1,441) million

7. Accounting for Matured Notes at the End of the Year

Although the closing date of the current fiscal period was a holiday for financial institutions, the following notes, which matured on that date, were excluded from the balance of the notes at the end of the year as if they had been settled on a maturity basis.

	At March 31, 2002	At March 31, 2001
Notes receivable	¥1,604 million	¥2,328 million
Notes payable	1,015	1,187

8. Deferred Hedge Losses

Deferred hedge losses	¥100 million	¥417 million
Deferred hedge gains	1	31
Deferred hedge losses (net)	¥99 million	¥386 million

NOTES TO THE STATEMENTS OF INCOME

	FY2002	FY2001
1. Significant Components of Reversal of Allowances:		
Allowance for doubtful accounts	¥ — million	¥ 72 million
Reserve for after-care expenses	132	111
Warranty reserve	1,692	2,499
Accrued employees' retirement benefits	4,755	4,354
Directors' retirement benefits	201	234

2. General Administrative Expenses and R&D Expenses Included in Current Manufacturing Expenses

	FY2002	FY2001
	¥22,539 million	¥21,158 million

3. Reversal of Allowances

	FY2002	FY2001
Allowance for doubtful accounts	¥219 million	¥— million
Reserve for after-care expenses	13	22
Warranty reserve	509	359

NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation between Cash and Cash Equivalents and Cash and Bank Deposits in the Consolidated Balance Sheets

	FY2002	FY2001
Cash and bank deposits	¥41,074 million	¥32,885 million
Time deposits with a maturity of more than three months	(502)	(160)
Cash and cash equivalents	¥40,571 million	¥32,725 million

6. SEGMENT INFORMATION

(1) Business Segments (FY2002 ended March 31, 2002)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥286,920	¥95,214	¥45,714	¥36,628	¥21,590	¥18,339	¥504,406	¥ —	¥504,406
Intersegment sales or transfers	—	—	—	2,471	—	—	2,471	(2,471)	—
Total sales	286,920	95,214	45,714	39,099	21,590	18,339	506,878	(2,471)	504,406
Operating expenses	282,182	92,176	44,667	34,748	23,331	18,728	495,834	(2471)	493,362
Operating income (loss)	¥ 4,738	¥ 3,037	¥ 1,046	¥ 4,351	¥ (1,741)	¥ (389)	¥ 11,403	¥ —	¥ 11,043
Assets	¥264,227	¥45,887	¥20,124	¥38,413	¥62,666	¥78,343	¥509,663	—	¥509,663
Depreciation	8,373	1,877	1,505	3,068	2,893	1,050	18,767	—	18,767
Capital expenditure	¥ 8,837	¥ 2,133	¥ 851	¥ 1,921	¥ 1,867	¥ 1,015	¥ 16,627	¥ —	¥ 16,627

Notes: 1. Business Sectors:
Divided into the categories of musical instruments, AV/IT products, lifestyle-related products, electronic equipment and metal products, recreation and other based on consideration of similarities of product type, characteristics and market, etc.
2. Major products and services of each business segmentare shown in "1. The Yamaha Group" on page 3.

(FY2001 ended March 31, 2001)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥284,901	¥100,197	¥46,944	¥43,221	¥21,771	¥22,067	¥519,104	¥ —	¥519,104
Intersegment sales or transfers	—	—	1,661	3,803	—	—	5,464	(5,464)	
Total sales	284,901	100,197	48,605	47,025	21,771	22,067	524,569	(5,464)	519,104
Operating expenses	272,610	96,293	47,712	40,371	23,055	21,524	501,567	(5,464)	496,102
Operating income (loss)	¥ 12,290	¥ 3,904	¥ 892	¥ 6,654	¥ (1,283)	¥ 543	¥ 23,001	¥ —	23,001
Assets	¥248,057	¥58,509	¥21,529	¥44,289	¥74,990	¥75,110	¥522,486	¥ —	¥522,486
Depreciation	7,224	1,783	1,554	2,653	2,959	1,135	17,310	—	17,310
Capital expenditure	¥ 6,117	¥ 1,587	¥ 991	¥ 2,834	¥ 1,392	¥ 1,846	¥ 14,770	¥ —	¥ 14,770

