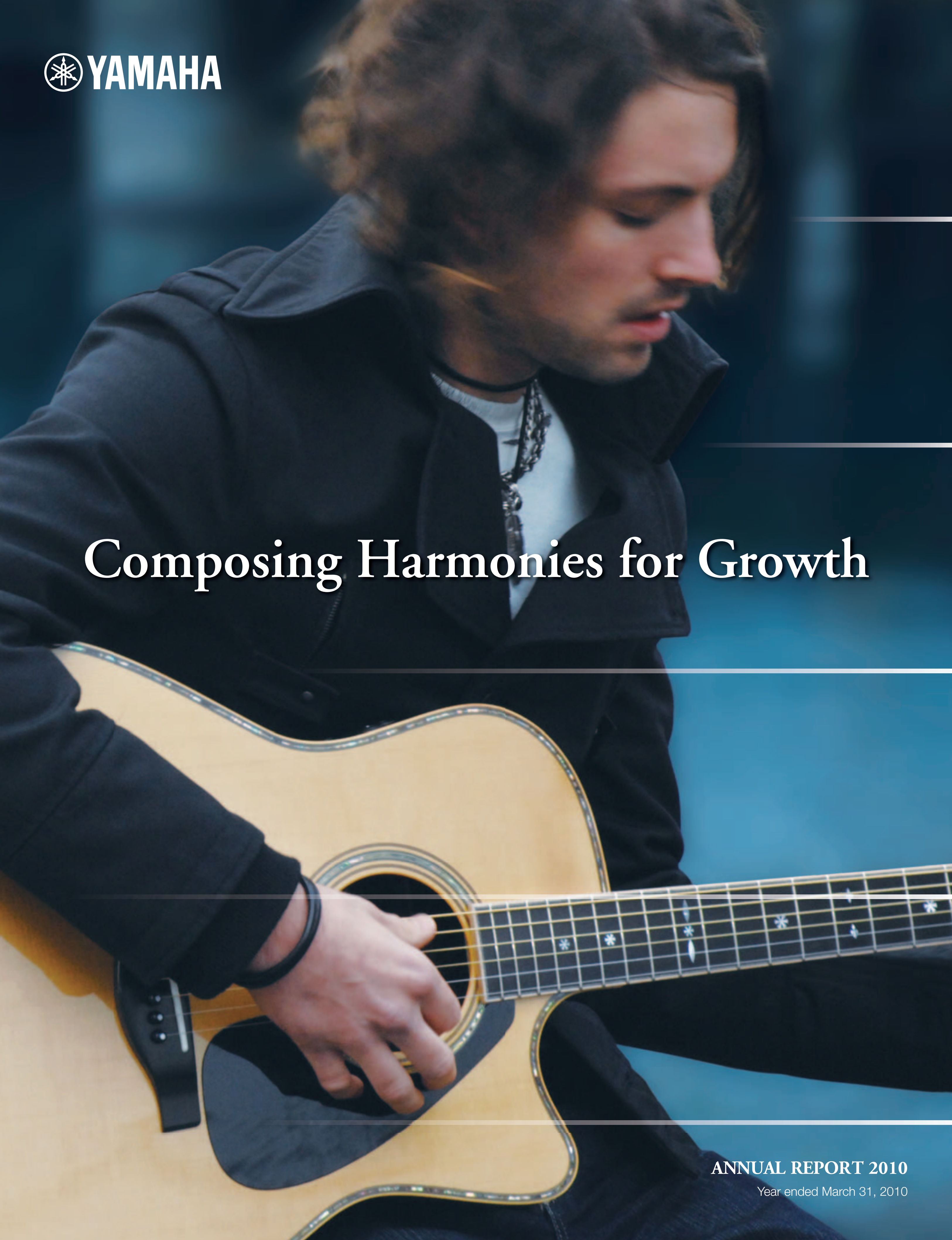

YAMAHA

Composing Harmonies for Growth

ANNUAL REPORT 2010

Year ended March 31, 2010

Yamaha Brings Together Harmonies That Resonate With

A Trusted and Admired Brand

Become even more customer-oriented and quality-conscious to further increase brand value

People Around the World

Yamaha's Corporate Philosophy

The Yamaha Group's approach with respect to customers, shareholders, the people who work with Yamaha, and society is clearly expressed in the corporate philosophy shared by the entire Yamaha Group. The most valued concept for the Group is "CREATING 'KANDO'* TOGETHER," a slogan that embodies the corporate objective that commands the highest in the hierarchy that frames the Group's corporate philosophy. In consistently striving to enhance satisfaction among its diverse stakeholders and realize sustainable growth by effectively utilizing management resources, the Yamaha Group is staunchly committed to maximizing its corporate value.

YAMAHA

Corporate Objective

"CREATING 'KANDO' TOGETHER"

Yamaha will continue to create 'kando'* and enrich culture with technology and passion born of sound and music, together with people all over the world.

Management Philosophy

Customer-Oriented and Quality-Conscious Management

Yamaha fully satisfies its customers by offering quality products and services that incorporate new and traditional technologies as well as refined creativity and artistry.

Transparent and Sound Management

Yamaha delivers proper returns to shareholders by ensuring a solid business performance and achieves lasting development through transparent and sound management.

Valuing People

Yamaha strives to be an organization where each person's individuality and creativity are respected and all can demonstrate their full potential through their work.

Harmony with Society

Yamaha is a good corporate citizen that contributes to the development of society, culture, and the economy by observing laws, demonstrating high ethical standards, and endeavoring to protect the environment.

* 'KANDO' (is a Japanese word that) signifies an inspired state of mind.

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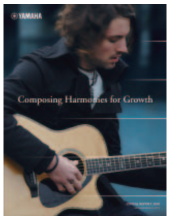


Composing Harmonies for Growth

Yamaha makes full use of its core competencies, continuing to provide products and services of a quality that satisfies customers. Through these efforts, we strive to be a trusted and admired brand, loved and supported by people around the world. In order to achieve this aim and thereby generate sustained growth, over the three years of the new medium-term management plan we will establish a firm foundation for composing harmonies for growth. The title of this year's annual report reflects our commitment to this goal.

Forward-looking statements

The plans and strategies regarding Yamaha's future prospects presented in this annual report have been drawn up by the Company's management based on information available at the current time and, therefore, are subject to risks and uncertainties. Accordingly, our actual performance may differ significantly from our predictions depending on changes in the operating and economic environments, demand trends, the value of key currencies, such as the U.S. dollar and the euro, technological advancements and developments in intellectual property litigation.

Financial Highlights

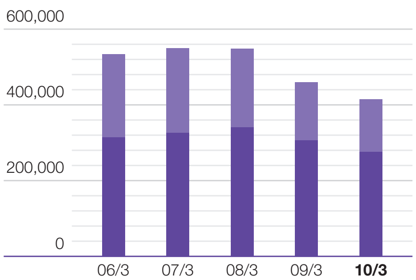
Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Millions of U.S. Dollars*
	2010	2009	2008	2007	2006	**2010**
For the year:						
Net sales	**¥ 414,811**	¥ 459,284	¥ 548,754	¥ 550,361	¥ 534,084	**$4,458.42**
Operating income	**6,828**	13,845	32,845	27,685	24,135	**73.39**
Net income (loss)	**(4,921)**	(20,615)	39,558	27,866	28,123	**(52.89)**
Capital expenditures	**14,480**	22,581	24,394	25,152	22,882	**155.63**
Depreciation expenses	**14,139**	17,912	20,289	19,956	18,944	**151.97**
R&D expenses	**21,736**	23,218	24,865	24,220	24,055	**233.62**
Free cash flows	**27,159**	(28,234)	79,225	17,305	7,406	**291.91**
At year-end:						
Total assets	**¥ 402,152**	¥ 408,974	¥ 540,347	¥ 559,031	¥ 519,977	**$4,322.36**
Net assets**	**254,591**	251,841	343,028	351,398	316,005	**2,736.36**
Interest-bearing liabilities	**15,017**	19,192	21,036	25,551	28,474	**161.40**
	Yen					U.S. Dollars
Per share:						
Net income (loss)	**¥ (24.95)**	¥ (103.73)	¥ 191.76	¥ 135.19	¥ 136.04	**$ (0.27)**
Net assets**	**1,276.35**	1,262.42	1,646.44	1,680.91	1,532.62	**13.72**
Dividends***	**27.50**	42.50	50.00	22.50	20.00	**0.30**
	%					
Key indicators:						
Operating income to net sales	**1.6%**	3.0%	6.0%	5.0%	4.5%	
ROE (Return on equity)**	**(2.0)**	(7.0)	11.5	8.4	9.5	
ROA (Return on assets)	**(1.2)**	(4.3)	7.2	5.2	5.5	
Equity ratio**	**62.6**	60.9	62.9	62.0	60.8	
Number of employees	**25,658**	26,803	26,517	25,992	25,298	

* Throughout this annual report, U.S. dollar amounts are translated from yen at the rate of ¥93.04 = U.S.$1.00, the approximate rate prevailing on March 31, 2010.
** Net assets, equity ratio and ROE (return on equity) were classified as shareholders' equity, shareholders' equity ratio and ROE (return on shareholders' equity), respectively, until the year ended March 31, 2006.
*** The dividends per share from the years ended March 2008 to March 2010 include a ¥20 special dividend.

Net Sales

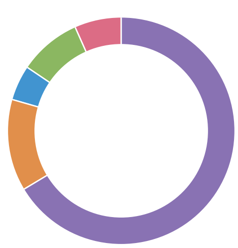
(Millions of Yen)



Net Sales of Other Business Segments
Net Sales of Musical Instruments

Sales by Business Segment (Year ended March 31, 2010)

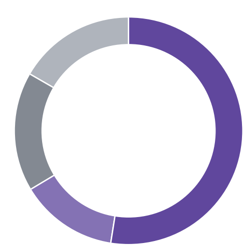
(Millions of Yen)



Musical Instruments 276,252 (66.6%)
AV/IT 54,409 (13.1%)
Electronic Devices 19,745 (4.8%)
Lifestyle-Related Products 36,942 (8.9%)
Others 27,461 (6.6%)

Sales by Region (Year ended March 31, 2010)

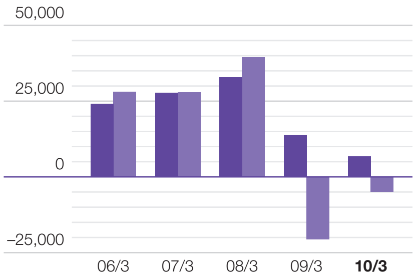
(Millions of Yen)



Japan 218,406 (52.7%)
North America 57,668 (13.9%)
Europe 70,284 (16.9%)
Asia, Oceania and Other Areas 68,452 (16.5%)

Operating Income/Net Income (Loss)

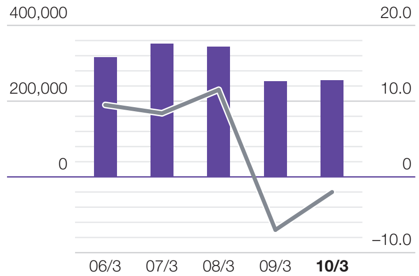
(Millions of Yen)



Operating Income Net Income (Loss)

Net Assets/ROE

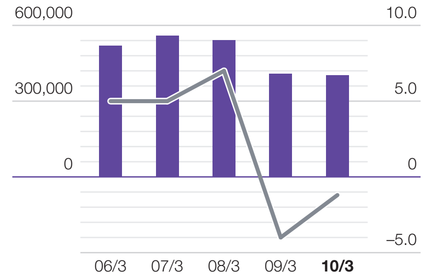
(Millions of Yen) (%)



Net Assets (Left) ROE (Right)

Total Assets/ROA

(Millions of Yen) (%)



Total Assets (Left) ROA (Right)

Management

To Our Shareholders

Yamaha will fully utilize its core competencies, aiming to enhance its status as a trusted and admired brand based on customer-oriented and quality-conscious management.

Review of the YGP2010 Medium-Term Management Plan

Three years ago, we formulated a medium-term management plan titled "Yamaha Growth Plan 2010 (YGP2010)" covering the three-year period from April 1, 2007 to March 31, 2010, and implemented growth strategies for the Yamaha Group as a whole. In the second half of the plan, however, business conditions changed dramatically because of the global financial crisis, and we were forced to shift our strategic priorities to improving short-term profits and promoting structural management reforms. Ultimately, we fell significantly below our goals for the final year of YGP2010, including meeting only 70% of our net sales target. We fell behind in responding to changes in demand and consumer behavior, and unfortunately were not able to sufficiently cultivate the businesses we see as future growth pillars by the time the plan ended.

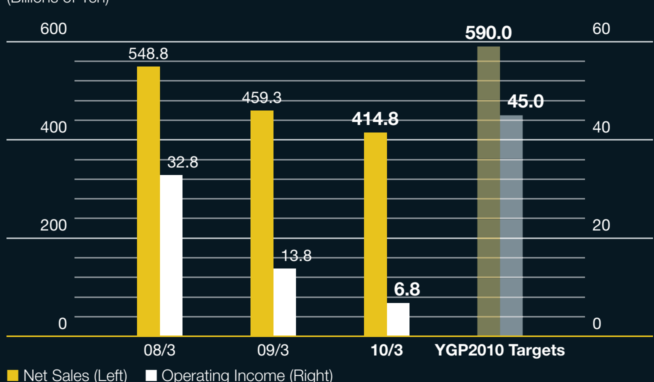
There were achievements as well, though. In China, our annual piano sales rose above 30,000 units, representing double-digit annual growth during YGP2010, and we advanced musical instrument manufacturing site realignment. Specifically, we closed down piano factories in Taiwan and the United Kingdom, while integrating two factories in Japan, thereby creating a framework for increased production at our China and Indonesia factories. In wind instruments, we finalized plans to consolidate down to a single factory in Japan within three years. This decision will leave us with three wind instrument manufacturing bases, with one each in Japan, China and Indonesia.

Furthermore, we proceeded with business restructuring to focus on core businesses, including transferring the lifestyle-related products business and withdrawing from the magnesium molded parts business.

Mitsuru Umemura
President and Representative Director

YGP2010 Net Sales and Operating Income

(Billions of Yen)



YGP2010 Numerical Targets and Results

(Billions of Yen)

		YGP2010 Targets	10/3	Versus Targets
Net Sales	Whole Company	590.0	414.8	70.3%
	The Sound Company* Business Domain	493.0	350.4	71.1%
Operating Income	Whole Company	45.0	6.8	–38.2
	The Sound Company* Business Domain	39.5	5.9	–33.6
ROE		10%	–2.0%	—
Free Cash Flows (over three years)		55.0	78.2	+23.2

* Musical Instruments, Audio, Music Entertainment, AV/IT and Semiconductors

Yamaha's Management Vision

In formulating the new medium-term management plan that began in April 2010, we clarified our vision for Yamaha's future, setting three goals: being a trusted and admired brand, being a company with "operations centered on sound and music," and growing through both products and services.

In order to be a trusted and admired brand, we will maintain our customer-oriented and quality-conscious focus, aiming to further raise our brand value.

We will also enhance our strengths as experts in the core field of sound and music. The Yamaha Group's musical literacy, our knowledge of sound and music, is the source of the value that Yamaha creates. Going forward, I want to draw on those sound and music technologies and skills we have gained over the years to provide unrivaled products and services.

In addition, we will also aim to achieve growth through both products and services. In the past, we have positioned service activities as one of our marketing tools, but from now on we are going to seek growth independently in both areas. We have divided our businesses into two domains: core businesses related to musical instruments, music and audio, and related businesses that utilize our core competencies. Within each domain we will distinguish between product businesses and service businesses, and seek to create value in both, harnessing synergy effects to achieve growth. In the core business domain, we will actively consider M&As in cases where we expect to reap synergies.

Management Vision

What Yamaha is aiming for:

A trusted and admired brand

Become even more customer-oriented and quality-conscious to further increase brand value

Being a company with "operations centered on sound and music"

Hone our specialist expertise in sound and music

Grow through both products and services

Create new value by pursuing synergy between products and services to cultivate strengths in proposing solutions that match customers' lifestyles

Business Domains

Core Business Domain Focused on "Musical Instruments, Music and Audio"

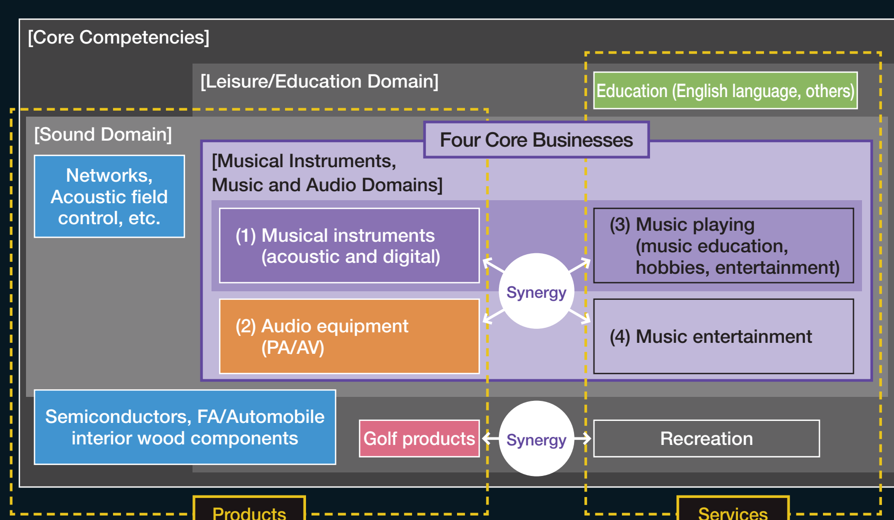
Increasing the Brand Value

Products	Services
Musical instruments	Music school
Professional audio equipment	Music software
Audio products	New businesses

Related Business Domain Utilizing "Core Competencies*"

Utilizing Technologies and Skills	Utilizing Know-How and Assets
Products	Services
Sound networks	English language school
Golf products	Recreation
Semiconductors	
FA, automobile interior wood components	

* Core Competencies: Technologies, skills, know-how, assets, and the brand



Bringing the Vision to Life: The Spirit of the New YMP125 Medium-Term Management Plan

In April 2010, Yamaha announced a three-year action plan based on its management vision: the new medium-term management plan "Yamaha Management Plan 125 (YMP125)." Fiscal 2013, the year ending March 31, 2013, will mark Yamaha's 125th anniversary, and this medium-term management plan positions the period from fiscal 2011 to fiscal 2013 as a phase for building up a foundation for future growth towards this milestone. Under YMP125, we intend to resolve remaining issues from YGP2010 as quickly as possible. To this end, we will focus management resources on the musical instruments, music and audio domains to build a foundation for strong growth, and continue to implement business reform. Over the three-year period, continued market expansion is expected in China and other emerging markets, but in the United States, Europe, Japan and other developed countries, growth will be modest. We are seeing diversifying consumer purchasing behavior—some consumers are increasingly price-focused amid intensifying price-based competition in the distribution market and the widening use of e-commerce. At the other end of the spectrum, there is a trend toward emphasizing expression of special individual preferences over price. We believe this market polarization will continue, and that we must pursue product development and marketing to meet the needs of all kinds of consumers as a result.

In order to make this happen, we will act quickly to create an optimal production structure, including by shifting production from Japan to overseas. We will also focus on cultivating the new businesses that will support new growth. We are already seeing the first buds of growth in the environmental acoustics and acoustic space-related fields, and we will continue to nurture them until they blossom.

Our specific numerical targets for the third year of the new plan are ROE of 7%, and an operating income ratio to net sales of 6%. We see the plan's three years as a time for shoring up a solid financial structure for future growth, and as such we are looking at double-digit growth for both indicators in the medium term.

As we approach our goal of enhancing our status as a trusted and admired company, we will need to make steady, cumulative efforts. Although we have some issues to resolve, we will address each one seriously. This will bring us closer to achieving our vision for Yamaha.

The Yamaha Advantage

I feel that Yamaha is operating in an exceptionally favorable business environment. We are developing businesses on a global scale, centering on musical instruments, which is allowing us to enjoy a strong reputation in every region. We are able to contribute to local communities in any number of ways, for example, by helping to increase the number of music playing population through Yamaha Music Schools in Japan and over 40 countries and regions around the world, as well as by helping to enrich people's lives through a variety of music events. We are very fortunate to be able to meet so many needs, from providing a full range of musical instruments to high-quality music-related services. We recognize that responding to society's many needs and expectations related to music, education, and culture is part of our mission as a truly unique comprehensive manufacturer of musical instruments.

We anticipate a persistently severe business environment for the time being. Despite the tough conditions, we will make the most of Yamaha's unique strengths, and focus steadily on building the results we need to achieve our management plan targets. Raising corporate and shareholder value through our business activities is one of our priority management objectives, and we will stay aware of ROE as we manage the company. We remain committed to a comprehensive and appropriate distribution of profits through dividends, and, if necessary, share buybacks to improve capital efficiency.

We will respond flexibly to changes in the management environment, pushing forward with building the foundation for growth toward the "quantum leap" phase envisaged by our new management plan. I ask for your continued support in this endeavor.

July 2010

Mitsuru Umemura
President and Representative Director

Yamaha Management Plan 125

April 2007–March 2010 — **YGP2010** Growth phase — Lehman Collapse

Growth in The Sound Company business domain

Change of direction

- Boost short-term earnings
- Determine direction for improving mid- and long-range results
- Structural management reform

April 2010–March 2013 — **YMP125** Build a foundation for growth

Build platform for strong growth in musical instruments, music and audio domains

- Focus management resources on the musical instruments, music and audio domains
- Create new business
- Continue business restructuring

April 2013 onward — "Quantum leap" phase

Leverage YMP125 results to achieve growth

- Target: Operating income ratio to net sales of 10% or more

The Yamaha Group has formulated a new medium-term management plan titled "Yamaha Management Plan 125 (YMP125)." The plan sets out basic policies, key business strategies, and numerical targets for the three-year period from fiscal 2011 to 2013 (from April 1, 2010 to March 31, 2013).

Under this plan, Yamaha has positioned the three-year term as a period for building up a structure for future growth and will focus its management resources on the musical instruments, music, and audio domains to establish a strong foundation for growth. In addition, Yamaha will continue and promote structural management reforms as well as to seek to nurture new, budding growth areas.

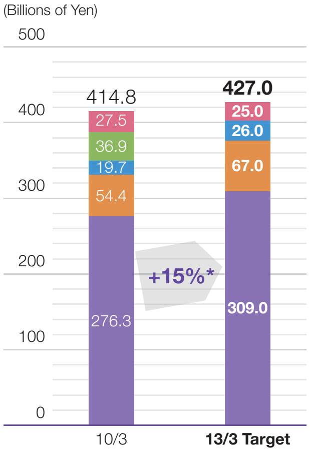
In the final year of the new plan, ending March 31, 2013, Yamaha will aim for ¥427.0 billion in consolidated net sales (representing a real growth rate of 15% for the three-year period), ¥25.0 billion in operating income (representing a 6% ratio of operating income to net sales), and a return on equity (ROE) of 7%.

Numerical Targets for Fiscal 2013

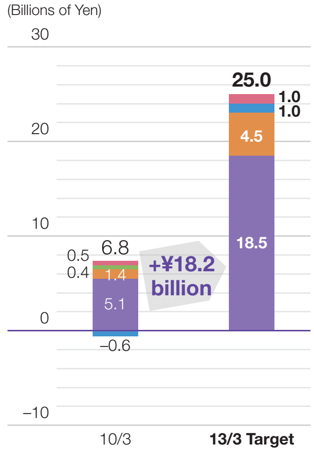
	FY2013.3 Targets
Net sales Growth rate over three years	¥427.0 billion Representing actual growth rate of 15%*
Operating income Operating income ratio	¥25.0 billion 6%
ROE	7%
Capital expenditures (over three years)	¥38.0 billion
Free cash flows (over three years)	¥40.0 billion

*Representing actual growth rate excluding the lifestyle-related products and magnesium molded parts businesses from net sales

Net sales
(Billions of Yen)



Operating income
(Billions of Yen)



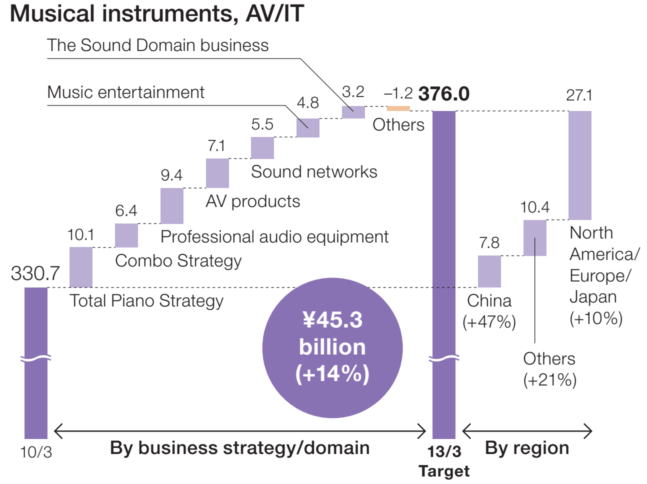
■ Musical Instruments ■ AV/IT ■ Electronic Devices ■ Lifestyle-Related Products ■ Others

*Representing actual growth rate excluding the lifestyle-related products and magnesium molded parts businesses from net sales

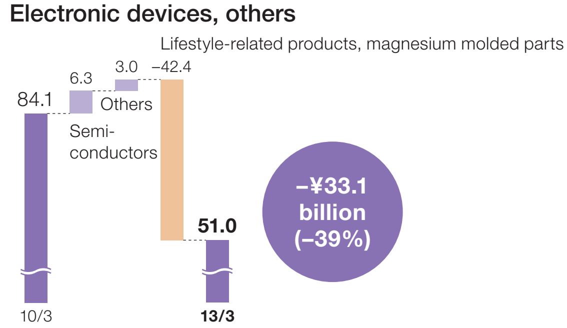
Projected Change in Net Sales

(Billions of Yen)

Musical instruments, AV/IT



Electronic devices, others



Key Strategies of New Medium-Term Management Plan

Accelerate Growth in Emerging Markets

Achieve annual sales of ¥100.0 billion in five years time (¥83.5 billion in three years time)

Including China's annual sales of ¥35.0 billion in five years time

- Develop and launch products suited to the market
- Expand and enhance sales channels
- Establish comprehensive support structure, including artist and customer services
- Increase the music playing population

Expand Market Share in Developed Markets Through Product Strategy

Total Piano Strategy: Fulfill diversifying customer preferences with a seamless product lineup

- Establish a superior position in the premium piano market
- Offer new value by expanding the lineup of hybrid pianos
- Generate new demand through diversified digital piano development

Combo Strategy: Expand presence in the guitar and drum markets

- Establish a firm position as professional combo instruments brand
- Strengthen the businesses of electric acoustic guitars and electronic drums as growth drivers
- Promote strategies tailored toward key markets (North America, China, Asia Pacific)

Professional Audio Equipment Business: Further accelerate the growth strategy

- Provide system solutions that leverage Yamaha's strengths in digital and network technologies
- Expand business into the Commercial Installed Sound field, which has a large-scale market
- Accelerate growth by generating synergies with the Steinberg™ brand
- Develop emerging markets such as China

AV Products Business: Seeking to meet consumer preferences

- Aggressively develop and launch products that meet customer needs such as sound quality, ease-of-use and advanced performance.
- Expand domains of TV peripheral products, HiFi audio and desktop audio products as pillars of future growth
- Reduce costs in order to expand lineup for moderately-priced products

Build Optimal Manufacturing Structure to Meet Trends in Demand

Realign manufacturing bases: Establish an efficient structure of manufacturing bases that can meet demand (Japan, China and Indonesia)

Structure a Business Model for Service and Content Businesses

Music Playing Business: Increase the music playing population

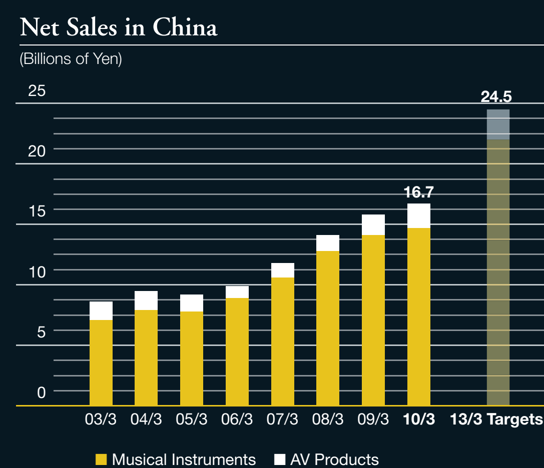
- Grow as a profitable business by providing a wide range of opportunities and venues for playing music

Music Entertainment Business: Multifaceted development of the music entertainment business

Create New Businesses in the Sound Domain

Commercialize newly developed technologies: Develop the environmental acoustics and acoustic space businesses

Feature Harmonies Hold the Key to Growth



Chinese Market: Aiming for Annual Sales of ¥35 Billion in Five Years

The Chinese economy has been the first economy to recover amid the global financial crisis, and is expected to grow significantly going forward. Yamaha has identified "Accelerate growth in emerging markets" as an important task of the new medium-term management plan "Yamaha Management Plan 125 (YMP125)," and views China as a key market for future growth. From early on, Yamaha positioned China not just as a production base, but as an important consumer market, and the Company has invested management resources to build up a sales network. During the previous medium-term management plan, Yamaha achieved double-digit growth in three consecutive years. Yamaha aims to increase annual sales in China to ¥35 billion five years from now through a comprehensive strategy covering products, sales, the Yamaha brand, and the creation of demand.

Shoring up the Production Base and Expanding the Sales Network

The Yamaha Group's involvement in China started in 1989 with the establishment of Tianjin Yamaha Electronic Musical Instruments, Inc., as a global production base for portable keyboards. Subsequently, Xiaoshan Yamaha Musical Instrument Co., Ltd. was established in 1997, and Hangzhou Yamaha Musical Instruments Co., Ltd. was established in 2003, as production bases mainly for pianos for the Chinese market, piano components and guitars. In 2002, Yamaha Electronics (Suzhou) Co., Ltd. was founded as an assembly plant for AV products. Given this history, China has become irreplaceable as an important production base supporting Yamaha's manufacturing capabilities.

Meanwhile, as China became a giant consumer market, Yamaha Music & Electronics (China) Co., Ltd. was established in 2002, as a holding company to manage sales and marketing activities. In the years since, this company has expanded the sales network, primarily in the large cities. Currently, the sales network has grown to 1,500 sales outlets across the country, carrying pianos, digital keyboards and AV products.

Introducing Strategic Products Tailored to Market Needs

China is experiencing remarkable economic growth, with per capita GDP continuing to increase. The resulting surge in purchasing power has led to dramatic lifestyle changes. Urbanization is expected to advance throughout the country, leading demand to spread from coastal areas to inland areas. Consumption of consumer durables and

History

1985	Established Beijing Representative Office
1989	Established Tianjin Yamaha (digital music instrument manufacturing plant)
1990	Started keyboard school
1995	Established Guangzhou Yamaha-Pearl River Piano Inc. (Joint-venture piano factory) [Withdrew in 2007]
1996	Established Yamaha Trading (Shanghai) (intermediary trade of musical instruments and professional audio equipment to Hong Kong)
1997	Established Xiaoshan Yamaha (Wholly-owned piano and wind instruments factory)
2002	Established holding company Yamaha Music & Electronics (China) Co., Ltd. (Began importing all Yamaha products) Established Suzhou Yamaha (Wholly-owned AV products factory)
2003	Established Hangzhou Yamaha (Wholly-owned piano and guitar factory)
2004	Opened Yamaha General Service Center in Shanghai (after-sales service center)
2005	Opened a Yamaha Music School
2006	Opened Yamaha Music Communication Center (Beijing) (Provides support for general consumers and artists, and various services)
2009	Opened Yamaha Music Square in Shanghai (Multi-functional, comprehensive facility combining music experience, education, socializing, customer services and sales)

Priority Measures of New Medium-Term Management Plan

Sales Networks: Expand and Strengthen Outlets

- Develop multiple levels of outlets in response to market polarization
  - ·Establish specialty stores (grand pianos, AV products, high-end wind instruments)
  - ·Develop general musical instrument store
- Increase and strengthen stores in second- and third-tier cities to capture new demand
- Increase the number of Yamaha distributors from 1,500 outlets to 2,500 outlets

Develop and Launch Products Suited to the Chinese Market

- Pianos: Launch low-priced models
- Digital Pianos: Compete with affordable-priced Chinese acoustic pianos
- Wind, String and Percussion Instruments: Develop China-specific products
- AV Products: Develop moderately-priced TV peripherals

Brand Value Enhancement: Promote Customer Services and PR

- Promote PR activity for Yamaha brand
- Expand training facilities for piano technicians and wind instrument engineers
- Strengthen ties with artists and music institutes

Demand Creation: Increase Music Playing Population

- Expand Yamaha music schools
- Set up keyboard schools
- Hold Yamaha-sponsored events

high value-added products tends to increase when per capita GDP exceeds US$3,000. In China, this population has grown from 40 million people, formerly centering on high-net-worth individuals in coastal areas, to 400 million people, which includes people in inland areas. This large growth in demand is expected to continue. Aided by this market expansion, Yamaha will focus on expanding its sales network inland, while at the same time working with local manufacturing bases to proactively develop and launch products that match the unique needs of the Chinese market. By fiscal 2013, the final year of YMP125, Yamaha aims to grow sales in China to ¥24.5 billion (up 47% from fiscal 2010).

Accordingly, Yamaha will launch low-priced models of pianos with a focus on the Chinese market's top-selling price range segment, and also introduce affordable digital keyboards. The wind, string and percussion instruments market is still small in China, so the Company will carry out measures to increase demand and develop products that satisfy market needs. In the AV products business, we will develop moderately-priced TV peripheral products.

Meanwhile, targeting advanced instrument players who are expected to grow in number going forward, Yamaha will create stores specializing in high-end models, mainly in coastal areas, and actively work to spread the use of grand pianos and high-end wind instruments.

