YAMAHA CORPORATION

Annual Report *2001*

Year ended March 31, 2001

C O N T E N T S

Financial Highlights

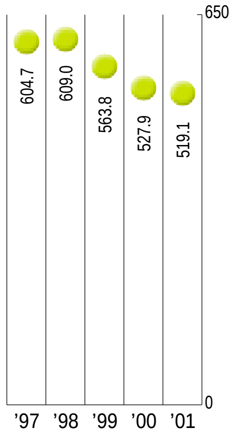
YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2001	2000	1999	2001
For the year:				
Net sales	¥519,104	¥527,897	¥563,751	$4 ,189.70
Operating income (loss)	23,001	8,082	(97)	185.64
Net income (loss)	13,320	(40,777)	(15,879)	107.51
At year-end:				
Total shareholders' equity	¥196,733	¥221,750	¥214,896	$1,587.84
Total assets	522,486	543,088	532,852	4,217.00

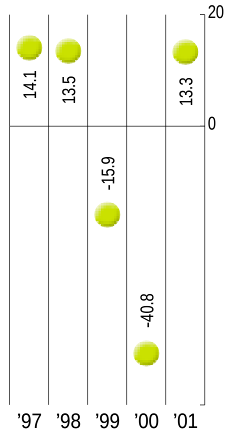
	Yen			U.S. Dollars (Note 2)
Amounts per share:				
Shareholders' equity	¥952.62	¥1,073.75	¥1,040.56	$7.69
Net income (loss)				
Primary	64.50	(197.45)	(76.89)	0.52
After full dilution	61.84	-	-	0.50

Notes: 1. Figures for net sales do not include national consumption tax.
2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123.90=US$1.00, the approximate rate of e xchange on March 31, 2001.
3. Net income per share after full dilution for the fiscal years ended March 31, 2000 and 1999 is not presented because net losses for the years then ended were recorded.

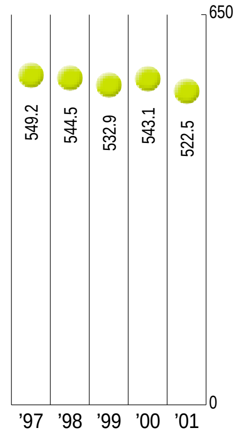
Net Sales
(Billions of Yen)



Net Income (Loss)
(Billions of Yen)



Total Assets
(Billions of Yen)



Q *Please describe the YAMAHA Group's business performance for fiscal 2001, ended March 31, 2001.*

A It is well known that the YAMAHA Group posted net losses for both fiscal 1999 and fiscal 2000. As a result, throughout fiscal 2001 the chief managerial task has been to return the Company to profitability. Having withdrawn from the storage heads business, which was making large losses, we attacked the problem in two ways. First, we continued to prioritize our activities to strengthen the profitability of our semiconductor operations. Second, we accelerated our commitment to raising the profitability of our core musical instruments and AV•IT operations. Ultimately, YAMAHA delivered on its plans to boost profits through its mobile phone and telecommunications-related parts operations.

However, these were not the only difficulties facing us. Although Lifestyle-Related Products finished in the black for the first time in three years thanks to our differentiated product selection and a reduction in manufacturing costs, these positive results were offset by persistent economic stagnation, one manifestation of which was a slump in the number of new housing starts. Similarly, countervailing influences, such as flat consumption and a marked reduction in returns per customer, contributed to a year-on-year fall in revenues and major losses. In this area, our fundamental task is to return to profitability through greater efficiency while maintaining a solid safety management program.

Q *How do you view the YAMAHA Group's consolidated growth?*

A We have drawn up our medium-term management plan for fiscal 2002 through fiscal 2004. Our goals to be achieved by the end of fiscal 2004 include sales of ¥610 billion, recurring profit of ¥22 billion, an ROE of 9.5%, and free cash flow amounting to ¥17 billion. In addition to these concrete targets, we have added three catchphrases: "striving for growth"; "consolidated Group management"; and "value-added business, sparkling YAMAHA brand." Aiming for growth, we have divided the Group's operations into three main business segments: Core Businesses, Lifestyle-Related and Leisure, and Electronic Parts and Materials. For each segment, we have mapped out specific strategies aimed at improving growth and competitiveness. First, for our core businesses, sound- and music-related operations, we will strengthen our existing musical instruments and AV•IT operations. In addition, we are investing in a media business that will benefit from hardware, software, and content synergies. Through these plans, YAMAHA is working toward integrated growth for its core businesses. Second, our strategic approach for the lifestyle-related and leisure business segment is centered on plans to strengthen our operational base and improve revenues. Finally, in the electronic parts and materials business segment, our growth strategy involves leveraging technologies- developed in our core businesses- in the communications industry.

Q *What are your thoughts with respect to new business development?*

A This term, we launched two new mobile phone-related businesses: a ringer melody distribution service and a business that makes magnesium cases for mobile phones and other information terminals. At the end of the previous term, we began full-scale production of invar materials for use in shadow masks for cathode ray tubes (CRTs) and are anticipating positive results. Furthermore, we have developed a new business to produce Peltier Modules from thermoelectric materials and employ them as temperature-control parts for laser diodes used in optical communications.

Q *What is your assessment of YAMAHA's current business environment?*

A We are faced with a tangle of difficult issues, including a sluggish economy, differentiated customer demand, and a graying society resulting from persistently low birthrates. That said, this same inauspicious environment has afforded us a chance to grow substantially through differentiated products for personal computers and mobile phones. In addition, our Silent Instrument Series sold well, providing solid evidence that customers are satisfied with our value-added products. Building on its success, plans are in place to generate a new market for YAMAHA's original sound- and music-related operations. It is also worth noting that we are optimistic about the growth prospects for developing markets, such as in China. Finally, the information age is changing society dramatically, fueling demand for new technologies. With this in mind, we are continuing to provide parts and materials for use in our sound- and music-related technologies.

Q *What are the prospects for growth in the musical instrument market?*

A On the whole, our musical instruments operations continue to exhibit steady growth. However, it must be acknowledged that the Japanese market for pianos and other full-size keyboards has become fairly saturated and, as many new hobbies have gained popularity, market demand has become increasingly fragmented. Given these impediments, growth is expected to continue to slow in the Japanese market. In marked contrast, the U.S. and European markets are following a steady growth course, and emerging markets, such as the market in China, will continue to expand. The proactive product and market policies set forth in YAMAHA's medium-term management plan outline growth targets that reflect these trends.

Q *Please describe the business outlook for the coming term and beyond.*

A As I already mentioned, the current business environment does little to inspire optimism. However, we believe that growth is possible through a sustained risk assessment process, a strengthened business base, and a steady adherence to the strategic agenda set forth in the medium-term management plan. YAMAHA's goals for next year are sales of ¥ 550 billion, operating income of ¥ 23.5 billion, and net income of ¥ 15.0 billion. With value-added business, brand enhancement, and improved profitability in view, YAMAHA is building a corporate structure with the capacity to react quickly to IT and market changes.

On behalf of the entire YAMAHA Group, I would like to ask our shareholders for their continuing support.

March 2001

Shuji Ito
President and Representative Director

YAMAHA has issued a medium-term management plan for fiscal 2002 through fiscal 2004. The plan is represented by three mottos: "striving for growth"; "consolidated group management"; and "value-added business, sparkling YAMAHA brand."

1. Striving for Growth

The YAMAHA Group has set the following targets to be achieved by the end of fiscal 2004: net sales of ¥610 billion; operating income of ¥34 billion; an operating margin of 5.6%; recurring profit of ¥22 billion; and an ROE of 9.5%. To advance these goals, YAMAHA has divided its operations into three major business segments: Core Businesses, centered on the Company's sound- and music-related operations; Lifestyle-Related and Leisure; and Electronic Parts and Materials.

Core Businesses Segment

The Company's targets for the end of fiscal 2004 include sales of ¥477 billion (compared with ¥412 billion for this term) and operating income of ¥27 billion (compared with ¥22 billion for this term). In musical instruments operations, YAMAHA has targeted activities to strengthen its position in the market for music production equipment, which is expected to grow substantially in the wake of increased digitization. Attention is also being devoted to the rapidly expanding Chinese market. In sharp contrast, fears of persisting stagnation in the Japanese market have been compounded by structural problems and faltering consumption. To cope with this, YAMAHA is reorganizing its sales network in Japan to adapt to changing market conditions and has put various programs in place to stimulate the adult music education market. Added to this, the Company is focusing its energies on developing superior products that address market needs.

YAMAHA is taking proactive steps to develop new products through the fusion of AV•IT. A key element of YAMAHA's strategy to become number one in the market for home theaters is the development of both audio and visual technologies that will be used to provide total-solution home theaters. In the market for CD-R/RW drives, intense competition has given new impetus to YAMAHA's efforts aimed at improving the quality and sales potential of its products. Meanwhile, the market for routers is expected to exhibit continued growth, and this represents an opportunity for YAMAHA to boost sales through value-added products shaped to the needs of individual and small office/home office (SOHO) consumers.

In its semiconductor business, YAMAHA continues to strengthen the development of its mainstay sound- and network-centered devices, which also serve as a foundation for a ringer melody distribution service, and MusicFront, a business aimed at discovering talented new artists.

Lifestyle-Related and Leisure Segment

YAMAHA is determined to improve revenues in this segment by strengthening its business base through a process of prioritization and selective resource allocation. Goals to be achieved by the end of fiscal 2004 include sales of ¥78 billion (compared with ¥69 billion this term) and operating income of ¥2.2 billion.

Prospects look bleak for lifestyle-related businesses as the number of new housing starts continues to decrease. However, YAMAHA is improving profits by cutting manufacturing costs and strengthening the quality and sales potential of its products. In the resort business, YAMAHA is striving to make structural improvements in all of its facilities to establish a unique identity for each resort. In addition, the Company is putting systems into place that will contribute to the YAMAHA brand image and, ultimately, the entire Group's value through differentiated product and service offerings.

Electronic Parts and Materials Segment

YAMAHA is leveraging the technologies developed in its Core Businesses segment to help realize the following two goals by the end of fiscal 2004: sales of ¥55 billion (compared with ¥38 billion for this term), and operating income of ¥5 billion. In electronic metals, the Company is concentrating management resources on the communications field, placing particular emphasis on producing invar materials for use in shadow masks for CRTs and is co-opting existing technologies for making molds and magnesium parts and employs them in the production of casings for mobile phones and other information terminals. Similarly, YAMAHA is integrating its superior techniques for piano coating and wood processing into its business for automotive interior components, which is worth ¥10 billion per year. Finally, the Company has established a new thermoelectric modules business that draws on YAMAHA's existing electronic metals technologies to make thermoelectric parts. In light of YAMAHA's superior technologies, the Company is expecting

to generate more than ¥6 billion in sales during the next three years.

2. Consolidated Group Management

To facilitate consolidated group management, YAMAHA has undertaken a review of its systems and organizations. The Company is implementing an information system that will accommodate consolidated management activities. In addition, it is improving its supply chain management, making it possible to execute strategies for purchasing, logistics, and production on a global scale. Moreover, the Company has developed strategies to cope with global finance and IT-related patenting. These initiatives are proof of YAMAHA's commitment to efficient consolidated group management.