(2) Geographical Segments (FY2002 ended March 31, 2002)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥304,945	¥92,246	¥73,260	¥ 33,954	¥504,406	¥ —	¥504,406
Intersegment sales or transfers	136,211	2,135	493	68,063	206,902	(206,902)	—
Total sales	411,156	94,381	73,753	102,017	711,309	(206,902)	504,406
Operating expenses	437,937	90,897	73,103	98,283	700,222	(206,859)	493,362
Operating income (loss)	¥ 3,219	¥ 3,484	¥ 649	¥ 3,733	¥ 11,087	¥ (43)	¥ 11,043
Assets	¥410,969	¥40,077	¥28,515	¥ 47,260	¥526,821	¥ (17,158)	¥509,663

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, U.K.
Asia, Oceania and other areas: Singapore, Australia

(FY2001 ended March 31, 2001)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥327,414	¥89,546	¥72,719	¥29,423	¥519,104	¥ —	¥519,104
Intersegment sales or transfers	150,541	1,630	603	65,043	217,819	(217,819)	—
Total sales	477,956	91,177	73,323	94,466	736,924	(217,819)	519,104
Operating expenses	464,552	85,421	71,975	91,434	713,384	(217,281)	496,102
Operating income (loss)	¥ 13,404	¥ 5,755	¥ 1,348	¥ 3,032	¥ 23,539	¥ (538)	¥ 23,001
Assets	¥422,228	¥44,902	¥31,847	¥45,364	¥544,343	¥ (21,857)	¥522,486

(3) Overseas Sales (FY2002 ended March 31, 2002)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	**¥93,524**	**¥73,458**	**¥47,472**	**¥214,455**
Net sales	—	**—**	**—**	**504,406**
% of net sales	**18.5%**	**14.6%**	**9.4%**	**42.5%**

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, U.K.
Asia, Oceania and other areas: Singapore, Australia

(FY2001 ended March 31, 2001)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥91,720	¥72,957	¥45,886	¥210,565
Net sales	—	—	—	519,104
% of net sales	17.7%	14.1%	8.8%	40.6%

7. LEASE TRANSACTIONS

[Lessee]

(1) Finance Lease Transactions Other than Those that Transfer Ownership of the Leased Assets to the Lessee

a) Acquisition costs, accumulated depreciation and net book value (Millions of yen)

	FY2002 (Year ended March 31, 2002)			FY2001 (Year ended March 31, 2001)		
	Tools and equipment	Other	Total	Tools and equipment	Unrealized Other	Total
Acquisition costs	**¥4,195**	**¥1,159**	**¥5,355**	¥5,505	¥1,066	¥6,572
Accumulated depreciation	**2,620**	**776**	**3,397**	3,112	706	3,819
Net book value	**1,574**	**382**	**1,957**	2,393	359	2,752

Note: Acquisition costs include interest expenses since the balance of future minimum lease payments accounts for only a small percentage of tangible fixed assets as of the balance sheet date.

b) Future minimum lease payments (Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Due within one year	**¥ 875**	¥1,218
Due over one year	**1,082**	1,534
Total	**¥1,957**	¥2,752

Note: Future minimum lease payments include interest expenses since the balance of future minimum lease payments accounts for only a small percentage of tangible fixed assets as of the balance sheet date.

c) Lease payments and depreciation (Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Lease payments	**¥1,124**	¥1,473
Depreciation	**1,124**	1,473

d) Depreciation of leased assets

Assuming that the residual values are nil, depreciation of leased assets is calculated over the relevant lease periods using the straight-line method.