While the Yamaha Group's main competitors in the Chinese market are local manufacturers and general, global manufacturers, the Group will continue to leverage its strength as a comprehensive manufacturer of musical instruments capable of both manufacturing and selling products in China independently, continuing to produce high-quality products at low cost and further raising Yamaha's presence in the market.

Enhancing Yamaha Brand Value in China

Making the Yamaha brand more visible is important in order to gain an edge in the market. As a leading global manufacturer of musical instruments, Yamaha will proactively promote public relations activities and tout the manufacturing capabilities and thorough quality control standards that it has cultivated over many years. In order to raise the level of customer satisfaction via after-sales services, the Group will enhance the schools for training piano technicians and wind instrument engineers. The Company will also focus on establishing a variety of support systems for music institutes and the increasing number of talented Chinese musicians.

Creating Demand Through Active Development of Music Schools

An important key to future growth for the Yamaha Group is increasing the number of people in China that enjoy playing Western musical instruments.

The Yamaha Music School was launched in China in 2005, and currently has 3,500 students in the coastal areas of Shanghai, Beijing and Guangzhou. The new YMP125 calls for an increase in the number of schools and emphasis on music teacher training to realize a five-fold increase to 15,000 students in the final year of the plan. The Yamaha Music Square, which opened in Shanghai in July 2009, has music classrooms equipped with pianos and Electone™ electronic organs, as well as exhibition space, and a hall capable of seating 100 people. This music school is one of the largest in the world, capable of teaching up to 4,000 students each week. Going forward, we plan to use this as a communication center and build a business model that best suits the Chinese market and increase the number of people who enjoy playing a musical instrument. We are also working to set up a keyboard school with simple, locally-developed programs, and broaden the range of people who enjoy music, mainly in regional cities. We believe that these types of proactive initiatives to promote music will lead to future growth in the Chinese market.

Brand Value Enhancement

We established a Yamaha sales display section in main musical instrument retail shops, working to enhance the brand image and bolster displays and sales.

We opened the Yamaha Music Square in Shanghai, Beijing and Guangzhou. It serves as a communication center for use by all people involved with music, from professionals to music school students.

We hold service and skills training for Yamaha distributors nationwide to ensure that all customers receive the same level of Yamaha service. We establish internal training centers and continuously provide training courses approximately one month in length.

Demand Creation

Music China
Music China is an annual musical instrument show in Shanghai, with more than 40,000 visitors. Yamaha showcases the joy of music.

Asian Beat™
Band contest held in regions throughout Asia to promote popular music and develop amateur musicians. Many bands participate, aiming to be the top band in Asia.

Yamaha Scholarship
We provide scholarship money to students studying piano, primarily at China's eight largest music institutes. In addition, in cooperation with distributors in each region, we also maintain scholarship funds for local music institutes in each region.

Upgrading the Manufacturing Capabilities for Growth

Reorganization of Production Facilities — Creating three-base structure in Japan, China and Indonesia

	Present		3 years from now
Pianos	HQ/Hamamatsu factory Kakegawa factory Hangzhou factory (China) YI (Indonesia)	(1) Shift to three-base structure completed in August 2010 (2) Production shifts overseas	Kakegawa factory Hangzhou factory (China) YI (Indonesia)
Wind/ Educational instruments	Saitama factory Toyooka factory Xiaoshan Yamaha (China) YMPI (Indonesia)	(1) New Xiaoshan factory starts operation in October 2010 (2) Shift to three-base structure completed in 2012 with closure of Saitama factory (3) Production shifts overseas	Toyooka factory New Xiaoshan Yamaha (China) YMPI (Indonesia)
String & percussion	Yamaha Music Craft (Japan) Hangzhou Yamaha (China) OEM YMMI (Indonesia)	(1) Yamaha Music Craft to specialize in high-end guitars (2) OEM guitar production shift to YMMI	Yamaha Music Craft (Japan) Hangzhou Yamaha (China) YMMI (Indonesia)
Digital musical instruments/ PA equipment	Toyooka factory Tianjin Yamaha (China) YMMA (Indonesia)	Build structures for increased production at overseas factories	Toyooka factory Tianjin Yamaha (China) YMMA (Indonesia)
AV products	YEM (Malaysia) YES (China) YEMI (Indonesia)	Added-value initiatives through in-house production	YEM (Malaysia) YES (China) YEMI (Indonesia)

Establishing an Optimal Manufacturing Structure

The Yamaha Group's strategy for manufacturing is centered on the "Made in Yamaha*" approach with the goal of preserving the same Yamaha QCD (Quality Cost Delivery) wherever products are made. To accomplish this goal, the Group has been reinforcing manufacturing activities, and will continue to expand and upgrade manufacturing initiatives by building on progress made under the previous medium-term management plan YGP2010. Each of the three manufacturing bases, Japan (with manufacturing of AV products in Malaysia), China and Indonesia, will be given clearly defined roles and functions. The objective is to establish the best possible manufacturing infrastructure for the Yamaha Group.

Factories in Japan play several important roles. They serve as bases for developing technologies, passing skills on to younger workers and training personnel. In addition, Japanese factories help maintain profit margins by enacting structural reforms and continuous improvement programs. Factories in China and Indonesia will continue strengthening their manufacturing capabilities to fulfill their roles as the Yamaha Group's primary mass production bases.

To improve piano production, Yamaha will complete the integration of the Hamamatsu and Kakegawa factories in August 2010. In addition, production of moderately priced models will be shifted to overseas factories over the next three years. As part of the factory integration process, each production step was reexamined to increase efficiency. From the production personnel aspect, Yamaha accelerated personnel training by passing on skills to younger workers to learn many processes in a single location, with the aim of cultivating production workers with cross-functional skills. The roles and functions of each factory will be further clarified in order to create a manufacturing structure that is best suited to current trends in the market. By the end of December 2012, the Kakegawa Factory will manufacture solely medium- to high-end pianos. In China, the Hangzhou Factory will manufacture low-priced pianos for sale in China and North America and produce piano components. The factory in Indonesia will manufacture low- to mid-range upright pianos and baby grand pianos for sale in Europe and the Asia-Pacific region. Yamaha will also use Indonesia to make piano components.

For wind instruments, Yamaha has started integrating the Saitama and Toyooka factories in Japan from fiscal 2011 and plans to start production in October 2010 at the new Xiaoshan Factory in China. As part of these measures, production of moderately-priced products will be shifted from Japan to overseas locations. Transfer of all operations of the Saitama Factory to the Toyooka Factory is to be completed by the end of December 2012. This factory will become a base for high-value-added products, centered on high-end wind instruments that are fabricated by highly skilled artisans. The Xiaoshan Factory will make wind instruments for sale in China and brass instruments and components for export. In addition, Xiaoshan will be a base for purchasing materials used by all Yamaha Group wind instrument factories. The factory in Indonesia will manufacture primarily woodwind instruments and components.

For digital musical instruments, the Toyooka Factory in Japan will mold and assemble keyboards for digital instruments, DTX™-PAD electronic drum pads and other parts that incorporate the Company's core technologies. Highly competitive finished digital products will be assembled at the Indonesia factory and the Tianjin Factory in China.

We will reduce manufacturing costs by establishing clear roles and functions for each factory, increasing local procurement and making more components outside Japan. At the same time, the core factories in Japan will transfer production technologies to overseas bases. Collectively, these measures will upgrade the functions of overseas factories to allow quick establishment of an optimized manufacturing infrastructure.

* A Yamaha manufacturing concept in which the company of origin is the key factor in a product, rather than the country where the product is made.

Enhancing R&D Operations

The Yamaha Group has many core strengths: technologies, employee skills, know-how, assets and brand. Regarding the broad domain of sound, and more specifically musical instruments, music and audio, technologies and employee skills are the Group's most valuable strengths.

Yamaha reorganized R&D operations on April 1, 2010 to align these activities based on research themes and the length of individual projects. Going ahead, the Company will move R&D programs as close as possible to the associated business divisions to speed up the commercialization of new ideas, increasing the strength and growth prospects of core businesses. In addition, Yamaha will raise R&D efficiency by consolidating similar research themes and eliminating redundant R&D activities, and deepen lines of communication among research engineers in order to generate more synergies.

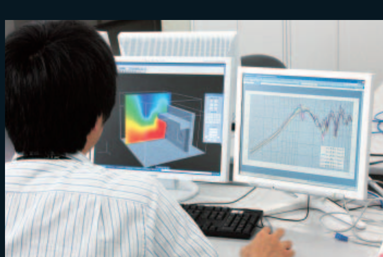
Under the new organization, the Corporate Research & Development Center, which handles projects for the entire Yamaha Group, is responsible for long-term themes and research involving new businesses. The Musical Instruments Development Division handles cross-divisional themes associated with musical instruments. The cross-divisional themes related to sound and IT are assigned to the Sound & IT Development Division. Research themes for individual business divisions are performed by each R&D department within these divisions. Development of technologies for materials is now centralized at the Center for Production Technology within the Production Engineering & Planning Division.

Going forward, Yamaha will use this organization to enhance the visualization of skills and tasks requiring experience in technology departments for the purpose of increasing product development capabilities.

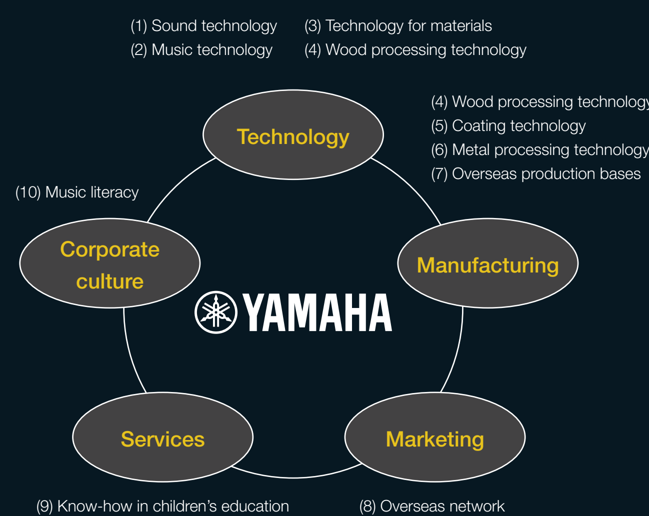
Priority Domains for Developing Technologies

- Input devices (microphones, pickups, sensors and other products)
- Output devices (speakers, amplifiers and other products)
- Materials (ARE*, substitute materials and other materials)
- Theoretical evidence
  (instrument body designs, physical acoustics and other themes)

* Acoustic Resonance Enhancement



The Core Competencies of Yamaha



R&D Organization

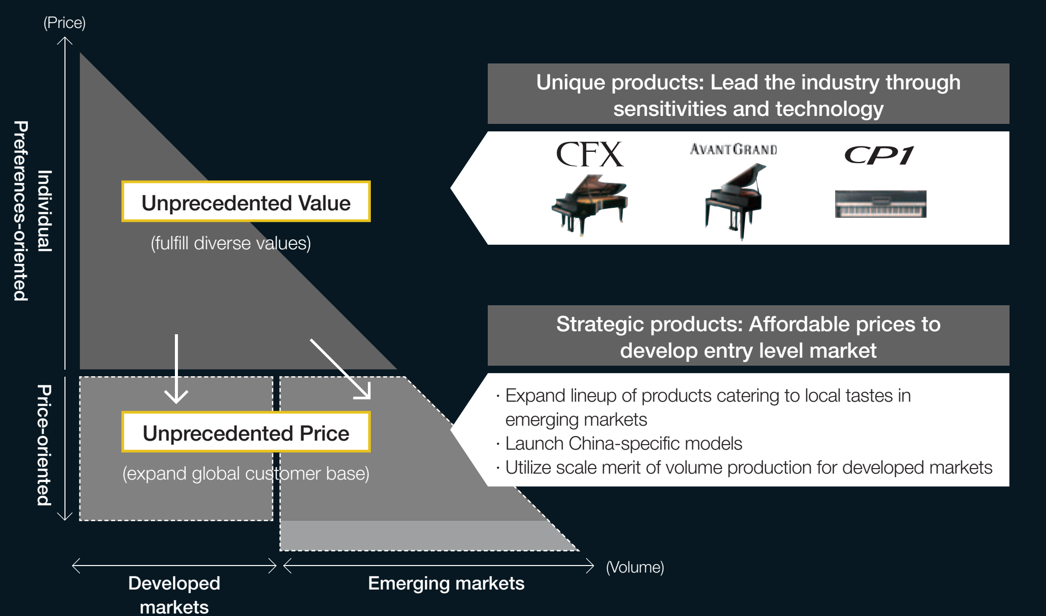
President ---- Research and Development Committee

- **Technology Planning Division**
  Planning coordination and secretariat functions
- **Corporate Research & Development Center**
  Development of advanced technologies in the fields of sound, music, networks and devices
  Creation of new businesses, products and services that utilize core technologies
  Theoretical acoustic technology field
- **Production Engineering & Planning Division**
  - **Center for Production Technology**
    Production and manufacturing technologies and Group-wide technological support
    Materials technologies
- **Musical Instruments Business Group**
  - **Musical Instruments Development Division**
    Proposal and development of technologies for new musical instruments and interfaces
    Input application technologies in the musical instruments domain
- **Sound & IT Business Group**
  - **Sound & IT Development Division**
    Technology and product development
    Joint development of elemental technologies
- **eYamaha Division**
  Internet technologies and Group-wide Web support
- **Product Design Laboratory**
  Design of Group-wide product and future-looking concepts
- **Division-specific**
  - **Technology Development Departments**
    Technological development for the products within each business segment

Delivering the Value that Customers Seek

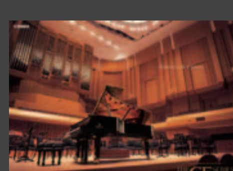
To satisfy customers, Yamaha must meet a broad range of demands involving quality, performance and functions, with some consumers more focused on individual preferences and others more motivated by price. The goal is to ensure that Yamaha remains a brand that is trusted and admired. Accomplishing this requires a diverse product lineup that covers many perceptions of value. The Yamaha Group is devoted to offering value in a multitude of forms by bolstering R&D activities in the core businesses of musical instruments, music and audio.

Direction for Product Development: Cater to Both Individual Preferences and Price-Oriented Customers



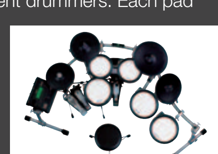
CFX™

Yamaha designed this flagship concert grand piano with the aim of creating the world's best piano, utilizing the most advanced production technologies throughout this instrument. "Beauty & Power" is the underlying concept, with Beauty signifying the wide range of tonal colors and Power referring to their unprecedented tonal projection. Completing this masterpiece was a labor of love that took a total of 19 years. Expert designers, technicians and manufacturing engineers from wood, metal, sound and other fields took part in the project along with piano tuners and Yamaha Artist Services staff members, who provide support to leading artists worldwide. The CFX™ embodies the accumulation of Yamaha's knowledge about sound creation and the Company's proprietary scientific technologies. Before finalizing the design, Yamaha analyzed every aspect of performance, including how the exterior, sound board, frame and strings vibrate and interference among these components.



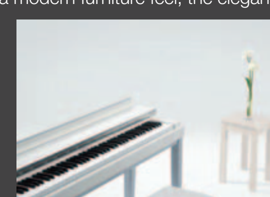
DTX™-PAD

Yamaha used a completely fresh approach to develop the DTX™-PAD, which takes the electronic drum performance to a higher level. During development, the pad was evaluated numerous times by prominent drummers. Each pad incorporated a special composite material and is formed by exclusive molding technologies. In addition, the snare, tom and other drums are each constructed differently to reflect their unique stick response. The result is a feel and responsiveness that provides a satisfying sensation when drumming. With the DTX™-PAD, drummers can enjoy both the playability and detailed expressiveness of an acoustic drum and the quietness and durability that only electronic drums can provide.



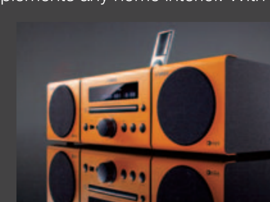
MODUS™ R01

Yamaha created the line of MODUS™ digital pianos to combine form and function in a piano crafted for contemporary lifestyles, a piano to share quality time with. Defined by a stylish exterior with a modern furniture feel, the elegant white exterior of the MODUS™ R01 is a reflection of the simple functions within. The sound quality is just as impressive as the design. The real-wood keyboard replicates the touch and feel of a grand piano, providing a remarkably natural piano touch and expressive response.



MCR-040

The ways in which we enjoy music are changing significantly. Amid this shift, the iPod-compatible MCR-040 micro component system offers remarkable performance along with a design that complements any home interior. With a compact profile and selection of various colors, the MCR-040 is ideal for people who want a stylish yet compact audio system. Yamaha's exclusive Advanced YST™ technology generates rich, accurate bass that other speakers this size cannot produce.



Company Segments at a Glance

Segments	*Major Products & Services*

Musical Instruments




- Pianos
- Digital musical instruments (digital pianos, Electone™, portable keyboards, synthesizers, etc.)
- Wind instruments (trumpets, flutes, saxophones, etc.)
- String instruments (guitars, violins, etc.)
- Percussion instruments (drums, timpani, marimbas, etc.)
- Educational musical instruments (recorders, Pianica™, etc.)
- PA equipment (mixers, power amplifiers, etc.)
- Soundproof rooms (AVITECS™)
- Music schools, English language schools
- Music entertainment business
- Piano tuning

AV/IT





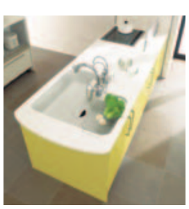
- Audio products (AV receivers, speaker systems, Digital Sound Projector™, desktop audio systems, etc.)
- Commercial online karaoke equipment
- Routers
- Conferencing systems

Electronic Devices

- Semiconductors

* Following the transfer of the electronic metal products business on November 30, 2007, the former Electronic Equipment and Metal Products segment was renamed the Electronic Devices segment from the fiscal year ended March 2009.

Lifestyle-Related Products




- System kitchens
- System bathrooms
- Washstands

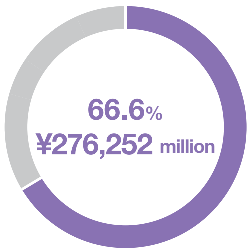
Others



- Golf products
- Automobile interior wood components
- Factory automation (FA) equipment
- Metallic molds and components (magnesium molded parts, plastic molded parts, etc.)
- Recreation (Tsumagoi™, Katsuragi-Kitanomaru™, Katsuragi Golf Club™)

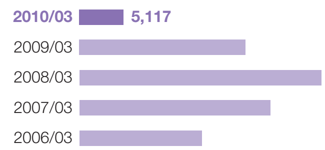
* Following the transfer of four resort facilities on October 1, 2007, the Recreation segment was included in the Others segment from fiscal 2009.

Performance Trends

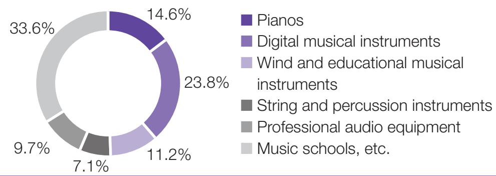


Net Sales (Millions of Yen)

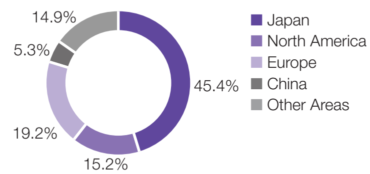
Operating Income (Millions of Yen)

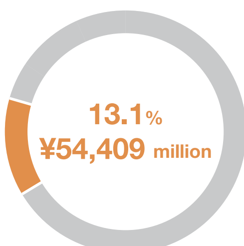


Sales by Product (Fiscal 2010)

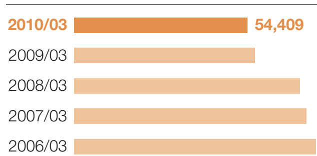


Sales by Region (Fiscal 2010)

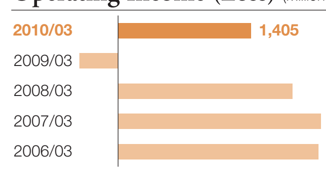


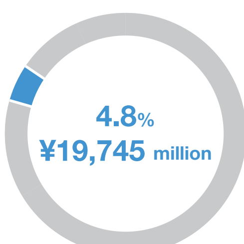


Net Sales (Millions of Yen)

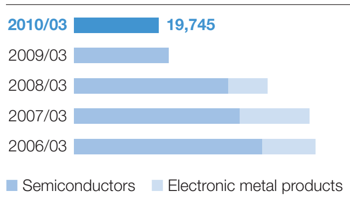


Operating Income (Loss) (Millions of Yen)

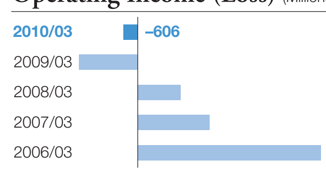


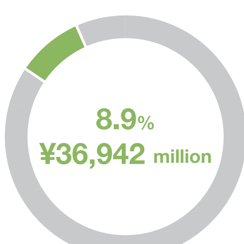


Net Sales (Millions of Yen)

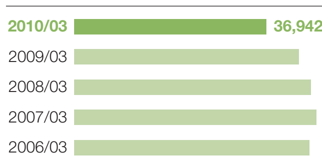


Operating Income (Loss) (Millions of Yen)

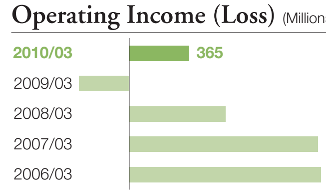


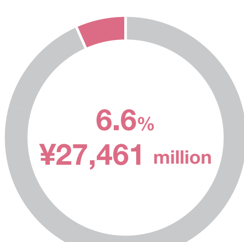


Net Sales (Millions of Yen)

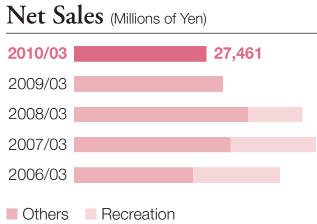


Operating Income (Loss) (Millions of Yen)

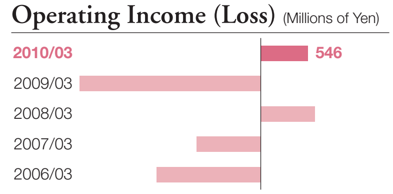




Net Sales (Millions of Yen)



Operating Income (Loss) (Millions of Yen)



Review of Operations

Musical Instruments

Business Strengths

- Crafting of sound and craftsmanship in acoustic musical instruments such as pianos and wind instruments
- Development of high-quality products through building relationships with artists
- Manufacturing of high-added-value musical instruments utilizing cutting-edge electronics technology
- Provision of system solutions using digital network technology for professional audio equipment
- Global strategy built on Yamaha's localized marketing and service activities in each country
- A variety of activities through the operation of music schools to increase the music playing population

Fiscal 2010 Performance Overview

Sales in this segment declined 9.9% year on year in fiscal 2010 to ¥276,252 million. The segment posted operating income of ¥5,117 million, down 73.3% compared to the previous fiscal year.

Sales in all major product categories were down from one year earlier because of the yen's strength and poor market conditions caused by the economic recession. Sales continued to climb in China and other emerging markets but were lower in developed markets such as Japan, North America and Europe. Although earnings benefited from cost reductions, the decline in sales and foreign exchange losses caused a sharp drop in operating income.

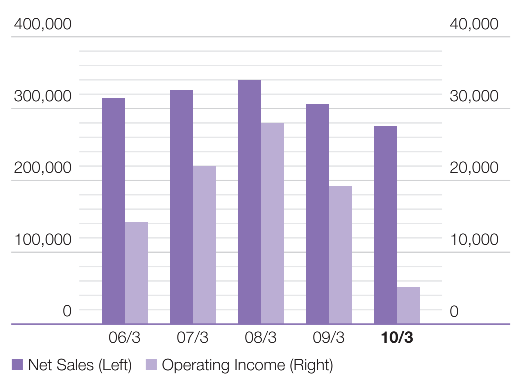
Key Business Indicators

(Millions of Yen)

	06/3	07/3	08/3	09/3	10/3
Net Sales	¥314,078	¥325,989	¥340,021	¥306,630	**¥276,252**
Operating Income	14,132	22,037	27,924	19,198	**5,117**
Capital Expenditures	11,877	14,817	16,472	14,793	**11,663**
Deprecation Expenses	8,632	9,242	10,156	10,042	**9,511**
R&D Expenses	11,356	11,437	11,597	10,780	**9,910**

Net Sales/Operating Income

(Millions of Yen)



Fiscal 2010 Business Results

Review by Major Products

Performance in all product categories was impacted by the economic downturn. Signs of a recovery in consumer spending emerged in the fiscal year's second half. However, excluding sales to consumers, sales associated with investment in facilities and business for academic institutions were weak throughout the fiscal year.

Piano sales were lower in Japan due to a decline in orders for grand pianos and other high-priced models. Sales decreased in Europe as well because of challenging market conditions. In China, by contrast, double-digit sales growth continued.

Sales of digital pianos increased in North America in terms of volume and monetary basis due to the benefits of expanded sales channels. Meanwhile in Japan and Europe, a rapid increase in the preference of consumers for lower-priced models brought down sales. Portable keyboard sales were down in Europe due to the absence of new models that made a big contribution to sales and the influence of the economic recession.

Sales of wind instruments were down in all regions. There was a particularly sharp decline in sales of midrange and high-end instruments to individuals in Japan and North America. In addition, demand was sluggish in the North American rental instrument market.

In string and percussion instruments, sales of electric acoustic guitars grew, most notably in North America.

Sales of professional audio equipment were lower in North America and Europe as concert halls and other facilities cut back or eliminated budgets for this equipment in response to the slumping economy.

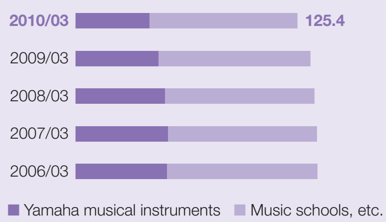
Electric acoustic guitar APX500FM
Even as the market for electric acoustic guitars shrinks, Yamaha is capturing market share because of the popularity of its lineup of these guitars.

Digital piano: ARIUS™ YDP-160
Designed for beginners, this digital piano became an immediate success by offering the simplicity that matches the needs of today's piano players. This model delivers a dynamic piano tone and incorporates only the functions that are most useful for piano lessons.

Review by Region

Japan

Sales by Region (Billions of Yen)

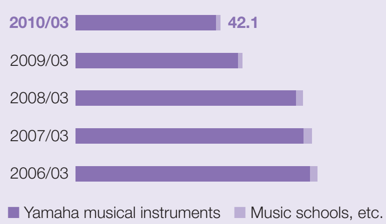


Market Trends and Fiscal 2010 Performance

- Demand for musical instruments in Japan is declining steadily. One illustration of this trend is the 90% decline in the market for acoustic pianos over the past three decades. The high piano ownership rate and low birthrate are both responsible for this decline.
- Buyers of musical instruments continue to prefer lower-priced products because of the weak economy. Demand for middle and high-end large keyboard instruments is falling as a result. In the piano sector, sales of grand pianos are particularly weak. Sales of moderately-priced digital pianos were strong while sales of middle and high-end models were slow. Wind instrument sales decreased because of a shift to lower-end models and reluctance by musicians to buy high-end instruments.

North America

Sales by Region (Billions of Yen)

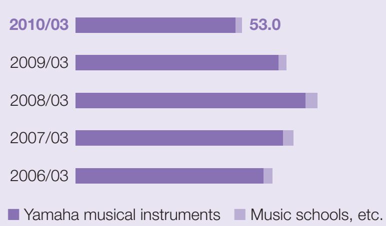


Market Trends and Fiscal 2010 Performance

- In the United States, sales of high-end grand pianos plummeted as housing demand fell sharply and the decline in the number of music stores accelerated. Guitars and drums account for one-third of the U.S. musical instrument market, making this a market clearly oriented toward hobbies and entertainment.
- Sales of keyboard instruments started recovering in the fiscal year's second half. However, wind instrument sales remained weak because of cuts in education-related investments. In the guitar sector, Yamaha increased its share of the electric acoustic guitar market even as the guitar market contracted. There was a large decline in sales of professional audio equipment linked to the low volume of investments in facilities.

Europe

Sales by Region (Billions of Yen)

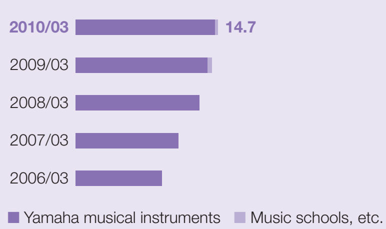


Market Trends and Fiscal 2010 Performance

- Europe's market for musical instruments became smaller as the prolonged economic recession caused customers to be reluctant to purchase high-end products and select lower-priced instruments.
- In Germany, sales were relatively healthy mainly because of the popularity of new digital pianos. In the U.K., sales declined as wind instruments from China captured a larger share of this market. The economic crisis in eastern and southern Europe caused sales to fall. Overall, pianos and professional audio equipment were the weakest performers in Europe.

China

Sales by Region (Billions of Yen)

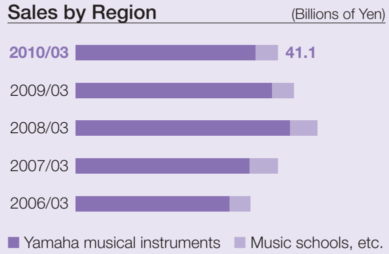


Market Trends and Fiscal 2010 Performance

- The scale of the musical instrument market in mainland China is estimated at over ¥60 billion, with acoustic pianos accounting for two-thirds of the total market.
- Pianos and portable keyboards posted solid gains in sales. Piano sales achieved double-digit growth for the third consecutive year. Higher production capacity at the Hangzhou Factory is one reason for this growth. Another factor is our successful sales strategies that include enlarging the sales network and setting up Yamaha Piano Corners at music stores. In addition, professional audio equipment sales continued to increase. In Hong Kong, sales were affected by the slowing economy in the fiscal year's first half but started recovering in the summer of 2009.

Other Regions

Sales by Region (Billions of Yen)



Market Trends and Fiscal 2010 Performance

- Customers continued to seek lower-priced products in response to the recession caused by the global financial crisis. As a result, the migration of musical instrument buyers from roadside stores to shopping malls and from small music stores to mass merchandisers gained momentum.
- Sales of pianos and portable keyboards were lower in the fiscal year's first half as economies weakened but digital pianos, guitars and drums continued to post relatively solid sales. Market conditions were challenging in the mature markets of South Korea and Taiwan and in the Middle East which was affected by the slumping global economy. Sales were brisk in Oceania and Southeast Asia. In Latin America, sales increased in Brazil and Mexico. Sales were higher in India and Russia, too.

Key Initiatives Under the New YMP125 Medium-Term Management Plan

Yamaha will aim for business expansion in emerging markets and build optimal manufacturing structure suited to market trends.

While continued growth is anticipated for emerging markets, which showed signs of a relatively early economic recovery, uncertainty remains in the developed markets of Japan, North America and Europe, suggesting that overall economic growth will only be modest.

Amid these conditions, Yamaha has positioned China and other emerging countries and regions as key markets. We will actively expand business with the goal of growing sales in these markets from ¥55.8 billion in fiscal 2010 to ¥72.0 billion in 3 years (of this, China will contribute ¥22.0 billion, compared to ¥14.7 billion in fiscal 2010). Specifically, Yamaha will focus on China, India, Russia, Indonesia and Brazil. For these countries, Yamaha develops and launches market-appropriate products such as portable keyboards, while bolstering sales capabilities and expanding sales networks. We will also work to expand demand by increasing the music playing population, centered on music schools.

In terms of production, Yamaha will pursue greater profitability by proceeding with efforts to build optimal manufacturing structures in line with trends in demand. Furthermore, Yamaha will increase manufacturing capabilities by clarifying the roles and functions of factories in Japan, China and Indonesia. In Japan, we will consolidate our piano factories into one in August 2010, as initially planned, and going forward will begin integrating wind instrument factories as well. Meanwhile, production at Chinese and Indonesian factories will increase to match market growth in the emerging markets. Yamaha will also promote local procurement in order to secure further competitiveness.

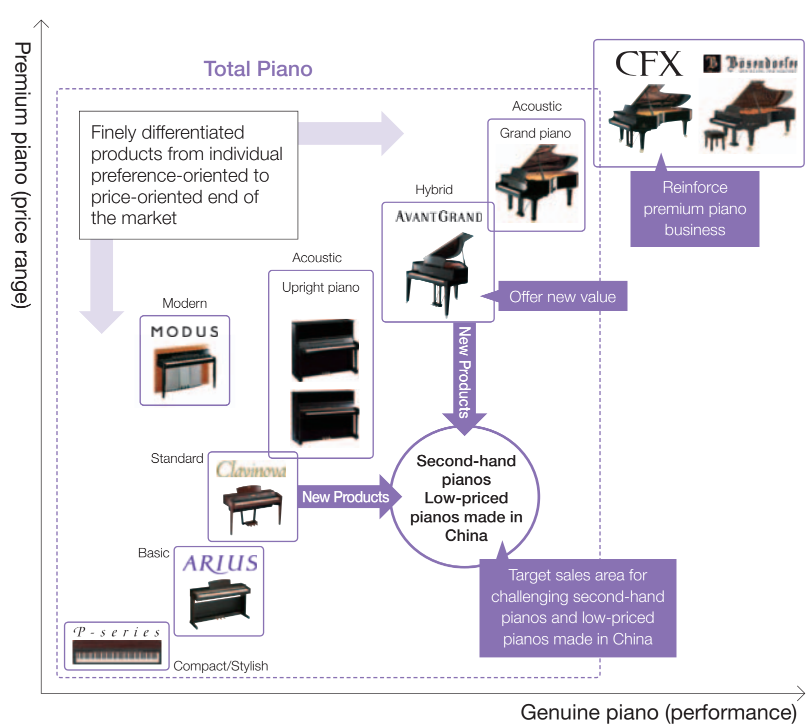
In developed markets, Yamaha will focus on product categories with large-scale markets and expand market share by introducing new products. From Yamaha's own unique products that lead the industry in terms of sensibilities and technology to strategic products that offer affordable prices while maintaining quality, we will expand the lineup of products to respond to the polarization of consumer values along "individual preference-oriented" and "price-oriented" lines.