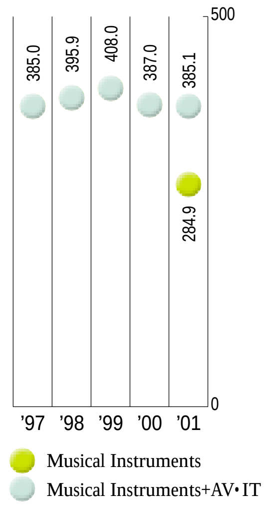
Recognizing that prompt decision-making is an integral part of adapting to market changes, YAMAHA has decided to implement an executive management system that will enable department heads to concentrate exclusively on managerial tasks. At the same time, the Company is attaching great importance to the issue of environmental protection.

3. Enhanced Brand Image, Increased Business Value

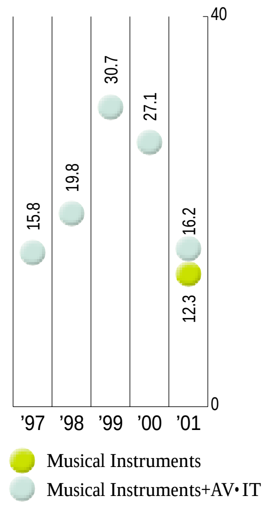
YAMAHA believes that its brand image is crucial to the Company's value. A strong brand image runs through all of the Group's diverse operations, links them together, and results, ultimately, in increased corporate value. The slogan "Creating *Kando* Together" signals YAMAHA's intent to pursue a brand enhancement strategy that inspires mutual understanding and trust among YAMAHA's shareholders, customers, and employees. The establishment of a brand strategy committee and another full-time strategy-related organization underscores our commitment to this strategic approach.

Music contributes to the quality of culture, which, in turn, affects the lives of each and every one of us. YAMAHA has been making musical instruments for more than 100 years. As a longtime provider of superior sound- and music-related technologies, YAMAHA is well positioned to promote music as a means to achieve a richer culture and a more inspiring world. But the Company cannot do it alone. For the 21st century, YAMAHA is redoubling its efforts to win increased loyalty from the public and take its brand image to new heights.

Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Musical Instruments

In the musical instruments business, sales in Japan were slow as a result of difficult market conditions. Overseas, sales were steady despite the weak euro. Both in Japan and abroad, unit sales of pianos fell slightly from the previous fiscal year, but grew in value terms. In digital musical instruments, Electone® sales decreased and Clavinovas® and portable keyboards faced intense competition. Results from wind, string, and percussion instruments operations were virtually

C3 Neo, Custom Edition
With a contemporary design, this piano's form inspires pianists.

Major Products & Services

- Pianos (upright pianos, grand pianos, etc.)
- Digital musical instruments (Clavinovas®, Electones®, portable keyboards, synthesizers)
- Wind instruments (trumpets, flutes, saxophones, etc.)
- String instruments (guitars, violins)
- Percussion instruments (drums, vibraphones, etc.)
- Educational musical instruments (recorders, pianicas (part piano and part harmonica), etc.)
- Professional audio equipment (mixers)
- Soundproof room: Avitecs
- Music schools, English schools
- Content distribution

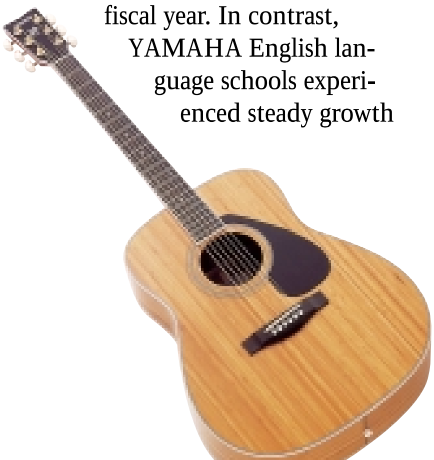
Major Subsidiaries

- Yamaha Music Tokyo Co., Ltd., and 15 other domestic musical instruments sales subsidiaries
- Yamaha Music Trading Corporation
- Yamaha Music Media Corporation
- Yamaha Sound Technologies Inc.
- Yamaha Corporation of America
- Yamaha Europa G.m.b.H.
- Yamaha Musique France S.A.
- Yamaha-Kemble Music (U.K.) Ltd.
- Taiwan Yamaha Musical Inst. Mfg. Co., Ltd.
- Tianjin Yamaha Electronic Musical Instruments, Inc.
- P.T. Yamaha Indonesia
- Yamaha Music Australia Pty., Ltd.

unchanged from the previous fiscal year. In professional audio products, sales in North America and Europe grew year on year, owing to the introduction of attractive new products. In addition, sales of non-YAMAHA products were slow.

In Japan, the number of students attending YAMAHA music schools decreased as a result of persistently low birthrates and, thus, a reduced number of prospective students. Due to this, tuition-based income from music schools fell slightly compared with the previous fiscal year. In contrast, YAMAHA English language schools experienced steady growth

Silent Strings Series
From left: silent violin, viola scale (SV-110V), silent bass (SLB-100), silent cello (SVC-100), silent violin (SV-100)



FG-B1N
The world's first folk-guitar made from bamboo

DTXPRESS
YAMAHA's DTXPRESS enables an individual user to experience a music session with a full band-on their own, in a compact space of one square meter

YPR 8335
New trumpet model

due to the popularity of English language education in Japan. Finally, the number of subscribers to YAMAHA's ringer melody distribution service rose to two million, contributing to increased sales in the content distribution business.

Due to these factors, sales totaled ¥284.9 billion (US$2.30 billion) and operating income reached ¥12.3 billion (US$0.10 billion).

YAMAHA is working to increase sales in the European and North American markets, which have steady growth prospects for the next fiscal year. In parallel, the Company is intensifying efforts aimed at opening new markets in Asia, Central America, and South America and is sharpening its focus on China. In professional audio equipment, YAMAHA is targeting growth by developing a new submarket for music production equipment.

PM1D
Based on a modular design, the fully digital PM1D is the best SR console in the industry. Three main modules-control, processing, and input-output-are combined in a network that enables flexibility and superior digital performance.

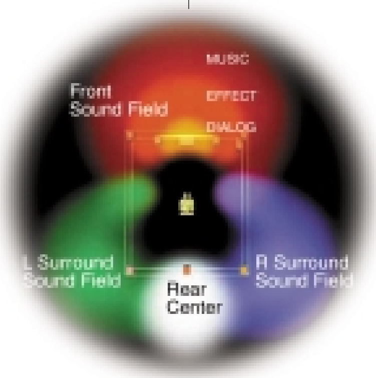
AW4416
This AW4416 Professional Audio Station is an all-in-one recording solution.

QY-100
This music sequencer makes music production enjoyable regardless of time or place.

MOTIF
Next-generation synthesizers meet the needs of professionals through enhanced flexibility and functionality.

P80W
Compact digital piano with portability

Mobile Phone Ringer Melody Distribution Service
(Left) Melo-Ring distribution service display developed in Taiwan
(Right) Distribution service partnership with eDongcity in Shanghai, China



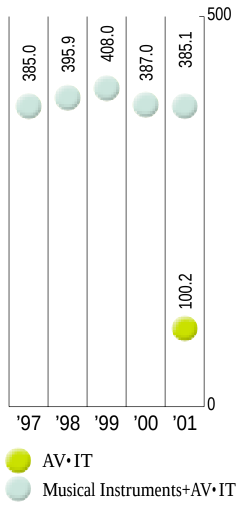
Major Products & Services

- Audio products (power amplifiers, speaker systems, etc.)
- IT equipment (CD-R/RW, remote routers)

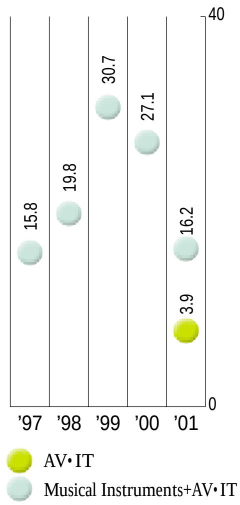
Major Subsidiaries

- Yamaha Electronics Corporation, U.S.A.
- Yamaha Elektronik Europa G.m.b.H.
- Yamaha Electronique France S.A.
- Yamaha Electronics (U.K.) Ltd.
- Yamaha Elektronics Manufacturing (M) Sdn. Bhd.

Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



AV•IT

YAMAHA offers a wide range of products in the new category of home theater enjoyment. In Japan, Europe, and North America, sales of home theaters and related products grew in the term under review. In information and telecommunication devices, unit sales of leading-edge 16X-write-speed CD-R/RW drives increased, but fell in value terms because of reduced unit prices and the weak euro.

During the term under review, YAMAHA moved all CD-R/RW production units to Malaysia in an attempt to cut costs. YAMAHA's highly acclaimed ISDN routers for the SOHO and individual user markets have continued to sell well in Japan.

Due to these factors, sales for this business reached ¥100.2 billion (US$0.81 billion) and operating income totaled ¥3.9 billion (US$31.5 million).

In the next fiscal year, YAMAHA is continuing to attach importance to home theaters and working to provide total audiovisual solutions by entering the market for visual products. Further efforts will include developing dependable, high-speed CD-R/RW drives and providing routers adapted to new telecommunication infrastructures.

S-10
These home theaters come equipped with a DTS/Dolby Digital Decoder that delivers real theater sound.

RP-U200
This multimedia amp connects to personal computers via USB cables.

RTA 54i
This is the latest device for home and small office use with ISDN and broadband compatibilities.

CRW2200
This is a world-class CD-R/RW drive with a 20X write speed.

DPX-1
This is the total audio visual solution-a DLP projector that is optimally designed for home theater use.

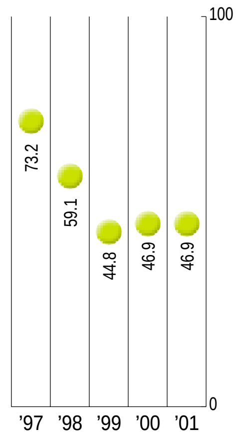
Major Products & Services

- Bathrooms, system kitchens, washstands, furniture, parts for housing facilities, sound equipment for residential use

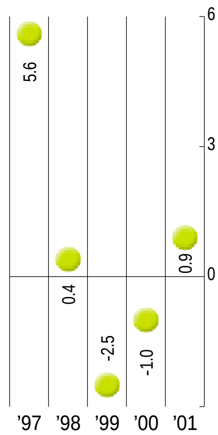
Major Subsidiaries

- Yamaha Livingtec Corporation
- Yamaha Living Products Corporation

Sales
(Billions of Yen)



Operating Income (Loss)
(Billions of Yen)



Lifestyle-Related Products

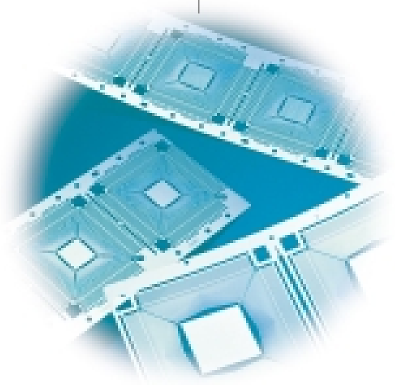
A decrease in the number of new housing starts and intensified price competition resulted in a stagnant market for lifestyle-related products. In the midst of this environment, sales were virtually unchanged from the previous fiscal year. However, due to a reduction in labor and other expenses, profits grew substantially, putting this segment in the black for the first time in three years.