(2) Operating Lease Transactions

a) Future minimum lease payments (Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Due within one year	**¥ 458**	¥350
Due over one year	**587**	304
Total	**¥1,045**	¥655

[**Lessor**]

(1) Finance Lease Transactions Other than Those that Transfer Ownership of the Leased Assets to the Lessee

a) Acquisition costs, accumulated depreciation and net book value

(Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Acquisition costs	**¥5,127**	¥—
Accumulated depreciation	**3,469**	—
Net book value	**1,657**	—

b) Future minimum lease receivables

(Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Due within one year	**¥ 962**	¥—
Due over one year	**1,831**	—
Total	**¥2,793**	—

Note: Future minimum lease receivables includes interest income since the balance of future minimum lease receivables and estimated residual values accounts for only a small percentage of trade receivables as of the balance sheet date.

c) Lease receivables and depreciation

(Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Lease receivables	**¥1,173**	¥—
Depreciation	**606**	—

8. MARKETABLE SECURITIES

(1) Held-to-Maturity Securities at Market Value

(Millions of yen)

	FY2002 (Year ended March 31, 2002)			FY2001 (Year ended March 31, 2001)		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Securities whose fair value exceeds their carrying value:						
Government bonds	**¥ 270**	**¥ 272**	**¥ 2**	¥ 69	¥ 71	¥ 1
Corporate bonds	**1,631**	**1,646**	**14**	2,181	2,210	28
Others	**1,250**	**1,268**	**18**	1,950	1,981	30
Subtotal	**¥3,152**	**¥3,187**	**¥35**	¥4,202	¥4,262	¥60
Securities whose carrying value exceeds their fair value:						
Government bonds	**¥ —**	**¥ —**	**¥—**	¥ —	¥ —	¥—
Corporate bonds	**300**	**299**	**(0)**	100	99	(0)
Others	**199**	**199**	**(0)**	99	99	(0)
Subtotal	**¥ 499**	**¥ 498**	**¥ (1)**	¥ 199	¥ 199	¥ (0)
Total	**¥3,652**	**¥3,686**	**¥33**	¥4,402	¥4,462	¥59

(2) Available-for-Sales Securities at Market Value

(Millions of yen)

	FY2002 (Year ended March 31, 2002)			FY2001 (Year ended March 31, 2001)		
	Acquisition cost	Carrying value	Unrealized gain	Acquisition cost	Carrying value	Unrealized gain
Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥ 3,586**	**¥ 6,087**	**¥ 2,501**	¥—	¥—	¥—
Bonds	**43**	**50**	**7**	—	—	—
Government bonds	**—**	**—**	**—**	—	—	—
Corporate bonds	**43**	**50**	**7**	—	—	—
Others	**—**	**—**	**—**	—	—	—
Others	**—**	**—**	**—**	—	—	—
Subtotal	**¥ 3,630**	**¥ 6,138**	**¥ 2,508**	¥—	¥—	¥—
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**¥16,022**	**¥14,980**	**¥(1,042)**	¥—	¥—	¥—
Bonds	**—**	**—**	**—**	—	—	—
Government bonds	**—**	**—**	**—**	—	—	—
Corporate bonds	**—**	**—**	**—**	—	—	—
Others	**—**	**—**	**—**	—	—	—
Others	**49**	**45**	**(3)**	—	—	—
Subtotal	**¥16,072**	**¥15,026**	**¥(1,045)**	¥—	¥—	¥—
Total	**¥19,702**	**¥21,164**	**¥ 1,462**	¥—	¥—	¥—

(3) Other Securities Sold during the Fiscal Year

(Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Sales value	**¥4,028**	¥3,312
Profit on sales	**3,648**	3,152
Loss on sales	**(27)**	0

(4) Book Value of Securities without Market Value

(Millions of yen)

	FY2002 (Year ended March 31, 2002)	FY2001 (Year ended March 31, 2001)
Other securities Unlisted securities (except for over-the-counter traded securities)	**¥808**	¥934

(5) Scheduled Redemption Value of Other Securities with Maturity Dates and Held-to-Maturity Securities

(Millions of yen)