Total Piano Strategy

Yamaha has outlined a "Total Piano Strategy," which is designed to create new demand through a comprehensive customer approach encompassing everything from acoustic to digital pianos. Yamaha aims to raise sales of the piano category overall by 14% to ¥80.0 billion over the next 3 years. The key to achieving this goal will be responding to diverse customer values through effective proposals of a selection of products, from grand pianos to hybrids and uprights.

In premium pianos, Yamaha aims to raise the brand image of Yamaha pianos overall by winning market acclaim for The CF Series™. In hybrid pianos, we will show customers that the playability, expressiveness and sound quality rival the performance of acoustic pianos

Total Piano Strategy: Fulfill Diverse Customer Values




Hybrid piano
AvantGrand™ N3


Full size concert grand piano
CFX™

and introduce an entry model of the current AvantGrand™ in order to further develop demand. In digital pianos, we will propose new value through our broad lineup of products. Yamaha will also offer products for the price-oriented consumer to expand demand on a global scale.

Combo Strategy

Yamaha defines guitars and guitar peripherals and drums as the “combo instruments” domain and is working actively to expand sales in this domain, particularly in guitars and guitar peripherals. With electric acoustic guitars, popular in North America, and electronic drums as growth drivers, Yamaha is looking to raise its presence in the combo market. In North America and emerging economies such as China, which Yamaha sees as key markets, we will aggressively grow sales of electric acoustic guitars, which have competitive strength. In emerging markets, Yamaha will introduce affordable-priced models of quality acoustic guitars in a bid to increase sales. In the area of guitar amplifiers, effectors, and other guitar peripherals, Yamaha will strive to increase sales by introducing new products. In electronic drums, we will seek to capture the leading global market share by establishing the DTX™drums brand with a product lineup and performance to rival any competitor. Yamaha will also introduce affordably priced models for new customers other than traditional purchasers and elicit latent demand.

Professional Audio Equipment Business

In the field of professional audio equipment, Yamaha aims to increase sales by drawing on its strengths in digital and network technologies to provide customers with system solutions. In the B-to-B market, Yamaha aims to secure a competitive advantage by building one-stop solutions, developing digital mixers, enhancing the professional audio equipment lineup, and harnessing synergies with NEXO™ brand speakers. For the market for Commercial Installed Sound such as hotel banquet halls, community centers, and other venues where full-time engineers are not always available, Yamaha is developing easy-to-operate devices that should help accelerate growth. Yamaha will boost the lineup in the market for professional audio equipment for individual use. In the music production market, Yamaha will work to promote the Steinberg™ brand, as well as reinforce software integration and boost hardware in order to achieve growth.

Music Playing Business

In order to meet the needs of the times, local communities and society, Yamaha will work to provide customers with a wide range of opportunities and venues for participating in music apart from the traditional Yamaha Music School format to increase the music playing population. Because these activities extend beyond the domain of music education, we are calling it the “music playing business.”

In the music school business in Japan, Yamaha will expand its course offerings for very young children and establish percussion classes, as well as enhance music lesson programs targeting adults. Overseas, Yamaha intends to focus on expanding music schools in China and South Korea, where there is much room for growth. We will enhance program offerings tailored to the characteristic of each country and region, including establishing keyboard schools for beginners in China and India, and introduce recorder ensembles into school education in emerging countries. Through these measures to strengthen earnings power, we aim to improve profit by ¥2.0 billion in fiscal 2013.

Music Entertainment Business

In the music entertainment business, Yamaha will further strengthen its initiatives on identifying and nurturing of new artists. Yamaha will also strengthen the music-related publishing and online music distribution businesses, as well as focus on cultivating new businesses. We will also actively collaborate with other companies in order to achieve steady growth.

Digital mixing console M7CL-48ES

Electronic drum
DTX950K

Electric acoustic guitar
LJX26CP

Steinberg™ software
NUENDO 5

Mao Abe
Artist managed
by Yamaha Music Artist, Inc.

AV/IT

Business Strengths

- Front surround sound technology for Digital Sound Projector™
- Wireless music transmitting technology for audio players including iPod*
- High-quality sound technology in AV components and HiFi audio products
- Router solutions business
- Signal processing technology for high sound quality and wide coverage of microphone speakers for Web conferencing

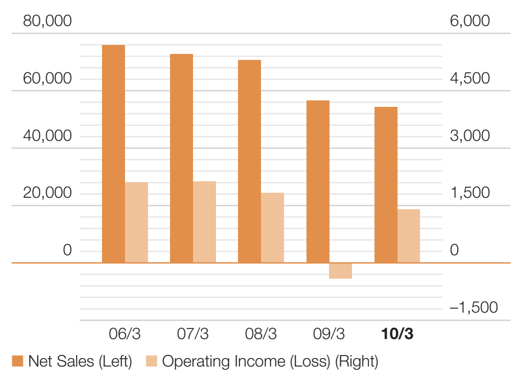
Fiscal 2010 Performance Overview

Sales in the AV/IT segment declined 4.1% year on year in fiscal 2010 to ¥54,409 million. The segment posted operating income of ¥1,405 million, compared to an operating loss of ¥410 million in the previous fiscal year.

In audio products, sales of front surround system products in Japan grew along with the demand for flat-panel TVs, but overall sales fell in the United States and Europe due to intensifying competition and currency translation effects. Sales of both commercial online karaoke equipment and conferencing systems grew, while routers remained on a par with the previous year amid a market contraction. The segment returned to profitability by implementing manufacturing cost reductions for audio products and by cutting expenses.

Net Sales/Operating Income (Loss)

(Millions of Yen)



Key Business Indicators

(Millions of Yen)

	06/3	07/3	08/3	09/3	10/3
Net Sales	¥75,939	¥72,823	¥70,814	¥56,722	**¥54,409**
Operating Income (Loss)	2,113	2,137	1,839	(410)	**1,405**
Capital Expenditures	1,129	1,539	2,009	1,451	**1,348**
Deprecation Expenses	1,542	1,610	1,794	1,631	**1,436**
R&D Expenses	4,919	4,858	5,087	5,257	**5,605**

Market Trends

Continuous growth in front sound system products in Japan

In audio products, in the wake of the financial crisis the market for AV receivers for home theater use is showing signs of a delayed recovery in the United States, the largest market. In Europe and Japan, however, there is a slight upward trend, and gentle growth is expected as the market for flat-panel TVs expands. In TV peripheral products, there is a sharp rise in Japan for front surround system products with furniture stands, which will drive the home theater market for the immediate future. In HiFi audio products, the market for conventional micro-component stereo systems is contracting, while demand for integrated units and iPod docks is increasing.

The markets for commercial online karaoke equipment and routers have become saturated in Japan, and they are expected to be stagnant for some time more.

Growth in demand for conferencing systems is anticipated, as companies are more keen to boost the efficiency of their operations.

AV receiver
RX-V565

Digital Sound Projector™
YSP-4100

Micro component system
MCR-040

Key Initiatives Under the New YMP125 Medium-Term Management Plan

Develop consumer-oriented products and strengthen business foundations in China and other emerging markets

In AV products business, Yamaha will seek to gain customer support by creating products that are excellent in every respect—sound, appearance, ease-of-use, advanced performance and reliability—and developing products that respond to consumer preferences. The Company will seek to grow by expanding business in the fields of TV peripheral, HiFi audio, and desktop audio products, by cutting the costs of product design and production process and by introducing products in top-selling price ranges.

In AV receivers, Yamaha will bolster its lineup of products with the latest in-demand functions, such as HDMI-compatibility and network-enabled products, while continuing to improve core performance in order to maintain its leading market share. In TV peripheral products, the Company will expand its lineup of front surround systems with furniture stands and expand business in overseas markets while also enhancing the lineup of moderately priced models. In HiFi audio products, we will incorporate advanced functions to respond to market changes such as the prevalence of the iPod and networking, and continue to add the lineup of mini- and micro-component stereo systems. In new areas such as desktop audio products, Yamaha will launch various products that meet consumer preferences for sound quality, design, and ease-of-use.

Yamaha views China as a priority market in the new medium-term management plan. In order to establish Yamaha as a premium brand in China, the Company will work mainly to strengthen sales of medium- to high-end audio components, as well as develop moderately-priced theater systems. In other emerging markets, the Company will work to create products for the Brazilian market and establish and enhance sales networks there.

In the commercial online karaoke equipment business, Yamaha will strengthen alliances with a partner company, and improve earnings by pursuing aggressive development of next-generation models.

In the routers business, the Company will aim to grow its share by enhancing compatibility with new services such as next-generation networks and cloud computing, and take active steps to open up new markets in China.

In the conferencing systems business, Yamaha will continue its effort to provide solutions, focusing on broadening its market share in Japan for microphone speakers used for Web conferencing and on building up sales networks mainly in Japan, China, and other markets in the Asia-Pacific region.

* iPod is a trademark of Apple Inc. registered in the United States and other countries.

Yamaha will launch various products that meet consumer preferences for sound quality, design, and ease-of-use.

Electronic Devices

Business Strengths

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

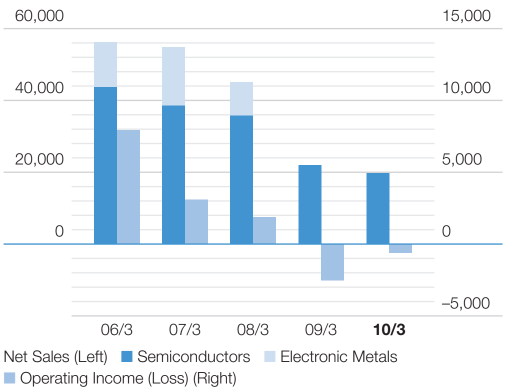
Fiscal 2010 Performance Overview

Sales in the electronic devices segment declined 10.2% compared with the previous fiscal year, to ¥19,745 million. The segment posted an operating loss of ¥606 million, in comparison with an operating loss of ¥2,536 million recorded a year earlier.

Sales of sound generators for mobile phones declined as the overseas market shifted from hardware-based to software-based sound generation and the number of mobile phones sold in the Japanese market declined. Digital amplifiers, geomagnetic sensors and graphics controllers for automobiles, however, saw growth in sales. Income rose year on year as a result of a decline in depreciation expenses due to impairment of fixed assets recognized in the previous year, as well as changes in sales composition.

Net Sales/Operating Income (Loss)

(Millions of Yen)



Key Business Indicators

(Millions of Yen)

	06/3	07/3	08/3	09/3	10/3
Net Sales	¥56,167	¥54,809	¥45,000	¥21,975	**¥19,745**
Operating Income (Loss)	7,927	3,101	1,863	(2,536)	**(606)**
Capital Expenditures	5,488	4,395	2,435	3,247	**659**
Deprecation Expenses	4,471	4,676	4,618	3,326	**981**
R&D Expenses	5,345	5,372	5,387	4,474	**3,630**

Market Trends and Outlook for Fiscal 2011

Riding the Wave of Demand to Recover and Enhance Profitability

The overseas market for sound generators for mobile phones will continue to see a shift from hardware-based sound generators to sound-generation software. In Japan as well, the rise of smartphones is shifting the market toward sound-generation software. In light of this situation, Yamaha will work on functions other than sound generation in order to increase added value and maintain our share of the Japanese market.

Although the market for audio and graphics controllers used in amusement equipment appears to be on a contracting trend, Yamaha still maintains a majority share of the audio controller market. In graphics controllers, we began shipments of a new high graphic performance product in 2010. The product has earned a positive reception, and Yamaha intends to leverage it into higher sales.

The digital amplifier market is seeing growing demand for flat-panel TV and mobile phone applications, and sales are expected to increase.

In geomagnetic sensors, there is a sharp rise in demand for smartphone applications. Yamaha is working to respond to production increases and to develop new products.

The market for graphics controllers for automobiles is recovering as the automotive market recovers and an increasingly high proportion of vehicles are equipped with displays. Yamaha will work actively to expand sales, including by introducing new products.

Key Initiatives Under the New YMP125 Medium-Term Management Plan

Developing Innovative Devices to Differentiate Yamaha's Lineup

In the electronic devices segment, Yamaha is seeking to expand the customer base and secure stable growth for analog devices*[1] while building digital devices*[2] as the pillar of earnings. As competition intensifies, the Company is both strengthening measures to meet customer specifications and working to reduce manufacturing costs and boost development efficiency. Specifically, we will focus on products such as CODECs and geomagnetic sensors for smartphone applications, an area of growing demand, looking to expand the business by strengthening development and introducing new products. Digital amplifiers are increasingly being used in flat-panel TVs as well as mobile phones, and we will aim to expand such applications through DSP*[3] sound enhancement and other unique functions that boost added value. In graphics controllers, new products for amusement equipment and automotive applications have received a warm reception, and we will use these to further expand the market.

In new devices, we will proceed with development of new sound generators for mobile phone applications that achieve unsurpassed expressiveness.

*1 Analog devices: CODECs, digital amplifiers, geomagnetic sensors
*2 Digital devices: Sound generators, graphics controllers
*3 DSP (Digital Signal Processor/Processing): General digital signal processing technology. This includes Yamaha's proprietary digital sound and music signal processing, such as sound field control for AV products, effects used in professional mixing consoles, mobile phone sound generators and 3D sound processing.

Lifestyle-Related Products

Fiscal 2010 Performance Overview

Sales in the lifestyle-related products business declined 14.3% compared with the previous fiscal year, to ¥36,942 million. The segment posted operating income of ¥365 million, in contrast to an operating loss of ¥305 million recorded a year earlier.

Prices for system kitchens and system bathrooms fell amid sharply increasing competition as the number of new housing starts declined significantly leading to a sharp decline in segment sales. The segment achieved profitability mainly by implementing manufacturing cost reductions and cutting expenses.

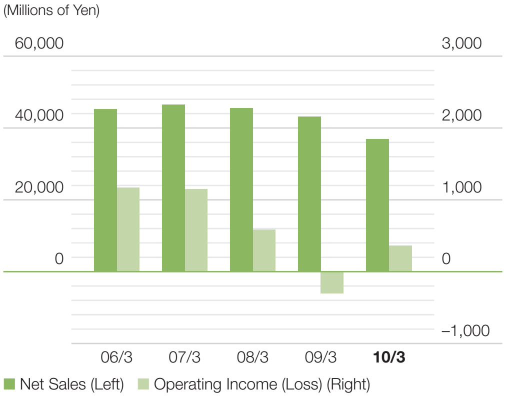
* On March 31, 2010, Yamaha transferred 85.1% of its shares held in consolidated subsidiary Yamaha Livingtec Corporation, which operated the lifestyle-related products business, to a limited investment partnership managed and operated by Japan Industrial Partners, Inc. and other investors. The lifestyle-related products business will therefore be excluded from the scope of consolidation from fiscal 2011.

Key Business Indicators

(Millions of Yen)

	06/3	07/3	08/3	09/3	**10/3**
Net Sales	¥45,214	¥46,573	¥45,520	¥43,121	**¥36,942**
Operating Income (Loss)	1,169	1,150	588	(305)	**365**
Capital Expenditures	1,245	1,303	647	1,006	**525**
Deprecation Expenses	1,062	1,007	1,063	1,021	**887**
R&D Expenses	1,260	1,403	1,351	894	**927**

Net Sales/Operating Income (Loss)



Others

Fiscal 2010 Performance Overview

Sales in this segment declined 10.9% year on year in fiscal 2010 to ¥27,461 million. The segment posted operating income of ¥546 million, compared to an operating loss of ¥2,100 million in the previous fiscal year.

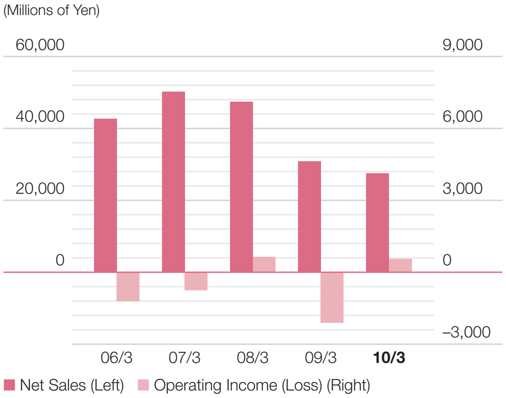
In the golf products business sales were down year on year due to cooling of the market both in Japan and overseas. In the automobile interior wood components business, however, inventory adjustments by manufacturers of finished products were completed, leading to higher sales. Profit rose year on year due to the effects of cutbacks in SG&A expenses and manufacturing cost reductions that resulted in a lower breakeven point. Yamaha terminated domestic production in the magnesium molded parts business as of March 31, 2010.

Key Business Indicators

(Millions of Yen)

	06/3	07/3	08/3	09/3	**10/3**
Net Sales	¥42,684	¥50,165	¥47,397	¥30,833	**¥27,461**
Operating Income (Loss)	(1,207)	(742)	628	(2,100)	**546**
Capital Expenditures	3,141	3,095	2,828	2,082	**284**
Deprecation Expenses	3,235	3,419	2,656	1,889	**1,323**
R&D Expenses	1,173	1,147	1,440	1,809	**1,661**

Net Sales/Operating Income (Loss)



Key Initiatives Under the New YMP125 Medium-Term Management Plan

In the golf business, Yamaha will strive to secure stable earnings by improving and reinforcing the business base in order to raise product competitiveness and brand power, centering on inpresX™. Going forward, the Company will make efforts to open up markets in China, India and other emerging markets where growth can be expected.

In the automobile interior wood components business, Yamaha will work to further lower the breakeven point, while also developing new manufacturing methods and cultivating new customers in Japan and overseas. In the factory automation (FA) equipment business, the company will focus on developing products that better meet market needs.

In the recreation business, Yamaha will propose appropriate investments and plans to enhance the appeal of the Tsumagoi™ and Katsuragi™ resorts, and improve profitability by collaborating in the business operation of the two facilities in order to pursue efficiencies.

Performance

R&D and Intellectual Property

Technological expertise built up over years of research and development underpins the Yamaha Group's broad base of operations. In order to accelerate accumulation of these technologies—in other words, intellectual property rights—Yamaha invests substantially in research and development activities. Another prime aim for the Group is securing, protecting and utilizing related intellectual property to ensure that Yamaha retains and enhances its competitive technical edge.

Research and Development

Core Technologies and Business Direction

Yamaha leverages the technologies that it has acquired over many years in the fields of sound and music to increase the value of the Yamaha brand and to stimulate new demand by developing and offering innovative, high-quality products and services.

At the same time, the Company has earned an excellent global reputation for original design, providing a distinctive customer appeal while boosting the competitiveness of the product range and raising the Yamaha brand profile. Core technical expertise and innovative product design thus constitute important functions for Yamaha.

Yamaha has identified the world-class technologies it has researched and developed in the fields of sound and music as core technologies and will further develop and advance going forward. Some of the technologies we plan to emphasize more strongly include: acoustic sensing, spatial audio technology, acoustic analysis, simulation and modeling technology; speech synthesis; wood reforming and new materials technologies; and psychoacoustics. These advanced, specialized technologies cover the entire lifecycle of sounds, from the time they are produced to the time they are processed, and even extend into the field of human perception.

We utilize these technologies not only in the businesses of musical instruments and professional audio equipment, but also in new business areas, actively providing unique Yamaha value. Examples of such applications are an environmental acoustic business, including speech privacy technology, and applied acoustic businesses, in which sounds are used as a means of transmitting information.

Yamaha works to cultivate the human resources needed to support and develop these new businesses, and strives to acquire advanced technologies, collaborate with universities and research institutions, and pass on the high level of knowledge and technologies accumulated. Going forward, we will continue to make effective use of our brand, intellectual property and other assets, and to create and increase the value of intellectual property assets.

R&D Achievements

Yamaha Electric Acoustic Guitar LJX26CP

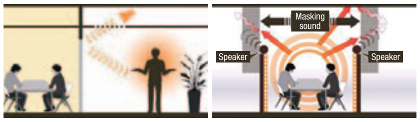
The Yamaha electric acoustic guitar LJX26CP incorporates the recently developed SRT (Studio Response Technology) to deliver a natural acoustic guitar tone in a wide range of environments, from the live stage to the recording studio.

Yamaha's new proprietary SRT pickup consists of a piezo-electric pickup embedded inside the saddle in order to faithfully convey the audio signal of vibrating strings. Top-level recording engineers simultaneously recorded the sound of the SRT pickup and the sound from a leading recording-studio microphone, and used proprietary technology to analyze the differences. By using the SRT pre-amp to impart the difference to the pickup sound, SRT recreates the rich atmospheric guitar tone of a studio microphone recording.

Speech Privacy Solutions Technology

Yamaha has significantly improved the effectiveness of a sound masking system using a newly developed original disruptive masker (speech-like masker) synthesized from human speech. With this technology, which is called informational masking, the system can mask the information in people's conversations much more effectively than conventional energy masking, which uses random noise signals. Combining this disruptive speech-like masker with environmental sound creates high masking efficiency with acoustic comfort, which can provide speech privacy solutions for various applications.

Yamaha has developed two systems for this technology. The first is a room masking system for spaces such as lobbies in offices or examination rooms in medical facilities, which uses a sound system with special speakers to play the masking sound and prevent information in conversations from being overheard. The second is a partition masking system, which creates a meeting space within a lobby area in combination with sound-barrier screens. The masking sound is played from speakers at the top of the screens, making the conversations less intelligible at a distance of a few meters from the conversation area.



Masking sounds synthesized from human speech can protect privacy by making conversations more difficult to overhear.

TLF (Thin Light Flexible) Speakers

TLF speakers are electrostatic speakers with the special characteristics of being thin (T), light (L) and flexible (F). Electrostatic speakers create sound using static electricity to generate small vibrations. Because of their flat shape, the sound from these speakers travels farther than conventional cone-type speakers, with remarkable directivity. What is more, TLF speakers are as thin as a piece of paper. Because these new electrostatic speakers do not look like speakers, we believe that they will be used in places and for applications in which speakers have not been used in the past.

Thin (1mm), light (400g/m^2) and flexible TLF speakers can be produced in large sheets and printed on the surface.

Intellectual Property

Since its founding, Yamaha has sought to acquire its own patents and other intellectual property rights while respecting the intellectual property rights held by third parties. More recently, the Company has taken steps to integrate its business, R&D and intellectual property strategies, enacting a number of measures designed to maximize the contribution of intellectual property to business earnings.

Patents

In order to differentiate itself from competitors, ensure the superiority of its business, ensure freedom, and enable licensing to third parties, Yamaha has formulated patent strategies specifically tailored to operations in business segments. These strategies include identifying target technical fields for patent acquisition, such as core technologies, new businesses and new technologies, striving to build a strong patent portfolio through concentration in its core competences.

From the standpoint of asset optimization, Yamaha annually assesses its full portfolio of patents held within and outside of Japan, determining the state of usage and evaluating patent rights in terms of present and future potential, ultimately retaining only those deemed most beneficial.

As of March 31, 2010, the Yamaha Group owned a total of approximately 5,300 patents and utility models in Japan. Outside of Japan, the Group held roughly 4,900 patents, mainly in the United States, Europe and China. Yamaha is working to increase the number of patents held in China in particular.

Designs

Yamaha views design as a critical element in setting its products apart in the market, and makes every effort to properly safeguard and utilize these assets. In recent years, Yamaha has taken bolder steps to acquire design rights in China in order to counter counterfeit products. The Yamaha Group held some 800 design rights in Japan and overseas as of March 31, 2010.

Copyrights

In addition to industrial property rights, such as patents, designs and trademarks, the Yamaha Group generates numerous intellectual property rights in the form of copyrighted works, mostly in the field of sound and music. Music-related copyrights are of particular importance to Yamaha in terms of intellectual property. As such, the Company strives to ensure their proper management and use, taking legal measures when necessary.

Brands

Yamaha has taken various initiatives to maintain and enhance the value of its brand. In 1986, the Company established regulations for Yamaha brand management, also setting up a Company-wide brand management committee to maintain and improve brand value by ensuring appropriate usage. In order to protect the Yamaha brand, the Company strives to further acquire trademarks for various product types in each country.

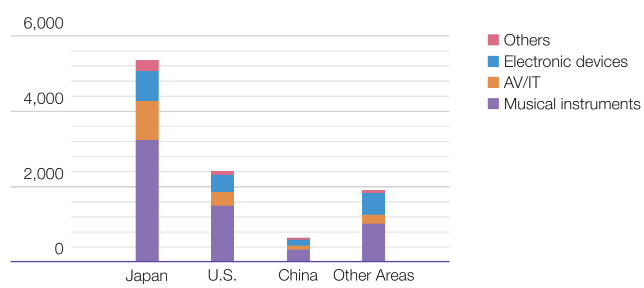
Anti-Counterfeiting Measures

In recent years, the number of cases of unauthorized third parties manufacturing and selling products under the Yamaha brand and producing counterfeit Yamaha designs has been increasing. Using government agency and legal routes, Yamaha has vigorously combated counterfeiting with growing success. Going forward, Yamaha plans to adopt a more aggressive legal posture, including filing lawsuits against infringers, to preserve its brand value and business operations and to retain consumer trust in the Yamaha brand.

Intellectual Property Management Systems

Corporate staff are assigned to the Legal & Intellectual Property Division to oversee the integrated management of all intellectual property held by the Yamaha Group. In addition, specific intellectual property personnel at each business and R&D division ensure the Company's intellectual property strategy is integrated with its business and R&D strategies. Personnel responsible for intellectual property in each business and R&D division work in close communication with the Legal & Intellectual Property Division to promote Yamaha's intellectual property strategy from both a Company-wide and business domain perspective.

Patents Owned by Yamaha (as of March 31, 2010)



Achievement in Protection of Intellectual Property

TENORI-ON™

The 16 x 16 matrix of LED buttons on the TENORI-ON's 21st-century musical instrument enables players to create and perform music visually and intuitively, even without musical knowledge.
(Released in September 2007)

Awards:
Invention Prize at the National Commendation for Invention (2009); Grand Prize at the Japan Media Arts Festival Entertainment Division (2008); Interaction Design Prize at the Good Design Awards (2005)

Intellectual Property Rights:
Yamaha has secured intellectual property rights in the development and commercialization of technology, design, and names of TENORI-ON. The Company has applied for approximately 40 patent applications in Japan and overseas, as well as 7 design applications and 9 trademark applications in connection with TENORI-ON, some of which have been granted and registered.

Corporate Governance

Yamaha is taking measures to enhance the supervisory functions of the Board of Directors. In addition, we are promoting an executive officer system in order to strengthen business execution functions.

Fundamental Concept of Corporate Governance

Yamaha positions the enhancement of corporate governance as an important issue within its business management, and is striving to enhance corporate governance in a proactive manner.

The Company's corporate policy is "CREATING 'KANDO'* TOGETHER- continuing to create 'kando' and enrich culture with technology and passion born of sound and music, together with people all over the world." In accordance with this policy, Yamaha will strive to improve the effectiveness of its management and attain global competitiveness and a high level of profitability. At the same time, the Company will increase its corporate and brand value by fulfilling its corporate social responsibility in areas such as compliance, environment, safety and contribution to society.

To achieve its goal, Yamaha aims to establish high-quality management that is also transparent and efficient by improving its business structures and systems, by implementing all necessary measures, and by disclosing information in an appropriate manner.

*'KANDO' is (a Japanese word that) signifies an inspired state of mind.

Creating a Management Structure Through the Board of Directors and Executive Officers

As of June 25, 2010, Yamaha has five directors, including two outside directors. In order to accelerate decision-making by the Board of Directors and enhance supervisory functions, in fiscal 2011 we have decreased the number of directors serving concurrently as executive officers by four, and added one outside director. Outside directors also act as members of the Corporate Governance Committees and serve to ensure transparency of management decision-making. The Board convenes once monthly in principle, and is responsible for the Group's management functions, including proposing Group strategy and the monitoring and directing of business execution carried out by divisions. In order to clarify responsibilities, directors are appointed for a term of one year.

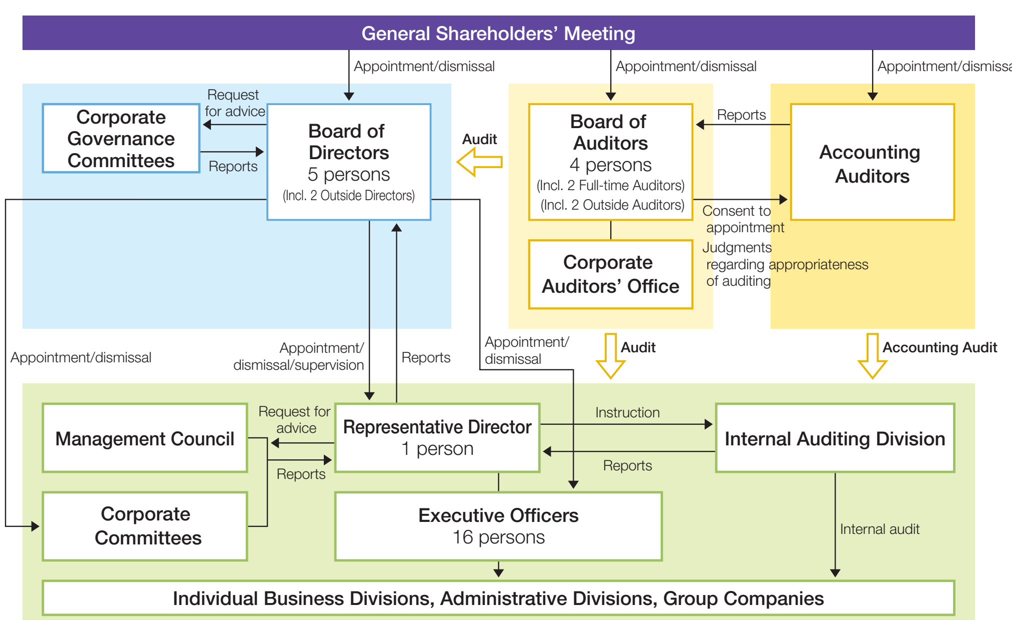
Yamaha also employs an executive officer system, with the purpose of strengthening consolidated Group management and business execution functions by divisions. As of June 25, 2010, the executive officer system comprises 16 executive officers, including two managing executive officers, who are allocated to business or administrative divisions dealing with important management issues. The executive officers support the President, the chief officer in charge of business execution. Managing executive officers, who serve concurrently as Company directors, are assigned to oversee the operation of businesses and administrative divisions, in accordance with the importance of these responsibilities. In addition, five senior executive officers oversee the entire Company organization. As group managers, they are responsible for the performance of key divisions within the Company, and manage and direct in a manner appropriate for bringing the functions of each group to the fore.

An Audit System to Ensure Fair and Transparent Business Practices

Yamaha is a company with a board of auditors as defined under

Corporate Governance Structure

(As of June 25, 2010)



Japanese law, and has worked to enhance governance functions by introducing an executive officer system, as well as by setting up Corporate Governance Committees and an internal control system. These actions, in conjunction with consistent audits conducted by the Company's system of full-time auditors, combine to raise the effectiveness of governance.

As of June 25, 2010, Yamaha has four auditors, including two outside auditors. In principle, the Board of Auditors convenes once monthly. Based on audit plans, auditors periodically perform comprehensive audits of all divisions and Group companies, and participate in Board of Directors' meetings and other important meetings such as management councils. Yamaha has also established a Corporate Auditors' Office (with one staff member as of June 25, 2010) as a dedicated staff for the auditors, to ensure an environment conducive for performing effective audits.

With respect to accounting audits, the suitability of such audits is determined based on periodic progress reports from the accounting auditors of their audits of the Company's financial statements.

The Internal Auditing Division (10 staff members as of June 25, 2010) is under the direct control of the President and Representative Director. Its role is to closely examine and evaluate systems pertaining to management and operations, as well as operational execution, for all management activities undertaken by the Company and Group companies from the perspective of legal compliance and rationality. The evaluation results are then used to provide information for the formulation of suggestions and proposals for rationalization and improvement. In parallel, Yamaha strives to boost audit efficiency by encouraging close contact and coordination among the corporate auditors and the accounting auditors.

Registration of Independent Officers

Yamaha has registered outside director Haruo Kitamura and outside auditor Kunio Miura as independent officers in accordance with the stipulations of the Tokyo Stock Exchange.

Fiscal 2010 Activities by Outside Director and Outside Corporate Auditors

Outside director Takashi Kajikawa attended 13 of the 14 meetings of the Board of Directors held in fiscal 2010. Utilizing his ample experience and considerable insight as a representative director of a publicly owned company, he made necessary statements as appropriate during the consideration of meeting agenda items.

Outside corporate auditor Kunio Miura attended 12 of the 14 meetings of the Board of Directors held in fiscal 2010. He also attended 12 of the 15 Board of Auditors' meetings, and made statements mainly from his specialist standpoint as an attorney.

Outside corporate auditor Yasuharu Terai attended all 14 of the meetings of the Board of Directors held in fiscal 2010. He also attended all 15 Board of Auditors' meetings, making statements based primarily on his experience and insight as a management executive.

Outside corporate auditor Haruo Kitamura attended 10 of the 11 meetings of the Board of Directors held after his appointment. He also attended all 10 of the Board of Auditors' meetings held during his term, and made statements based primarily on his experience and insight as a chartered accountant.

Remuneration for Directors and Corporate Auditors

The aggregate amount of remuneration paid to directors and corporate auditors in fiscal 2010 is outlined below.

Directors: 12 persons, ¥276 million (including ¥5 million to 1 outside director)

Corporate Auditors: 5 persons, ¥74 million (including ¥18 million to 3 outside corporate auditors)

Notes:
1. The remuneration amount stated above includes compensation paid to three directors who retired at the conclusion of the 185th Ordinary General Shareholders' Meeting held on June 25, 2009.
2. In addition to the abovementioned payments, retirement allowances amounting to a total of ¥356 million were paid to three directors who retired at the conclusion of the 185th Ordinary General Shareholders' Meeting held on June 25, 2009. This was based on a resolution approved at the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, regarding the lump-sum payment of retirement allowances to directors and corporate auditors upon the abolition of the retirement allowance system.
   The above amounts paid were calculated based on the term of office served by each director or corporate auditor through June 30, 2006.