Because of these factors, sales totaled ¥ 46.9 billion (US$0.38 billion), a 0.2% increase over the previous fiscal year, and operating income reached ¥ 0.9 billion (US$7.2 million) compared with the previous fiscal year's operating loss of ¥ 1.0 billion.

Difficult market conditions are projected to continue; however, YAMAHA will strive for improved profits through cost reductions and the introduction of a differentiated product line during the next fiscal year.

System Kitchen
Transcending mere culinary function, YAMAHA's system kitchens make an interior decorating statement with unique materials, color schemes, and designs.

Beaut NUG 1624
YAMAHA's system bathrooms turn an ordinary bathroom into a soothing, exuberant space.



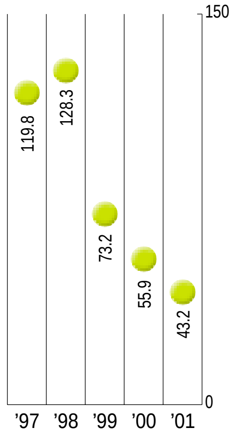
Major Products & Services

- Electronic devices
- Semiconductors, specialty metals (lead frame materials, invar materials)

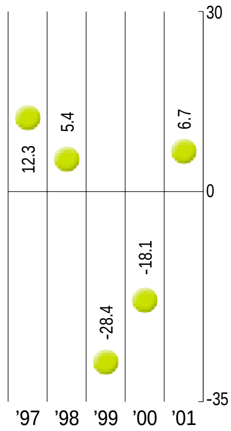
Major Subsidiaries

- Yamaha Kagoshima Semiconductor Inc.
- Yamaha Metanix Corporation

Sales
(Billions of Yen)



Operating Income (Loss)
(Billions of Yen)



Electronic Equipment and Metal Products

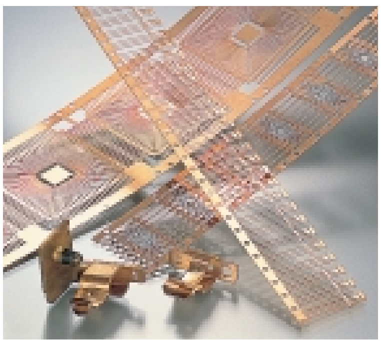
Due to the impact of YAMAHA's withdrawal from its storage heads business, net sales decreased from the previous fiscal year; however, operating income increased substantially. In semiconductors, YAMAHA achieved higher earnings by implementing a product development program emphasizing sound- and network-centered devices as well as making changes to its product mix. In addition, the Company recorded an increase in the production and sales of audio LSI chips for semiconductors used in home theaters; amusement-related products; and mobile phones, which continue to achieve increased market penetration. This resulted in significantly enhanced profitability for the segment. In electronic metals, sales of nickel and copper lead frame materials grew in response to heightened activity in the semiconductor market. In addition, mobile phone and other telecommunications-related parts posted significant sales gains.

Due to these factors, sales for the segment amounted to ¥43.2 billion (US$0.35 billion), a 22.7% year-on-year drop, and operating income reached ¥6.7 billion (US$53.7 million) compared with the previous fiscal year's operating loss of ¥18.1 billion.

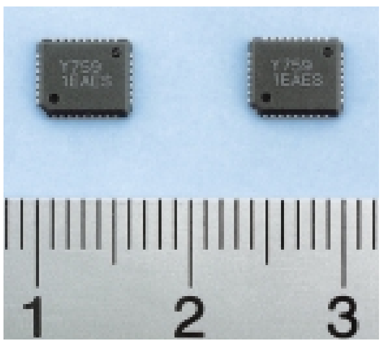
In the next year, faced with uncertainty in the semiconductor market, YAMAHA is continuing to increase production of sound source chips for mobile phones and invar materials used in shadow masks for CRTs.

Also in the term under review, YAMAHA started a new thermoelectric materials business.

Shadow Masks
Nickel alloy steel is used to make invar materials for shadow masks for CRTs.



Lead Frames
Lead frames for semiconductors



Audio Chip YMU 759
These 16-note polyphony audio chips include built-in ADPCM (Adaptive Differential Pulse Code Modulation) sound generators that can play back human voices and other recorded sounds.

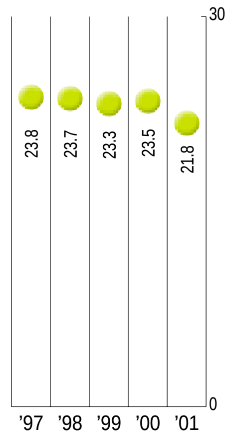
Major Products & Services

- Sightseeing facilities and accommodation facilities (Tsumagoi, Nemunosato, Haimurubushi, Sunza Villa, Kiroro, Toba-Kokusai, Kitanomaru)
- Ski resort (Kiroro Recreation Resort)
- Golf courses (Katsuragi Golf Club, Kiroro Golf Club, Nemunosato Golf Club)

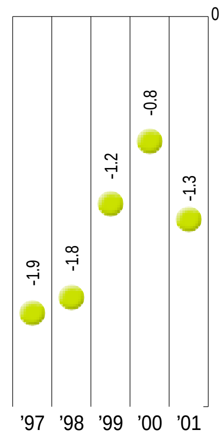
Major Subsidiaries

- Yamaha Resort Corporation
- Kiroro Development Corporation
- Haimurubushi Inc.

Sales
(Billions of Yen)



Operating Loss
(Billions of Yen)



Recreation

In recreation, sales fell as a result of prolonged economic stagnation, the eruption of Mt. Usu in Hokkaido, rising airfares, fewer customers, and a fall in return visits per customer.

Due to these factors, sales amounted to ¥21.8 billion (US$0.18 billion), a 7.3% year-on-year decrease, and operating loss reached ¥1.3 billion (US$10.4 million) compared with the previous fiscal year's operating loss of ¥0.8 billion.

In the future, as lifestyles continue to change, YAMAHA will work to rationalize its recreation business without sacrificing customer satisfaction or safety. Also under consideration is the spinning off of each business unit into independently managed companies.

Kiroro
Hotel Piano at Hokkaido's most popular ski resort-Kiroro Recreation Resort

Haimurubushi
The emerald green ocean of Haimurubushi in Okinawa, Japan's southernmost resort area

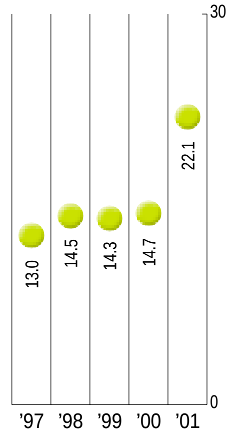
Major Products & Services

- Golf and archery gear
- Automobile interior components
- Industrial robots
- Molds and magnesium parts

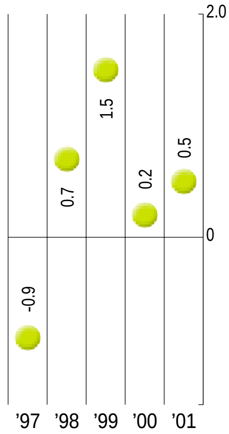
Major Subsidiaries

- Yamaha Insurance Service Co., Ltd.
- Yamaha Fine Technologies Co., Ltd.

Sales
(Billions of Yen)



Operating Income (Loss)
(Billions of Yen)



Others

Golf products did not sell well, but sales of interior automobile components increased steadily. In addition, sales increased dramatically in FA and metallic molds, precision machines and external parts, and YAMAHA’s new business that makes magnesium casings for mobile phones and other information terminals.

Due to these factors, sales jumped 50.5% from the previous fiscal year, to ¥22.1 billion (US$0.18 billion), and operating income soared 166.6% from the previous fiscal year, to ¥0.5 billion (US$4.4 million).

YAMAHA is concentrating its efforts on boosting sales by broadening the range of applications for magnesium parts and making its prices more competitive.

Magnesium Casing for Mobile Phones
Magnesium materials are lightweight and heat resistant.

Interior Automotive Fittings
YAMAHA's automobile components are widely used in luxury cars both in Japan and overseas.

Grandis Series
The 600 wood and iron series is for adult golfers who demand authentic products.

Compact Trim Puncher YTP-C251
This is an easy-to-use, high-precision, small-sized hole punching processor.

“Creating *Kando* Together”—Creating a New YAMAHA Brand

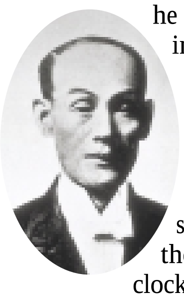
Each era is characterized by drastic changes, and the values of the people living in those times alter dramatically. Amid the vagaries of the tremendous changes in this current age, YAMAHA must accurately identify its customers’ expectations and continuously respond to those expectations. Now, we must consider how we can maintain an unshakeable relationship with our customers over the long term.

We have selected “*Kando*” as the core concept for our Yamaha brand. *Kando* is the movement of people’s hearts and the inspiration of hopes and dreams, and it conveys a feeling of happiness. We have chosen as our new brand slogan “Creating *Kando* Together.” YAMAHA has been in business for more than 100 years and, throughout that period, has always worked to create *Kando* through its sound- and music-centered technologies and refined aesthetic sense. Furthermore, sound and music, which transgress time and borders, connect the hearts of all people in an immutable, common language. YAMAHA is a company that can create this *Kando*, a feeling that goes beyond words.

The six letters of the YAMAHA name appear at music venues worldwide, including private homes. YAMAHA pianos are also formal instruments, used by famous pianists in concerts and at international piano competitions. Wind instruments and orchestral instruments are used in schools and by professionals, while drums, guitars, and synthesizers are an indispensable accompaniment to pop music the world over.

Meanwhile, first-rate Japanese and foreign broadcasting stations, Carnegie Hall in New York City,

The Origin of YAMAHA Corporate History



YAMAHA’s origins can be traced back to a single broken musical organ. The man asked to repair the organ was Torakusu Yamaha (1851-1916), a medical instrument repairman who later founded YAMAHA. Opening the organ and looking inside, Torakusu realized that he might be able to make one himself, so he decided to try. While fixing the instrument, he created a blueprint of its interior, which provided a model for the first organ produced in Japan. This was the birth of YAMAHA. Soon after making the organ, Torakusu took it from Hamamatsu City in Shizuoka Prefecture to Tokyo (approximately 260 kilometers) to have it examined by an instrument appraisal office. After inspecting the organ, they praised its form, but said that it could not be played because the quality of its sound was poor. He decided to stay in Tokyo and study music and tuning theory. After developing his own tuning method, he worked around the clock for four months on his second organ. Completed in 1887, this second organ was highly praised. In fact, Torakusu was told that it was as good as an imported model. This was the first fully functional YAMAHA instrument made in Japan, and it marked the beginning of YAMAHA’s history and the creation of *Kando*.

The Evolution of YAMAHA’s Logotype

1898 ▶ *1934* ▶ *1937* ▶ *1960* ▶ *1961* ▶ *1969* and other major users are installing YAMAHA mixing console tables employing the latest technologies. In this world of music, YAMAHA is well loved by everyone, from amateurs to world-renowned musicians. Furthermore, our audio equipment-which continues to give special attention to music quality, our telecommunications equipment, and our activities in the fields of hobby and recreation give flavor to life, and we hope that our YAMAHA brand continues to make new contributions to *Kando* creation. By drawing on its sound- and music-centered technologies and its aesthetic sense, YAMAHA is continuing to work in conjunction with its customers, shareholders, and employees to create *Kando* and a more prosperous society.