	FY2002 (Year ended March 31, 2002)				FY2001 (Year ended March 31, 2001)			
	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Government bonds	**¥ —**	**¥ 270**	**¥—**	**¥—**	¥ —	¥ 70	¥—	¥—
Corporate bonds	**310**	**1,620**	**—**	**—**	550	1,730	—	—
Others	**45**	**1,450**	**—**	**—**	800	1,250	—	—
Total	**¥356**	**¥3,340**	**¥—**	**¥—**	¥1,350	¥3,050	¥—	¥—

Notes:

9. DERIVATIVE TRANSACTIONS)

(1) Items Related to the Status of Derivative Transactions

a) Description of transactions and purpose of usage

The Company and consolidated subsidiaries enter into forward foreign exchange contracts and currency options (purchased options with foreign currency-denominated put and yen-denominated call) to reduce risk arising from future fluctuations of foreign exchange rates with respect to export and import transactions.

b) Policy

Currency-related derivative transactions are done within the limit of actual foreign transactions, and not for investment purposes.

c) Description of risks associated with derivative transactions

Currency-related forward foreign exchange contracts have risks regarding fluctuations of foreign exchange rates.

Currency options are limited to purchased options with foreign currency-denominated put an yen-denominated call, and there are no risks regarding fluctuations of foreign exchange rates other than option fee.

d) Risk management of financial derivatives

Currency-related derivative transactions, based on the above “b) Policy,” are done in accordance with the internal management rules of each company.

The financial section of the Company is responsible for such transactions, and the internal management rules specifies the role of the financial section, their duty to report their activities to the top management and other related divisions and the limit of transactions.

The balance of derivative transactions and other information regarding foreign exchange are reported to the top management after each transaction is held and also at the monthly meeting.

(2) Description of Market Value of the Financial Derivatives

Derivative transactions, other than receivables and payables denominated in foreign currencies, were removed from the scope of disclosure because they apply to hedge accounting.

10. ACCOUNTING FOR RETIREMENT ALLOWANCES

(1) Overview of Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit plans such as welfare pension plans (the Company and four domestic consolidated subsidiaries), tax-qualified pension plans (the Company and six domestic consolidated subsidiaries) and lump-sum payment plans. Additional retirement benefits may be paid to retired employees in certain cases. Certain consolidated subsidiaries have either defined benefit plans or defined contribution plan.

(2) Retirement Benefits Expenses

	FY2002	FY2001
Service cost	¥6,379 million	¥6,498 million
Interest cost	5,446	5,223
Expected return on plan assets	(3,255)	(3,215)
Amortization of past service cost	(175)	(43)
Amortization of actuarial gain/loss	1,140	—
Amortization of net retirement obligation at transition	—	2,820
Additional retirement benefit expenses	2,234	1,039
Total	¥11,769 million	¥12,322 million

(3) Assumptions and Policies Adopted in the Calculation of Retirement Benefits Obligations

	At March 31, 2002	At March 31, 2001
Discount rate	2.5%	3.5%
Expected return on plan assets	4.0%	4.0%
Attribution method of retirement benefits to the period	Straight-line method for the years of services	Straight-line method for the years of services
Amortization of past service cost	10 years (straight-line method)	10 years (straight line method)
Amortization of actuarial gain/loss	10 years (straight-line method)	10 years (straight line method)
Amortization of net retirement obligation at transition	—	Fully recognized as other expense when incurred

11. TAX-EFFECT ACCOUNTING

(1) Principal Deferred Tax Assets and Tax Liabilities

Deferred tax assets:		
Revaluation loss on inventories	¥1,880	million
Allowance for doubtful accounts	1,188	
Depreciation, excess	9,336	
Revaluation loss on investment securities	7,477	
Unpaid bonuses	2,629	
Reserve warranty	971	
Accrued employees' retirement benefits	20,569	
Net operating loss carry forward	19,667	
Other	8,808	
Subtotal	¥72,499	million
Valuation allowance	(33,682)	million
Total deferred tax assets	¥38,816	million
Deferred tax liabilities:		
Reserves deductible for Japanese tax purposes	¥(1,693)	million
Appraisal loss for other marketable securities	(589)	
Other	(1,199)	
Total deferred tax liabilities	¥(3,481)	million
Net deferred tax assets	¥35,335	million