Policy on Determining Remuneration for Corporate Officers

Formulation of Policy

The policy on determining remuneration for directors is decided at a meeting of the Corporate Officers Personnel Committee that included the outside directors. The policy on determining remuneration for corporate auditors is decided at a meeting of the Board of Auditors.

Content of Policy

(1) Remuneration for Directors
Remuneration to directors is to be decided based on the following standards, taking into account compensation levels primarily at other listed companies and employee treatment standards.
(i) Remuneration for directors other than outside directors is decided by reflecting consolidated results and each director's individual performance into the annual base salary determined based on job responsibilities. Specifically, depending on consolidated results and individual performance, the annual base salary may be increased or decreased by up to 20%.
(ii) Remuneration for outside directors is not linked to business performance. However, amounts are determined taking into account factors such as balance with remuneration to other directors and the scale of Yamaha Corporation's business.

(2) Remuneration for Corporate Auditors
Remuneration for corporate auditors and outside corporate auditors is not linked to business performance. Amounts are determined through consultation with the corporate auditors, taking into account factors such as balance with remuneration to directors and the scale of Yamaha Corporation's business.

(3) Bonuses
Yamaha pays bonuses to directors and corporate auditors. These bonuses, which take into account corporate results, are separate from the remuneration framework decided in advance at the General Shareholders' Meeting, and are paid with the approval of the Ordinary General Shareholders' Meeting. The amount paid to each director is determined through resolution of the Board of Directors, and the amount paid to each corporate auditor is determined in consultation with the corporate auditors.

(4) Other
At the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, a resolution was approved abolishing payment of retirement allowances to directors (including outside directors) and corporate auditors (including outside corporate auditors). Yamaha does not maintain a stock option system.

Support System for Outside Directors and Outside Corporate Auditors

For agenda items at meetings of the Board of Directors and the Board of Auditors to be attended by outside directors and corporate auditors, full-time staff members send documents and other materials to the outside directors and corporate auditors prior to the meeting and provide explanations as necessary to enable them to perform a complete preliminary study. When necessary, outside directors are also individually provided explanations regarding proposals and reports to be submitted to the Board of Directors. As for outside corporate auditors, with regard to other material matters, the Company strives at all times to maintain an effective auditing environment, including by providing information, supplying materials, listening to opinions, and supporting research and data collection.

Fundamental Concept of the Internal Control System

Yamaha has established an internal control system pursuant to Japan's Company Law and the Enforcement Regulations of the Company Law. Along with pursuit of the optimal corporate governance for enhancing both corporate value and the Yamaha brand, the Company endeavors to qualitatively enhance the internal control system, in recognition that doing so will improve the efficiency of business activities, increase the trustworthiness of Yamaha's accounting and financial data, and lead to stronger compliance, asset soundness, and risk management capabilities.

The Yamaha Group has defined an internal control policy as a specific measure pertaining to the Group-wide internal control system. In line with this policy, the Company is standardizing the rules in place at its subsidiaries, and implementing Company-wide monitoring liaison committees in connection with the internal control system operated by corporate staff divisions, with the goal of making monitoring activities more comprehensive.

Compliance Framework

At the meeting of the Board of Directors, important items requiring approval by the Board of Directors are decided according to the rules of the Board of Directors, which seek to rationalize decision-making processes and decision outcomes. The representative director and business executives report to the Board on the status of execution of duties, and the Board exercises supervision of the execution of duties by directors.

Corporate auditors exercise supervision of the status of execution of duties by directors based on auditing standards and audit plans. Going forward, Yamaha will actively incorporate independent outside directors and corporate auditors with the aim of further enhancing the objectivity and transparency of management.

Yamaha has established a Risk Management Committee within the Company, which formulates the Compliance Code of Conduct, prepares regulations and manuals, and strives to implement thorough compliance education. The Company also works to create frameworks for compliance with laws and regulations and an internal check and balance system. To this end, the divisions in charge offer guidance and suggestions to the Group.

Yamaha has also established an Internal Auditing Division, which conducts internal audits to direct and indirect Group companies in order to further improve operations.

Through such organizations and measures, Yamaha has established a fair and transparent personnel system by which it raises the awareness of Group employees and raises moral standards. Furthermore, in order to enhance compliance effectiveness, the Company has established a Compliance Help Line. The line received 43 consultation inquiries and reports during fiscal 2010, including some from overseas Group companies. In the seven years since the program was launched, the Company has worked to respond to and resolve each of the 344 inquiries and reports that have been received.

Business Continuity Plan (BCP)

From fiscal 2009, Yamaha has embarked on the development of a Business Continuity Plan (BCP), designed to enable it to quickly resume operations in the event of an earthquake in Japan's Tokai region or other major natural disasters that could cause damage to its structures or facilities. Yamaha has formulated its BCP Guidelines as a fundamental Company-wide policy in this regard.

In April 2009, Yamaha established and initiated activities by the Corporate Committee, chaired by the President and Representative Director. In June 2010 the Risk Management Committee began activities at all operational sites and at Group companies, while putting the necessary systems and countermeasures in place to respond to new flu strains and various other risks.

A Message from the Newly Appointed Outside Director

Haruo Kitamura
Outside Director

Key Concurrent Posts

Certified Public Accountant
(Principal of Kitamura Certified Public Accountancy)
Outside Auditor, ROHM Co., Ltd.
Outside Director, MonotaRO Co., Ltd.
Supervisory Director, MID REIT, Inc.

Since my appointment as outside corporate auditor in June 2009, I have performed audits of business at Yamaha from a wide variety of angles. I feel keenly the need to grasp the issues that Yamaha faces and take action to resolve all issues. I have significant experience in addressing management issues for companies as a chartered accountant and management consultant, and I have also dealt with issues of corporate governance in the past as an outside director and outside corporate auditor. I intend to continue to draw on that experience as an outside director of Yamaha to give my opinion on the measures the Company should take and in particular on the suitability and economic rationality of measures in my specialized fields of finance and accounting, as well as business management.

In my message in last year's annual report, I noted that Yamaha is a renowned company with a long history, and that the Yamaha brand is highly prized. From my position as outside director, I intend to exercise supervision over Yamaha's management so that the Yamaha brand can achieve new heights around the world.

Corporate Social Responsibility (CSR)

In all its interactions with stakeholders, the Yamaha Group seeks through its business activities to help create 'kando.'* Through activities grounded in the fields of sound and music, we will continue to create 'kando' and enrich culture along with people around the world.

The Yamaha Group's Approach to CSR

The Yamaha Group's corporate management aim is to realize the corporate objective of "CREATING 'KANDO' TOGETHER" through business activities grounded in the fields of sound and music. We have identified emphasis on corporate social responsibility (CSR) as one of our basic management policies, and make steady, ongoing efforts in quality, customer satisfaction, procurement, environmental issues, and public relations in order to fulfill our roles as a corporate citizen. Going forward, the Group as a whole will continue to raise awareness of our social responsibility and contributions, and work to address various social issues based on the themes laid out in our management philosophy: customer-oriented and quality-conscious management, transparent and sound management, valuing people, and harmony with society.

In February 2010, we created the Yamaha Corporation Group CSR Policy, a summary of our approach to CSR. Based on this policy, we will further promote CSR activities across the entire Group.

One special feature of CSR as practiced by the Yamaha Group is our contribution through our business activities to the development of music culture around the world. We aim to leverage our strengths to provide products and services that deliver satisfaction to anyone who enjoys music, and thereby contribute to the development of humanity's musical heritage and to the enrichment of living.

Yamaha also considers it crucial to address issues facing the local communities that form the basis for our global business, as well as global environmental issues such as global warming and preservation of biodiversity. We work to promote cultural and educational development in local communities, conduct product development and manufacturing that make efficient use of resources and reduce environmental burden, and support reforestation as a company that manufactures products from wood. Going forward we will emphasize activities that allow us to address social issues as only the Yamaha Group can.

Yamaha Corporation Group CSR Policy

Our Aim is "CREATING 'KANDO' TOGETHER"

The objective of the Yamaha Corporation Group is to continue to create 'kando' and enrich culture with technology and passion born of sound and music, together with people all over the world.

Based on this Corporate Objective, Yamaha conducts its CSR activities according to the following guidelines to further strengthen the bonds of trust with its stakeholders through its corporate activities and contribute to the sustainable development of society.

1. Yamaha provides support to people who want to perform music and people who want to enjoy it by contributing to the popularization and development of music and musical culture.
2. Yamaha works to maintain a healthy global environment by understanding the significance of protecting the natural environment, maintaining biodiversity, and reducing the burden on the environment, as well as promoting the proper use of wood resources, and cooperating with forest protection activities.
3. As a "corporate citizen" that is a member of society, Yamaha contributes to creating a better society by actively participating in many kinds of activities that further the development of the community and culture.
4. Yamaha complies with laws and high ethical standards, works to create an environment in which its personnel can draw fully on their sensitivities and creativity, and aims to build a corporate culture that will enable it to offer better products and services.
5. For its shareholders, who support its corporate activities financially, Yamaha aims for a high degree of transparency by disclosing management information and engaging in active and sustained communication. For its business partners, Yamaha conducts transactions fairly and transparently, endeavors to deepen mutual understanding, and works to build strong relationships of trust.

*'Kando' is (a Japanese word that) signifies an inspired state of mind.


The completion of the fifth and final year of Indonesian reforestation activities at Yamaha Forest


Charity concert for the Sumatra earthquake


Donation of musical instruments to a children's welfare facility using the profits from a charity concert


Support for coastal forest revitalization activities

Yamaha's inclusion in the FTSE4Good Global Index


Support for young music students


Charity marathon to support ill children


Usability testing to provide intuitive and easy-to-use products


Creating a "green curtain" of plants

For more in-depth reporting on Yamaha's CSR activities, please visit "CSR/Environmental & Social Activities" on Yamaha's website:
http://www.global.yamaha.com/about/csr/

Board of Directors, Corporate Auditors and Executive Officers

Mitsuru Umemura (center)
Hiroo Okabe (left)
Motoki Takahashi (right)

Board of Directors

Mitsuru Umemura
President and Representative Director

Hiroo Okabe
Director

Motoki Takahashi
Director

Takashi Kajikawa
Outside Director (Advisor of Yamaha Motor Co., Ltd.)

Haruo Kitamura
Outside Director (Certified Public Accountant)

Corporate Auditors

Tokihisa Makino
Full-Time Auditor

Hisashi Yabe
Full-Time Auditor

Kunio Miura
Outside Auditor (Attorney)

Yutaka Kume
Outside Auditor (Advisor of Yamaha Motor Co., Ltd.)

Executive Officers

Hiroo Okabe
Managing Executive Officer

Motoki Takahashi
Managing Executive Officer

Tsutomu Sasaki
Senior Executive Officer
Corporate Administration Group

Masao Kondo
Senior Executive Officer
Sound and IT Business Group

Yoshihiro Doi
Senior Executive Officer
Musical Instruments & AV Products Marketing Group

Takuya Nakata
Senior Executive Officer
President of Yamaha Corporation of America

Masaaki Koshiba
Senior Executive Officer
Musical Instruments Business Group

Tatsumi Ohara
Executive Officer
General Manager of Sound Network Division

Takashi Onoda
Executive Officer
General Manager of Piano Division

Masahito Kato
Executive Officer
General Manager of Corporate Planning Division

Wataru Miki
Executive Officer
General Manager of Public Relations Division

Seiji Abe
Executive Officer
General Manager of Production Engineering & Planning Division

Masahito Hosoi
Executive Officer
General Manager of Human Resources Division

Akira Iizuka
Executive Officer
General Manager of Digital Musical Instruments Division

Hirofumi Osawa
Executive Officer
General Manager of AV Products Division

Masato Oike
Executive Officer
President of Yamaha Music Europe GmbH

(As of July 1, 2010)

Financial Section

Eleven-Year Summary

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					
	2010	2009	2008	2007	2006	2005
For the year:						
Net sales	**¥ 414,811**	¥ 459,284	¥ 548,754	¥ 550,361	¥ 534,084	¥ 534,079
Cost of sales	**268,380**	290,381	343,688	352,381	341,816	335,483
Gross profit	**146,431**	168,902	205,066	197,980	192,267	198,595
Selling, general and administrative expenses	**139,602**	155,057	172,220	170,295	168,132	162,899
Operating income	**6,828**	13,845	32,845	27,685	24,135	35,695
Income (loss) before income taxes and minority interests	**(201)**	(12,159)	62,510	33,101	35,842	33,516
Net income (loss)	**(4,921)**	(20,615)	39,558	27,866	28,123	19,697
Capital expenditures	**14,480**	22,581	24,394	25,152	22,882	22,702
Depreciation expenses	**14,139**	17,912	20,289	19,956	18,944	18,958
R&D expenses	**21,736**	23,218	24,865	24,220	24,055	22,953
Cash flows from operating activities	**39,870**	(2,235)	37,225	39,732	25,510	39,588
Cash flows from investing activities	**(12,711)**	(25,999)	41,999	(22,427)	(18,104)	(12,896)
Free cash flows	**27,159**	(28,234)	79,225	17,305	7,406	26,692
At year-end:						
Total assets	**¥ 402,152**	¥ 408,974	¥ 540,347	¥ 559,031	¥ 519,977	¥ 505,577
Total current assets	**193,260**	202,097	275,754	231,033	209,381	225,581
Total current liabilities	**75,182**	90,050	120,174	136,656	117,047	145,820
Interest-bearing liabilities	**15,017**	19,192	21,036	25,551	28,474	46,598
Net assets*	**254,591**	251,841	343,028	351,398	316,005	275,200

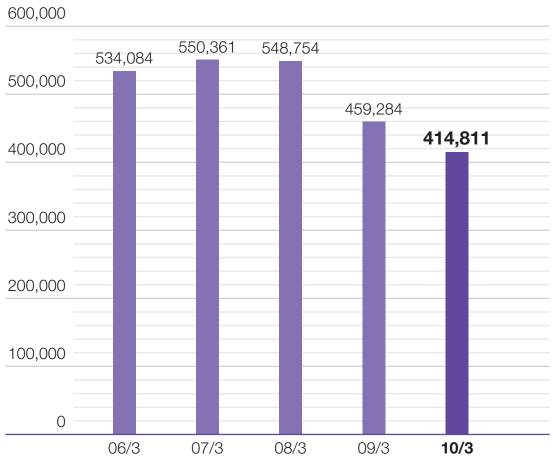
	Yen					
Per share:						
Net income (loss)	**¥ (24.95)**	¥ (103.73)	¥ 191.76	¥ 135.19	¥ 136.04	¥ 95.06
Net assets*	**1,276.35**	1,262.42	1,646.44	1,680.91	1,532.62	1,334.51
Dividends**	**27.50**	42.50	50.00	22.50	20.00	20.00

	%					
Key indicators:						
Operating income to net sales	**1.6%**	3.0%	6.0%	5.0%	4.5%	6.7%
ROE (Return on equity)*	**(2.0)**	(7.0)	11.5	8.4	9.5	7.4
ROA (Return on assets)	**(1.2)**	(4.3)	7.2	5.2	5.5	3.9
Equity ratio*	**62.6**	60.9	62.9	62.0	60.8	54.4
Interest coverage (Times)	**16.88**	26.74	34.56	47.83	36.89	44.62
Current ratio	**257.1**	224.4	229.5	169.1	178.9	154.7
Dividend payout ratio	**—**	—	26.1	16.6	14.7	21.0

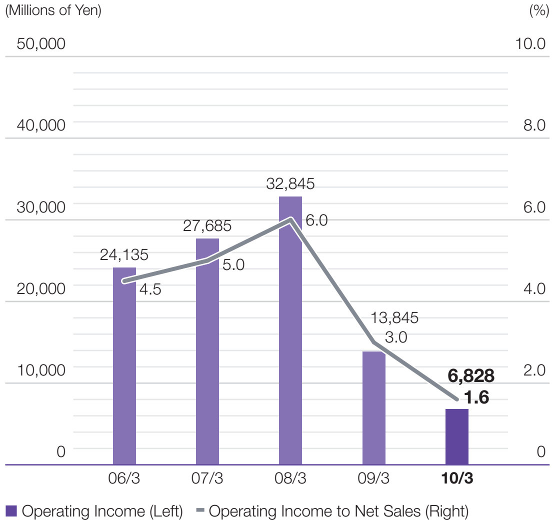
* Net assets, ROE (return on equity) and equity ratio were classified as shareholders' equity, ROE (return on shareholders' equity) and shareholders' equity ratio, respectively, until the year ended March 31, 2006.
** The dividends per share from the year ended March 2008 to March 2010 include a ¥20 special dividend.

	Millions of Yen			
2004	2003	2002	2001	2000
¥ 539,506	¥ 524,763	¥504,406	¥519,104	¥ 527,897
337,813	338,307	340,411	346,200	371,758
201,693	186,456	163,994	172,904	156,140
156,637	154,413	152,951	149,902	148,057
45,056	32,043	11,043	23,001	8,082
47,456	22,612	(5,784)	23,491	(47,601)
43,541	17,947	(10,274)	13,320	(40,777)
21,160	16,883	16,627	14,770	18,544
17,522	17,586	18,767	17,310	28,635
22,503	22,441	22,539	21,158	22,588
58,349	33,052	29,016	(9,089)	10,851
(18,775)	(21,645)	(10,437)	(5,441)	12,474
39,574	11,407	18,579	(14,530)	23,325
¥ 508,731	¥ 512,716	¥509,663	¥522,486	¥ 543,088
201,704	221,089	211,140	231,872	205,979
123,596	158,148	144,498	175,371	178,281
48,871	90,436	96,166	103,304	88,167
259,731	214,471	201,965	196,733	221,750
		Yen		
¥ 210.63	¥ 86.65	¥ (49.75)	¥ 64.50	¥ (197.45)
1,259.28	1,040.06	978.15	952.62	1,073.75
15.00	10.00	8.00	7.00	3.00
		%		
8.4%	6.1%	2.2%	4.4%	1.5%
18.4	8.6	(5.2)	6.4	(18.7)
8.5	3.5	(2.0)	2.5	(7.6)
51.1	41.8	39.6	37.7	40.8
36.51	19.97	5.07	8.82	4.46
163.2	139.8	146.1	132.2	115.5
7.1	11.5	—	10.9	—

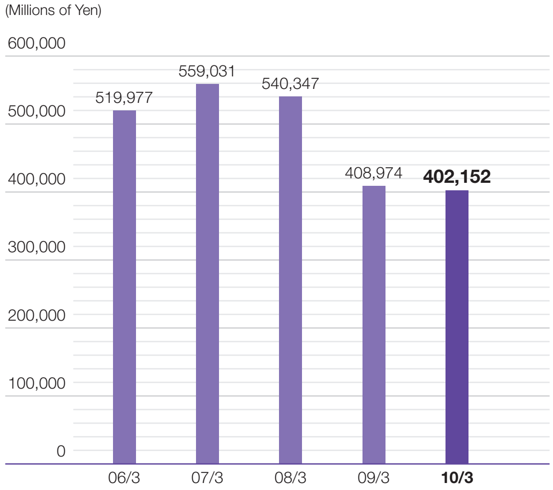
Net Sales



Operating Income/ Operating Income to Net Sales



Total Assets



Financial Section

Management's Discussion and Analysis

- **Sales and earnings in fiscal 2010 declined year on year**
  The Company posted a net loss for the second consecutive year, due in part to extraordinary losses accompanying business structural reforms
- **The impact of the worldwide recession and the strong yen pulled sales down lower than the previous year in every segment**
- **Operating income improved year on year in every segment except musical instruments**
- **Inventories at the end of the fiscal year under review were down by approximately ¥11.2 billion from March 31, 2009, close to proper levels**

Overview

Economic Environment

In fiscal 2010, ended March 31, 2010, the serious global recession triggered by the financial crisis that erupted in fiscal 2009 persisted. Although China and some emerging economies achieved a relatively early economic recovery, the United States, Europe, and other developed nations experienced a prolonged economic slowdown.

In Japan, the economy failed to achieve a full recovery, with corporate earnings and capital expenditures down due to the strong yen. Consumer spending was also lackluster.

Business Environment for the Yamaha Group

Impacted by an adverse macroeconomic environment and the yen's appreciation, sales of mainstay musical instruments and AV products in Europe, the United States and Japan were sluggish for the full year. Furthermore, at the same time as customers became increasingly price driven, there were also signs that they were holding off on investments, resulting in lower professional audio equipment sales to the commercial audio equipment market and wind instruments to the school rental market.

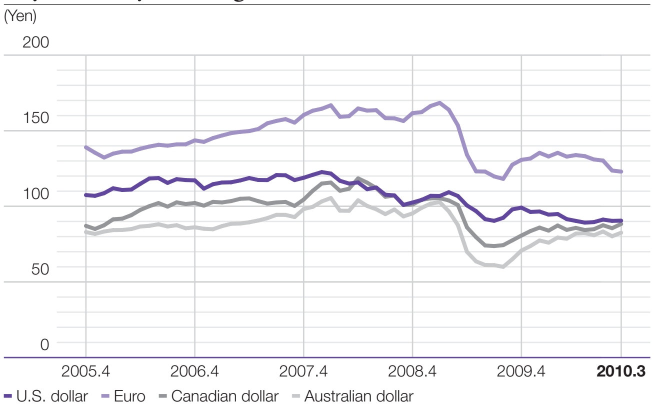
In the parts business for corporate customers, the completion of inventory adjustments by finished product manufacturers led to increased orders for interior wood components for luxury cars, magnesium molded parts and certain other products.

Fiscal 2010 also saw a fall in prices for copper, nickel, steel, plastic and other raw materials used in manufacturing musical instruments. Although this contributed to earnings, prices began to creep back up in the second half of the year, and in fiscal 2011 these higher prices are expected to weigh down earnings.

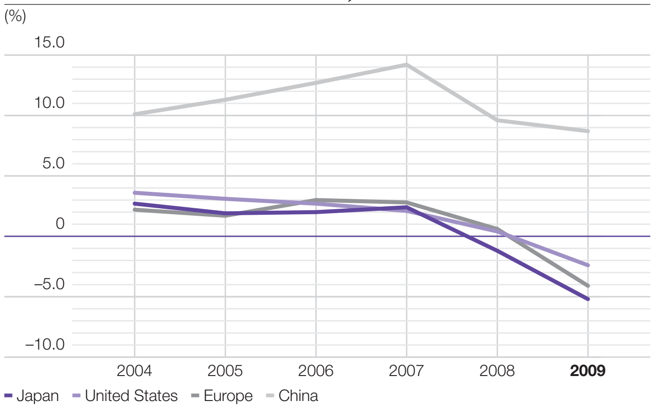
Business Performance Summary

Faced with a harsh business environment in fiscal 2010, the Yamaha Group engaged in technological development, implemented initiatives to enhance quality, and launched high-value-added products including new models of hybrid pianos. In addition, in order to build demand, the Group enhanced and actively marketed its lineup of moderately priced products, responding to the increasingly price-oriented market. In emerging markets, the Group opened Yamaha Music School Shanghai Center, one of the largest music schools in the world, and worked to bolster the sales network in preparation for further growth. In Russia and India as well, Yamaha worked to build a sales network. In terms of manufacturing reforms, Yamaha proceeded to integrate manufacturing bases in Japan, and strengthened manufacturing capabilities in Chinese and Indonesian factories with a view to enhancing manufacturing efficiency. In response to the stagnant global economy, the entire Group continued efforts to reduce costs, review investments and events, and reduce inventory in order to improve profitability. To this end, it selectively focused on businesses from a medium- to long-term perspective, withdrawing from the magnesium molded parts business and transferring a subsidiary engaged in the lifestyle-related products business to a limited investment partnership and other investors.

Key Currency Exchange Rates



Actual GDP Growth Rate of Major Countries



Source: Cabinet of Japan "Overseas Economic Data" (May 2010), Datastream, etc.

As a result, in fiscal 2010, net sales fell in all segments and decreased as a whole by 9.7% year on year, to ¥414,811 million. Due to the decline in sales, operating income was down 50.7% to ¥6,828 million. In addition, the Company recorded extraordinary losses related to the transfer of the lifestyle-related products subsidiary and impairment losses on idle real estate resulting from business realignment. Consequently, the Company recorded a net loss for the year of ¥4,921 million, compared to a net loss of ¥20,615 million in the previous year.

Analysis of Management Performance

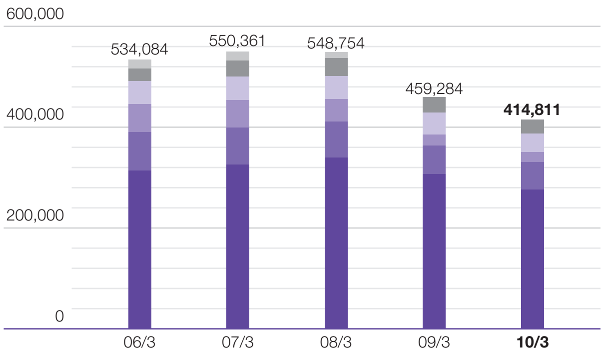
Net Sales

Sales by Business Segment

Net sales in fiscal 2010 decreased by ¥44,473 million, or 9.7%, to ¥414,811 million. Sales in the mainstay musical instruments segment and all other segments were down year on year on account of the decline in sales resulting from foreign currency effects (approximately ¥18.8 billion), and the global slump in demand due to economic conditions.

Net Sales by Segment

(Millions of Yen)



■ Musical Instruments ■ AV/IT ■ Electronic Devices* ■ Lifestyle-Related Products
■ Others ■ Recreation**

* Following the handover of the Electronic Metal Products business, the Electronic Equipment and Metal Products segment was renamed the Electronic Devices segment starting from the year ended March 31, 2009.

** Following the handover of a portion of the resort facilities, figures of the Others segment from the year ended March 31, 2009 include that of the Recreation segment.

Musical Instruments

Sales in fiscal 2010 decreased by ¥30,378 million, or 9.9%, to ¥276,252 million. Excluding declines resulting from foreign currency effects (approximately ¥14.8 billion), sales effectively declined by roughly ¥15.6 billion, or 5.3%, year on year.

By product, piano sales declined year on year with continued sales growth in China unable to fully compensate for lower demand in the European and Japanese markets. Sales volume for pianos worldwide declined by roughly 4,300 units from the previous year to around 89,900 units. While sales of affordably priced pianos made in China increased, sales of mid to high-end pianos made in Japan declined, primarily in developed markets, accelerating the decline in unit sales prices. Digital musical instruments, like pianos, saw sales fall in the European and Japanese markets. Although performance in wind, string and percussion instruments was lackluster overall, leading to lower sales, sales of electric acoustic guitars grew, mainly in the United States. Sales of professional audio equipment, most notably digital mixers, declined year on year as the commercial audio equipment market felt the impact of the economic downturn. In the music entertainment business, sales were down on lackluster performance in music distribution and publishing. Sales at music schools also fell, although English-language school sales rose.

By region, and on a local currency basis, sales in Japan were lower year on year, and in North America, the persistent economic downturn caused sales to decline. Europe, too, was hit hard by the slowdown, with sales declining by double-digits. In China, sales maintained double-digit year-on-year growth as piano production at Hangzhou Yamaha Musical Instruments Co., Ltd. (Hangzhou Yamaha) increased. Other regions felt the impact of the slowdown in the first half of the fiscal year, but continued growth in Asian and other markets resulted in full-year sales growth.

AV/IT

Sales in fiscal 2010 declined ¥2,313 million, or 4.1%, year on year, to ¥54,409 million. Excluding declines resulting from foreign currency effects (approximately ¥3.9 billion), sales effectively increased by roughly ¥1.6 billion, or 3.0%, year on year.

In Japan, sales of front surround system products with furniture stands and Digital Sound Projector™ grew significantly alongside higher demand for flat-panel TVs. Although AV receivers recovered in the European and North American markets in the second half of the fiscal year, sales were impacted by the global economic slowdown.

Sales of commercial online karaoke equipment produced on an OEM basis and conferencing systems were up year on year, but sales of routers were down slightly.

Electronic Devices

In fiscal 2010, sales decreased by ¥2,230 million, or 10.2%, year on year, to ¥19,745 million. Sales of digital amplifiers for flat-panel TVs and mobile phones and LSIs for automobile devices were up, but sound generators for mobile phones fell, reflecting the ongoing shift to sound-generation software for mobile phones in overseas markets and lower sales volumes for mobile phones in the Japanese market. Shipments of graphics controllers used in amusement equipment were also lower year on year, hit hard by deteriorating market conditions.

Lifestyle-Related Products

Sales in fiscal 2010 decreased by ¥6,178 million, or 14.3%, year on year, to ¥36,942 million. Sales of system kitchens and system bathrooms fell on a major decline in new housing starts and increasingly severe price-based competition. Amid this environment, the company strove to strengthen the remodeling business, increasing the contribution of this business to overall segment sales to 25%, up 4 percentage points from 21% in fiscal 2009. On March 31, 2010, Yamaha transferred 85.1% of its shares in consolidated subsidiary Yamaha Livingtec Corporation, which operated the lifestyle-related products business, to a limited investment partnership managed and operated by Japan Industrial Partners, Inc. and to other parties. As a result, Yamaha Livingtec and its subsidiaries Yamaha Living Products Corporation and Joywell Home Corporation were removed from the scope of consolidation that same day.

Others

Sales in fiscal 2010 fell ¥3,371 million, or 10.9%, year on year, to ¥27,461 million. In the automobile interior wood components business, inventory adjustments by manufacturers of finished products were completed, leading to higher sales, but sales of golf products fell year on year due to cooling of the market both in Japan and overseas. In the magnesium molded parts business, from which Yamaha withdrew on March 31, 2010, sales were also down because of a drop in sales for mobile phone applications. Sales in the factory automation (FA) business dropped as corporate capital investments fell amid sluggish economic conditions. In the recreation business, sales declined due to a drop-off in overnight guests and golf customers.

Sales by Region

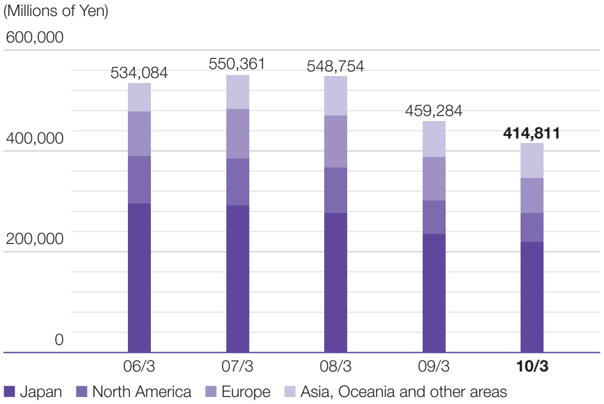
In fiscal 2010, sales in Japan declined ¥16,437 million, or 7.0%, to ¥218,406 million. With the exception of the AV/IT business, where sales of front surround system products were strong, sales were down in all segments. In particular, sales of musical instruments, semiconductors, and lifestyle-related products fell sharply as a result of the economic slowdown and adverse market conditions.

Outside of Japan, sales decreased by ¥28,035 million, or 12.5%, year on year, to ¥196,405 million. Along with declines due to a strong yen, sales of musical instruments, AV products and other products were lower compared to the previous year due to the impact of the worldwide recession. Sales in overseas markets accounted for 47.3% of net sales, down 1.6 percentage points from the 48.9% noted a year ago.

By region, sales in North America decreased by ¥8,723 million, or 13.1%, year on year, to ¥57,668 million. Sales of products such as wind instruments and professional audio equipment declined due to foreign currency effects from the yen's appreciation and to the economic slowdown. In the second half of the fiscal year, however, there were signs of bottoming out in keyboard instruments such as pianos and digital instruments, as well as in AV products. Excluding foreign currency effects, sales in North America declined approximately ¥4.1 billion, or 6.6%, from the previous year.

In Europe, sales declined ¥16,526 million, or 19.0%, to ¥70,284 million. As in North America, sales of products such as pianos, portable keyboards and professional audio equipment declined due to foreign currency effects from the yen's appreciation and the economic slowdown. Excluding foreign currency effects, sales in Europe were down roughly ¥8.6 billion, or 10.9%.

Net Sales by Region



Sales in Asia, Oceania and other areas decreased by ¥2,785 million, or 3.9%, year on year, to ¥68,452 million. Double-digit sales growth also continued in China, particularly in pianos, but sales in South Korea, Taiwan and other countries were affected by the economic downturn. Overall, excluding foreign currency effects, sales were up roughly ¥3.4 billion, or 5.3%.

Cost of Sales and Selling, General and Administrative Expenses

The cost of sales in fiscal 2010 decreased by ¥22,001 million, or 7.6%, compared to the previous fiscal year, to ¥268,380 million. Factors contributing to this decline included lower sales, the appreciation of the yen, lower raw materials prices (approximately ¥2.8 billion), and decreased fixed costs, including depreciation and amortization expenses, resulting from structural reforms implemented in fiscal 2009. The cost of sales ratio rose by 1.5 percentage points compared to the previous fiscal year, from 63.2% to 64.7%, due to the decline in sales.

Consequently, gross profit decreased by ¥22,471 million, or 13.3%, year on year, to ¥146,431 million. The gross profit ratio declined by 1.5 percentage points compared to the previous fiscal year, from 36.8% to 35.3%.

Selling, general and administrative (SG&A) expenses decreased by ¥15,454 million, or 10.0%, from the previous fiscal year, to ¥139,602 million. Advertising expenses and sales promotion expenses declined by ¥4,725 million, or 20.7%, from ¥22,855 million in the previous year to ¥18,130 million. Transport expenses also decreased by ¥3,117 million, or 19.4%, from ¥16,083 million in the previous year, to ¥12,966 million, and personnel expenses decreased by ¥3,920 million, or 6.2%, from ¥63,145 million, to ¥59,225 million. The ratio of SG&A expenses to net sales declined by 0.1 of a percentage point year on year, to 33.7%. Excluding approximately ¥4.7 billion in foreign currency effects from a strong yen, actual selling, general and administrative expenses decreased by about ¥10.8 billion, or 7.2%, compared to the previous year. Taking into account the effect of a newly consolidated company (approximately ¥2.1 billion), the decline was approximately ¥12.9 billion, or 8.4%.