YAMAHA's store in Ginza

YAMAHA makes four promises aimed at improving its brand and making it sparkle.

1. Promise to customers:

YAMAHA will fully satisfy its customers by providing leading-edge technologies that are rich in tradition; it will provide products and services that are both creative and aesthetically pleasing; and it will continue to enrich customers' lives by creating trust and *Kando*.

2. Promise to shareholders:

YAMAHA will conduct its business in a transparent manner to ensure sound results; it will return a share of its profits to shareholders; it will work to ensure the full disclosure of information; and it will raise the understanding and satisfaction of its shareholders.

YAMAHA

3. Promise to society:

Safety and the protection of the environment will be YAMAHA's top priorities. The Company will observe the law, follow high ethical standards, and contribute to societal, economic, and cultural development both regionally and on a global scale.

4. Promise to employees:

Each employee will help to develop the YAMAHA brand and make it sparkle. To help employees achieve their potential, the Company will evaluate its employees fairly, provide equal opportunities, and take pride in creating a pleasant working environment.

As production inherently places a burden upon the environment, the YAMAHA Group considers the issue of environmental protection to be one of the major managerial challenges it faces today. YAMAHA's Environmental Committee is challenging itself to consider how the Company's operations affect the environment and is working to protect it in ways that include the development of green technologies and products. In October 2000, the Company began issuing an environmental report to ensure adequate disclosure of its environment-related activities. This report makes YAMAHA's environmental program transparent to investors and shareholders, inviting them to assess the suitability of the Company's activities in this area.

The YAMAHA Group has established goals aimed at acquiring ISO 14001 certification for all its operations by March 2003. The Company has already acquired certification for all domestic production sites and, by creating an environmental management system for each member of the YAMAHA Group abroad, steady progress is being made toward Groupwide certification.

Furthermore, the Company has launched directives for the entire Group to ensure the implementation of environment-friendly systems that take into account the full life cycle of YAMAHA's products. In broad terms, YAMAHA's business flow runs through five main stages: product development, procurement of parts and materials, production processes, product use, and disposal. In procuring parts and materials, the Company emphasizes the adoption of recyclable materials and the development of artificial materials that can be used in place of natural resources. In its production processes, YAMAHA is working to reduce its use of chemical substances and improve production efficiency through energy conservation measures designed to reduce air, soil, and water pollution. The Company avoids using scarce resources in instrument production, focusing instead on such fast-growing materials as bamboo to produce products that are easy on the environment. Action is also being taken to reduce or eliminate the use of chemical pollutants, replacing them with safer substances. In terms of product use, YAMAHA's audiovisual products significantly reduce power consumption while the Company's original Silent Instrument Series addresses the need for reduced noise pollution and an improved living environment. The strength of the electronic tones emitted from these instruments is adjustable, enabling users to generate full, natural acoustic sound during performances. Also indicative of YAMAHA's concern for the environment is the Company's shift, now well under way, to recyclable and reusable packaging materials for transporting products. Finally, YAMAHA promotes recycling by marking reusable parts for easy identification and designing products to facilitate the easy removal of reusable nickel-cadmium batteries.

The YAMAHA Group's environmental considerations span the entire life cycles of its products, from development to disposal. Nature is the source of humanity's livelihood and, as a result, YAMAHA attaches great importance to the relationship between society and the earth upon which it relies. In the future, the Company will redouble its efforts aimed at overcoming environmental problems through prioritized activities that ensure the fulfillment of its societal responsibilities.

Six-year Summary

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31

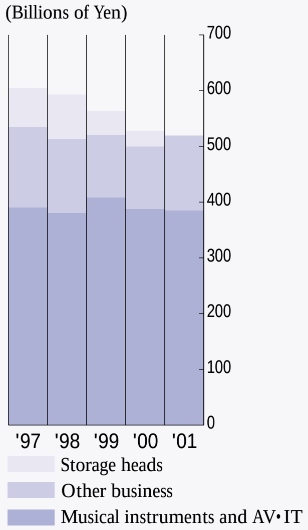
SELECTED FINANCIAL DATA	Millions of Yen					
	2001	2000	1999	1998	1997	1996
For the year:						
Net sales	¥519,104	¥527,897	¥563,751	¥608,990	¥604,746	¥531,236
Cost of sales	346,200	371,758	402,239	416,435	409,256	351,744
Gross profit	172,904	156,140	161,511	192,556	195,490	179,492
Selling, general and administrative expenses	149,902	148,057	161,608	168,452	165,859	151,770
Operating income (loss)	23,001	8,082	(97)	24,103	29,631	27,721
Income (loss) before income taxes and minority interests	23,491	(47,601)	(6,532)	18,995	24,354	18,995
Net income (loss)	13,320	(40,777)	(15,879)	13,475	14,066	9,430
At year-end:						
Total assets	¥522,486	¥543,088	¥532,852	¥544,465	¥549,162	¥513,905
Total shareholders' equity	196,733	221,750	214,896	231,940	219,970	169,186
Total current assets	231,872	205,979	212,911	217,408	231,853	220,719
Total current liabilities	175,371	178,281	189,386	181,409	191,327	207,005

	Yen					
Amounts per share:						
Net income (loss):						
Primary	¥ 64.50	¥ (197.45)	¥ (76.89)	¥ 65.25	¥ 71.97	¥ 48.59
After full dilution	61.84	-	-	62.86	65.83	44.89
Shareholders' equity	952.62	1,073.75	1,040.56	1,123.09	1,065.17	871.76
Ratios:						
Current ratio (%)	132.2%	115.5%	112.4%	119.8%	121.2%	106.6%
Equity ratio (%)	37.7	40.8	40.3	42.6	40.1	32.9
Return on assets (%)	2.5	(7.6)	(2.9)	2.5	2.6	1.9
Return on equity (%)	6.4	(18.7)	(7.1)	6.0	7.2	5.8

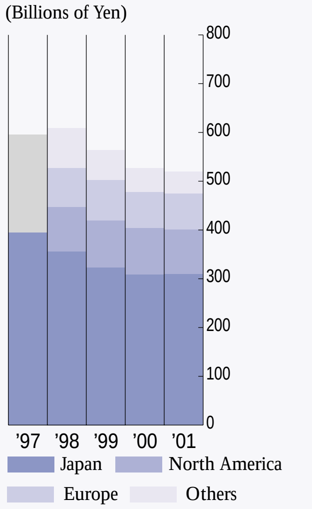
Notes: 1. Figures for net sales do not include national consumption tax.
2. Net income per share after full dilution (yen) for the fiscal years ended March 31, 2000 and 1999 is not presented because net losses for the years then ended were recorded.

Management's Discussion and Analysis

Sales by Business Segment
(Billions of Yen)

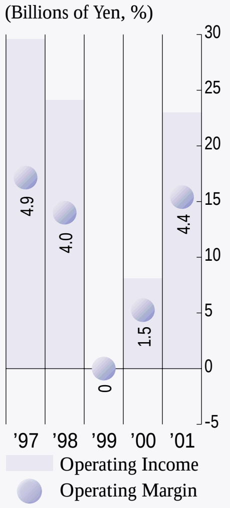


Sales by Geographical Segment
(Billions of Yen)



Note: The 1997 figures include Japan and all overseas sales only.

Operating Income and Operating Margin
(Billions of Yen, %)



INCOME ANALYSIS

Net Sales

In fiscal 2001, ended March 31, 2001, the Company recorded a decline in net sales of 1.7%, to ¥519.1 billion (US$4.19 billion). If currency exchange increases of ¥1.5 billion, owing to changes in accounting standards, and the impact of exiting the storage heads business (¥20.2 billion) had been excluded, net sales would have risen 2.3%, to ¥11.5 billion.

Despite the impact of YAMAHA's withdrawal from the storage heads business and a decline in musical instruments sales, domestic sales increased slightly (¥0.6 billion), up 0.2%, to ¥308.5 billion (US$2.49 billion), owing to rising sales of sound source chips for mobile phones and other telecommunications-related parts, as well as an expansion of ringer melody distribution service and growth in sales of interior automotive components.

Overseas sales fell ¥9.3 billion, or 4.2%, to ¥210.6 billion (US$1.70 billion), due to a substantial decline in revenue following the withdrawal from the storage heads business.

Cost of Sales and Other Expenses

During the term under review, despite foreign currency losses of ¥17.0 billion resulting from the yen's rise, the cost of sales dropped ¥25.6 billion, to ¥346.2 billion (US$2.79 billion). Consequently, the cost of sales ratio improved about 4%, owing to a ¥10.3 billion decline in depreciation expenses due to the aforementioned withdrawal from the storage heads business and the sale of a semiconductor manufacturing plant as well as reduced personnel costs following the implementation of special early retirement initiatives in the previous fiscal year, and a revision in the merchandise mix principally to improve the profitability of semiconductor operations. Furthermore, the Group was able to substantially reduce manufacturing costs thanks to a decline in materials procurement costs and the shifting of production overseas. Selling, general and administrative expenses increased ¥1.8 billion, to ¥149.9 billion (US$1.21 billion), owing to higher advertising and other costs.

Operating Income and Net Income

As a result of the aforementioned factors, operating income for fiscal 2001 improved ¥15.0 billion, to ¥23.0 billion (US$0.19 billion). Because costs relating to the restructuring implemented a year earlier were turned around within the year, costs from the prior service cost of the pension plan were not carried into the year under review. Thus, net income surged to ¥54 billion, allowing for a return to profitability for the first time in three years.

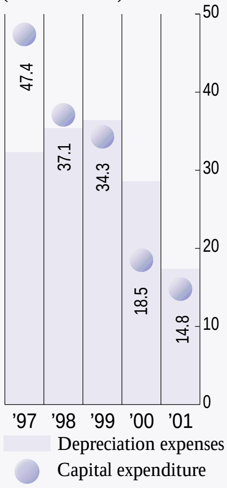
FINANCIAL POSITION

Accompanying changes in accounting standards, we transferred the foreign currency translation adjustment account from assets to shareholders' equity, and, although total assets decreased, inventories rose ¥20.2 billion from the previous fiscal year-end. Notes and bills receivable, and accounts receivable rose ¥12.1 billion, resulting in a year-on-year decrease in total assets of ¥20.6 billion, to ¥522.5 billion (US$4.22 billion).

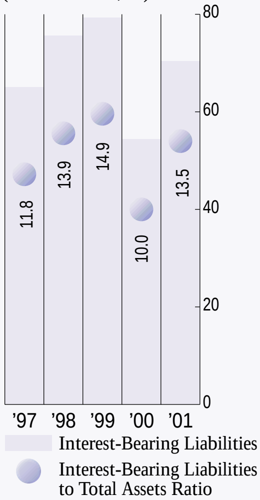
Liabilities grew ¥4.0 billion to ¥322.0 billion (US$2.60 billion), owing to an increase in borrowings accompanying the abolishment of the employee deposit system, as well as an increase in working capital.