Operating Income

Operating income for fiscal 2010 decreased by ¥7,017 million, or 50.7%, year on year, to ¥6,828 million. Operating income improved in all business segments other than the mainstay musical instruments business, which declined significantly. Excluding roughly ¥12.7 billion of this decline due to foreign currency effects from a strong yen, operating income increased by around ¥5.7 billion. Key factors included lower profits due to decreased production and sales, as well as retirement benefit obligation charges (approximately ¥3.5 billion), offset by the lower cost of raw materials (approximately ¥2.8 billion), the benefits of structural reforms implemented in fiscal 2009 (approximately ¥4.8 billion), Group-wide efforts resulting in a major reduction of expenses (approximately ¥13.5 billion), and increased sales prices (approximately ¥7.9 billion).

Operating Income (Loss) by Business Segment

By segment, operating income in the musical instruments segment in fiscal 2010 was ¥5,117 million, ¥14,080 million, or 73.3%, lower than the fiscal 2009 figure of ¥19,198 million. The factors accounting for this decrease were the decreased sales stemming from the economic slowdown in addition to the decline in gross profit ratio due to a decrease in production in order to achieve inventory adjustments and foreign currency effects accompanying the appreciation of the yen.

The AV/IT segment recorded operating income of ¥1,405 million, an improvement of ¥1,815 million from the operating loss of ¥410 million posted in fiscal 2009. Although the segment suffered foreign exchange losses due to the strong yen, profitability improved significantly as a result of decreased cost of sales due to increased in-house production of finished products and components and the lower cost of materials, as well as reductions in SG&A expenses.

The electronic devices segment posted an operating loss of ¥606 million, an improvement of ¥1,929 million from the operating loss of ¥2,536 million in the previous year. Although sales continued to decline, depreciation expenses were down as a result of writing down manufacturing equipment in fiscal 2009, which helped lessen the loss.

The lifestyle-related products segment recorded operating income of ¥365 million, an improvement of ¥670 million from the operating loss of ¥305 million in the previous year. Although sales dropped significantly, the return to profitability was attributable to a decline in cost of sales due to lower manufacturing costs, as well as decreased SG&A expenses.

The others segment posted operating income of ¥546 million, an improvement of ¥2,647 million from the operating loss of ¥2,100 million a year earlier. Sales of automobile interior wood components rose on the back of market recovery, while magnesium molded parts also saw improvements as yield rose and cost reductions took effect.

Operating Income (Loss) by Geographical Segment

By geographical segment, in fiscal 2010, the Company recorded an operating loss of ¥7,510 million for Japan, representing a year-on-year worsening of ¥5,863 million. Although earnings rose or improved in the electronic devices, lifestyle-related products, and others businesses, musical instruments earnings dropped significantly as a result of the yen's appreciation.

In North America, operating income was up ¥436 million, or 23.4%, to ¥2,300 million. The increase was attributable to cost reductions, which outweighed the effect of the decline in sales in musical instruments and AV products.

In Europe, sales of musical instruments fell significantly, leading to a year-on-year decrease in operating income of ¥2,704 million, or 52.4%, to ¥2,455 million.

Operating income in Asia, Oceania and other areas decreased by ¥412 million, or 5.3%, year on year, to ¥7,383 million.

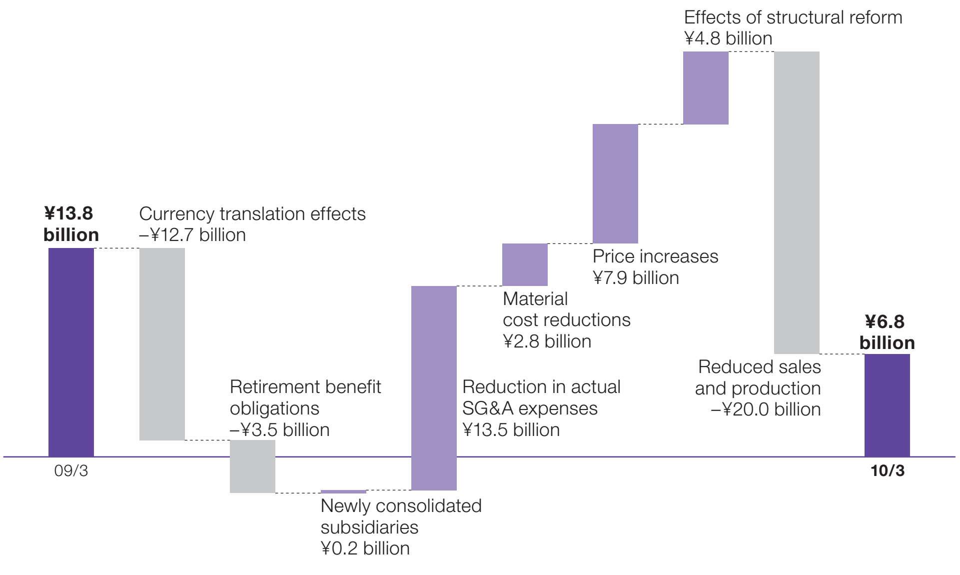
Non-Operating Income and Expenses

In fiscal 2010, non-operating income decreased by ¥1,384 million, or 35.9%, year on year, from ¥3,856 million to ¥2,471 million. Of this amount, interest and dividend income decreased by ¥1,815 million, or 69.8%, to ¥786 million, compared to ¥2,601 million in the previous fiscal year. Other non-operating income increased by ¥177 million, or 14.1%, year on year, from ¥1,254 million to ¥1,431 million. In fiscal 2010, the Company also recorded ¥253 million in employment adjustment subsidy income relating to production adjustments carried out from the period between September 2009 to March 2010.

Non-operating expenses decreased by ¥1,333 million, or 23.3%, year on year, from ¥5,722 million to ¥4,388 million. Of this amount, interest expenses decreased by ¥163 million, or 26.6%, year on year, from ¥615 million to ¥451 million. Sales discounts due to early payment declined from ¥3,416 million to ¥2,804 million, a decrease of ¥612 million, or 17.9% in year-on-year terms. Other non-operating expenses declined from ¥1,690 million to ¥1,133 million, a decrease of ¥556 million, or 33.0%.

Operating Income Analysis

Comparison with Previous Fiscal Year



Extraordinary Income and Losses

Extraordinary income for fiscal 2010 was ¥1,301 million, up ¥508 million, or 64.1%, from ¥793 million the previous fiscal year. Within this, gain on sales of property, plant and equipment increased by ¥519 million, or 182.6%, from ¥284 million in the previous year, to ¥804 million.

Extraordinary losses were down ¥18,518 million, or 74.3%, year on year to ¥6,413 million, compared to ¥24,932 million in the previous year. Major contributing factors were the absence of loss on valuation of investments in capital of subsidiaries and affiliates of ¥3,301 million and the absence of ¥4,863 million in business restructuring expenses recorded in the previous year, and loss on impairment of property, plant and equipment, which decreased by ¥13,361 million, or 87.2%, year on year from ¥15,323 million to ¥1,962 million.

In fiscal 2010, impairment losses consisted primarily of loss on impairment of property and structures, including the headquarters and surrounding factories. Loss on retirement of property, plant and equipment declined ¥123 million, or 13.6%, year on year, from ¥906 million to ¥782 million.

During fiscal 2010, Yamaha transferred 85.1% of its shares in subsidiary Yamaha Livingtec Corporation to a limited investment partnership managed and operated by Japan Industrial Partners, Inc. and to other investors, resulting in a net loss on sales of subsidiaries' and affiliates' stock of ¥2,159 million. Yamaha also recorded tariff assessment from previous periods of ¥574 million based on a customs duty inspection of an Indonesian subsidiary. The subsidiary objects to these prior-year taxes and has appealed the decision by the customs authorities to the Indonesian Supreme Court.

Loss Before Income Taxes and Minority Interests

In fiscal 2010, the Company posted a loss before income taxes and minority interests for the second year running of ¥201 million, but this result was an improvement of ¥11,958 million from the pre-tax loss of ¥12,159 million in the previous year. The ratio of loss before income taxes and minority interests to net sales improved from negative 2.6% to negative 0.0%, a year-on-year improvement of 2.6 percentage points.

Current Income Taxes and Deferred Income Taxes

Current, deferred income taxes, inhabitants' taxes and enterprise tax declined by ¥4,365 million, or 50.1%, year on year, to ¥4,349 million, compared to ¥8,714 million in the previous year.

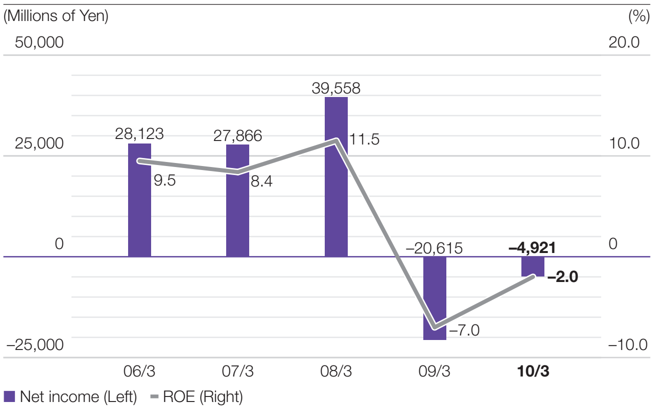
Minority Interests in Income

Minority interests in income in fiscal 2010 were ¥371 million, an improvement of ¥629 million from a loss of ¥258 million recorded in the previous year.

Net Loss

As a result of the foregoing, the Company recorded a net loss for fiscal 2010 of ¥4,921 million, an improvement of ¥15,693 million from the net loss of ¥20,615 million in the previous year. The ratio of net loss to net sales rose 3.3 percentage points from negative 4.5% in the previous year to negative 1.2%. The net loss per share equaled ¥24.95, compared with net loss per share of ¥103.73 in fiscal 2009.

Net Income (Loss) and ROE



Fluctuation in Foreign Exchange Rates and Risk Hedging

Yamaha conducts business operations on a global scale centered on musical instruments. As such, the Company's business structure is relatively vulnerable to the effects of fluctuations in foreign currency exchange rates. The Company's consolidated financial statements bear out the fact that various currencies, among them the U.S. dollar, the euro, the Canadian dollar, the Australian dollar, the Sterling pound and the Chinese yuan, are impacted by foreign currency effects stemming from risks associated with currency translation and transactions denominated in those currencies. Of these risks, currency translation risks only materialize when consolidated subsidiaries translate their financial statements for a specified period or on a specified date into Japanese yen. Transaction-related risks materialize when earnings and expenses and/or assets and liabilities are denominated in different currencies. For this reason, the Company has risk hedges in place for transaction-related risks only. Specifically, U.S. dollar-related currency fluctuation risks are hedged by marrying risk associated with dollar receipts from export sales with risk associated with dollar payments for imported products. The Company hedges the value of risks associated with the euro and the Canadian and Australian dollars by projecting related export revenues and purchasing relevant three-month currency forwards.

Sales at overseas consolidated subsidiaries are calculated using the average exchange rates recorded during the year. On this basis, in fiscal 2010, the yen rose by ¥8 against the U.S. dollar compared with the previous year, to ¥93 per U.S.$1. The year-on-year effect of this change was a decrease of approximately ¥5.5 billion in sales. The yen appreciated by ¥13 against the euro year on year for an average exchange rate of ¥131 to €1, resulting in a decrease of roughly ¥5.6 billion in sales. Overall, the net effect on sales of foreign exchange rate movements, including the downward effect of approximately ¥7.7 billion in fluctuations of the yen against such other currencies as the Canadian and Australian dollars, was a decline of around ¥18.8 billion compared with fiscal 2009.

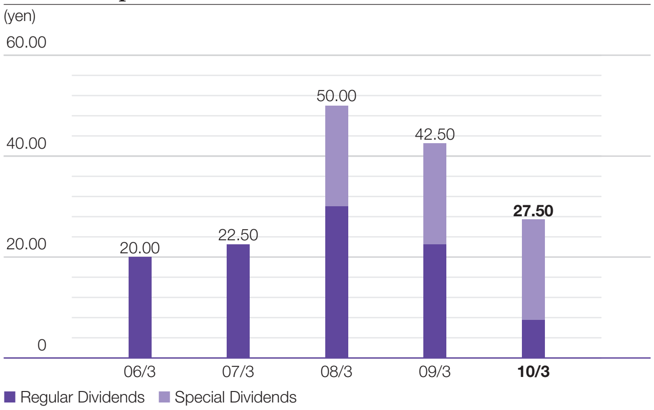
In operating income, for the U.S. dollar, benefits from the aforementioned marriage of risks related to the currency enabled the Company to largely hedge the effects of currency exchange rates stemming from fluctuations in settlement rates. The translation of operating income figures by overseas subsidiaries, however, caused income to decline by approximately ¥0.3 billion. The average settlement rate against the euro was ¥130 to €1, an appreciation of ¥23, resulting in an approximate ¥9.0 billion decline in operating income. Including the approximate ¥3.4 billion effect of currencies other than the U.S. dollar and the euro, the net effect on operating income of exchange rate movements was a decline of roughly ¥12.7 billion compared with the previous fiscal year.

Dividends

Total dividends per share in fiscal 2010 amounted to ¥27.5. This figure included a special dividend of ¥20.0, with a regular dividend per share of ¥7.5, down ¥15.0 compared to the previous year due to poorer business performance.

The special dividend is from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd., for which Yamaha decided to issue dividends of ¥20.0 per share for the three years from fiscal 2008 to fiscal 2010.

Dividends per Share



Analysis of Financial Position

Financing Policy

The Yamaha Group finances its capital needs with respect to working capital used for business activities and business expansion primarily from cash-on-hand, operating cash flows and bank loans.

Yamaha's basic financing policy is to procure stable, low-cost funding while preserving sufficient liquidity.

The Company estimates that present liquidity in hand is equivalent to approximately one month of consolidated net sales, a figure covered by the ¥59,407 million in cash and cash equivalents recorded as of March 31, 2010. However, to ensure fund availability over the medium term, Yamaha has line-of-credit arrangement with financial institutions for a maximum amount of ¥20.0 billion.

In principle, each subsidiary is responsible for meeting its own requirements with respect to fund procurement. When necessary, however, Yamaha Corporation takes part in bank negotiations on a subsidiary's behalf. Should surplus funds become available at subsidiaries in Japan, these funds are loaned to Yamaha Corporation in an effort to promote efficient fund utilization for the entire Group. Moreover, a cash management system has been adopted for certain subsidiaries.

Furthermore, the Company commissions long-term preferred debt rating assessments from credit rating agencies each year to facilitate smooth fund procurement from capital markets. The latest published ratings are shown below.

Ratings

Rating Agency	Long-Term Preferred Debt Rating
Rating and Investment Information, Inc. (R&I)	A (stable)
Japan Credit Rating Agency, Ltd. (JCR)	A+ (stable)

Assets

Total assets at March 31, 2010 amounted to ¥402,152 million, a decrease of ¥6,822 million, or 1.7%, from ¥408,974 million at the end of the previous fiscal year. Of these, current assets decreased by ¥8,837 million, or 4.4%, year on year, from ¥202,097 million to ¥193,260 million. Net property, plant and equipment and investments and other assets together totaled ¥208,891 million, up ¥2,015 million, or 1.0%, from the previous year-end figure of ¥206,876 million.

Current Assets

Current assets at March 31, 2010 totaled ¥193,260 million, down ¥8,837 million, or 4.4%, from the end of the previous fiscal year. Although cash and deposits increased, inventories, deferred tax assets, and notes and accounts receivable—trade decreased.

Cash and deposits increased ¥18,033 million, or 43.6%, year on year, to ¥59,407 million. Notes and accounts receivable (after allowance for doubtful accounts) declined by ¥3,121 million, or 6.2%, to ¥47,414 million. Short-term investment securities amounted to ¥670 million, down ¥610 million, or 47.7%. Inventories declined ¥11,175 million, or 13.8%, to ¥69,518 million. This figure includes a decrease in inventories of roughly ¥0.4 billion due to currency translation effects. Excluding this factor, the decrease in inventories was roughly ¥10.8 billion, or 13.4%. As sales decreased, the entire Group worked to reduce inventories, resulting in close to appropriate inventory levels for all but certain products. Deferred tax assets declined by ¥3,401 million, or 31.2%, to ¥7,504 million. Other current assets declined by ¥8,562 million, or 49.5%, to ¥8,744 million. This was due to refunds of income taxes receivable and consumption taxes receivable, recorded as other current assets at the previous year-end. The ratio of current assets to current liabilities at the fiscal 2010 year-end was 257%, compared with 224% from a year earlier, sustaining liquidity at a high level during fiscal 2010.

Net Property, Plant and Equipment

Net property, plant and equipment as of March 31, 2010 was ¥116,291 million, down ¥11,321 million, or 8.9%, compared to the end of the previous fiscal year. The primary contributor was the removal of Yamaha Livingtec Corporation from the scope of consolidation and impairment measures largely targeting under-utilized land relating to reallocation of facilities.

Buildings and structures, net rose year on year due to the decrease of construction in progress following the completion of the Ginza Building.

Investments and Other Assets

Investments and other assets excluding intangible assets as of March 31, 2010 amounted to ¥89,396 million, a year-on-year increase of ¥13,729 million, or 18.1%. This primarily reflected an increase in valuation of investment securities compared with the previous fiscal year.

Investment securities increased by ¥22,912 million, or 40.1%, year on year, to ¥80,044 million. This was primarily due to increases in the value of Yamaha Motor Co., Ltd. stock and other listed stocks held. Deferred tax assets declined ¥6,646 million, or 69.5%, to ¥2,920 million.

Intangible assets as of March 31, 2010 decreased by ¥393 million, or 10.9% year on year, to ¥3,203 million. This was due in part to depreciation of facility usage rights, particularly land usage rights of certain consolidated subsidiaries.

Liabilities

Total liabilities as of March 31, 2010 amounted to ¥147,560 million, a decrease of ¥9,572 million, or 6.1%, from the previous year-end figure of ¥157,133 million. Current liabilities decreased by ¥14,867 million, or 16.5%, to ¥75,182 million from ¥90,050 million. Noncurrent liabilities increased by ¥5,295 million, or 7.9%, to ¥72,378 million from ¥67,083 million.

Current Liabilities

Current liabilities as of March 31, 2010 were ¥75,182 million, a decrease of ¥14,867 million, or 16.5%, compared to the figure at the end of the previous fiscal year. Major contributors to this decrease were declines in notes and accounts payable—trade, short-term loans payable and the current portion of long-term loans payable, and provision for business restructuring expenses.

Notes and accounts payable—trade were ¥21,791 million, ¥3,834 million, or 15.0%, less than at the end of the previous fiscal year. Short-term loans payable and the current portion of long-term loans payable decreased by ¥5,860 million, or 37.3%, to ¥9,839 million. Total accrued expenses amounted to ¥32,496 million, down by ¥1,515 million, or 4.5%, year on year. Income taxes payable totaled ¥1,900 million, a decrease of ¥190 million, or 9.1%, from the previous year. Provision for business restructuring expenses declined ¥2,234 million, or 70.7%, to ¥926 million.

Noncurrent Liabilities

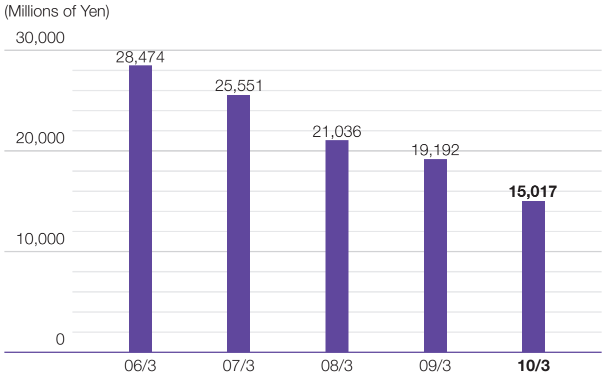
Noncurrent liabilities as of March 31, 2010 amounted to ¥72,378 million, up ¥5,295 million, or 7.9%, compared to the end of the previous fiscal year, primarily due to increases in long-term loans payable and provision for retirement benefits.

Long-term loans payable rose ¥1,686 million to ¥5,177 million, representing a year-on-year increase of 48.3%. Provision for retirement benefits rose ¥6,047 million, or 21.9%, to ¥33,675 million. Long-term deposits received decreased by ¥578 million, or 3.5%, to ¥16,144 million following the refund of resort membership deposits in the recreation business.

Net Interest-Bearing Liabilities

In terms of interest-bearing liabilities as of March 31, 2010, long- and short-term loans payable totaled ¥15,017 million. Cash and deposits were ¥59,407 million, resulting in cash and cash equivalents, less the net of short-term and long-term loans of ¥44,389 million. This figure represents an increase of ¥22,208 million from ¥22,180 million at the previous fiscal year-end. The primarily factor of this increase was the increase in free cash flows due to reduction in inventories and other factors.

Interest-Bearing Liabilities



Net Assets

Net assets as of March 31, 2010 totaled ¥254,591 million, an increase of ¥2,750 million, or 1.1%, compared to ¥251,841 million at the end of fiscal 2009. This was primarily due to a rise in valuation of available-for-sale securities with market value. Retained earnings declined by ¥9,124 million, or 5.2%, to ¥167,614 million, reflecting the net loss of ¥4,921 million, ¥5,917 million in dividend payments and other factors. The valuation difference on available-for-sale securities increased by ¥14,183 million, or 71.6%, year on year to ¥34,000 million. This was due to an increase in market valuation of shares held in Yamaha Motor Co., Ltd. and other listed companies.

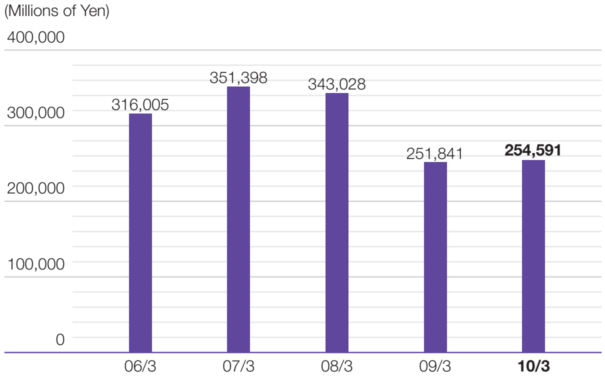
Revaluation reserve for land declined by ¥2,567 million, or 13.7%, to ¥16,201 million, mainly due to the removal of Yamaha Livingtec Corporation from the scope of consolidation.

Minority interests increased by ¥7 million, or 0.2%, year on year to ¥2,852 million.

The equity ratio was 62.6% at March 31, 2010, an increase of 1.7 percentage points from 60.9% at the previous year-end.

Return on equity (ROE) was negative 2.0%.

Net Assets



Cash Flows

Net cash provided by operating activities in fiscal 2010 was ¥39,870 million, in contrast to net cash of ¥2,235 million used in the previous year. This represented an improvement of ¥42,105 million over the previous year, due mainly to a decrease in loss before income taxes and minority interests, decrease in inventories, and a refund of income taxes.

Net cash used in investing activities was ¥12,711 million, compared to net cash of ¥25,999 million used in fiscal 2009. This represented a decrease of ¥13,288 million in cash used and was attributable to the absence of outflows for the acquisition of NEXO S.A. in fiscal 2009 and a decrease in payments for purchases of property, plant and equipment as Yamaha sought to limit capital investment in fiscal 2010.

Net cash used in financing activities totaled ¥9,867 million, compared to ¥31,041 million in fiscal 2009. This represented a decrease of ¥21,174 million in cash used, attributable to a decrease in share buybacks and cash dividends paid.

As a result of the above, the fiscal 2010 year-end balance of cash and cash equivalents amounted to ¥59,235 million, including the net effect of exchange rate fluctuations and changes in the scope of consolidation, representing a year-on-year increase of ¥18,011 million.

Capital Expenditures/Depreciation Expenses

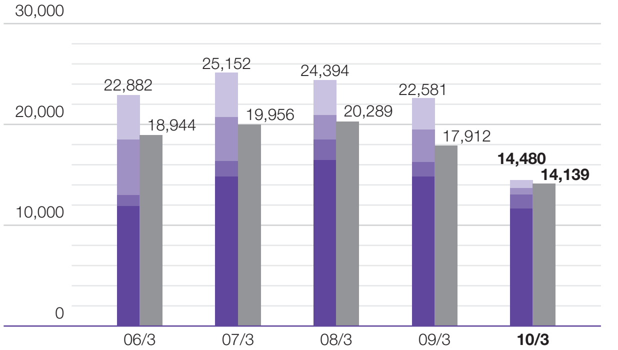
Capital expenditures in fiscal 2010 declined to ¥14,480 million from ¥22,581 million, a decrease of ¥8,101 million, or 35.9%, year on year. This outcome primarily reflects a review of investments, including the postponement or cancellation of non-urgent investments, taken throughout the year as part of measures to improve business performance. Of this total, the musical instruments segment posted a year-on-year decrease of ¥3,130 million, or 21.2%, to ¥11,663 million from ¥14,793 million in fiscal 2009. Major capital expenditures in fiscal 2010 were investment in molds for new products, investments to increase piano production capacity at Hangzhou Yamaha, the integration of piano manufacturing bases in Japan at the Company's factory in Kakegawa, and the reconstruction of the Ginza Building.

Capital expenditures in the AV/IT segment declined ¥103 million, or 7.1%, to ¥1,348 million from ¥1,451 million in fiscal 2009. In the electronic devices segment, capital expenditures amounted to ¥659 million, down ¥2,588 million, or 79.7%, from ¥3,247 million in the previous fiscal year, resulting from a review of capital expenditures. In the lifestyle-related products segment, capital expenditures were ¥525 million, a decrease of ¥481 million, or 47.8%, from ¥1,006 million in the previous year. Capital expenditures declined significantly in the others segment, dropping ¥1,797 million, or 86.3%, from ¥2,082 million in fiscal 2009 to ¥284 million.

Total depreciation and amortization expenses amounted to ¥14,139 million, decreasing by ¥3,773 million, or 21.1%, from ¥17,912 million in fiscal 2009.

Capital Expenditures/Depreciation Expenses

(Millions of Yen)



R&D Expenses

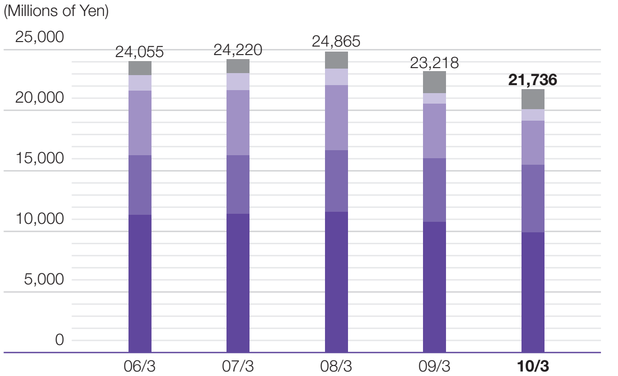
R&D expenses in fiscal 2010 decreased by ¥1,481 million, or 6.4%, year on year, to ¥21,736 million from ¥23,218 million. The ratio of R&D expenses to net sales was 0.1 of a percentage point higher than in fiscal 2009, rising from 5.1% to 5.2%.

Most of this spending was directed at product development in digital musical instruments, and in the AV/IT and semiconductor businesses. Specifically, the spending supported elemental technology research and product development for hybrid pianos that blend acoustic and digital technologies, development of various sound generators to make digital musical instruments more competitive, development of new professional audio equipment for the commercial audio equipment market, such as concert halls and studios leveraging digital network technology, and development of products to expand the genre of AV products. In semiconductors, spending was used for development of high-value-added analog and hybrid semiconductors and development of new products for mobile phones and amusement equipment for pachinko machines.

R&D budgets also funded programs to research and develop basic sound- and music-related technologies (sound sources, voice synthesis, architectural acoustics, etc.), and new devices such as speakers and sensors, and to research interfaces and research and develop acoustic materials.

R&D Expenses

(Millions of Yen)



Financial Section

Forecast for Fiscal Year 2011

Performance Forecast

While economic recovery is anticipated for China and other emerging economies, uncertainty remains in the developed markets of Europe, North America and Japan, and the yen seems set to remain strong. Rising prices for raw materials are also likely to have a negative impact on business performance.

Business forecasts for fiscal 2011 assume exchange rates for the full year of ¥90 per U.S.$1, ¥127 per €1, ¥75 per AUD1, ¥80 per CAD1, and U.S.$6.80 per CNY1. Although sales are expected to decline year on year because of foreign currency effects and due to the transfer of the lifestyle-related products business and the withdrawal from the magnesium molded parts business, we anticipate that both sales and production will increase if these factors are discounted. This, alongside further rationalization of expenses, should lead to higher operating income year on year.

In addition, with the absence of extraordinary losses recorded in fiscal 2010, Yamaha is expected to return to profitability following two consecutive years of losses.

Capital Expenditures Forecast

Management is projecting total capital expenditures of ¥13,900 million, down ¥580 million, or 4.0%, from the ¥14,480 million in fiscal 2010 due to the end of investment in the Ginza Building following its re-opening and the absence of capital expenditures in the lifestyle-related products business.

Major items contributing to capital spending in fiscal 2011 will be regular investment in molds for production of new products, investment for facility upgrade and refurbishment, investment related to sales and marketing, R&D investment, and plant rationalization-related expenses, as well as investment for increased piano and wind instrument production in China.

Depreciation and amortization expenses are forecast at ¥14,200 million in fiscal 2011, compared with ¥14,139 million in fiscal 2010.

Profit Distribution Policy (Dividend Forecast)

Prefaced on the aim of boosting consolidated return on equity (ROE), Yamaha's basic policy is to distribute profits in line with consolidated performance, while also setting aside an appropriate amount of retained earnings to strengthen the Company's management position through investments in R&D, sales and capital expenditure to drive corporate growth, based on prospective levels of medium-term consolidated earnings. Specifically, Yamaha will endeavor to sustain consistent and stable dividend payments and has set a goal of 40% for its consolidated dividend payout ratio. Based on this policy, Yamaha plans to pay a total dividend of ¥10 per share for fiscal 2011, including interim dividend payments of ¥5 per share.

New Medium-Term Management Plan: Yamaha Management Plan 125

Yamaha formulates medium-term management plans, setting management targets and confirming progress as it works to achieve its goals. Under "Yamaha Growth Plan 2010 (YGP2010)," the medium-term plan covering the period from April 1, 2007 to March 31, 2010, the Group worked to achieve growth in "The Sound Company" business domain, which consists mainly of musical instruments, audio, music entertainment, AV/IT, and semiconductors, through proactive investment of management resources, including through strategic M&As and business alliances. Yamaha also worked to expand markets in China and other emerging economies under "YGP2010," as well as to strengthen its industry positioning and further improve the earnings potential of the diversification business.

In the first year of "YGP2010," the Group performed for the most part according to targets. From fiscal 2009 onward, however, the financial crisis that originated in the United States rippled out to the real economy, and the global economy entered a recession. Under these conditions, Yamaha's actual results came in significantly lower than the targets. While growth in the mainstay musical instruments business in China exceeded 10% annually and there was success in business structural reforms and integration of musical instrument production bases, there were delays in responding to rapid fluctuations in demand and changes in customer behavior. As a result, earnings power fell, particularly in the mainstay musical instruments business, and many issues remain to be addressed going forward.

Taking these conditions into consideration, on April 1, 2010 Yamaha launched a new medium-term management plan entitled "Yamaha Management Plan 125 (YMP125)," covering the period from April 1, 2010 to March 31, 2013. YMP125 sets a corporate vision for the Group to achieve even in a protracted economic recession: Yamaha will aim to be a trusted and admired brand, a company whose core operations are centered on "sound and music," and a company with growth driven by both products and services. During the three year period of the new plan, the Group will build a firm foundation for future development and growth. In addition, by concentrating management resources on the musical instruments, music and audio domains, the Group will continue to implement business structural reforms and cultivate the shoots of new growth.

In terms of specific measures, first, in China and other emerging markets, Yamaha will invest management resources with the goal of achieving annual sales of ¥100.0 billion at the end of five years, accelerating growth. Second, in developed economies where the recovery is delayed and the market saturated, we will introduce new products, focusing on product categories with large market scale, in order to expand market share. Third, in terms of production, Yamaha will build an optimized manufacturing structure that can meet trends in demand. Fourth, we will look to strengthen earnings power in service and content businesses. And fifth, we will work to commercialize newly developed technologies in the sound domain.

Based on these efforts, for fiscal 2013, the final year of the plan, Yamaha is targeting net sales of ¥427,000 million, operating income of ¥25,000 million, as well as free cash flows of ¥40,000 million for the three-year period.

Risk Factors

Among the matters covered in this annual report, items that may have a material impact on the decisions of investors include those listed and described below. In addition, information related to future events as related in the text are based on judgments made by the Yamaha Group at the end of the fiscal year.

1. Economic Conditions

The Yamaha Group is developing its business activities globally and therefore is subject to the influence of economic conditions in Japan and other countries. Recessions in world markets and accompanying declines in demand may have a negative effect on the Group's business results and the development of its business activities.

2. Price Competition

The Yamaha Group confronts severe competition in each of its business segments. For example, in the musical instruments segment, the Company is a comprehensive manufacturer of musical instruments and sells high-quality, high-performance instruments covering a broad price spectrum. However, the Company confronts competitors in each musical instruments field, and, especially in recent years, competition in the lower price segments has become more intense.

Also, in the AV/IT segment, the Yamaha Group is exposed to competition from low-priced products. Going forward, depending on reforms in logistics and distribution and trends in new technology, this business may be exposed to further growing price competition, which would have an impact on the Group's current strong position in this area.

3. Development of New Technologies

The Group will focus management resources on the business domains of "musical instruments, music, and audio." The Group will endeavor to create an unassailably strong position as the world's leader in the comprehensive production of musical instruments. The Group has developed the activities of its AV/IT segment, focusing mainly on AV receivers within the AV products category, and the activities of its electronic devices segment, concentrating on sound-generating LSIs built on its core operations in the semiconductor business.

Differentiating the Group's technologies in the field of sound, music, and network is indispensable for the Group's further development and growth. If, in its technological development activities, the Group does not continue to forecast future market needs correctly and meet these needs accurately, the value added of its products in the musical instruments segment will decline, and it may have to deal with price competition. The Group will then face the added problem of being unable to stimulate new demand for its products and may find it difficult to continue its AV/IT and electronic devices businesses.

4. Business Investment

The Group makes capital investments, etc., to promote the expansion of its businesses. However, even if in making investment decisions the Group understands investment return and risk qualitatively and quantitatively and makes careful, considered judgments, under certain circumstances, the Group may be unable to recover a portion or the full amount of its investments or may decide to withdraw from the business. In such cases, there is a possibility that the value of assets invested in such businesses may have to be written down.

5. Business Alliances

The Group forms alliances with other companies, makes investments in other companies, forms joint ventures, and conducts other similar activities, and, in recent years, the partnerships with other companies have grown in importance. In some cases, the anticipated beneficial effects of such partnerships may not materialize because of conflicts of interest with the partners, changes in the business strategies of such partners, or other reasons.

6. Reliance on Customers for Materials and Parts Business

The Group's manufacturing and sale of its products—including semiconductors, automobile interior wood components, and materials and parts—are dependent on the performance of its customers for these materials. When the bonds of trust between such customers and Group companies are impaired by delivery, quality, or other issues, this will have a negative impact on future orders. Moreover, there is also a possibility that Group companies may be requested by customers to pay compensation in the event of quality problems or other defects.

7. Expansion of Business Operations into International Markets

The Yamaha Group has established manufacturing and marketing bases in various parts of the world and has developed its operations globally. Of the Group's 84 consolidated subsidiaries, 45 are foreign corporations, and, of this total, 18 companies are manufacturers located overseas, with principal manufacturing bases concentrated in China, Indonesia, and Malaysia, and 47.3% of the Group's net sales are generated overseas.

As a result, the Group may face certain risks, as listed below, arising from its operations in overseas markets. If such risks should materialize, such as difficulties related to concentration of manufacturing facilities in certain regions, there is a possibility the Group may not be able to continue to provide stable supplies of its products. Such risks include:

(a) Political and economic turmoil, terrorism, and war
(b) The introduction of disadvantageous policies or impositions or changes in regulations
(c) Unexpected changes in laws or regulations
(d) Difficulty in recruiting personnel
(e) Difficulty in procuring raw materials and parts as well as issues related to the level of technology
(f) Distribution problems due to harbour strikes, etc.
(g) The necessity to pay additional taxes under transfer pricing regulations

8. Increases in Raw Materials Prices, Adequacy of Raw Material Supplies, and Rising Logistics Costs

The Group makes use of raw materials in manufacturing its products, including lumber, metals such as copper, and plastics for parts. Increases in the prices of these materials will bring increases in manufacturing costs. In addition, in the case of certain kinds of material, the Group obtains supplies from certain specified suppliers. Supply conditions for such materials may have an impact on the Group's manufacturing activities.

In addition, if logistics costs rise as a result of an increase in crude oil prices, this may be the cause of increases in the ratios of manufacturing costs and cost of sales to net sales.

9. Effects of Declining Birthrate

In the Yamaha Group's core business of musical instruments, regular schools constitute an important sales channel in addition to the Group's music schools and English language schools, which are primarily attended by children. Going forward, declining birthrates, particularly in Japan, may lead to a decline in sales through these channels.

10. Recruitment and Training of Personnel

The average age of the Company's workforce is relatively high, with a significant number of workers in the upper age brackets and a great number of employees approaching the set retirement age. Therefore, some important issues for the Company will be transferring skills for the manufacturing of musical instruments and other products to the next generation, recruiting and training the next group of employees, and dealing with changes in the Company's employment structure. If the Company is unable to respond sufficiently to changes in its employment structure, this may be an obstacle to the future growth of its business activities.

11. Protection and Use of Intellectual Property

The Group has rights to intellectual property, including patents and other rights related to its proprietary technology as well as operating know-how. Some of this intellectual property cannot be fully protected, or can only be protected marginally, because of the limitations of legal systems in certain regions. Therefore, there may be instances where the Group cannot effectively prevent third parties from misusing its intellectual property. As a result, some products of other companies may appear in the market that are similar to or copies of those of Group companies, thus leading to the impairment of the Group's sales. In addition, there may be cases where third parties claim that the Group's products infringe on their own intellectual property rights. As a result, there is a possibility that sales of Group products that use the intellectual property in question may be delayed or suspended.

There are also instances where the Group is licensed in the intellectual property of third parties to produce key components for its products. Any increases in royalties paid for such intellectual property will result in higher manufacturing costs and may have an effect on price-competitiveness. Moreover, when the Group is unable to receive licenses for certain intellectual property, it may have to suspend manufacturing of the related products.

12. Defects in Products and Services

The Yamaha Group supervises the quality of its products in accordance with its corporate rules for quality assurance and product quality. However, there is no guarantee that all products will be free of defects. The Group takes out insurance against product liability claims, but there is no guarantee that this insurance will be sufficient to cover payment of damages. If issues related to product liability arise, then it is likely that insurance rates will increase. In addition, if costs related to product recovery, exchange and repair, and design changes increase significantly, or the reputation of the Group in society should be damaged, a decline in sales may result. Such circumstances may have an adverse effect on the Group's performance and financial position.

Also, although the Group pays careful attention to safety and sanitation at the retail shops, music schools, recreation establishments, and other facilities that it operates, in the unlikely event of an accident, it may require a temporary cessation of operations at the stores, music schools, or facilities as well as cause damage to the Group's reputation; this, in turn, could lead to a decline in sales.

13. Legal Regulations

All the Group's business operations around the world are subject to the laws and regulations of the countries where they are located. Examples of such regulations include laws that cover foreign investment, restrictions on exports and imports that may have an effect on national security, commercial activity, anti-trust issues, consumer protection regulations, tax systems, and environmental protection. In addition, the Group must handle personal information about its customers safely and confidentially. The Yamaha Group takes special care to ensure that its activities are in compliance with legal regulations, but in the event that it unexpectedly fails to comply with certain laws, there is a possibility that the Group's activities may be restricted and costs may increase as a result.

14. Environmental Regulations

There is a trend toward making environmental regulations governing business activities more stringent, and corporations are being requested to fulfill their corporate social responsibilities through the implementation of voluntary environmental programs. The Yamaha Group works to implement policies that exceed the requirements of environmental regulations as regards products, packaging materials, energy conservation, and the processing of industrial waste. However, there is no guarantee that the Group can completely prevent or reduce the occurrence of accidents in which restricted substances are released into the environment at levels exceeding established regulations. Moreover, in cases where soil pollution has occurred on the land formerly occupied by industrial plants, it may be necessary to spend substantial amounts of money for soil remediation when it is sold in the future, or it may be impossible to sell the land. There is also a possibility that the soil on land that has already been sold to third parties may release restricted substances, thus resulting in pollution of the air or underground water and requiring expenditures for cleaning and remediation.

15. Information Leakage

The Group has important information regarding management and business matters as well as personal information related to a wide range of individuals, including its customers. To manage this important information properly, the Group has prepared policies and rules and put into place systems for guarding its security. In the event that this information is mistakenly leaked outside the Group, this may have a major impact on the Group's business activities or result in a decline in the general public's confidence in the Group.

16. Fluctuations in Foreign Currency Exchange Rates

The Yamaha Group conducts manufacturing and sales activities in many parts of the world, and Group company transactions that are denominated in foreign currencies may be affected by fluctuations in currency rates. The Group makes use of forward currency hedge transactions to minimize the impact of foreign exchange rate fluctuations in the short term. However, there may be instances where the Group cannot implement its initial business plans due to exchange rate fluctuations. Especially in the case of profit and loss, the euro-yen exchange rate has a strong influence: a ¥1 change will have an impact on profitability of about ¥0.3 billion.

17. Effects of Earthquakes and Other Natural Disasters

In the event of earthquakes and other natural disasters, the production plants of the Yamaha Group may be damaged. In particular, the Company's Head Office, domestic plants, and major subsidiaries are concentrated in Shizuoka Prefecture, which is located in the Tokai region of Japan, where a major earthquake has been forecast for some years. In addition, the Group's overseas manufacturing plants are concentrated in China, Indonesia, and Malaysia, where there is concern about the occurrence of unexpected natural disasters. In the event of such natural disasters, the Yamaha Group may suffer damage to its facilities and may also be obliged to suspend or postpone operation as well as incur major costs for returning these facilities to operating condition.

18. Items Related to Changes in Financial Position

a. Valuation of Investment Securities

The companies of the Yamaha Group hold available-for-sale securities with market value (representing acquisition costs of ¥16.7 billion and recorded on the consolidated balance sheets as ¥72.7 billion as of March 31, 2010). Since available-for-sale securities with market value are revalued at each balance sheet date based on the mark-to-market valuation method, there is a possibility that the value of such securities may fluctuate from period to period. As a result, this may have an impact on the Company's net assets. In addition, in cases where the market value of these securities falls markedly in comparison to their acquisition cost, there is a possibility that the value of such securities will have to be written down.

b. Unrecognized Losses on Land Valuation

At March 31, 2010, the market value of the Group's land, revalued in accordance with relevant legal regulations, including the Law Concerning Revaluation of Land, was ¥1.6 billion below the carrying value of such land on the Group's balance sheets. In the event of the sale, or other disposal, of such land, this unrealized loss will be recognized and this may negatively affect the Yamaha Group's business results and/or financial position.

c. Retirement and Severance Liabilities and Related Expenses

The Yamaha Group computes its liabilities and expenses for retirement and severance based on its retirement and severance systems, a discount rate, and an expected rate of return on pension plan assets. In certain cases, the retirement and severance systems may be changed and the estimate of such liabilities may change every accounting period. As a result, there is a possibility that retirement benefit liabilities and related costs may increase.

Especially in the event that expected returns on management of such assets cannot be realized because of declines in stock prices and other factors, unrealized actuarial losses may arise, and there is a possibility that expenses for retirement and severance purposes may increase.

Consolidated Balance Sheets

Yamaha Corporation and Consolidated Subsidiaries
At March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2010**	2009	**2010**
Current assets:			
Cash and deposits (Notes 19 and 25)	**¥ 59,407**	¥ 41,373	**$ 638,510**
Notes and accounts receivable — trade (Note 25)	**48,911**	51,938	**525,699**
Short-term investment securities (Notes 8, 25 and 26)	**670**	1,280	**7,201**
Inventories (Notes 2 and 5)	**69,518**	80,694	**747,184**
Deferred tax assets (Note 17)	**7,504**	10,905	**80,653**
Other	**8,744**	17,307	**93,981**
Allowance for doubtful accounts	**(1,496)**	(1,401)	**(16,079)**
Total current assets	**193,260**	202,097	**2,077,171**
Property, plant and equipment, net of accumulated depreciation (Notes 7, 8 and 10):			
Buildings and structures, net	**42,158**	38,885	**453,117**
Machinery and equipment, net	**21,325**	23,196	**229,202**
Land (Note 9)	**50,655**	56,690	**544,443**
Leased assets, net (Note 2)	**306**	521	**3,289**
Construction in progress	**1,845**	8,318	**19,830**
Total property, plant and equipment, net of accumulated depreciation	**116,291**	127,613	**1,249,903**
Investments and other assets:			
Investment securities (Notes 4, 8, 25 and 26)	**80,044**	57,131	**860,318**
Long-term loans receivable	**467**	436	**5,019**
Lease and guarantee deposits	**5,254**	6,234	**56,470**
Deferred tax assets (Note 17)	**2,920**	9,566	**31,384**
Goodwill	**348**	306	**3,740**
Other	**3,566**	5,587	**38,328**
Total investments and other assets	**92,600**	79,263	**995,271**
Total assets	**¥402,152**	¥408,974	**$4,322,356**

LIABILITIES	Millions of Yen 2010	2009	Thousands of U.S. Dollars (Note 3) 2010
Current liabilities:			
Notes and accounts payable — trade (Note 25)	¥ 21,791	¥ 25,625	$ 234,211
Short-term loans payable (Notes 8 and 25)	8,816	14,216	94,755
Current portion of long-term loans payable	1,023	1,483	10,995
Accounts payable — other and accrued expenses (Note 25)	32,496	34,012	349,269
Income taxes payable	1,900	2,090	20,421
Advances received (Note 8)	986	1,385	10,598
Deferred tax liabilities (Note 17)	7	64	75
Provision for product warranties	2,492	3,380	26,784
Provision for business restructuring expenses (Note 12)	926	3,161	9,953
Other (Note 6)	4,741	4,628	50,957
Total current liabilities	75,182	90,050	808,061
Noncurrent liabilities:			
Long-term loans payable (Notes 8 and 25)	5,177	3,491	55,643
Deferred tax liabilities (Note 17)	929	126	9,985
Deferred tax liabilities for land revaluation (Note 9)	14,931	16,776	160,479
Provision for retirement benefits (Note 21)	33,675	27,628	361,941
Long-term deposits received (Note 25)	16,144	16,723	173,517
Other	1,519	2,336	16,326
Total noncurrent liabilities	72,378	67,083	777,923
Contingent liabilities (Note 22)			
NET ASSETS			
Shareholders' equity (Note 20):			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2010 — 197,255,025 shares	28,534	—	306,685
2009 — 197,255,025 shares	—	28,534	—
Capital surplus	40,054	40,054	430,503
Retained earnings	167,614	176,739	1,801,526
Treasury stock	(34)	(29)	(365)
Total shareholders' equity	236,169	245,298	2,538,360
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	34,000	19,817	365,434
Deferred gains or losses on hedges	(166)	(394)	(1,784)
Revaluation reserve for land (Note 9)	16,201	18,769	174,129
Foreign currency translation adjustments	(34,466)	(34,495)	(370,443)
Total valuation and translation adjustments	15,569	3,697	167,337
Minority interests	2,852	2,845	30,653
Total net assets	254,591	251,841	2,736,361
Total liabilities and net assets	¥402,152	¥408,974	$4,322,356

See notes to consolidated financial statements.

Consolidated Statements of Operations

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
Net sales	¥414,811	¥459,284	$4,458,416
Cost of sales (Notes 5, 6, and 11)	268,380	290,381	2,884,566
Gross profit	146,431	168,902	1,573,850
Selling, general and administrative expenses (Notes 11 and 14)	139,602	155,057	1,500,451
Operating income	6,828	13,845	73,388
Other income (expenses):			
Interest and dividend income	786	2,601	8,448
Interest expenses	(451)	(615)	(4,847)
Sales discounts	(2,804)	(3,416)	(30,138)
Gain (loss) on sales or disposal of property, plant and equipment, net (Note 15)	21	(621)	226
Gain (loss) on sales of investment securities	(13)	5	(140)
Special retirement expenses (Note 13)	—	(96)	—
Loss on impairment of fixed assets (Note 10)	(1,962)	(15,323)	(21,088)
Business restructuring expenses (Notes 5 and 12)	—	(4,863)	—
Loss on valuation of investments in capital of subsidiaries and affiliates	—	(3,301)	—
Other, net (Note 16)	(2,605)	(373)	(27,998)
	(7,029)	(26,004)	(75,548)
Loss before income taxes and minority interests	(201)	(12,159)	(2,160)
Income taxes (Note 17):			
Current	3,084	3,790	33,147
Deferred	1,265	4,924	13,596
	4,349	8,714	46,743
Loss before minority interests	(4,550)	(20,873)	(48,904)
Minority interests in income (loss)	371	(258)	3,988
Net loss	¥ (4,921)	¥ (20,615)	$ (52,891)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen											
	Shareholders' Equity					Valuation and Translation Adjustments						
	Capital stock (Note 18)	Capital surplus	Retained earnings (Note 18)	Treasury stock (Note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	¥28,534	¥40,054	¥229,307	¥ (326)	¥297,570	¥ 48,945	¥ 207	¥14,861	¥(21,940)	¥ 42,074	¥3,383	¥343,028
Changes of items during the period:												
Dividends from retained earnings			(10,581)		(10,581)							(10,581)
Net loss			(20,615)		(20,615)							(20,615)
Change of scope of consolidation			981		981							981
Reversal of revaluation reserve for land			(3,907)		(3,907)							(3,907)
Purchases of treasury stock				(18,032)	(18,032)							(18,032)
Retirement of treasury stock			(18,328)	18,328	—							—
Other			(115)		(115)							(115)
Net changes of items other than shareholders' equity						(29,128)	(601)	3,907	(12,555)	(38,377)	(538)	(38,916)
Total changes of items during the period	—	—	(52,567)	296	(52,271)	(29,128)	(601)	3,907	(12,555)	(38,377)	(538)	(91,187)
Balance at March 31, 2009	¥28,534	¥40,054	¥176,739	¥ (29)	¥245,298	¥ 19,817	¥(394)	¥18,769	¥(34,495)	¥ 3,697	¥2,845	¥251,841
Changes of items during the period:												
Dividends from retained earnings			**(5,917)**		**(5,917)**							**(5,917)**
Net loss			**(4,921)**		**(4,921)**							**(4,921)**
Change of scope of consolidation			**1,522**		**1,522**							**1,522**
Change of scope of equity method			**6**		**6**							**6**
Reversal of revaluation reserve for land			**185**		**185**							**185**
Purchases of treasury stock				**(4)**	**(4)**							**(4)**
Net changes of items other than shareholders' equity						**14,183**	**227**	**(2,567)**	**28**	**11,872**	**7**	**11,879**
Total changes of items during the period	**—**	**—**	**(9,124)**	**(4)**	**(9,129)**	**14,183**	**227**	**(2,567)**	**28**	**11,872**	**7**	**2,750**
Balance at March 31, 2010	**¥28,534**	**¥40,054**	**¥167,614**	**¥ (34)**	**¥236,169**	**¥34,000**	**¥(166)**	**¥16,201**	**¥(34,466)**	**¥15,569**	**¥2,852**	**¥254,591**

	Thousands of U.S. Dollars (Note 3)											
	Shareholders' Equity					Valuation and Translation Adjustments						
	Capital stock (Note 18)	Capital surplus	Retained earnings (Note 18)	Treasury stock (Note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$306,685	$430,503	$1,899,602	$(312)	$2,636,479	$212,994	$(4,235)	$201,730	$(370,755)	$ 39,736	$30,578	$2,706,804
Changes of items during the period:												
Dividends from retained earnings			**(63,596)**		**(63,596)**							**(63,596)**
Net loss			**(52,891)**		**(52,891)**							**(52,891)**
Change of scope of consolidation			**16,359**		**16,359**							**16,359**
Change of scope of equity method			**64**		**64**							**64**
Reversal of revaluation reserve for land			**1,988**		**1,988**							**1,988**
Purchases of treasury stock				**(43)**	**(43)**							**(43)**
Net changes of items other than shareholders' equity						**152,440**	**2,440**	**(27,590)**	**301**	**127,601**	**75**	**127,676**
Total changes of items during the period	**—**	**—**	**(98,065)**	**(43)**	**(98,119)**	**152,440**	**2,440**	**(27,590)**	**301**	**127,601**	**75**	**29,557**
Balance at March 31, 2010	**$306,685**	**$430,503**	**$1,801,526**	**$(365)**	**$2,538,360**	**$365,434**	**$(1,784)**	**$174,129**	**$(370,443)**	**$167,337**	**$30,653**	**$2,736,361**

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Cash Flows

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
Net cash provided by (used in) operating activities:			
Loss before income taxes and minority interests	¥ (201)	¥ (12,159)	$ (2,160)
Depreciation and amortization	14,139	17,912	151,967
Loss on impairment of fixed assets	1,962	15,323	21,088
Amortization of goodwill	163	1,422	1,752
Increase (decrease) in allowance for doubtful accounts	23	(116)	247
Loss on valuation of stocks of subsidiaries and affiliates	428	163	4,600
Loss (gain) on sales of stocks of subsidiaries and affiliates	2,159	—	23,205
Loss on valuation of investments in capital of subsidiaries and affiliates	—	3,301	—
Loss on valuation of investment securities	478	277	5,138
Increase (decrease) in provision for retirement benefits	6,470	2,456	69,540
Interest and dividend income	(786)	(2,601)	(8,448)
Interest expenses	451	615	4,847
Foreign exchange losses (gains)	104	(144)	1,118
Equity in (earnings) losses of affiliates	0	7	0
Loss (gain) on sales of investment securities	13	(4)	140
Loss (gain) on sales or disposal of property, plant and equipment, net	(21)	621	(226)
Business restructuring expenses	—	4,863	—
Gain on reversal of provision for business restructuring expenses	(113)	—	(1,215)
Special retirement expenses	—	96	—
Loss (gain) on liquidation of subsidiaries	6	(231)	64
Tariff assessment from previous periods	574	—	6,169
Decrease (increase) in notes and accounts receivable—trade	(2,244)	13,432	(24,119)
Decrease (increase) in inventories	11,731	(8,859)	126,086
Increase (decrease) in notes and accounts payable—trade	1,092	(9,540)	11,737
Other, net	(685)	(7,433)	(7,362)
Subtotal	35,748	19,399	384,222
Interest and dividend income received	790	2,649	8,491
Interest expenses paid	(444)	(638)	(4,772)
Income taxes (paid) refunded	3,775	(23,646)	40,574
Net cash provided by (used in) operating activities	39,870	(2,235)	428,525
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	(3)	423	(32)
Payments for purchases of property, plant and equipment	(14,106)	(20,522)	(151,612)
Proceeds from sales of property, plant and equipment	1,771	1,397	19,035
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 19)	—	(8,073)	—
Increase (decrease) from sales of subsidiaries and affiliates resulting in change in scope of consolidation (Note 19)	(1,237)	—	(13,295)
Payments for purchase of investment securities	—	(99)	—
Proceeds from sales and redemption of investment securities	8	3,015	86
Payments for purchase of subsidiaries' and affiliates' stock	(847)	(630)	(9,104)
Proceeds from sales of subsidiaries' and affiliates' stock	—	60	—
Payments for purchase of investments in capital of subsidiaries and affiliates	—	(869)	—
Proceeds from liquidation of subsidiaries and affiliates	785	—	8,437
Proceeds from decrease in investment in capital of subsidiaries and affiliates	453	—	4,869
Other, net	464	(702)	4,987
Net cash provided by (used in) investing activities	(12,711)	(25,999)	(136,619)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(4,714)	176	(50,666)
Proceeds from long-term loans payable	2,783	2,756	29,912
Repayment of long-term loans payable	(1,293)	(4,622)	(13,897)
Proceeds from deposits received from membership	4	17	43
Repayments for deposits received from membership	(585)	(485)	(6,288)
Purchases of treasury stock	(4)	(18,032)	(43)
Cash dividends paid	(5,917)	(10,581)	(63,596)
Cash dividends paid to minority shareholders	(146)	(228)	(1,569)
Other, net	6	(41)	64
Net cash used in financing activities	(9,867)	(31,041)	(106,051)
Effect of exchange rate changes on cash and cash equivalents	83	(3,668)	892
Net increase (decrease) in cash and cash equivalents	17,375	(62,943)	186,748
Cash and cash equivalents at beginning of period	41,223	103,371	443,067
Increase in cash and cash equivalents from newly consolidated subsidiary	1,308	1,107	14,058
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(673)	(311)	(7,233)
Cash and cash equivalents at end of period (Note 19)	¥ 59,235	¥ 41,223	$ 636,662

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

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 generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. The Company and all consolidated subsidiaries are referred to herein as the "Yamaha Group."

Effective the previous fiscal year, the Company has applied the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force, No. 18, issued by the ASBJ on May 17, 2006). Under the new accounting standard, the accompanying consolidated financial statements have been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States as adjusted for certain items. See Note 2 (5). The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. 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 sums of the individual amounts.

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

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through 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 84 consolidated subsidiaries for the year ended March 31, 2010 and 88 consolidated subsidiaries for the year ended March 31, 2009. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their own operations are significantly affected in various ways by the Yamaha Group are accounted for by the equity method. Investments in one affiliate was accounted for by the equity method for the year ended March 31, 2010, and two affiliates were accounted for by the equity method for the year ended March 31, 2009. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost. See Note 2 (1). Certain overseas subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company; however, a financial closing as of and for the year ended March 31 has been made and reported by these overseas subsidiaries for consolidation purposes. All assets and liabilities of subsidiaries are revalued at fair value on acquisition and, if applicable, the excess of cost over the underlying net assets at the respective dates of acquisition is presented as goodwill and 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 consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date if not hedged by forward foreign exchange contracts, or at the contracted rates of exchange when hedged by forward foreign exchange contracts. The resulting exchange gain or loss is recognized as other income or expense. Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from translation are presented as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(d) Cash and cash equivalents

Cash on hand and in banks, and 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 and cash equivalents.

(e) Securities

Securities owned by the Yamaha Group have been classified into two categories, held-to-maturity and available-for-sale, in accordance with the accounting standard for financial instruments. Under this standard, held-to-maturity debt securities are either amortized or accumulated to face value by the straight-line method. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost. If the market value of marketable securities classified as available-for-sale securities declines significantly, such securities are written down to their respective fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as an impairment loss unless the fair value is deemed recoverable. The Company has established a policy for the recognition of impairment loss if the market value at the year end has declined more than 30% and a recovery to fair value is not anticipated. Cost of securities sold is determined by the weighted-average method.

(f) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the cost method (method of reducing book value when the contribution of inventories to profitability declines), cost being determined by the last-in, first-out method. Inventories of the Company's overseas consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method. See Note 2 (3).

(g) Depreciation

Depreciation of property, plant and equipment (excluding leased assets) is calculated principally 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:

Buildings:	31 – 50 years (structures attached to buildings: 15 years)
Structures:	10 – 30 years
Machinery and equipment:	4 – 9 years
Tools, furniture and fixtures:	5 – 6 years (molds: 2 years)

Effective the previous fiscal year, pursuant to the revision of the Corporate Tax Law of Japan in fiscal year 2008, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of their property, plant and equipment. As a result, the useful lives of machinery and equipment included among property, plant and equipment have been changed from the previous 4- to 11-year range to the 4- to 9-year range. The effect of this change on profit and loss for the year ended March 31, 2009 was not material.

Depreciation of leased assets under finance leases, other than those for which the ownership transfers to the lessee, is calculated by the straight-line method over the lease period with the residual value zero.

(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. The amount of the provision is based on the historical experience with write-offs plus an estimate of specific probable doubtful accounts determined by a review of the collectability of individual receivables.

(i) Provision for product warranties

Provision for product warranties is provided to cover the cost of customers' claims relating to after-sales service and repairs. The amount of this provision is estimated based on a percentage of the amount or volume of sales after considering the historical experience with repairs of products under warranty.

(j) Provision for business restructuring expenses

To provide for expenses arising from business reorganization and so forth, the projected amount of such expenses is set aside as a provision.

(k) Construction contracts

For the construction work in progress, if the outcome of the construction activity during the course of the construction is deemed certain, the percentage-of-completion method is applied.

When the above condition is not met, the completed-contract method is applied.

The method for estimating the amount recognized by the percentage of completion is based on the ratio of costs incurred to the estimated total cost. See Note 2 (2).

(l) Provision for retirement benefits

Provision for employees' retirement benefits is provided based on the projected retirement benefit obligation and the pension fund assets.

Prior service cost is amortized as incurred by the straight-line method over a period (10 years) which is shorter than the average remaining years of service of the employees participating in the plans.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, primarily by the straight-line method, over a period (10 years) which is shorter than the average remaining years of service of the employees participating in the plans.

(m) Criteria for presentation of finance leases (as Lessor)

For finance lease transactions where the Company or a consolidated subsidiary is the lessor, in which ownership is not transferred to the lessee, the leased assets are recorded as lease investment assets which are included in the item "Other" under "Current assets." Sales and cost of sales related to these finance lease transactions are recognized at the time the lease fees are received.

(n) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases 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.

(o) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risk arising from adverse fluctuations in foreign currency exchange rates. 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 a component of net assets.

Hedging instruments are forward foreign exchange contracts, purchased options with foreign currency-denominated put and yen-denominated call options. Hedged items are primarily forecast sales denominated in foreign currencies, and receivables and payables denominated in foreign currencies.

Forecast sales denominated in foreign currencies designated as hedged items are accounted for by benchmark method. Translation differences arising from forward foreign exchange contracts of receivables and payables denominated in foreign currencies are accounted for by allocation method.

The Company and its consolidated subsidiaries manage their derivative transactions in accordance with the Group's management policy and rules of each company. See Note 26.

Hedge effectiveness is not assessed if the anticipated cash flows are fixed by hedging activities and the risk of changes in cash flows are completely avoided.

(p) Consumption tax

Income and expenses are recorded net of consumption tax.

2. CHANGES IN METHODS OF ACCOUNTING AND PRESENTATION

(a) Changes in methods of accounting

(1) Scope of consolidation

Effective the year ended March 31, 2010, "Guidance on Determining a Subsidiary and an Affiliate" (ASBJ Guidance No. 22, issued by ASBJ on May 13, 2008) has been applied.

This change had no effect on profit or loss for the year ended March 31, 2010.

(2) Accounting standards for construction contracts

The Company and its consolidated subsidiaries have previously applied the completed-contract method for recognizing the revenues for construction contracts. However, Effective the year ended March 31, 2010, accompanying the application of "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued by the ASBJ on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued by the ASBJ on December 27, 2007), the percentage-of-completion method has been applied for the construction work under contract that commenced during the fiscal year ended March 31, 2010, provided the outcome of the construction activity is deemed certain during the course of the activity (based on the ratio of costs incurred to the estimated total cost to estimate the percentage of completion of construction activity).

For construction where uncertainty exists, the completed-contract method has been applied.

The effect of this change on profit and loss for the year ended March 31, 2010 was not material.

(3) Method of measurement of inventories

Effective the previous fiscal year, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued by the ASBJ on July 5, 2006) and the method of measurement of inventories was changed from the lower of cost or market method to the cost method (reducing book value of inventories when their contribution to profitability declines), cost being determined by the last-in, first-out method. This change had no effect on profit and loss for the year ended March 31, 2009.

(4) Accounting standards for lease transactions

Effective the previous fiscal year, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13, originally issued by the Business Accounting Council, First Session on June 17, 1993, and the final revision issued on March 30, 2007), and "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, originally issued by the Accounting Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, with the final revision issued on March 30, 2007). As a result, the accounting treatment for finance leases in which ownership is not transferred to the lessee has been changed from methods applicable to operating lease transactions to methods applicable to ordinary buying and selling transactions.

For finance leases in which ownership is not transferred to the lessee commencing on or before March 31, 2008, the Company maintains its accounting treatments applicable to operating lease transactions. The effect of this change on profit and loss for the year ended March 31, 2009 was not material.

(5) Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective the previous fiscal year, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force, No. 18, issued by the ASBJ on May 17, 2006), and the necessary revisions have been made in the consolidated financial statements. The effect on profit and loss for the year ended March 31, 2009 and retained earnings at March 31, 2009 were not material. In previous fiscal years, the landrights at certain overseas consolidated subsidiaries were included and presented in the item "Land," however, they are now included in the item "Other" item under "Investments and other assets," and amounted to ¥1,503 million as of March 31, 2009.

(b) Changes in methods of presentation

Consolidated statements of cash flows

For the year ended March 31, 2009, "proceeds from liquidation of subsidiaries and affiliates," which amounted to ¥183 million in that fiscal year was included in the "Other, net" in the "Net cash provided (used in) investing activities" section of the consolidated statements of cash flows. For the year ended March 31, 2010, this item has become material and, therefore, has been presented separately.

3. U.S. DOLLAR AMOUNTS

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2010 have been presented in U.S. dollars by translating all yen amounts at ¥93.04 = U.S.$1.00, the exchange rate prevailing on March 31, 2010. 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.

4. INVESTMENT SECURITIES

Investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Investments in unconsolidated subsidiaries and affiliates	**¥ 1,984**	¥ 2,269	**$ 21,324**
Other	**78,059**	54,862	**838,983**
Investment securities	**¥80,044**	¥57,131	**$860,318**

Financial Section

5. INVENTORIES

Inventories at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Merchandise and finished goods	**¥48,087**	¥56,580	**$516,842**
Work in process	**12,496**	13,526	**134,308**
Raw materials and supplies	**8,935**	10,588	**96,034**
	¥69,518	¥80,694	**$747,184**

Write down of inventories for the year ended March 31, 2010 and 2009 were recognized in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Cost of sales	**¥(575)**	¥1,625	**$(6,180)**
Business restructuring expenses	**—**	67	**—**

6. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

After adopting the “Accounting standard for Construction contracts” effective the year ended March 31, 2009, a provision for loss on construction contracts of ¥14 million ($150 thousand) was included in “Cost of sales” and “Other” of “Current liabilities.”

7. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2010 and 2009 amounted to ¥198,513 million ($2,133,631 thousand) and ¥216,107 million, respectively.

8. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term and long-term loans payable, lease obligations, and guarantee deposit as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Short-term loans payable	**¥ 8,816**	¥14,216	**$ 94,755**
Current portion of long-term loans payable	**1,023**	1,483	**10,995**
Current portion of lease obligations	**37**	48	**398**
Long-term loans payable	**5,177**	3,491	**55,643**
Lease obligations	**285**	502	**3,063**
Guarantee deposits	**66**	553	**709**
Total	**¥15,406**	¥20,296	**$165,585**

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2010 and 2009 were as follows:

	2010	2009
Short-term loans payable	**1.8**	1.8
Current portion of long-term loans payable	**1.8**	3.9
Long-term loans payable	**2.7**	2.4
Guarantee deposits	**3.0**	3.0

* The average interest rate shown above is the weighted average of the interest rates on loans calculated by using the balance of such obligations outstanding at the end of the fiscal year. For lease obligations, no average interest rate is shown because the amounts in the consolidated balance sheets include the amounts corresponding to interest paid from total lease payments.

For the middle-term financing purpose, the Company has line-of-credit arrangement with financial institutions for a maximum amount of ¥20,000 million ($214,961 thousand). At March 31, 2010, there were no borrowings outstanding under these commitment lines.