Total current assets expanded ¥25.9 billion, to ¥231.9 billion (US$1.87 billion), and total current liabilities contracted ¥2.9 billion, to ¥175.4 billion

Capital Expenditure and Depreciation Expenses
(Billions of Yen)

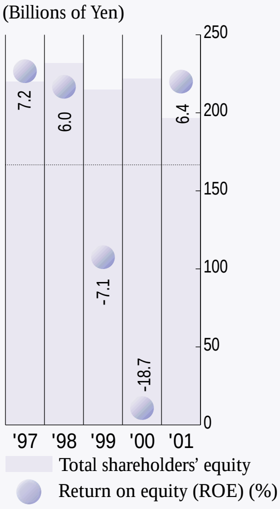


Interest-Bearing Liabilities
(Billions of Yen, %)



Note: Interest-bearing liabilities= loans+convertible bonds-cash and bank deposits

Total Shareholders' Equity and ROE
(Billions of Yen)



(US$1.42 billion). Working capital grew ¥ 28.8 billion, to ¥ 56.5 billion (US$0.46 billion). The current ratio thus rose 16.7 percentage points to 132.2%. Total shareholders' equity decreased ¥ 25.0 billion, to ¥ 196.7 billion (US$1.59 billion) due to the change of accounting standards. ROE for the period was 6.4%.

INTEREST-BEARING LIABILITIES

The balance of net interest-bearing liabilities, after deductions of cash equivalents, totaled ¥ 70.4 billion (US$0.57 billion), an increase of ¥ 16.0 billion from the end of the previous fiscal year. Reducing inventory assets to lower borrowings will be a major task in the next fiscal year.

CASH FLOWS

Cash and cash equivalents at the end of year decreased ¥ 0.9 billion from the previous fiscal year, to ¥ 32.7 billion (US$0.26 billion). Free cash flow amounted to a net outflow of ¥ 14.5 billion, as net cash used in operating activities showed a net outflow of ¥ 9.1 billion accompanying a rise in working capital, principally related to inventories and the abolishment of the employee deposit system and cash used in investing activities showed a net outflow of ¥ 5.4 billion.

Net cash used in financing activities amounted to ¥ 13.0 billion due to an increase in loans.

EXCHANGE RATES

Beginning in the fiscal year under review, YAMAHA switched from using the exchange rate prevailing at March 31, 2001, to the average rate for the period when calculating sales results. Thus, despite the yen's appreciation, net sales grew ¥ 1.5 billion. However, the yen's rise against the euro resulted in ¥ 17.0 billion in foreign currency losses, generating a net foreign exchange loss.

The following are rates for conversion of foreign currency exchange rates to yen, actual settlement rates on this term and year-end rates for assets, liabilities and shareholders' equity.

Sales conversion rates:	US$1=¥ 110.51	(¥ 106.15 in fiscal 2000)
	euro1=¥ 100.36	(¥ 102.14 in fiscal 2000)
Settlement rates:	US$1=¥ 108.58	(¥ 114.02 in fiscal 2000)
	euro1=¥ 98.40	(¥ 119.03 in fiscal 2000)
Year-end rates:	US$1=¥ 123.90	(¥ 106.15 in fiscal 2000)
	euro1=¥ 109.33	(¥ 102.14 in fiscal 2000)

Consolidated Balance Sheets

YAMAHA CORPORATION and Consolidated Subsidiaries
March 31, 2001 and 2000

ASSETS	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 2) 2001
Current assets:			
Cash and bank deposits (Notes 6 and 15)	¥ 32,885	¥ 33,796	$ 265,416
Marketable securities (Notes 6 and 14)	1,349	2,805	10,888
Notes and accounts receivable	88,466	76,334	714,011
Less: Allowance for doubtful accounts	(2,788)	(2,852)	(22,502)
Inventories	97,664	77,416	788,249
Deferred income taxes (Note 8)	9,201	12,354	74,262
Prepaid expenses and other current assets	5,094	6,124	41,114
Total current assets	231,872	205,979	1,871,445
Property, plant and equipment, net of accumulated depreciation (Notes 5 and 6):			
Land	48,619	48,970	392,405
Buildings and structures	77,617	81,478	626,449
Machinery and equipment	34,516	34,999	278,579
Construction in progress	2,363	2,672	19,072
Property, plant and equipment, net of accumulated depreciation	163,117	168,121	1,316,521
Investments and other assets:			
Investment securities (Notes 4, 6 and 14)	84,980	78,474	685,876
Valuation reserve for investment securities and investments in unconsolidated subsidiaries and affiliates	-	(2,024)	-
Long-term loans receivable	2,188	2,940	17,659
Lease deposits	5,185	5,134	41,848
Deferred income taxes (Note 8)	28,876	32,123	233,059
Excess of cost over net assets acquired	333	366	2,688
Other assets (Note 6)	5,932	7,324	47,877
Total investments and other assets	127,496	124,337	1,029,023
Translation adjustments (Note 3)	-	44,649	-
Total assets	¥522,486	¥543,088	$4,216,998

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 2) 2001
Current liabilities:			
Short-term loans	¥ 58,349	¥ 42,638	$ 470,936
Current portion of long-term debt (Note 6)	10,160	11,527	82,002
Notes and accounts payable	48,924	52,335	394,867
Accrued expenses	40,888	48,580	330,008
Income taxes payable	1,858	1,803	14,996
Employees' savings deposits	-	8,381	-
Advances received	4,417	4,745	35,650
Deferred income taxes (Note 8)	34	122	274
Other current liabilities	10,736	8,146	86,651
Total current liabilities	175,371	178,281	1,415,424
Long-term liabilities:			
Long-term debt (Note 6)	34,795	34,002	280,831
Long-term accounts payable	-	42,448	-
Deferred income taxes (Note 8)	257	132	2,074
Deferred income taxes on land revaluation (Note 1(o))	1,632	1,632	13,172
Accrued Employees' retirement benefits (Note 10)	67,250	18,635	542,776
Directors' retirement benefits	792	-	6,392
Long-term deposits received	40,592	41,448	327,619
Other long-term liabilities	1,341	1,416	10,823
Total long-term liabilities	146,662	139,716	1,183,713
Minority interests	3,718	3,340	30,008
Contingent liabilities (Note 11)			
Shareholders' equity (Note 9):			
Common stock, ¥50 par value:			
Authorized - 700,000,000 shares;			
Issued - 206,523,263 shares	28,533	28,533	230,291
Additional paid-in capital	26,924	26,924	217,304
Reserve for land revaluation (Note 1 (o))	8,269	8,331	66,739
Retained earnings	170,496	157,962	1,376,077
Net unrealized holding gains on other securities	308	-	2,486
Translation adjustments (Note 3)	(37,794)	-	(305,036)
	196,739	221,752	1,587,885
Treasury stock, at cost	(5)	(2)	(40)
Total shareholders' equity	196,733	221,750	1,587,837
Total liabilities and shareholders' equity	¥522,486	¥543,088	$4,216,998

Consolidated Statements of Operations

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Net sales	¥ 519,104	¥ 527,897	$4,189,701
Cost of sales	346,200	371,758	2,794,189
Gross profit	172,904	156,140	1,395,513
Selling, general and administrative expenses	149,902	148,057	1,209,863
Operating income	23,001	8,082	185,642
Other income (expenses):			
Interest and dividend income	1,137	957	9,177
Interest expense	(3,014)	(2,968)	(24,326)
Sales rebates	(4,391)	(4,188)	(35,440)
Loss on foreign exchange	(879)	(280)	(7,094)
Gain on sale of marketable and investment securities	3,152	12,247	25,440
Gain on sale or disposal of properties, net	4,086	1,820	32,978
Equity in earnings of unconsolidated subsidiaries and affiliates	2,434	4,209	19,645
Other, net (Note 7)	(2,034)	(67,481)	(16,416)
	491	(55,684)	3,963
Income (loss) before income taxes and minority interests	23,491	(47,601)	189,596
Income taxes (benefit):			
Current	2,900	2,947	23,406
Deferred	6,826	(10,167)	55,093
	9,726	(7,219)	78,499
Income (loss) before minority interests	13,765	(40,382)	111,098
Minority interests	444	395	3,584
Net income (loss)	¥ 13,320	¥ (40,777)	$ 107,506

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Common stock:			
Balance at beginning of year (2001- 206,523,263 shares; 2000- 206,523,263 shares)	¥ 28,533	¥ 28,533	$ 230,291
Balance at end of year (2001- 206,523,263 shares; 2000- 206,523,263 shares)	¥ 28,533	¥ 28,533	$ 230,291
Additional paid-in capital:			
Balance at beginning of year	¥ 26,924	¥ 26,924	$ 217,304
Balance at end of year	¥ 26,924	¥ 26,924	$ 217,304
Reserve for land revaluation:			
Balance at beginning of year	¥ 8,331	¥ -	$ 67,240
Add:			
Gain on revaluation of land	-	8,331	-
Deduct:			
Reversal of reserve for land revaluation	(62)	-	(500)
Balance at end of year	¥ 8,269	¥ 8,331	$ 66,739
Retained earnings:			
Balance at beginning of year	¥ 157,962	¥ 159,441	$1,274,915
Cumulative effect of initial adoption of tax-effect accounting	-	39,411	-
Add:			
Effect of change in scope of consolidation	957	-	7,724
Reversal of reserve for land revaluation	62	-	500
Reversal of reserve for land revaluation resulting from interest change in a consolidated subsidiary	-	1,157	-
Net income (loss)	13,320	(40,777)	107,506
Deduct:			
Effect of change in scope of consolidation	(23)	(945)	(186)
Effect of change in interests in subsidiaries	(542)	(116)	(4,374)
Cash dividends paid	(1,239)	(206)	(10,000)
Bonuses to directors and statutory auditors	(1)	(2)	(8)
Balance at end of year	¥ 170,496	¥ 157,962	$1,376,077
Unrealized holding gain on securities:			
Balance at beginning of year	¥ -	¥ -	$ -
Net change during the year	308	-	2,485
Balance at end of year	¥ 308	¥ -	$ 2,485
Translation adjustments			
Balance at beginning of year	¥ -	¥ -	$ -
Net change during the year	(37,794)	-	(305,036)
Balance at end of year	¥ (37,794)	¥ -	$ (305,036)
Treasury stock, at cost			
Balance at beginning of year	¥ (2)	¥ (3)	$ (16)
Net change during the year	(3)	1	(24)
Balance at end of the year	¥ (5)	¥ (2)	$ (40)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YAMAHA CORPORATION and Consolidated Subsidiaries
Year ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	2001
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 23,491	¥ (47,601)	$189,596
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	17,448	28,876	140,823
Allowance for doubtful accounts	(126)	(1,010)	(1,017)
Loss from revaluation of investment securities	513	-	4,140
Employees' retirement benefits, net of payments	(957)	(19,322)	(7,724)
Interest and dividend income	(1,137)	(958)	(9,177)
Interest expense	3,014	2,968	24,326
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,433)	(4,209)	(19,637)
Gain on sale of investment securities	(3,152)	(9,091)	(25,440)
Gain on sale or disposal of properties, net	(4,086)	(1,820)	(32,978)
Net loss on foreign exchange	879	280	7,094
Changes in operating assets and liabilities:			
(Increase) decrease in accounts and notes receivable- trade	(8,058)	11,511	(65,036)
(Increase) decrease in inventories	(14,863)	9,811	(119,960)
(Decrease) increase in accounts and notes payable- trade	(5,669)	3,087	(45,755)
Increase in long-term accounts payable- other	-	42,448	-
Other, net	(9,034)	(2,470)	(72,914)
Subtotal	(4,170)	12,501	(33,656)
Interest and dividends received	1,113	959	8,983
Interest paid	(2,938)	(2,968)	(23,713)
Refundable income taxes, net of payment	(3,094)	358	(24,972)
Net cash (used in) provided by operating activities	(9,089)	10,851	(73,358)
Cash flows from investing activities:			
Purchases of properties	(15,082)	(20,175)	(121,727)
Proceeds from sale of properties	9,137	17,137	73,745
Purchases of investment securities	(3,546)	(34,321)	(28,620)
Proceeds from sale of marketable securities	-	3,733	-
Proceeds from sale of investment securities	3,381	45,290	27,288
Other, net	668	811	5,391
Net cash (used in) provided by investing activities	(5,441)	12,474	(43,914)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	13,534	(4,666)	109,233
Proceeds from long-term debt	8,112	2,382	65,472
Repayments of long-term debt	(7,197)	(5,033)	(58,087)
Cash dividends paid	(1,239)	(206)	(10,000)
Cash dividends paid to minority shareholders	(242)	-	(1,953)
Proceeds from stock issued to minority shareholders	22	-	178
Other, net	(3)	0	(24)
Net cash provided by (used in) financing activities	12,987	(7,522)	104,818
Effect of exchange rate changes on cash and cash equivalents	887	(1,467)	7,159
Net (decrease) increase in cash and cash equivalents	(656)	14,335	(5,295)
Cash and cash equivalents at beginning of year	33,632	17,923	271,445
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	351	1,373	2,833
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	(602)	-	(4,859)
Cash and cash equivalents at end of year (Note 15)	¥ 32,725	¥ 33,632	$264,124