The assets pledged as collateral for long-term loans payable and certain other current liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Short-term investment securities	**¥ 370**	¥ 695	**$ 3,977**
Property, plant and equipment, net of accumulated depreciation	**207**	204	**2,225**
Investment securities	**450**	370	**4,837**
	¥1,028	¥1,270	**$11,049**

The above assets were pledged as collateral for "Short-term loans payable" of ¥35 million ($376 thousand) and "Advances received" of ¥986 million ($10,598 thousand) at March 31, 2010, and for "Short-term loans payable" of ¥59 million and "Advances received" of ¥1,385 million at March 31, 2009.

9. LAND REVALUATION

For the year ended March 31, 2010, the Company has carried over the revaluation of their landholdings at the date of revaluation in accordance with the "Law Concerning the Revaluation of Land" (Law No. 34 published on March 31, 1998). The date of revaluation was March 31, 2002.

And for the year ended March 31, 2009, the Company, and one consolidated subsidiary have carried over the revaluation of their landholdings at the following dates in accordance with the "Law Concerning the Revaluation of Land" (Law No. 34 published on March 31, 1998). The dates of revaluation were as follows:

	Dates of Revaluation
One consolidated subsidiary	March 31, 2000
The Company	March 31, 2002

For the years ended March 31, 2010 and 2009, the Company and one consolidated subsidiary determined the value of their land based on the respective value registered in the land tax list or the supplementary land tax list as specified in No. 10 or No. 11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land" (Cabinet Order No. 119 published on March 31, 1998).

The excess of the revalued carrying amount of such land over its market value at March 31, 2010 and 2009 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Excess of revalued carrying amount of land over market value	**¥(1,607)**	¥(12,129)	**$(17,272)**

10. LOSS ON IMPAIRMENT OF FIXED ASSETS

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2010:

Group of Fixed Assets	Location	Impaired Assets	Millions of Yen 2010	Thousands of U.S. Dollars (Note 3) 2010
Idle assets, etc.	Hamamatsu-shi, Shizuoka Prefecture, etc.	Buildings and structures	**¥ 468**	**$ 5,030**
		Machinery and equipment	**18**	**193**
		Land	**1,473**	**15,832**
		Leasehold rights	**1**	**11**
		Total	**¥1,962**	**$21,088**

Method of grouping assets

The Company and its consolidated subsidiaries group fixed assets based on business segments, which are regarded as the smallest units independently generating cash flows.

Background leading to the recognition of impairment losses

The Company and its consolidated subsidiaries recognized impairment losses on idle assets and properties that companies are planning to dispose.

Method for computing the recoverable amount

The recoverable amounts of idle assets, etc. are measured as the net sale value of such assets, based the assessed values for property tax purposes.

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2009:

Group of Fixed Assets	Location	Impaired Assets	Millions of Yen 2009
Semiconductor business assets	Aira-gun, Kagoshima Prefecture Iwata-shi, Shizuoka Prefecture	Buildings and structures	¥ 2,070
		Machinery and equipment	3,264
		Land	222
		Total	5,559
Recreation business assets	Katsuragi recreation facility Fukuroi-shi, Shizuoka Prefecture	Buildings and structures	1,132
		Land	2,785
		Total	3,918
Goodwill	Goodwill related to subsidiaries NEXO and Steinberg	Goodwill	5,665
		Total	5,665
Idle assets	Hamamatsu-shi, Shizuoka Prefecture	Buildings and structures	0
		Machinery and equipment	179
		Total	180
Total		Buildings and structures	3,203
		Machinery and equipment	3,445
		Land	3,008
		Goodwill	5,665
		Total	¥15,323

Method of grouping assets

The Company and its consolidated subsidiaries group fixed assets based on business segments, which are regarded as the smallest units independently generating cash flows.

Background leading to the recognition of impairment losses

Regarding the valuation of assets related to the semiconductor business and the recreation business as well as goodwill, the Company recognizes impairment losses on the assets in those businesses that report continuing losses in their operations or are forecast to report losses.

In addition, the Company recognizes impairment losses on idle assets that are not expected to be utilized.

Method for computing the recoverable amount

The recoverable amounts for the semiconductor and recreation business segments are measured with use value, which is computed using future cash flows discounted at a rate of 10.0% and 7.5%, respectively. The recoverable amounts of goodwill related to NEXO S.A. and Steinberg Media Technologies GmbH are measured based on the latest business plan for groups of assets of the related goodwill. The present values of future cash flows are calculated using discount rates of 11.9% and 11.8% respectively.

The recoverable amounts of idle assets are measured according to their net realizable values based on independent third party appraisals.

11. R&D EXPENSES

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2010 and 2009, amounted to ¥21,736 million ($233,620 thousand) and ¥23,218 million, respectively.

12. BUSINESS RESTRUCTURING EXPENSES

These expenses include costs accompanying the decision to dissolve overseas manufacturing subsidiaries Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd., and Kemble & Company Ltd.; expenditures incurred for the realignment of the distribution centers in Europe; expenses in connection with the withdrawal from the magnesium molded parts business; expenditures related to the cancellation of activities in the silicon microphone business; and expenses incurred in connection with the withdrawal from the water heater business.

13. SPECIAL RETIREMENT EXPENSES

Additional retirement payments were made due to the implementation of a special early retirement program.

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Principal items of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Sales commissions	**¥ 1,427**	¥ 1,616	**$ 15,337**
Transport expenses	**12,966**	16,083	**139,359**
Advertising expenses and sales promotion expenses	**18,130**	22,855	**194,862**
Allowance for doubtful accounts	**204**	20	**2,193**
Provision for product warranties	**1,425**	1,798	**15,316**
Provision for retirement benefits	**7,107**	4,924	**76,387**
Salaries and benefits	**59,225**	63,145	**636,554**
Rent	**4,686**	4,653	**50,365**
Depreciation and amortization	**3,827**	3,858	**41,133**

15. SALES OR DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

2010

Gains on sale of property, plant and equipment principally result from sales of machinery, equipment and vehicles and buildings and structures. Disposal of property, plant and equipment principally result from disposal of buildings and structures, machinery, equipment and vehicles.

2009

Gains on sale of property, plant and equipment principally result from gain on sales of buildings and structures and land. Disposal of property, plant and equipment principally result from disposal of machinery, equipment and vehicles, and buildings and structures.

16. OTHER INCOME (EXPENSES)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Employment adjustment subsidy income	**¥ 253**	¥ —	**$ 2,719**
Reversal of provision for business restructuring expenses	**113**	—	**1,215**
Loss on valuation of investment securities	**(478)**	(277)	**(5,138)**
Loss on valuation of stocks of subsidiaries and affiliates	**(428)**	(163)	**(4,600)**
Loss on sales of stocks of subsidiaries and affiliates	**(2,159)**	—	**(23,205)**
Tariff assessment from previous periods*	**(574)**	—	**(6,169)**
Other, net	**668**	67	**7,180**
	¥(2,605)	¥(373)	**$(28,160)**

*Consolidated subsidiary P.T. Yamaha Indonesia has been ordered to pay an additional amount shown indicated above based on a customs duty inspection. P.T. Yamaha Indonesia has appealed this decision by the customs authorities to the Indonesian Supreme Court.

17. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants’ taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 39.5% for the years ended March 31, 2010 and 2009. Income taxes of the overseas consolidated subsidiaries are, in general, based on the tax rates applicable in their respective countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	2010
Deferred tax assets:			
Write-downs of inventories	¥ 2,240	¥ 2,693	$ 24,076
Unrealized gain on inventories and property, plant and equipment	459	567	4,933
Allowance for doubtful accounts	611	677	6,567
Depreciation	9,157	10,241	98,420
Loss on impairment of fixed assets	11,738	12,123	126,161
Loss on valuation of investment securities	4,558	4,595	48,990
Accrued employees' bonuses	2,539	2,993	27,289
Provision for product warranties	734	1,170	7,889
Provision for retirement benefits	13,048	10,837	140,241
Tax loss carryforwards	13,372	6,527	143,723
Other	5,544	6,553	59,587
Gross deferred tax assets	64,006	58,981	687,941
Valuation allowance	(29,950)	(23,228)	(321,905)
Total deferred tax assets	34,056	35,753	366,036
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	(1,447)	(1,543)	(15,552)
Reserve for special depreciation	(84)	(131)	(903)
Valuation difference on available-for-sale securities	(22,011)	(12,971)	(236,576)
Other	(1,024)	(826)	(11,006)
Total deferred tax liabilities	(24,568)	(15,471)	(264,058)
Net deferred tax assets	¥ 9,488	¥ 20,281	$ 101,978

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2010 and 2009 has been omitted because the Company recorded a net loss for the years.

18. INFORMATION FOR CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The following tables present information related to the accompanying consolidated statements of changes in net assets for the years ended March 31, 2010 and 2009:

(a) Common stock

Number of shares	2010	2009
Beginning of the year	197,255,025	206,524,626
Increase	—	—
Decrease	—	9,269,601*1
End of the year	197,255,025	197,255,025

*1 Decrease owing to retirement of treasury stocks based on the resolution of the Board of Directors: 9,269,601 shares

(b) Treasury stock

Number of shares	2010	2009
Beginning of the year	17,461	234,581
Increase	4,313*1	9,052,481*2
Decrease	—	9,269,601*3
End of the year	21,774	17,461

*1 Increase owing to purchases of outstanding fractional shares of less than one trading unit: 4,313 shares
*2 Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 9,033,800 shares
Increase owing to purchase of outstanding fractional shares less than one trading unit: 18,681 shares
*3 Decrease owing to retirement of treasury stock based on the resolution of the Board of Directors: 9,269,601 shares

(c) Subscription right to shares

None issued

(d) Cash dividends

(1) Amount of dividend payments

2010

Date of approval	Type of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars) (Note 3)	Dividends per share (Yen)	Dividends per share (U.S. Dollars) (Note 3)	Record date	Effective date
Jun. 25, 2009 (Annual General Meeting of Shareholders)	Common stock	**¥2,958**	**$31,792**	**¥15.00**	**$0.16**	Mar. 31, 2009	Jun. 26, 2009
Oct. 30, 2009 (Board of Directors)	Common stock	**¥2,958**	**$31,792**	**¥15.00**	**$0.16**	Sept. 30, 2009	Dec. 7, 2009

Note: Dividends per share of ¥15.00 ($0.16) approved on June 25, 2009 consisted of regular dividends of ¥5.00 ($0.05) and special dividends of ¥10.00 ($0.11).
Dividends per share of ¥15.00 ($0.16) approved on October 30, 2009 consisted of regular dividends of ¥5.00 ($0.05) and special dividends of ¥10.00 ($0.11).

2009

Date of approval	Type of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 25, 2008 (Annual General Meeting of Shareholders)	Common stock	¥5,157	¥25.00	Mar. 31, 2008	Jun. 26, 2008
Oct. 31, 2008 (Board of Directors)	Common stock	¥5,424	¥27.50	Sept. 30, 2008	Dec. 10, 2008

Note: Dividends per share of ¥25.00 approved on June 25, 2008 consisted of regular dividends of ¥15.00 and special dividends of ¥10.00.
Dividends per share of ¥27.50 approved on October 31, 2008 consisted of regular dividends of ¥17.50 and special dividends of ¥10.00.

(2) Dividends whose effective date is in the fiscal year subsequent to that in which the record date falls

2010

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars) (Note 3)	Dividends per share (Yen)	Dividends per share (U.S. Dollars) (Note 3)	Record date	Effective date
Jun. 25, 2010 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	**¥2,465**	**$26,494**	**¥12.50**	**$0.13**	Mar. 31, 2010	Jun. 28, 2010

Note: Dividends per share of ¥12.50 ($0.13) approved on June 25, 2010 consisted of regular dividends of ¥2.50 ($0.03) and special dividends of ¥10.00 ($0.11).

2009

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 25, 2009 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥2,958	¥15.00	Mar. 31, 2009	Jun. 26, 2009

Note: Dividends per share of ¥15.00 approved on June 25, 2009 consisted of regular dividends of ¥5.00 and special dividends of ¥10.00.

19. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2010 and 2009:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Cash and deposits	**¥59,407**	¥41,373	**$638,510**
Time deposits with a maturity of more than three months	**(172)**	(149)	**(1,849)**
Cash and cash equivalents	**¥59,235**	¥41,223	**$636,662**

Breakdown of principal assets and liabilities of Yamaha Livingtec Corporation and its two wholly owned subsidiaries (as of March 31, 2010), which is excluded from consolidation by the sales of its shares by the Company for the year ended March 31, 2010:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Current assets	**¥ 8,433**	**$ 90,638**
Noncurrent assets	**8,413**	**90,423**
Total assets	**¥16,847**	**$181,073**
Current liabilities	**¥ 8,173**	**$ 87,844**
Noncurrent liabilities	**4,100**	**44,067**
Total liabilities	**¥12,274**	**$131,922**

Regarding land for business purposes that is included in noncurrent assets, these companies have carried out the revaluation of landholdings in accordance with the Law Regarding the Partial Revision to the Land Revaluation Law (Law No. 34, published on March 31, 1998). As of March 31, 2010, the market value of these companies' land, revalued in accordance with relevant legal regulations was ¥2,087 million below the carrying value of such land on the these companies' balance sheets.

The breakdown of principal assets and liabilities of NEXO S.A. (as of July 1, 2008), which is newly consolidated as a result of the purchase of its shares by the Company, for the year ended March 31, 2009:

	Millions of Yen
Current assets	¥ 1,974
Noncurrent assets	1,491
Goodwill	4,537
Current liabilities	(1,036)
Noncurrent liabilities	(46)
Subtotal	6,920
Shares held prior to acquisition of a controlling interest and others	(888)
Expenditures for acquisition of NEXO S.A. shares	¥(6,032)

Expenditures for the acquisition of additional shares after the consolidation of the company have amounted to ¥2,041 million.

20. LEGAL RESERVE AND ADDITIONAL PAID-IN CAPITAL

The Corporation Law of Japan (the "Law") provides that amounts from capital surplus and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to additional paid-in capital included in capital surplus or the legal reserve based on the applicable sources of such distributions until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account.

21. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, such as welfare pension plans and lump-sum payment plans.

In certain cases, the Company pays employees who are retiring, etc., additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods according to retirement benefit accounting principles.

Certain overseas consolidated subsidiaries have either defined benefit plans or defined contribution pension plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Retirement benefit obligation	**¥(134,771)**	¥(150,109)	**$(1,448,528)**
Plan assets at fair value	**78,546**	82,281	**844,218**
Unfunded retirement benefit obligation	**(56,224)**	(67,828)	**(604,299)**
Unrecognized actuarial gain or loss	**25,013**	42,784	**268,841**
Unrecognized prior service cost	**(2,464)**	(2,444)	**(26,483)**
Net retirement benefit obligation at transition	**(33,675)**	(27,488)	**(361,941)**
Prepaid pension expenses	**—**	139	**—**
Provision for retirement benefits	**¥ (33,675)**	¥ (27,628)	**$ (361,941)**

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2010	2009	**2010**
Service cost	**¥ 5,152**	¥ 4,907	**$ 55,374**
Interest cost	**2,930**	2,935	**31,492**
Expected return on plan assets	**(2,843)**	(4,060)	**(30,557)**
Amortization of prior service cost	**(157)**	(157)	**(1,687)**
Amortization of actuarial gain or loss	**7,065**	4,849	**75,935**
Additional retirement benefit expenses	**807**	1,545	**8,674**
Total	**¥12,955**	¥10,020	**$139,241**

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

	2010	2009
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.5%**	4.0%
Amortization of prior service cost	**10 years (straight-line method)**	10 years (straight-line method)
Amortization of actuarial gain or loss	**10 years (straight-line method)**	10 years (straight-line method)

22. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2010:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Export bills discounted with banks	**¥343**	**$3,687**
Guarantees of indebtedness of others	**529**	**5,686**

23. AMOUNTS PER SHARE

	Yen		U.S. Dollars (Note 3)
Years ended March 31	2010	2009	2010
Net loss per share:			
Basic	**¥(24.95)**	¥(103.73)	**$(0.27)**
Diluted	**—**	—	**—**

	Yen		U.S. Dollars (Note 3)
At March 31	2010	2009	2010
Net assets per share	**¥1,276.35**	¥1,262.42	**$13.72**

Basic net loss per share is computed based on the net loss and the weighted-average number of shares of common stock outstanding during each year. Diluted net loss per share for the years ended March 31, 2010 and 2009 has not been presented because there were no potentially dilutive securities at March 31, 2010 and 2009.

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

The calculation of basic net loss per share was determined as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
Years ended March 31	2010	2009	2010
Basic net loss per share:			
Net loss	**¥(4,921)**	¥(20,615)	**$(52,891)**
Amounts not attributable to shareholders of common stock	**—**	—	**—**
Amounts attributable to shareholders of common stock	**(4,921)**	(20,615)	**(52,891)**
Weighted-average number of shares outstanding (thousands of shares)	**197,235**	198,748	

24. LEASES

2010

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2010 on noncancellable leases are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2011	¥ 580	$ 6,234
2012 and thereafter	1,656	17,799
Total	¥2,237	$24,043

Finance Lease Transactions in Which Ownership Is Not Transferred to the Lessee Commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the fiscal year

	Millions of Yen				Thousands of U.S. Dollars (Note 3)			
As of March 31, 2010	Buildings and structures	Tools, furniture and fixtures	Other	Total	Buildings and structures	Tools, furniture and fixtures	Other	Total
Acquisition costs	**¥993**	**¥335**	**¥45**	**¥1,375**	**$10,673**	**$3,601**	**$484**	**$14,779**
Accumulated depreciation	**270**	**253**	**32**	**556**	**2,902**	**2,719**	**344**	**5,976**
Net book value	**¥723**	**¥ 82**	**¥13**	**¥ 819**	**$ 7,771**	**$ 881**	**$140**	**$ 8,803**

Amounts corresponding to the acquisition costs include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant, and equipment as of the balance sheet date.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2010

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2011	¥127	$1,365
2012 and thereafter	692	7,438
Total	¥819	$8,803

Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(c) Amounts corresponding to the lease payments and depreciation

Years ending March 31, 2010	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Lease payments	**¥256**	**$2,752**
Depreciation	**256**	**2,752**

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value zero.

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2010 on noncancellable leases are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2011	¥430	$4,622
2012 and thereafter	481	5,170
Total	¥911	$9,791

2009

Lessees' accounting

Finance Lease Transactions in Which Ownership Is Not Transferred to the Lessee Commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the fiscal year

	Millions of Yen			
As of March 31, 2009	Buildings and structures	Tools, furniture and fixtures	Other	Total
Acquisition costs	¥2,917	¥709	¥50	¥3,677
Accumulated depreciation	969	394	28	1,391
Net book value	¥1,948	¥315	¥22	¥2,285

Amounts corresponding to the acquisition cost include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant, and equipment as of the balance sheet date.

(b) Amounts corresponding to the lease payments and depreciation

Years ending March 31, 2010	Millions of Yen
Lease payments	**¥375**
Depreciation	**375**

(c) Method of calculating the amount of the depreciation of leased assets
Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value zero.

25. FINANCIAL INSTRUMENTS

Effective the year ended March 31, 2010, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued by the ASBJ on March 10, 2008) and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued by the ASBJ on March 10, 2008) have been applied.

(a) Overview

(1) Policy for financial instruments

The Yamaha Group, in principle, limits its cash management to deposits for which their principals are safety and interest rates are fixed. In addition, the Group raises funds mainly through bank borrowings. Further, the Group uses derivatives for the purpose of reducing risk, and limits derivative transactions to actual exposure. The Group does not enter into derivative transactions for speculative purposes.

(2) Types of financial instruments and related risk

Trade notes and accounts receivable are exposed to credit risk of its customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Short-term investments securities and investment securities are exposed to market risk. Those securities are composed of mainly held-to-maturity debt securities and the stock of Yamaha Motor Co., Ltd., a former affiliated company with the Yamaha brand, and the share of common stock of other companies with which it has business relationships.

Trade notes and accounts payable, other accounts payable and accrued expenses have payment due date within one year. In addition, trade accounts payable that are denominated in foreign currencies are exposed to foreign currency exchange risk.

Short-term loans payable are raised mainly in connection with business activities, and long-term loans payable are taken out principally for the purpose of making capital investments. The repayment dates of long-term loans payable extend up to four years from the balance sheet date. Long-term deposits received are membership deposits received from customers in the Group's recreation business. The Group is exposed to liquidity risk from its trade notes and accounts payable, other accounts payable, accrued expenses, short-term loans payable and long-term loans payable.

Regarding derivatives, the Group enters into foreign exchange forward contracts with netting arrangements and currency options (foreign currency puts and yen call options) to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies in normal export and import transactions.

Foreign exchange forward contracts are exposed to the foreign currency exchange risk. Since the Group only used foreign currency puts and yen call options for currency options, their risk is only fees for these options and they are not exposed to the foreign currency risk.

Derivative transactions are accounted for by hedge accounting and information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities may be found in the Note 1 (o).

(b) Risk management for financial instruments

The Group has established a Group financial risk management policy, and the Company and its consolidated subsidiaries have prepared rules based on this policy for the following risk:

(1) Credit risk (the risk that customers may default)

The Group has prepared policy for managing its credit exposure and trade receivables. In accordance with the rules, the Group has monitors credit exposure limits of each customer and organizes all trade receivables by customer, and are confirms the outstanding balances by customers regularly. For receivables that become past due, rules require taking steps to understand the causes and preparing a schedule for the recovery of this exposure.

When the Group acquires held-to-maturity debt securities, in accordance with the policies for assets management, the Company and its subsidiaries confer in advance and only acquire debt securities with high credit ratings. Accordingly, credit risk deriving from such debt securities is insignificant.

To minimize the credit risk of the counterparty in derivative transactions, the Group enters into transactions only with financial institutions which have a sound credit profile.

(2) Market risk (the risks arising from fluctuations in exchange rates, interest rates, and other indicators)

For trade receivables denominated in foreign currencies, the Group minimizes the foreign exchange risk by entering into forward foreign exchange contracts and arranging for currency options, to the receivable position after netting by the payables denominated in foreign currencies, within the limits of actual transactions. Also, the trade accounts payable denominated in foreign currencies are maintained within the amount of accounts receivable denominated in foreign currencies at all times.

For short-term investment securities and investment securities, the Group periodically reviews the market value and the financial position of the issuer; with which the company has business relationship. In addition, the Group continuously evaluates whether debt securities other than those classified as held-to-maturity should be maintained.

In conducting derivative transactions, based on the policy stated in 1) above, the Company and its consolidated subsidiaries hold discussions, establish internal rules for the management of derivatives, and then conduct and manage such transactions in accordance with the rules.

Derivative transactions of the Company and its subsidiaries are concentrated in the each accounting and finance department of these companies. Internal rules set forth the roles of the each accounting and finance department, reports to be submitted to top management, communications to be sent to related departments, and maximum upper limit on position.

Monthly reports including the outstanding balance of derivative transactions and quantitative information such as market trends of foreign exchange rate are submitted to top management.

(3) Liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled dates)

Based on the cash flow plans by the Company and its consolidated subsidiaries, the Group manages liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The estimated fair value of financial instruments is their quoted market price if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

In addition, the notional amounts of derivatives in the Note 27 are not indicative of the actual market risk involved in derivative transactions.

(c) Estimated fair value of financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2010 and difference between carrying value and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. See Note (ii) below:

	Millions of Yen			Thousands of U.S. Dollars (Note 3)		
As of March 31, 2010	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥ 59,407	¥ 59,407	¥–	$ 638,510	$ 638,510	$ –
Notes and accounts receivable—trade	48,911	48,911	–	525,699	525,699	–
Short-term investment securities and investment securities						
Held-to-maturity securities	1,130	1,132	1	12,145	12,167	11
Available-for-sale securities	72,780	72,780	–	782,244	782,244	–
Notes and accounts payable—trade	(21,791)	(21,791)	–	(234,211)	(234,211)	–
Accounts payable—other and accrued expenses	(32,496)	(32,496)	–	(349,269)	(349,269)	–
Derivatives*2	(271)	(271)	–	(2,913)	(2,913)	–

*1. Figures shown in parentheses are liability items.

*2. The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

Notes:

(i) Methods for computing the estimated fair value of financial instruments, securities and derivative transactions

Cash and deposits and notes and accounts receivable—trade

Since these items are settled in a short period of time, the carrying value approximates fair value.

Short-term investment securities and investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market price or prices provided by the financial institutions making markets in these securities. Information on securities classified by holding purpose, may be found in Note 26.

Notes and accounts payable—trade and accounts payable-other and accrued expenses

Since these items are settled in a short period of time, the carrying value approximates fair value.

Derivatives Transactions

See Note 27.

(ii) Financial instruments for which it is extremely difficult to determine the fair value

As of March 31, 2010	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Carrying value		
Unlisted stocks	¥ 6,803	$ 51,795
Long-term deposits received	¥16,144	$173,517

Because no quoted market price is available and estimating their future cash flows is deemed to be prohibitively expensive, the estimated fair value of these financial instruments was extremely difficult to determine, fair value of these has not been disclosed.

(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2010

	Millions of Yen				Thousands of U.S. Dollars (Note 3)			
As of March 31, 2010	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 59,407	¥ –	¥–	¥–	$ 638,510	$ –	$–	$–
Notes and accounts receivable—trade	48,911	–	–	–	525,699	–	–	–
Short-term investment securities and investment securities								
Held-to-maturity securities								
Government and municipal bonds	470	460	–	–	5,052	4,944	–	–
Corporate bonds	99	–	–	–	1,064	–	–	–
Others	99	–	–	–	1,064	–	–	–
Total	¥108,988	¥460	¥–	¥–	$1,171,410	$4,944	$–	$–

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2010

	Millions of Yen				
As of March 31, 2010	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Long-term loans payable	**¥4,176**	**¥957**	**¥43**	**¥ –**	**¥ –**
Lease obligations	**30**	**26**	**16**	**15**	**196**
Other interest-bearing debt	**–**	**–**	**–**	**–**	**–**

	Thousands of U.S. Dollars (Note 3)				
As of March 31, 2010	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Long-term loans payable	**$44,884**	**$10,286**	**$462**	**$ –**	**$ –**
Lease obligations	**322**	**279**	**172**	**161**	**2,107**
Other interest-bearing debt	**–**	**–**	**–**	**–**	**–**

26. SECURITIES

(a) Held-to-maturity securities with fair market value

	Millions of Yen			Thousands of U.S. Dollars (Note 3)		
As of March 31, 2010	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	**¥ 830**	**¥ 832**	**¥ 1**	**$ 8,921**	**$ 8,942**	**$11**
Corporate bonds	**99**	**100**	**0**	**1,064**	**1,075**	**0**
Other	**99**	**100**	**0**	**1,064**	**1,075**	**0**
	1,030	**1,032**	**1**	**11,071**	**11,092**	**11**
Securities whose estimated fair value does not exceed their carrying value:						
Government and municipal bonds	**100**	**100**	**(0)**	**1,075**	**1,075**	**(0)**
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
	100	**100**	**(0)**	**1,075**	**1,075**	**(0)**
Total	**¥1,130**	**¥1,132**	**¥ 1**	**$12,145**	**$12,167**	**$11**

	Millions of Yen		
As of March 31, 2009	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 670	¥ 672	¥ 2
Corporate bonds	199	200	0
Other	399	400	0
	1,269	1,272	2
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	99	99	(0)
Corporate bonds	200	199	(0)
Other	99	99	(0)
	400	399	(0)
Total	¥1,669	¥1,671	¥ 1

(b) Available-for-sale securities with fair market value

As of March 31, 2010	Millions of Yen Carrying value	Millions of Yen Acquisition costs	Millions of Yen Unrealized gain (loss)	Thousands of U.S. Dollars (Note 3) Carrying value	Thousands of U.S. Dollars (Note 3) Acquisition costs	Thousands of U.S. Dollars (Note 3) Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	**¥69,446**	**¥13,180**	**¥56,266**	**$746,410**	**$141,660**	**$604,751**
Other	**—**	**—**	**—**	**—**	**—**	**—**
	69,446	**13,180**	**56,266**	**746,410**	**141,660**	**604,751**
Securities whose carrying value does not exceed their acquisition costs:						
Stock	**3,282**	**3,511**	**(228)**	**35,275**	**37,736**	**(2,451)**
Other	**50**	**68**	**(17)**	**537**	**731**	**(183)**
	3,333	**3,579**	**(246)**	**35,823**	**38,467**	**(2,644)**
Total	**¥72,780**	**¥16,760**	**¥56,019**	**$782,244**	**$180,138**	**$602,096**

As of March 31, 2009	Millions of Yen Carrying value	Millions of Yen Acquisition costs	Millions of Yen Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥48,960	¥15,927	¥33,032
Other	—	—	—
	48,960	15,927	33,032
Securities whose carrying value does not exceed their acquisition costs:			
Stock	631	843	(212)
Other	319	348	(28)
	950	1,192	(241)
Total	¥49,911	¥17,119	¥32,791

(c) Available-for-sale securities sold during the years ended March 31, 2010 and 2009

	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 3) 2010
Sales of available-for-sale securities	**¥ 7**	¥15	**$ 75**
Gain on sales	**1**	5	**11**
Loss on sales	**15**	0	**161**

(d) Securities without fair market value

	Millions of Yen 2009
Available-for-sale securities:	
Unlisted securities	¥4,499

(e) Schedule for redemption of available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2009

As of March 31, 2009	Millions of Yen Due in one year or less	Millions of Yen Due after one year through five years
Bonds:		
Government and municipal bonds	¥299	¥470
Corporate bonds	299	99
Other	399	99
Total	¥999	¥670

Note: Impairment loss of available-for-sale securities in "Others" were recognized in the amount of ¥48 million ($516 thousand) and ¥98 million for the years ended March 31, 2010 and 2009 respectively. The impairment loss on such securities is recognized when the market value at the period-end declines 30% or more from the carrying (acquisition) cost, except when it is anticipated that the market value is recoverable based on market trends and in consideration of the issuer's financial condition.

27. DERIVATIVES AND HEDGING ACTIVITIES

As of March 31, 2010 and 2009, there were no derivative transactions outstanding for which hedge accounting has not been applied.

The notional amounts and the estimated fair value of the derivative instruments outstanding as of March 31, 2010, for which hedge accounting has been applied are summarized as follows:

		Millions of yen			
		Notional amount			
As of March 31, 2010	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution *2
Sell:	Accounts receivable				
Australian dollars		¥ 1,245	¥–	¥ 1,298	
Canadian dollars		1,368	–	1,436	
Euros		10,021	–	10,173	
Buy:	Accounts payable				
U.S. dollars		90	–	92	
Sterling pound		7	–	7	
Euros		23	–	23	
Foreign exchange forward contracts accounted for by allocated method:					Market prices
Sell:	Accounts receivable				
Australian dollars		141	–	*1	
Canadian dollars		21	–		
Euros		1,750	–		
Total		¥14,671	¥–	¥ –	

		Thousands of U.S. dollars (Note 3)			
		Notional amount			
As of March 31, 2010	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution (*2)
Sell:	Accounts receivable				
Australian dollars		$ 13,381	$–	$ 13,951	
Canadian dollars		14,703	–	15,434	
Euros		107,706	–	109,340	
Buy:	Accounts payable				
U.S. dollars		967	–	989	
Sterling pound		75	–	75	
Euros		247	–	247	
Foreign exchange forward contracts accounted for by allocated method:					Market prices
Sell:	Accounts receivable				
Australian dollars		1,515	–	*1	
Canadian dollars		226	–		
Euros		18,809	–		
Total		$157,685	$–	$ –	

*1 The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocated method in hedge accounting.

*2 The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was ¥271 million ($2,913 thousand).

28. SEGMENT INFORMATION

The business and geographical segments and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 are outlined as follows:

Business Segments

Year ended March 31, 2010	Millions of Yen							
	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)								
Sales to external customers	¥276,252	¥54,409	¥19,745	¥36,942	¥27,461	¥414,811	¥ —	¥414,811
Intersegment sales or transfers	–	–	718	–	–	718	(718)	–
Total	276,252	54,409	20,464	36,942	27,461	415,530	(718)	414,811
Operating expenses	271,134	53,003	21,070	36,577	26,914	408,702	(718)	407,983
Operating income (loss)	¥ 5,117	¥ 1,405	¥ (606)	¥ 365	¥ 546	¥ 6,828	¥ —	¥ 6,828
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures								
Total assets	¥263,472	¥34,524	¥14,828	¥ —	¥89,325	¥402,152	¥ —	¥402,152
Depreciation and amortization	9,511	1,436	981	887	1,323	14,139	—	14,139
Loss on impairment of fixed assets	1,330	150	–	–	481	1,962	—	1,962
Capital expenditures	11,663	1,348	659	525	284	14,480	—	14,480

Year ended March 31, 2009	Millions of Yen							
	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)								
Sales to external customers	¥306,630	¥56,722	¥21,975	¥43,121	¥30,833	¥459,284	¥ —	¥459,284
Intersegment sales or transfers	–	–	1,036	–	–	1,036	(1,036)	—
Total	306,630	56,722	23,012	43,121	30,833	460,321	(1,036)	459,284
Operating expenses	287,432	57,132	25,548	43,426	32,934	446,476	(1,036)	445,439
Operating income (loss)	¥ 19,198	¥ (410)	¥ (2,536)	¥ (305)	¥ (2,100)	¥ 13,845	¥ —	¥ 13,845
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures								
Total assets	¥271,159	¥31,589	¥18,227	¥18,207	¥69,791	¥408,974	¥ —	¥408,974
Depreciation and amortization	10,042	1,631	3,326	1,021	1,889	17,912	—	17,912
Loss on impairment of fixed assets	5,665	–	5,559	–	4,099	15,323	—	15,323
Capital expenditures	14,793	1,451	3,247	1,006	2,082	22,581	—	22,581

Year ended March 31, 2010	Thousands of U.S. Dollars (Note 3)							
	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)								
Sales to external customers	$2,969,175	$584,791	$212,221	$397,055	$295,153	$4,458,416	$ —	$4,458,416
Intersegment sales or transfers	–	–	7,717	–	–	7,717	(7,717)	–
Total	2,969,175	584,791	219,948	397,055	295,153	4,466,144	(7,717)	4,458,416
Operating expenses	2,914,166	569,680	226,462	393,132	289,273	4,392,756	(7,717)	4,385,028
Operating income (loss)	$ 54,998	$ 15,101	$(6,513)	$ 3,923	$ 5,868	$ 73,388	$ —	$ 73,388
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures								
Total assets	$2,831,814	$371,066	$159,372	$ —	$960,071	$4,322,356	$ —	$4,322,356
Depreciation and amortization	102,225	15,434	10,544	9,534	14,220	151,967	—	151,967
Loss on impairment of fixed assets	14,295	1,612	–	–	5,170	21,088	—	21,088
Capital expenditures	125,355	14,488	7,083	5,643	3,052	155,632	—	155,632

Notes: (1) The business segments have been determined based on the application or nature of each product in the market.
(2) Major products in each business segment:

Business segment	Major products and services
Musical instruments	Pianos, digital musical instruments, wind instruments, string instruments, percussion instruments, educational musical instruments, professional audio equipment, soundproof rooms, music schools, English language schools, music entertainment software, and piano tuning
AV/IT	Audio products, and IT equipment
Electronic devices	Semiconductors
Lifestyle-related products	System bathrooms, system kitchens, and washstands
Others	Golf products, automobile interior wood components, factory automation (FA) equipment, metallic molds and components, and management of accommodation facilities and sports facilities

The major products and services are described in the accompanying "Review of Operations."

(3) Among the assets of the others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheets) were as follows:
2010 ¥59,742 million ($642,111 thousand)
2009 ¥37,312 million

(4) Three companies, Yamaha Livingtec Corporation and its two wholly owned subsidiaries, Yamaha Living Products Corporation and Joywell Home Corporation, formerly conducted lifestyle-related products business. However, following the transfer of 85.1% of the shares that Yamaha Corporation held in Yamaha Livingtec on March 31, 2010, to a limited investment partnership managed and operated by Japan Industrial Partners and other investors, these three companies have been excluded from the scope of consolidation of Yamaha Corporation. Profit and loss accounts and cash flow information were consolidated until the end of period.

(5) Changes in segment names:
During the year ended March 31, 2008, the Company sold its electronic metal products business, and beginning with the year ended March 31, 2009, the name of the former electronic equipment and metal products segment has been changed to the electronic devices segment.

(6) Changes in business segment classification:
During the year ended March 31, 2008, the Company sold four of its six recreation facilities, and, in view of the decline in materiality of the recreation business for the Company's consolidated accounts, beginning with the year ended March 31, 2009, changes have been made to include the recreation business in the others segment. As a result, the figures for the others segment include ¥6,104 million in sales, ¥310 million in operating loss, ¥4,231 million in assets, ¥363 million in depreciation, ¥3,918 million of loss on impairment of fixed assets, and ¥182 million of capital expenditure related to the recreation business that were applicable to the year ended March 31, 2009.

Geographical Segments

Year ended March 31, 2010	Millions of Yen						
	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	¥227,246	¥56,941	¥71,052	¥ 59,570	¥414,811	¥ —	¥414,811
Intersegment sales or transfers	108,619	891	1,550	54,620	165,681	(165,681)	—
Total	335,865	57,833	72,602	114,191	580,493	(165,681)	414,811
Operating expenses	343,376	55,533	70,146	106,807	575,864	(167,880)	407,983
Operating income (loss)	¥ (7,510)	¥ 2,300	¥ 2,455	¥ 7,383	¥ 4,628	¥ 2,199	¥ 6,828
Total assets	¥283,038	¥27,255	¥39,586	¥ 71,492	¥421,372	¥ (19,220)	¥402,152

	Millions of Yen						
Year ended March 31, 2009	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	¥247,583	¥66,295	¥86,316	¥ 59,088	¥459,284	¥ —	¥459,284
Intersegment sales or transfers	144,913	1,449	1,473	66,631	214,468	(214,468)	—
Total	392,497	67,745	87,790	125,720	673,752	(214,468)	459,284
Operating expenses	394,144	65,881	82,629	117,923	660,579	(215,140)	445,439
Operating income (loss)	¥ (1,647)	¥ 1,863	¥ 5,160	¥ 7,796	¥ 13,173	¥ 672	¥ 13,845
Total assets	¥296,737	¥30,126	¥37,589	¥ 63,364	¥427,818	¥ (18,843)	¥408,974

	Thousands of U.S. Dollars (Note 3)						
Year ended March 31, 2010	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	**$2,442,455**	**$612,006**	**$763,672**	**$ 640,262**	**$4,458,416**	**$ —**	**$4,458,416**
Intersegment sales or transfers	**1,167,444**	**9,577**	**16,660**	**587,059**	**1,780,750**	**(1,780,750)**	**—**
Total	**3,609,899**	**621,593**	**780,331**	**1,227,332**	**6,239,177**	**(1,780,750)**	**4,458,416**
Operating expenses	**3,690,628**	**596,872**	**753,934**	**1,147,969**	**6,189,424**	**(1,804,385)**	**4,385,028**
Operating income (loss)	**$ (80,718)**	**$ 24,721**	**$ 26,387**	**$ 79,353**	**$ 49,742**	**$ 23,635**	**$ 73,388**
Total assets	**$3,042,111**	**$292,939**	**$425,473**	**$ 768,401**	**$4,528,934**	**$ (206,578)**	**$4,322,356**

Notes: (1) Geographical segments are divided into categories based on their geographical proximity.
(2) The major nations or regions included in each geographical segment were as follows:
(a) North America — U.S.A., Canada
(b) Europe — Germany, France, U.K.
(c) Asia, Oceania and other areas — People's Republic of China, Republic of Korea, Australia

Overseas Sales

	Millions of Yen			
Year ended March 31, 2010	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	**¥57,668**	**¥70,284**	**¥68,452**	**¥196,405**
Consolidated net sales				**414,811**
Overseas sales as a percentage of consolidated net sales	**13.9%**	**16.9%**	**16.5%**	**47.3%**

	Millions of Yen			
Year ended March 31, 2009	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥66,392	¥86,810	¥71,237	¥224,440
Consolidated net sales				459,284
Overseas sales as a percentage of consolidated net sales	14.5%	18.9%	15.5%	48.9%

	Thousands of U.S. Dollars (Note 3)			
Year ended March 31, 2010	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	**$619,819**	**$755,417**	**$735,727**	**$2,110,974**
Consolidated net sales				**4,458,416**
Overseas sales as a percentage of consolidated net sales	**13.9%**	**16.9%**	**16.5%**	**47.3%**

Note: The major nations or regions included in each segment were as follows:
(a) North America — U.S.A., Canada
(b) Europe — Germany, France, U.K.
(c) Asia, Oceania and other areas — People's Republic of China, Republic of Korea, Australia

29. SUBSEQUENT EVENTS

None

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Report of Independent Auditors

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

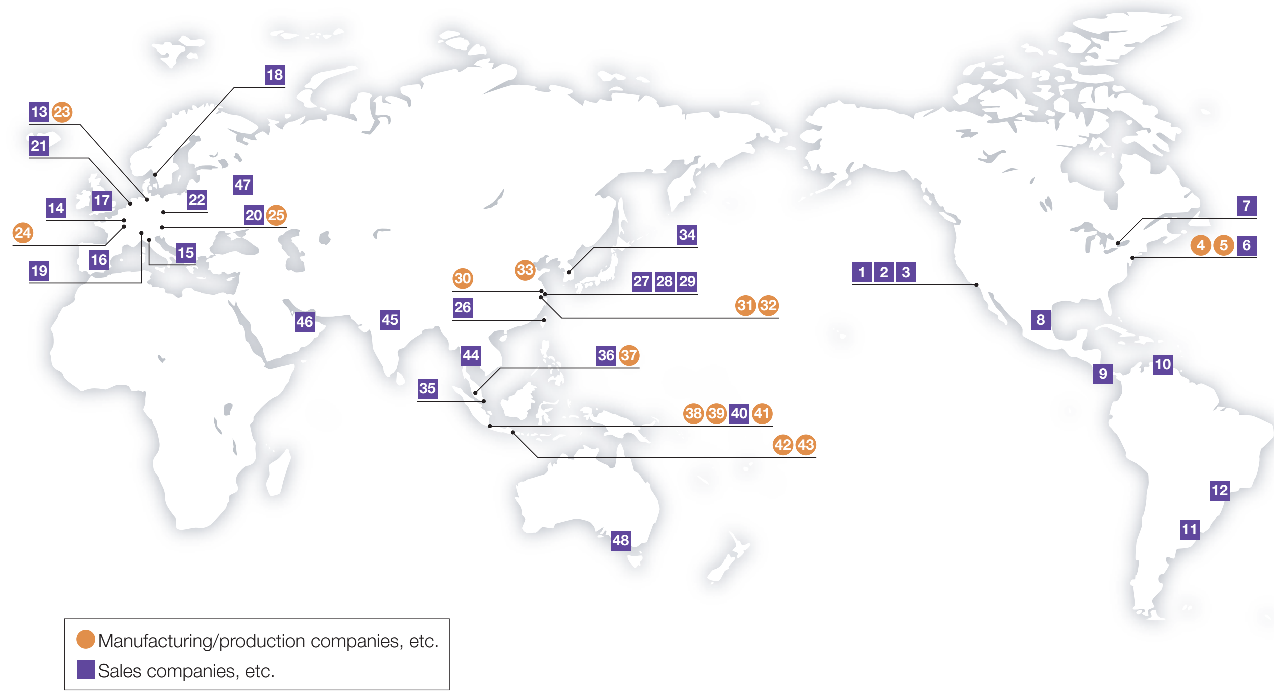
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 28, 2010

Ernst & Young ShinNihon LLC

Main Networks

Overseas Network

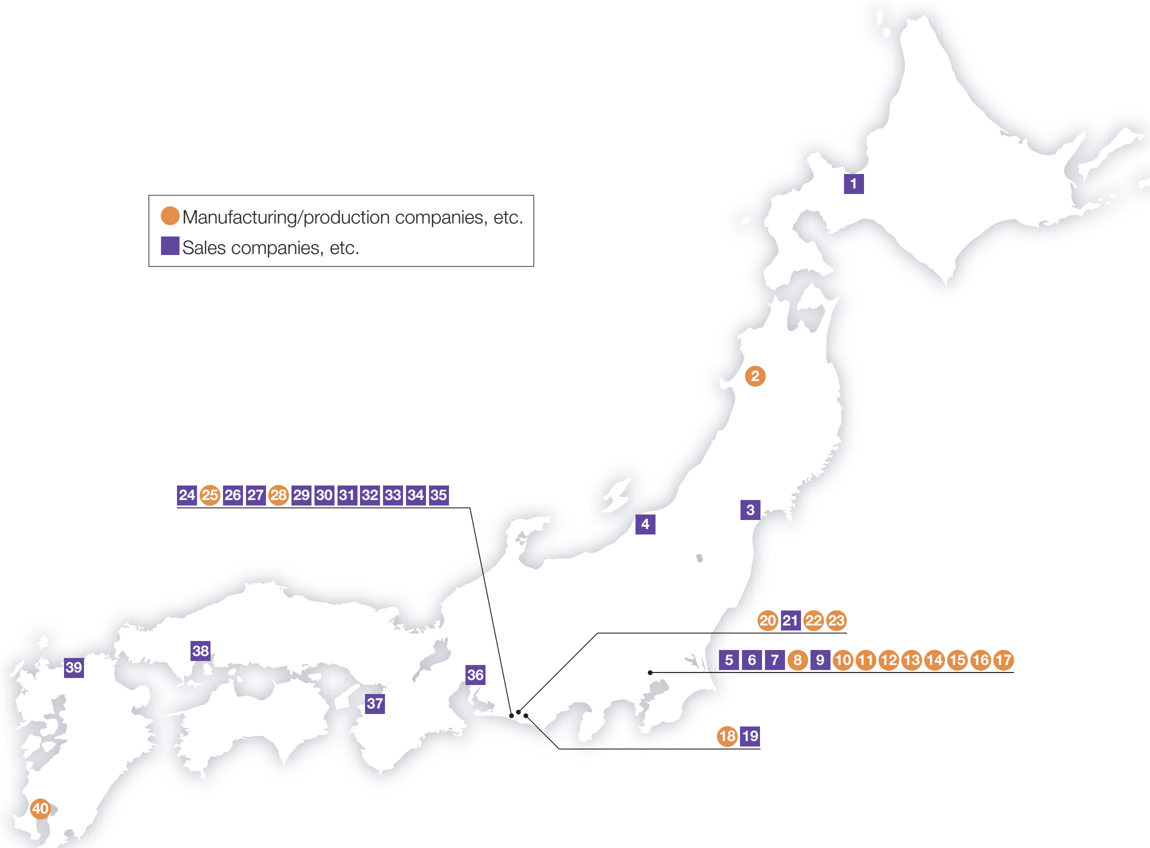


Company Name	Location
1 Yamaha Corporation of America	California, U.S.A.
2 Yamaha Electronics Corporation, USA	California, U.S.A.
3 Yamaha Commercial Audio Systems, Inc.	California, U.S.A.
4 Yamaha Music InterActive, Inc.	New York, U.S.A.
5 YMH Digital Music Publishing, LLC*1	New York, U.S.A.
6 Yamaha Artist Services, Inc.	New York, U.S.A.
7 Yamaha Canada Music Ltd.	Toronto, Canada
8 Yamaha de México, S.A. de C.V.	Mexico City, Mexico
9 Yamaha Music Latin America, S.A.	Panama City, Panama
10 Branch in Venezuela	Caracas, Venezuela
11 Branch in Argentina	Buenos Aires, Argentina
12 Yamaha Musical do Brasil Ltda.	São Paulo, Brazil
13 Yamaha Music Europe GmbH	Rellingen, Germany
14 Branch France	Croissy-Beaubourg, France
15 Branch Italy	Milan, Italy
16 Branch Ibérica	Madrid, Spain
17 Branch U.K.	Milton Keynes, U.K.
18 Branch Scandinavia	Gothenburg, Sweden
19 Branch Switzerland	Zurich, Switzerland
20 Branch Austria	Vienna, Austria
21 Branch Benelux	Vianen, Netherlands
22 Branch Poland	Warsaw, Poland
23 Steinberg Media Technologies GmbH	Hamburg, Germany
24 Nexo S.A.	Plailly, France
25 L. Bösendorfer Klavierfabrik GmbH	Wiener Neustadt, Austria

Company Name	Location
26 Yamaha KHS Music Co., Ltd.	Taipei, Taiwan
27 Yamaha Music & Electronics (China) Co., Ltd.	Shanghai, China
28 Yamaha Music Technical (Shanghai) Co., Ltd.	Shanghai, China
29 Yamaha Trading (Shanghai) Co., Ltd.	Shanghai, China
30 Yamaha Electronics (Suzhou) Co., Ltd.	Suzhou, China
31 Xiaoshan Yamaha Musical Instrument Co., Ltd.	Hangzhou, China
32 Hangzhou Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
33 Tianjin Yamaha Electronic Musical Instruments, Inc.	Tianjin, China
34 Yamaha Music Korea Ltd.	Seoul, South Korea
35 Yamaha Music (Asia) Pte Ltd	Singapore
36 Yamaha Music (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia
37 Yamaha Electronics Manufacturing (M) Sdn Bhd	Chemor, Malaysia
38 PT. Yamaha Indonesia	East Jakarta, Indonesia
39 PT. Yamaha Music Manufacturing Indonesia	East Jakarta, Indonesia
40 PT. Yamaha Musik Indonesia (Distributor)	Central Jakarta, Indonesia
41 PT. Yamaha Music Manufacturing Asia	Bekasi, Indonesia
42 PT. Yamaha Musical Products Indonesia	Pasuruan, Indonesia
43 PT. Yamaha Electronics Manufacturing Indonesia	Pasuruan, Indonesia
44 Siam Music Yamaha Co., Ltd.*2	Bangkok, Thailand
45 Yamaha Music India Pvt. Ltd.*2	Gurgaon, India
46 Yamaha Music Gulf FZE	Dubai, U.A.E.
47 Yamaha Music (Russia) LLC.	Moscow, Russia
48 Yamaha Music Australia Pty. Ltd.	Melbourne, Australia

*1 Equity-method affiliate
*2 Non-consolidated subsidiaries and affiliates

Domestic Network



	Company Name	Location
1	Yamaha Music Hokkaido Co., Ltd.	Sapporo, Hokkaido, Japan
2	Sakuraba Mokuzai Co., Ltd.	Kitaakita, Akita, Japan
3	Yamaha Music Tohoku Co., Ltd.	Sendai, Miyagi, Japan
4	Yamaha Music Kanto Co., Ltd.	Niigata, Japan
5	Yamaha Music Tokyo Co., Ltd.	Chuo, Tokyo, Japan
6	Yamaha Hall Co., Ltd.	Chuo, Tokyo, Japan
7	Yamaha Music Trading Corporation	Chuo, Tokyo, Japan
8	Yamaha Sound Systems Inc.	Chuo, Tokyo, Japan
9	Yamaha Electronics Marketing Corporation	Minato, Tokyo, Japan
10	Yamaha Music Entertainment Holdings, Inc.	Shibuya, Tokyo, Japan
11	Yamaha Music Communications Co., Ltd.	Shibuya, Tokyo, Japan
12	Yamaha A&R, Inc.	Shibuya, Tokyo, Japan
13	Yamaha Music Artist, Inc.	Shibuya, Tokyo, Japan
14	Yamaha Music Publishing, Inc.	Shibuya, Tokyo, Japan
15	Yamaha Music and Visuals, Inc.	Shibuya, Tokyo, Japan
16	Yamaha Music Media Corporation	Toshima, Tokyo, Japan
17	Epicurus Corporation	Toshima, Tokyo, Japan
18	Yamanashi Kogei Co., Ltd.	Kakegawa, Shizuoka, Japan
19	Tsumagoi Co., Ltd.	Kakegawa, Shizuoka, Japan
20	D.S. Corporation	Fukuroi, Shizuoka, Japan

	Company Name	Location
21	Katsuragi Co., Ltd.	Fukuroi, Shizuoka, Japan
22	Yamaha Music Winds Corporation	Iwata, Shizuoka, Japan
23	Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
24	Yamaha Piano Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
25	Yamaha Music Craft Corporation	Hamamatsu, Shizuoka, Japan
26	Yamaha Credit Corporation	Hamamatsu, Shizuoka, Japan
27	Yamaha Music Lease Corporation	Hamamatsu, Shizuoka, Japan
28	Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
29	Yamaha Media Works Corporation	Hamamatsu, Shizuoka, Japan
30	Yamaha Ai Works Co., Ltd.[*2]	Hamamatsu, Shizuoka, Japan
31	Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
32	Yamaha Insurance Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
33	Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
34	Yamaha Facility Management Corporation	Hamamatsu, Shizuoka, Japan
35	Yamaha Office Link Co., Ltd.	Hamamatsu, Shizuoka, Japan
36	Yamaha Music Tokai Co., Ltd.	Nagoya, Aichi, Japan
37	Yamaha Music Osaka Co., Ltd.	Osaka, Japan
38	Yamaha Music Chushikoku Co., Ltd.	Hiroshima, Japan
39	Yamaha Music Kyushu Co., Ltd.	Fukuoka, Japan
40	Yamaha Kagoshima Semiconductor Inc.	Aira-gun, Kagoshima, Japan

(As of July 1, 2010)

History of the Yamaha Group

1887

1887 Torakusu Yamaha began his business by repairing a broken reed organ
Foundation of the Company

1889 Established partnership firm Yamaha Organ Works

1890 Headquarter Factory established

1897 Nippon Gakki Co., Ltd. incorporated

1900

1908 Dalian Branch established in China

1909 Tokyo Branch established

1950

1953 Opened Yamaha Hall

1955 Established Yamaha Motor Co., Ltd. (Split off the motorcycle division)

1958 First overseas subsidiary established in Mexico

1960

1960 Subsidiary established in the U.S.

1965 Kakegawa Factory established

1966 Iwata Factory established

1966 Established Yamaha Music Foundation

1966 Subsidiary established in Germany

1968 Issued shares at market price (The first such issuance in Japan)

1969 Began musical instrument manufacturing in Taiwan (~2009)

Pianos

1887 Organs

Woodworking skills — Wood processing

Coating/Chemical technology — Coating

1900 Upright pianos

1902 Grand pianos

Artificial seasoning of wood

1947 Began manufacturing piano frames

Metal molding

1967 CF series concert grand pianos

Wind instruments and educational musical instruments

1914 Harmonicas

1965 Trumpets

Brass processing

String instruments

1941 Acoustic guitars

Wood processing

Coating

1966 Electric guitars

Percussion instruments

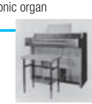
1966 Drums

Air-seal system

Digital musical instruments

1959 D-1 Electone electronic organ

Sound synthesis technology — Analog modeling



PA equipment

1969 VA-120 vocal amplifier system

AV products

Wood processing

Coating

1922 High-quality hand-cranked phonographs

Acoustic technology — HiFi Audio

1954 HiFi products

Speaker Technology

1967 NS speaker

Divided diaphragm flat-panel speaker

Semiconductors

Integrated circuit technology

IT equipment

Music entertainment business and others

1921 Import and sales of overseas-made musical instruments and music scores

Others

1961 Iron-aluminum alloy/copper-titanium alloy

1962 Iron-nickel alloy (permalloy) (~2007)

Permalloys

School, events

1954 Began Yamaha Music School activities

Music — Music schools

1965 Opened the first overseas Yamaha Music School in the U.S.

1967 First Light Music Contest held in Japan (~1971)

1969 First Composition Contest held (Later renamed the Popular Song Contest) (~1986)

Musical events

Lifestyle-related products

1903 Fine wooden furniture

Wood processing

Coating

1964 FRP bathtubs

FRP molding

Sports equipment

1959 FRP archery products (~2002)

FRP (Fiber Reinforced Plastics) molding

1961 FRP skis (~1997)

FRP molding

Resorts

1964 Toba Hotel International opened (Business transferred in 2007)

1967 Nemunosato opened (Business transferred in 2007)

Musical events and leisure

Yamaha Motor Co., Ltd.

Wood processing

1921 Wooden aircraft propellers

1931 Metallic aircraft propellers

Metal technology — Metal processing

Mechatronics technology — Engines

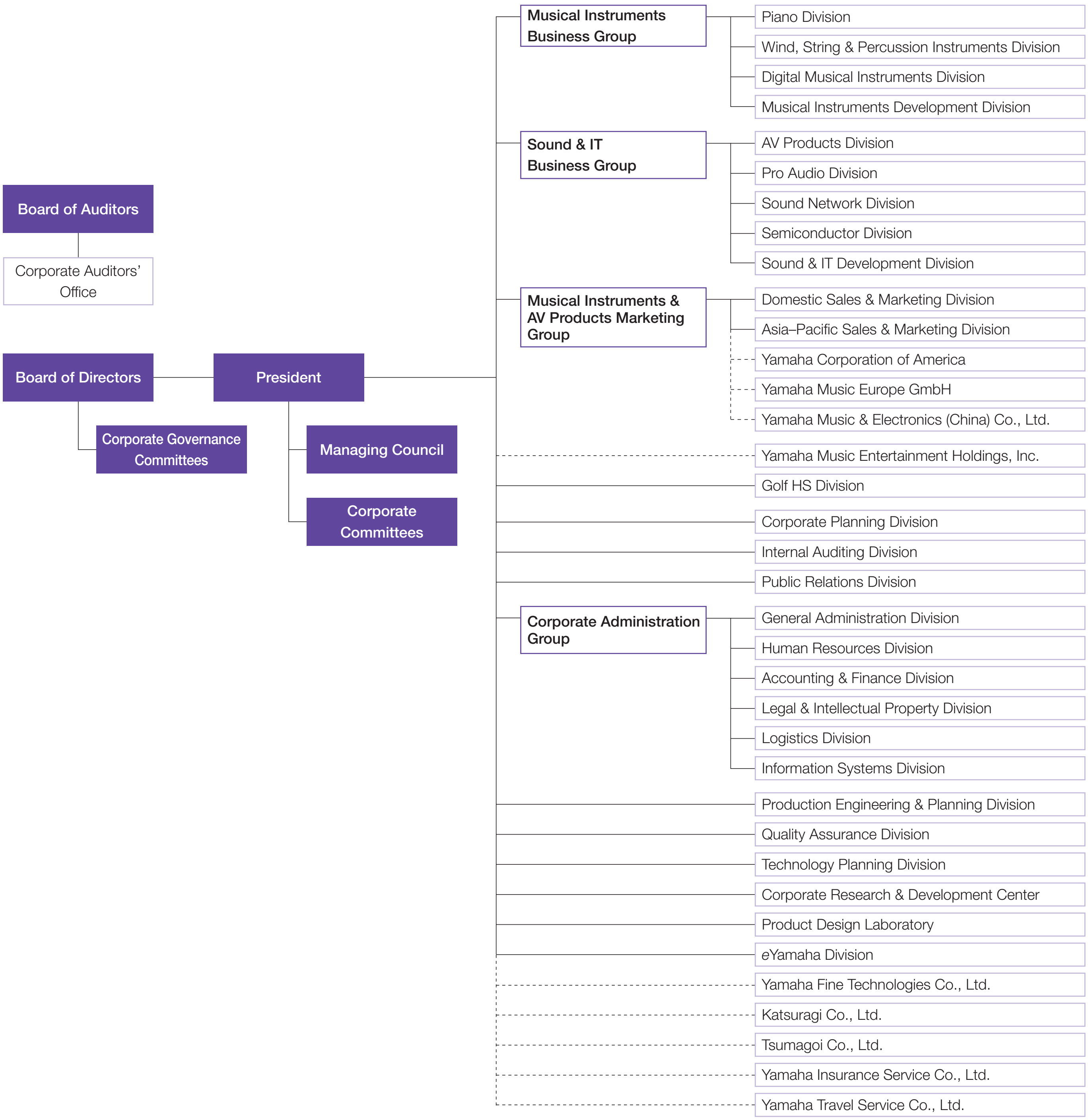
1954 Motorcycle prototype developed (Later spun off from the Company as Yamaha Motor Co., Ltd.)

1960 FRP powerboats

FRP molding

1970	1980	1990	2000	2010
1970 Acquired Nippon Wind Instrument Co., Ltd. (Now the Saitama Factory) **1970** Toyooka Factory established **1974** Began musical instrument manufacturing in the U.S. (~2007) **1976** Kagoshima Factory established **1977** Began musical instruments manufacturing in Indonesia	**1980** Established Piano Technical Academy, a piano tuner training school  **1987** The Company name was changed to Yamaha Corporation	**1990** Began musical instruments manufacturing in China **1992** Began AV products manufacturing in Malaysia **1999** Began AV products manufacturing in Indonesia	**2002** Holding company established in China **2002** European holding company established **2003** Began AV products manufacturing in China **2005** Acquired Steinberg Media Technologies GmbH **2007** Acquired Fuji Sound Co., Ltd. **2007** Established Yamaha Music Entertainment Holdings, Inc. **2008** Acquired L. Böesendorfer Klavierfabrik GmbH **2008** Acquired NEXO S.A.	
Digital + acoustic technologies **1973** Pianica	**1982** Disklavier player piano Player piano technology	**1991** CFIIIS concert grand piano **1993** SILENT Piano Silencing technology **1995** SILENT BRASS system (pickup mute)		**2010** CFX concert grand piano 
	1983 Electric acoustic guitars **1986** PMC1 electronic drum	**1997** SILENT Violin  **1996** SILENT Session Drum	**2000** Braviol acoustic violin **2001** SILENT Guitar **2008** L36ARE and L26ARE acoustic guitars Wood reforming technology	
1974 CSY-1 synthesizer **1975** GX-1 Electone electronic organ Polyphonic synthesis 	**1980** Portable keyboards **1983** DX7 digital synthesizer  FM synthesis **1983** Clavinova digital piano **1987** WX7 wind MIDI controller	**1993** VL series virtual acoustic synthesizers Physical modeling synthesis	PCM synthesis **2001** MOTIF music production synthesizer **2002** EZ-EG EZ guitar (self-teaching guitar) **2004** STAGEA Electone electronic organ **2006** H01 MODUS digital piano **2008** TENORI-ON digital musical instrument **2009** AvantGrand hybrid piano  Hybrid piano technology	
1974 PM-1000 mixing console Analog mixers	**1985** SPX90 digital multi effects processor Digital effect	**1994** ProMix 01 digital mixing console Digital mixers	**2000** AW4416 digital audio workstation  Audio workstations **2001** PM1D digital audio mixing system **2008** POCKETRAK CX pocket recorder 	
1974 B-1 power amplifier Power-FET **1974** NS-1000M speaker with a beryllium diaphragm  Speaker with a beryllium diaphragm	**1982** CD-1 CD player  **1986** DSP-1 digital sound field processor DSP **1988** AST-1 speaker incorporated Yamaha Active Servo Technology (YST) YST	**1995** Theater sound system Theater surround	**2004** YSP-1 Digital Sound Projector Sound beam control speaker **2006** SR-Bass Speaker NX-A01  SR-Bass	
1972 Sound generator LSIs for the Electone electronic organ LSI for musical instruments Information processing technology Architectural acoustics **1974** Computer-generated architectural acoustic simulation	**1983** FM synthesizer LSIs **1983** Graphics controller LSIs LSI for PC/video games **1983** MSX personal computers Computers **1986** SRS (Sound Room System) music room for home use **1989** Avitecs soundproof room Soundproof room	**1999** Sound generator LSIs for mobile phones LSIs for mobile phones **1993** CD recorders (~2003) **1993** Online karaoke equipment Online karaoke equipment **1995** Remote routers Routers	**2002** LSIs for digital amplifiers LSIs for digital amplifiers **2006** IP conferencing systems Teleconference Online services **2000** Mobile phone ringtone distribution service **2000** Digital music sheet distribution service **2003** VOCALOID singing synthesis software DTM **2009** BODiBEAT interactive music player	**2010** Sound modulation panels
	Robots **1984** Industrial robots **1989** Automobile interior wood components Automobile interior wood components	Thin film deposition **1991** Thin-film magnetic heads (~2000) **1997** Magnesium cases (~2010) Magnesium molding		
1972 Sponsored the first Junior Original Concert (JOC)	**1986** Began Popular Music School **1987** Began English-language school English-language schools **1987** First Teens' Music Festival (~2006) Musical events		Musical instrument rental service **2003** Musical instrument rental service **2005** Opened Yamaha Music School in China **2006** Started music lessons online service Online lessons **2007** First Music Revolution contest held Musical events	
1975 Unit furniture (~2005) **1976** System kitchens (Business transferred in 2010) **1977** New marble artificial marble countertops Artificial marble	**1982** System bathrooms (Business transferred in 2010) Titanium casting		**2002** System kitchens with artificial marble sinks (Business transferred in 2010) Marble sinks	
1973 Tennis rackets (~1997)	**1982** Golf clubs **1986** Acuras series carbon composite golf club Carbon composite		**2002** inpres golf clubs	
1974 Tsumagoi opened **1976** Katsuragi Golf Club opened **1978** Katsuragi Kitanomaru opened **1979** Haimurubushi opened (Business transferred in 2007) Musical events and leisure		**1991** Kiroro opened (Business transferred in 2007)		
1974 FRP pools FRP molding		**1994** PAS electrically power assisted bicycle	**2002** Electric commuter motorcycle	

Organization Chart



(As of July 1, 2010)

Investor Information

(As of March 31, 2010)

Head Office
10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka
430-8650, Japan

Date of Establishment
October 12, 1897

Stated Capital
¥28,534 million

Number of Employees (Consolidated)
25,658
(Includes average number of temporary employees: 6,383)

Number of Consolidated Subsidiaries
84

Account Settlement Date
March 31

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

Number of Shares of Common Stock
Authorized: 700,000,000
Issued: 197,255,025

Stock Exchange Listing
Tokyo
First Section, Code No. 7951

Administrator of Shareholders' Registry
The Chuo Mitsui Trust and Banking Co., Ltd.
Nagoya Branch
Stock Transfer Agency Department
3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan

Depositary for American Depositary Receipt
Deutsche Bank Trust Company Americas
Ratio: 1 ADR = 1 share of common stock
Type: Level 1 with sponsor bank
Symbol: YAMCY
U.S. Securities Code: 984627109

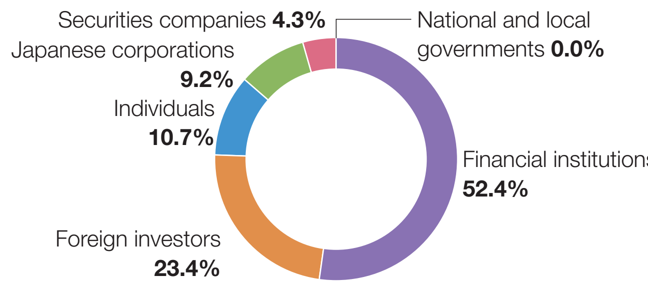
Public Notices
Shall be issued electronically at http://www.yamaha.co.jp/ (only in Japanese), except when accident or other unavoidable occurrence prevents this, in which case they shall be released in the Nihon Keizai Shimbun business daily released in Tokyo.

Ordinary General Shareholders' Meeting
June

Accounting Auditors
Ernst & Young ShinNihon LLC

Number of Shareholders
23,702

Shareholder Composition (Number of shares)



Main Shareholders

Yamaha Motor Co., Ltd.	5.24%
Japan Trustee Services Bank, Ltd. (trust a/c)	5.15%
The Master Trust Bank of Japan, Ltd. (trust a/c)	4.89%
Mitsui Sumitomo Insurance Co., Ltd.	4.52%
Mizuho Bank, Ltd.	4.45%
The Shizuoka Bank, Ltd.	4.23%
Sumitomo Life Insurance Company	3.70%
Nippon Life Insurance Company	3.29%
Mizuho Corporate Bank, Ltd.	2.93%
Trust & Custody Services Bank, Ltd. (securities investment trust a/c)	2.04%

IR Contact
Corporate Planning Division
TEL: +81 3 5488 6602
http://www.global.yamaha.com/ir/

Common Stock Price Range and Trading Volume

YAMAHA

CREATING 'KANDO' TOGETHER

YAMAHA CORPORATION

Corporate Planning Division

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