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

YAMAHA CORPORATION and Consolidated Subsidiaries
March 31, 2001 and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

YAMAHA CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been prepared from the financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. Accordingly, the accompanying consolidated financial statements may differ in certain significant respects to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements are required to include the accounts of the parent company and all its subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. As a result, the accompanying consolidated financial statements include the accounts of the Company and 73 consolidated subsidiaries for the year ended March 31, 2001. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making control over their operations is significantly affected by the consolidated group in various ways are accounted for by the equity method. The investments in 3 affiliates have been accounted for by the equity method for the years ended March 31, 2000 and 2001.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differ from that of the Company; however, the necessary adjustments are made when the effect of the difference is material.

All assets and liabilities of the subsidiaries are revaluated at fair values on acquisition, if applicable, and the excess of cost over underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis.

(c) Foreign currency translation

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 if not hedged by forward exchange contracts, or at the contracted rates of exchange when hedged by forward exchange contracts. 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. Due to a change effective the year ended March 31, 2001 in the regulations relating to the presentation of translation adjustments, the Company has presented translation adjustments as a component of shareholders' equity and minority interests in consolidated financial statements for the year ended March 31, 2001.

(d) Cash and cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(e) Securities

Held-to-maturity debt securities are either amortized or accumulated to face value. Other securities with and without quoted market prices included in "Marketable securities" and "Investment securities" have been stated at cost based on the average method.

Effective the year ended March 31, 2001, an affiliate adopted a new accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council (the "BADC") on January 22, 1999). Under this new standard, other securities with quoted market prices have been stated at fair value and the changes in fair value, net of applicable income taxes, have been directly included in shareholders' as "Net unrealized holding gains on other securities."

The effect of the adoption of the new standard was to increase income before income taxes and minority interests by ¥3,485 million (US$28,128 thousand) compared with the amount which would have been recorded by the method applied in the previous year.

(f) 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.

(g) Depreciation and amortization

Depreciation of property, plant and equipment is 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.

Estimated useful lives:	Building	31- 50 years
	Structures	10- 30
	Machinery	4- 11
	Equipment	5- 6

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. For the Company and its consolidated subsidiaries, the amount of the allowance is determined based on (1) past write-off experience, (2) an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables.

(i) Retirement benefits

Accrued employees' retirement benefits: Effective the year ended March 31, 2001, the Company adopted a new accounting standard for retirement benefits ("Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits" issued by the BADC on June 16, 1998). In accordance with this standard, accrued employees' retirement benefits have been provided based on the projected retirement benefit obligation and the pension fund assets. In prior years, retirement allowances have been provided at the retirement benefits payable after excluding the portion covered by the pension plans at the year-end for employees, if all the employees terminated their services voluntarily.

The effect of the adoption of the new standard for retirement benefits was to decrease income before income taxes and minority interests by ¥4,741 million (US$38,265 thousand) for the year ended March 31, 2001.

In addition, effective April 1, 2000, both the retirement benefits (as prior method of accounting) and accrued liabilities for the pension plan were reclassified to accrued employees' retirement benefits.

The transition difference of ¥2,820 million (US$22,760 thousand) resulting from the initial adoption of the new accounting standard was fully charged to income as an other expense for the year ended March 31, 2001.

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.

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.

Directors' and statutory auditors' retirement benefits: The Company's directors are generally entitled to receive lump-sum retirement payments based on the Company's internal rules. The Company provides a 100% allowance for retirement benefits for the directors under its internal rules. Effective the year ended March 31, 2001, the Company separately discloses accrued retirement benefits for directors and statutory auditors.

(j) Warranty reserve

The warranty reserve is provided to cover costs for possible repairs which may be claimed by customers after the Group companies' sales. The amount of this reserve is estimated based on a percentage of the amount or volume of sales and after considering past experience with repairs to products under warranty.

(k) Leases

Non-cancelable lease transactions are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(l) Income taxes

Deferred income taxes are recognized by the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between financial reporting and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Hedge accounting

Effective the year ended March 31, 2001, the Company adopted a new accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council (the "BADC") on January 22, 1999). In accordance with a new accounting standard, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Forward foreign exchange contracts that meet certain criteria are accounted for by the allocation method, which is utilized to hedge against risk arising from fluctuations in foreign exchange rates.

The Company and consolidated subsidiaries do not make an assessment of the effectiveness for hedging activities because the relationship between the anticipated cash flows fixed by hedging activities and the avoidance of market risk is existing clearly so that there is no need to evaluate such effectiveness.

(n) Appropriation of retained earnings

Under the Commercial Code of Japan (the "Code"), the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation.

(o) Land revaluation

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the business operations of a consolidated subsidiary and an affiliate was revalued on March 31, 2000. The excess of the revalued carrying amount over the book value before revaluation that has been included in shareholders' equity amounted to ¥8,269 million ($66,740 thousand) and ¥8,331 million as reserve for land revaluation at an amount net of the related tax effect at March 31, 2001 and 2000, respectively.. The corresponding income taxes of ¥1,632 million are included in long-term liabilities at March 31, 2001 and 2000 as deferred income taxes on land revaluation.

The revaluation of the land was determined based on the official standard notice prices in accordance with the relevant regulations of the Local Income Tax Law of Japan with certain necessary adjustments.

(p) Reclassifications

Certain prior-year amounts have been reclassified to conform to the fiscal 2001 presentation. These changes have had no impact on previously reported results of operations or shareholders' equity.

2. U.S. DOLLAR AMOUNTS

For the convenience of the reader, the accompanying financial statements with respect to the year ended March 31, 2001 have been presented in U.S. dollars by translating all yen amounts at ¥123.90=U.S.$1.00, the exchange rate prevailing on March 31, 2001. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

3. ACCOUNTING CHANGES

Effective April 1, 2000, the Company changed the exchange rates for the translation of revenue and expense accounts of the foreign consolidated subsidiaries into yen from the rate of exchange in effect at the balance sheet date to the average exchange rate in effect during the fiscal year. This is in order to avoid significant fluctuations between the exchange rates used in interim consolidated financial statements, which became mandatory filing effective April 1, 2000, and the exchange rates used in the year-end consolidated financial statements. The effect of this change was to decrease operating income, and income before income taxes and minority interests by ¥967 million ($7,805 thousand) and ¥540 million ($4,358 thousand), respectively, from the amounts which would have been recorded by the method applied in previous year.

In addition, due to the change effective the year ended March 31, 2001, in regulations relating to the presentation of translation adjustments, the resulting foreign currency translation adjustments are included in minority interests and shareholders' equity, instead of as a component of assets and liabilities which was recorded in the previous year.

Further, effective the year ended March 31, 2001, the Company adopted a revised accounting standard for foreign currency transactions, "Opinion Concerning Establishment of Accounting Standard for Foreign Currency Transactions" issued by the BADC on October 22, 1999. The effect of this change on income before income taxes and minority interests was immaterial.

4. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investment securities and investment in and advances to unconsolidated subsidiaries and affiliates at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Investment securities	¥ 38,752	¥ 35,409	$312,768
Investment in and advances to unconsolidated subsidiaries and affiliates	46,138	43,065	372,381
	¥ 84,890	¥ 78,474	$685,149

5. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2001 and 2000 were ¥ 210,744 million ($1,700,920 thousand) and ¥ 226,825 million, respectively.

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans consisted of unsecured loans payable to banks at the weighted average interest rates of 3.1% and 3.0% per annum at March 31, 2001 and 2000, respectively.

Long-term debt at March 31, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Loans from banks, due through 2018 at average rates of 3.8% and 2.0% for current and noncurrent portion, respectively	¥ 20,638	$166,570
1.9% unsecured convertible bonds, due 2004	24,317	196,263
Total long-term debt	44,955	362,833
Less: Current portion	10,160	82,002
	¥ 34,795	$280,831

On September 30, 1988, the Company issued 1.9% unsecured convertible bonds, due 2004, which are convertible into common stock of the Company at ¥ 2,200 per share during the period from November 1, 1988 to March 31, 2004.

The assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Bank deposits	¥ 30	$ 242
Marketable securities	1,149	9,274
Property, plant and equipment, net of accumulated depreciation	16,316	131,687
Other assets	1,449	11,695

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are as follows:

Year ended March 31	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 10,160	$ 82,002
2003	8,689	70,129
2004	24,494	197,692
2005	22	177
206 and thereafter	1,590	12,833
	¥ 44,955	$362,833

7. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Early 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	-	(17,368)	-
Amortization of net retirement benefits obligation at transition	(2,820)	-	(22,760)
Loss from revaluation of investment securities	(513)	-	(4,140)
Other, net	1,299	675	10,485
	¥ (2,034)	¥ (67,481)	$(16,416)

8. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 41% for the years ended March 31, 2001 and 2000. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2001 and 2000 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deferred tax assets:			
Write-down of inventories	¥ 1,806	¥ 2,245	$ 14,576
Allowance for doubtful receivables	1,245	1,176	10,048
Depreciation	8,551	13,589	69,015
Unrealized loss on investment securities	1,245	827	10,048
Accrued employees' bonuses	2,625	1,068	21,186
Warranty reserve	1,006	672	8,119
Retirement benefits and long-term accounts payable- other	25,092	22,861	202,518
Tax loss carried forward	14,606	16,312	117,885
Other	5,779	10,812	46,642
	61,960	69,565	500,081
Valuation allowance	(21,198)	(22,683)	(171,090)
Total deferred tax assets	40,761	46,882	328,983
Deferred tax liabilities:			
Reserve for deferred gain on properties	(1,476)	(1,589)	(11,913)
Other	(1,499)	(1,070)	(12,098)
Total deferred tax liabilities	(2,975)	(2,660)	(24,011)
Net deferred tax assets	¥ 37,785	¥ 44,222	$304,964

9. LEGAL RESERVE AND ADDITIONAL PAID-IN CAPITAL

The Commercial Code of Japan provides that an amount equivalent to at least 10% of all cash appropriations of retained earnings, and exactly 10% of interim cash dividends, be transferred to the legal reserve until such reserve equals 25% of the stated amount of common stock. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

The legal reserve of the Company and its consolidated subsidiaries has been included in retained earnings.

10. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which the termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2001 for the Company's and consolidated subsidiaries' defined benefit plans:

	Millions of Yen	Thousands of U.S. Dollars
	2001	
Retirement benefit obligation	¥ (159,291)	$(1,285,642)
Plan assets at fair value	82,889	668,999
Unfunded retirement benefit obligation	(76,402)	(616,642)
Unrecognized net retirement benefit obligation at transition	-	-
Unrecognized actuarial gain or loss	10,862	87,667
Unrecognized past service costs	(1,710)	(13,801)
Net retirement obligation	(67,250)	(542,776)
Prepaid pension cost	-	-
Accrued retirement benefits	¥ (67,250)	$ (542,776)

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	
Service cost	¥ 6,498	$ 52,446
Internet cost	5,223	42,155
Expected return on plan assets	(3,215)	(25,948)
Amortization of past service cost	(43)	(347)
Amortization of actuarial gain or loss	-	-
Amortization of net retirement obligation at transition	2,820	22,760
Additional retirement benefit expenses	1,039	8,386
Total	¥ 12,322	$ 99,451

The transition difference arising from the initial adoption of the new accounting standard has been recorded as other expense for the year ended March 31, 2001.

The assumptions used in accounting for the above plans are as follows:

	2001
Discount rates	3.5%
Expected return on plan assets	4.0%
Amortization of past service cost	10 years (straight-line method)
Amortization of actuarial gain or loss	10 years (straight-line method)
Amortization of net retirement obligation at transition	Fully recognized as other expense when incurred

11. CONTINGENT LIABILITIES

The Company had the following contingent liabilities at March 31, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Export bills discounted with banks	¥ 1,404	$11,332
As guarantors of indebtedness of others	229	1,848

12. AMOUNTS PER SHARE

Basic net income (loss) per share shown below is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common shares to be issued upon the conversion of convertible bonds.

Net assets per share is based on the number of shares of common stock outstanding at each balance sheet date.

	Yen		U.S. Dollars
	2001	2000	2001
Net income (loss):			
Basic	¥ 64.50	¥ (197.45)	$0.52
Diluted	61.84	-	0.50

	Yen		U.S. Dollars
	2001	2000	2001
Net assets	¥ 952.62	¥ 1,073.75	$7.69

Diluted net income (loss) per share for the year ended March 31, 2000 has not been presented because no consolidated net income was reported for the year then ended.

13. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2001 and 2000, which would have been reflected in the balance sheets if finance leases currently accounted for as operating leases had been capitalized.

	Millions of Yen			Thousands of U.S. Dollars		
Year ended March 31, 2001	Tools and equipment	Other	Total	Tools and equipment	Other	Total
Acquisition costs	¥ 5,505	¥ 1,066	¥ 6,572	$44,431	$8,604	$53,043
Accumulated depreciation	3,112	706	3,819	25,117	5,698	30,823
Net book value	¥ 2,393	¥ 359	¥ 2,752	$19,314	$2,897	$22,211

	Millions of Yen			Thousands of U.S. Dollars		
Year ended March 31, 2000	Tools and equipment	Other	Total	Tools and equipment	Other	Total
Acquisition costs	¥ 6,394	¥ 980	¥ 7,374	$60,236	$9,232	$69,468
Accumulated depreciation	3,471	674	4,146	32,699	6,350	39,058
Net book value	¥ 2,922	¥ 305	¥ 3,228	$27,527	$2,873	$30,410

Lease expenses relating to finance leases accounted for as operating leases amounted to ¥ 1,473 million ($11,889 thousand) and ¥ 1,809 million for the years ended March 31, 2001 and 2000, respectively.

Future minimum lease payments subsequent to March 31, 2001 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 1,218	$ 9,831
2003 and thereafter	1,534	12,381
	¥ 2,752	$22,211

14. SECURITIES

1. Held-to-maturity debt securities with a market value

Year ended March 31, 2001	Millions of Yen: Carrying value	Millions of Yen: Estimated fair value	Millions of Yen: Unrealized gain	Thousands of U.S. Dollars: Carrying value	Thousands of U.S. Dollars: Estimated fair value	Thousands of U.S. Dollars: Unrealized gain
Securities whose fair value exceeds their carrying value:						
1. Government bonds	¥ 69	¥ 71	¥ 1	$ 557	$ 573	$ 8
2. Corporate bonds	2,181	2,210	28	17,603	17,837	226
3. Others	1,950	1,981	30	15,738	15,989	242
	¥ 4,202	4,262	60	33,914	34,399	484
Securities whose carrying value exceeds their fair value:						
1. Government bonds	¥ -	¥ -	¥-	$ -	$ -	$ -
2. Corporate bonds	100	99	(0)	807	799	(0)
3. Others	99	99	(0)	799	799	(0)
	199	199	(0)	1,606	1,606	(0)
Total	¥ 4,402	¥ 4,462	¥ 59	$35,529	$36,013	$476

2. Other securities sold during the year ended March 31, 2001

Year ended March 31, 2001	Millions of Yen	Thousands of U.S. Dollars
Sales value	¥ 3,312	$26,731
Profit on sale	3,152	25,440
Loss on sale	0	0

3. Securities without a market value and book value

Year ended March 31, 2001	Millions of Yen	Thousands of U.S. Dollars
Other securities		
Unlisted securities (except for over-the-counter traded securities)	¥ 934	$7,538

4. Schedule for redemption of other securities with a maturity and held-to-maturity debt securities

	Millions of Yen: Due in one year or less	Millions of Yen: Due after one year through five years	Thousands of U.S. Dollars: Due in one year or less	Thousands of U.S. Dollars: Due after one year through five years
Government bonds	¥ -	¥ 70	$ -	$ 565
Corporate bonds	550	1,730	4,439	13,963
Others	800	1,250	6,457	10,089
Total	¥ 1,350	¥ 3,050	$10,896	$24,617

15. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2001 and 2000:

	Millions of Yen: 2001	Millions of Yen: 2000	Thousands of U.S. Dollars: 2001
Cash and bank deposits	¥ 32,885	¥ 33,796	$265,416
Time deposits with a maturity of more than three months	(160)	(163)	(1,292)
Cash and cash equivalents	¥ 32,725	¥ 33,632	$264,124

16. DERIVATIVES AND HEDGING ACTIVITIES

No specific disclosure for derivatives is made as the Company and its subsidiaries primarily carry derivative financial instruments that meet the criteria for deferral hedging accounting, except for certain receivables or payables denominated in foreign currency.

17. SEGMENT INFORMATION

The business and geographical segment information and overseas sales for the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 are outlined as follows:

Business Segments

	Millions of Yen								
Year ended March 31, 2001	Musical instruments	AV•IT	Lifestyle related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income									
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
II. Total assets, depreciation and capital expenditures									
Total 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 expenditures	6,117	1,587	991	2,834	1,392	1,846	14,770	-	14,770

	Thousands of U.S. Dollars								
Year ended March 31, 2001	Musical instruments	AV•IT	Lifestyle related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income									
Sales to external customers	$2,299,443	$808,692	$378,886	$348,838	$175,714	$178,103	$4,189,701	$ -	$4,189,701
Intersegment sales or transfers	-	-	13,406	30,694	-	-	44,100	(44,100)	-
Total sales	2,299,443	808,692	392,292	379,540	175,714	178,103	4,233,810	(44,100)	4,189,701
Operating expenses	2,200,242	777,183	385,085	325,835	186,077	173,721	4,048,160	(44,100)	4,004,052
Operating income (loss)	$ 99,193	$ 31,509	$ 7,199	$ 53,705	$(10,355)	$ 4,383	$ 185,642	$ -	$ 185,642
II. Total assets, depreciation and capital expenditures									
Total assets	$2,002,074	$472,228	$173,761	$357,458	$605,246	$606,215	$4,216,998	$-	$4,216,998
Depreciation	58,305	14,391	12,542	21,412	23,882	9,161	139,709	-	139,709
Capital expenditures	49,370	12,809	7,998	22,873	11,235	14,899	119,209	-	119,209

	Millions of Yen							
Year ended March 31, 2000	Musical instruments and audio products	Lifestyle related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income								
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
II. Total assets, depreciation and capital expenditures								
Total assets	¥ 275,407	¥ 22,395	¥ 61,723	¥ 77,703	¥ 61,209	¥ 498,439	¥ 44,649	¥ 543,088
Depreciation	9,920	1,518	14,365	3,009	798	29,612	(977)	28,635
Capital expenditures	7,846	1,683	6,968	1,403	927	18,829	(285)	18,544

Notes: (1) Business segments are divided into categories based on the application or nature of each product in the market.

(2) Major products in each business segment:

Business segment	Major products & services
Musical instruments	Pianos, digital musical instruments, wind instruments, guitars, percussion instruments, educational musical instruments, pro-audios, music schools, language schools, content provision, tuning
AV•IT	Audio products, IT equipment
Lifestyle-related products	System kitchens, bathtubs, washstands, furniture, parts for housing components, sound equipment for residential use
Electronic equipment and metal products	LSIs, special metals
Recreation	Management of leisure facilities
Others	Golf and archery equipment, car interior parts, industrial robots

(3) Effective the year ended March 31, 2001, as described in Summary of Significant Accounting Policies, the Company and its consolidated subsidiaries changed translation of the revenue and expense accounts of its foreign consolidated subsidiaries into yen from the rate of exchange in effect at balance sheet date to the average rate of exchange during the period. The effect of this change decreased sales to external customers in the segments of Musical instruments and AV•IT by ¥13,040 million ($105,246 thousand) and ¥8,721 million ($70,387 thousand), respectively, from the amounts which would have been recorded under the method applied in the previous year. Further, the change in exchange rate also decreased operating income in the segments of Musical instruments and AV•IT by ¥774 million ($6,247 thousand) and ¥193 million ($1,558 thousand), respectively, from the amounts which would have been recorded under the method applied in the previous year. The effect of this change on other segments was immaterial.

(4) Effective the year ended March 31, 2001, in order to provide more useful information about business segments, the segment of Musical instruments and audio products was divided into two, the segment of Musical instruments and the segment of AV•IT.

Geographical Segments

	Millions of Yen						
Year ended March 31, 2001	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)							
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
II. Total assets	¥422,228	¥44,902	¥31,847	¥45,364	¥544,343	¥ (21,857)	¥522,486

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	Thousands of U.S. Dollars						
Year ended March 31, 2001	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)							
Sales to external customers	$2,642,567	$722,728	$586,917	$237,474	$4,189,701	$ -	$4,189,701
Intersegment sales or transfers	1,215,020	13,156	4,867	524,964	1,758,023	(1,758,023)	-
Total sales	3,857,595	735,892	591,792	762,437	5,947,732	(1,758,023)	4,189,701
Operating expenses	3,749,411	689,435	580,912	737,966	5,757,740	1,753,681	4,004,052
Operating income (loss)	$ 108,184	$ 46,449	$ 10,880	$ 24,471	$ 189,984	$ (4,342)	$ 185,642
II. Total assets	$3,407,813	$362,405	$257,038	$366,134	$4,393,406	$ (176,408)	$4,216,998

	Millions of Yen						
Year ended March 31, 2000	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
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
II. Total assets	¥418,823	¥ 35,152	¥26,406	¥34,296	¥514,679	¥ 28,409	¥543,088

Notes: (1) Geographical segments are divided into categories based on their geographical proximity.

(2) Major nations or regions included in each geographical segment:
(1) North America- U.S.A., Canada
(2) Europe- Germany, England
(3) Asia, Oceania and other areas- Singapore, Australia

(3) Effective the year ended March 31, 2001, as described in Summary of Significant Accounting Policies, the Company and its consolidated subsidiaries has changed the accounting method for foreign currency translation of the revenue and expense accounts of its foreign consolidated subsidiaries into yen from the rate of exchange in effect at the balance sheet date to the average rate of exchange during the period. The effect of this change decreased sales to external customers in the segments of North America, Europe, and Asia, Oceania and other areas by ¥10,470 million ($84,504 thousand), ¥6,177 million ($49,855 thousand), and ¥5,111 million ($41,251 thousand), respectively, from the amounts which would have been recorded by the method applied in the previous year. Further, operating income in the segment of North America, Europe, and Asia, Oceania and other areas dropped by ¥663 million ($5,351 thousand), ¥115 million ($928 thousand), and ¥172 million ($1,388 thousand), respectively, from the amounts which would have been recorded by the method applied in the previous year.

Overseas Sales

	Millions of Yen			
Year ended March 31, 2001	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	¥91,720	¥72,957	¥45,886	¥210,565
Consolidated net sales	-	-	-	519,104
% of consolidated net sales	17.7%	14.1%	8.8%	40.6%

	Thousands of U.S. Dollars			
Year ended March 31, 2001	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	$740,274	$588,838	$370,347	$1,699,475
Consolidated net sales	-	-	-	4,189,701
% of consolidated net sales	17.7%	14.1%	8.8%	40.6%

	Millions of Yen			
Year ended March 31, 2000	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
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) Geographical areas are divided into categories based on their geographical proximity.

(2) Major nations or regions included in each geographical segment:
(1) North America- U.S.A., Canada
(2) Europe- Germany, England
(3) Asia, Oceania and other areas- Singapore, Australia

(3) Effective the year ended March 31, 2001, as described in Summary of Significant Accounting Policies, the Company and its consolidated subsidiaries have changed the accounting method for foreign currency translation of the revenue and expense accounts of its foreign consolidated subsidiaries into yen from the rate of exchange in effect at the balance sheet date to the average rate of exchange during the period. The effect of this change decreased overseas sales in the segments of North America, Europe, and Asia, Oceania and other areas by ¥10,470 million ($84,504 thousand), ¥6,177 million ($49,855 thousand) and ¥5,111 million ($41,251 thousand), respectively, from the amounts which would have been recorded by the method applied in the previous year.

Report of Independent Auditors

The Board of Directors
YAMAHA CORPORATION

We have examined the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the years except for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 3.

As described in Note 1, YAMAHA CORPORATION and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency translation effective the year ended March 31, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Century Ota Showa & Co.

Century Ota Showa & Co.

Hamamatsu, Japan
June 27, 2001

See Note 1 which explains the basis of preparation of the consolidated financial statements of
YAMAHA CORPORATION and consolidated subsidiaries under Japanese accounting principles and practices.

Worldwide Network

■Consolidated Subsidiaries
□Non-consolidated Subsidiaries
▶Companies accounted for by the equity method

Japan

■Yamaha Music Tokyo Co., Ltd.
■Yamaha Music Nishitokyo Co., Ltd.
■Yamaha Music Yokohama Co., Ltd.
■Yamaha Music Kitakanto Co., Ltd.
■Yamaha Music Higashikanto Co., Ltd.
■Yamaha Music Niigata Co., Ltd.
■Yamaha Music Osaka Co., Ltd.
■Yamaha Music Kobe Co., Ltd.
■Yamaha Music Okayama Co., Ltd.
■Yamaha Music Matsuyama Co., Ltd.
■Yamaha Music Nagoya Co., Ltd.
■Yamaha Music Hamamatsu Co., Ltd.
■Yamaha Music Kyushu Co., Ltd.
■Yamaha Music Hokkaido Co., Ltd.
■Yamaha Music Tohoku Co., Ltd.
■Yamaha Music Hiroshima Co., Ltd.
■Yamaha Music Trading Corporation
■Yamaha Music Media Corporation
■DS Corporation
■Yamaha Music Craft Corporation
■Yamaha Sound Technologies Inc.
■Yamaha Kagoshima Semiconductor Inc.
■Yamaha Livingtec Corporation
■Yamaha Living Products Corporation
■Yamaha Resort Corporation
■Kiroro Development Corporation
■Haimurubushi Inc.
■Yamaha Metanix Corporation
■Yamaha Fine Technologies Co., Ltd.
■Yamaha Credit Corporation
■Yamaha Insurance Service Co., Ltd.

Overseas

American Region

■Yamaha Corporation of America
■Yamaha Exporting, Inc.
■Yamaha Electronics Corporation, U.S.A.
■Yamaha Music Manufacturing, Inc.
■Yamaha Musical Products, Inc.
■Yamaha Canada Music Ltd.
■Yamaha de México, S.A. de C.V.
■Yamaha de Panamá, S.A.
□Yamaha Musical do Brasil Ltda.
□Yamaha Music Argentina S.A.
□Yamaha Music Interactive Inc.

European Region

■Yamaha-Kemble Music (U.K.) Ltd.
■Kemble & Company Ltd.
□Kemble Music Ltd.
□Yamaha MusicSoft Europe Ltd.
■Yamaha Electronics (U.K.) Ltd.
■Yamaha Europa G.m.b.H.
■Yamaha Elektronik Europa G.m.b.H.
■Yamaha Musique France S.A.
■Yamaha Electronique France S.A.
■Yamaha Electronique Alsace S.A.
■Yamaha Musica Italia s.p.a.
■Yamaha・Hazen Musica S.A.
■Yamaha Scandinavia A.B.

Asia, Oceania, and Other Region

■Tianjin Yamaha Electronic Musical Instruments, Inc.
□Guangzhou Yamaha-Pearl River Piano Inc.
□Yamaha Trading (Shanghai) Co., Ltd.
□Xiaoshan Yamaha Musical Instrument Co., Ltd.
■Yamaha Electronics (China) Ltd.
■Taiwan Yamaha Musical Inst. Mfg. Co., Ltd.
■Yamaha KHS Music Co., Ltd.
■Kaohsiung Yamaha Co., Ltd.
■P.T. Yamaha Music Indonesia (Distributor)
■P.T. Yamaha Indonesia
■P.T. Yamaha Music Manufacturing Indonesia
■P.T. Yamaha Musical Products Indonesia
■P.T. Yamaha Music Manufacturing Asia
□P.T. Yamaha Electronics Manufacturing Indonesia
■Yamaha Music (Asia) Pte. Ltd.
□Yamaha Systems Technology Singapore Pte. Ltd.
■Yamaha Electronics Asia Pte. Ltd.
□Siam Music Yamaha Co., Ltd.
■Yamaha Electronics Manufacturing (M) Sdn. Bhd.
■Yamaha Music (Malaysia) Sdn. Bhd.
■Yamaha Music Australia Pty., Ltd.
□Yamaha Music Gulf FZE
□Yamaha Electronics Trading (Shanghai) Co., Ltd.

▶Yamaha Motor Co., Ltd.
▶KORG Inc.

Investor Information

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10-1, Nakazawa-cho, Hamamatsu,
Shizuoka 430-8650, Japan

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Fax: +81 53 464-8554

General Administration Division
Tel: +81 53 460-2211
Fax: +81 53 460-2525

Fiscal Year-end Date
March 31

Dividends
Year-end: To the shareholders of record on March 31
Interim: To the shareholders of record on September 30

Date of Establishment
October 1897

Stated Capital
¥ 28,533 million

Number of Common Stock
Authorized: 700,000,000 shares
Issued: 206,523,263 shares

Number of Shareholders
13,523

Number of Employees
22,277

Number of Consolidated Subsidiaries
73

Number of Companies Accounted for by the Equity Method
3

Stock Exchange Listings
Tokyo, Osaka, and Nagoya
First Section, Code No. 7951

Transfer Agent and Registrar
The Chuo Mitsui Trust and Banking Co., Ltd.
Nagoya Branch
Stock Transfer Agency Department
Address: 2-20-25, Nishiki, Naka-ku, Nagoya 460-8685, Japan
Tel: +81 52 231-1145

Newspaper for Official Notice
Nihon Keizai Shimbun

Annual General Meeting of Shareholders
The annual general meeting of shareholders of the Corporation is normally held in June each year in Hamamatsu, Japan. In addition, the Corporation may hold an extraordinary general meeting of shareholders as necessary, giving at least two weeks' prior notice to shareholders. Notice to nonresident shareholders of any shareholders' meeting will be mailed to their standing proxies or to their mailing addresses in Japan.

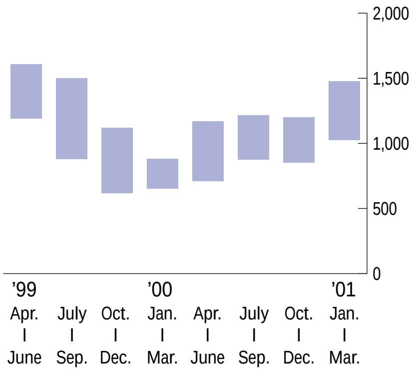
Auditor
Century Ota Showa & Co.

Main Shareholders
Percentage of Total Shares (%)

The Dai-Ichi Kangyo Bank, Ltd.	4.80
The Fuji Bank, Ltd.	4.80
The Sumitomo Bank, Ltd.	4.80
Northern Trust Corporation (AVFC) Sub Account American Client	4.69
The Sumitomo Marine & Fire Insurance, Co., Ltd.	4.49
The Shizuoka Bank, Limited	4.04

(As of March 31, 2001)

Stock Price Movement
(Yen)



Board of Directors and Corporate Auditors

President and Representative Director
Shuji Ito ①

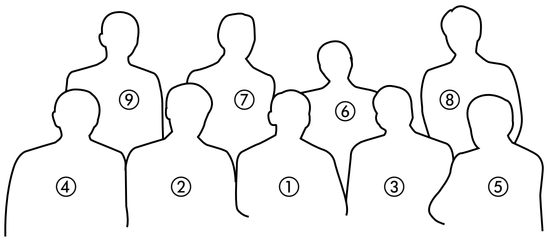
Senior Managing Director
Katsuhiko Kishida ②

Managing Directors
Kunihiro Maejima ③
Masatada Wachi ④
Noriyuki Egawa ⑤

Directors
Yoshihiro Umeda ⑥
Shinya Hanamoto ⑦
Hirokazu Kato ⑧
Tsuneo Kuroe ⑨

Corporate Auditors
Naomoto Ota
Michio Horikoshi
Shigebumi Suzuki
Kimiyuki Nakamura

(As of June 30, 2001)



YAMAHA CORPORATION

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