



# Sounding the Future



Annual Report 2013

Year ended March 31, 2013

# With a vision of tomorrow, Yamaha enriches the human spirit through the power of sound and music.

The history of Yamaha began in 1887, when Torakusu Yamaha, the founder, repaired a broken reed organ.

Since then, over its 125-year history, Yamaha has continued to create 'kando'\* and enrich culture with technology and passion born of sound and music, together with people all over the world.

Yamaha produces high-quality products by blending traditional craftsmanship with advanced digital technology.

The quality of sound produced by a Yamaha musical instrument reflects the long years of accumulated technical expertise and the skilled craftsmanship of the Company.

The goal of Yamaha is to inspire people with the joy of music performed on musical instruments that capture the heart and soul of both the player and audience.

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



#### 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.

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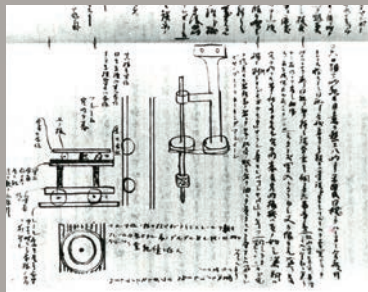
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For 125 years, Yamaha has cultivated a desire for constant technological innovation and an insatiable curiosity driven to produce sound that inspires people, emotionally connecting them through sound and music, a concept expressed by the Japanese word 'kando.' Fusing tradition with state-of-the-art technology, we will steadfastly continue to pursue this path.

# Pursuing New Sounds



Because supporting music lovers is  
Yamaha's unwavering goal, it will continue to  
make next-generation sound breakthroughs,  
creating the 'kando' of tomorrow.  
As an expert in sound and music,  
we seek to transcend national, ethnic, gender,  
and generational boundaries and deliver 'kando' to all.

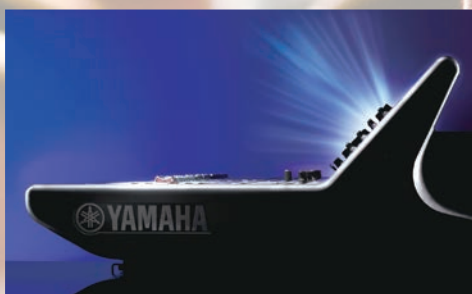
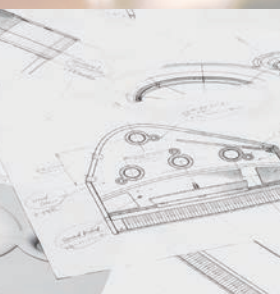




# Delivering Excitement



Aiming to become one of the best-loved brands in the world,  
we will expand our business in numerous countries around the globe.  
We strive in every possible way to share the joy and excitement of music.  
Sustained by our customers' cheers of delight,  
we will create a trusted and admired brand.







# Sharing the Joy

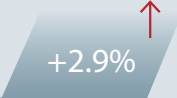


# Key Figures


Year ended March 31, 2013

Change from the previous fiscal year


## Net Sales

¥366.9 billion 

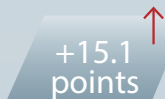
## Operating Income

¥9.2 billion 

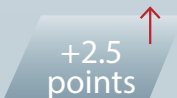
## Net Income

¥4.1 billion 

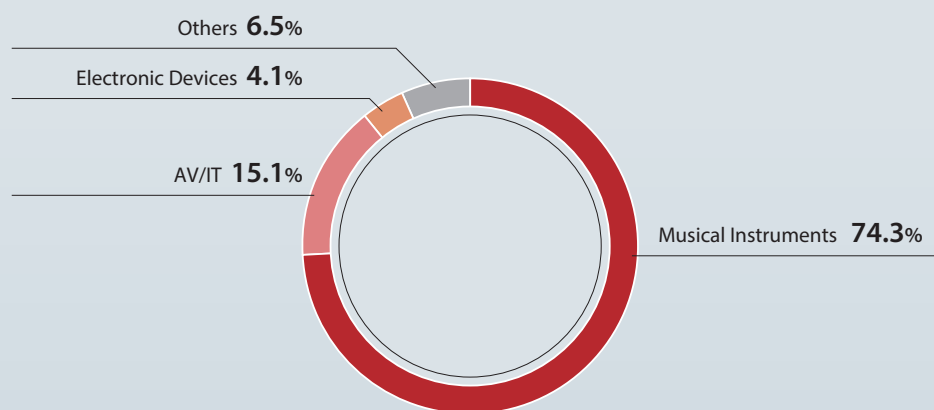
## ROE

1.9% 

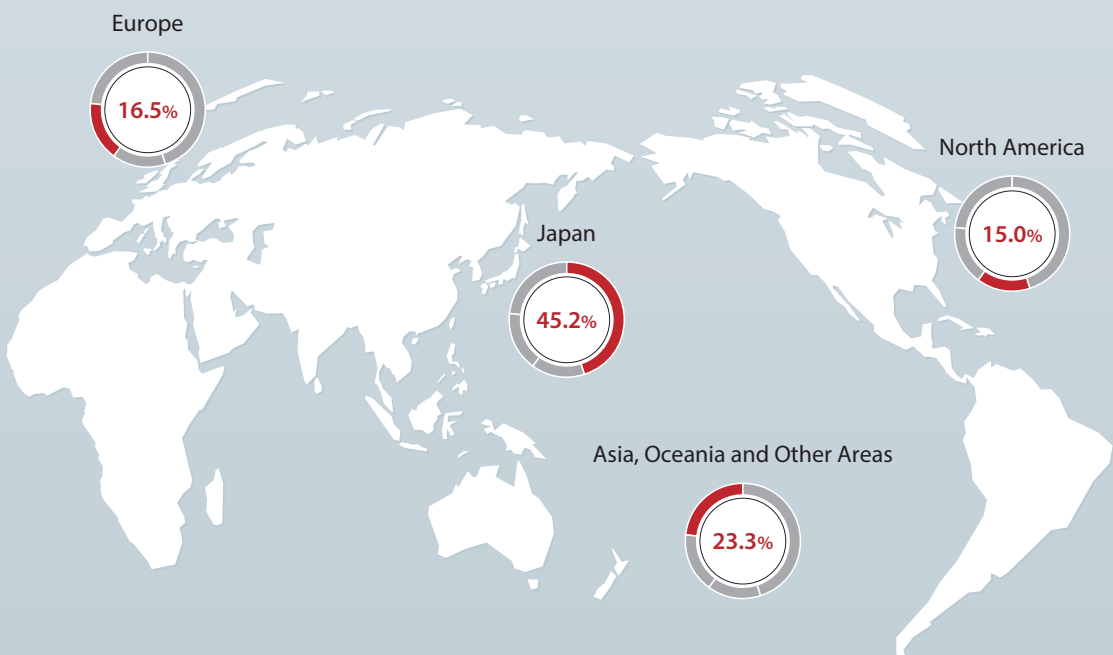
## Equity Ratio

58.1% 

## Sales by Business Segment

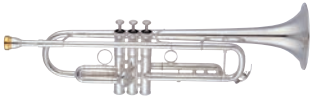


## Sales by Region



# Yamaha at a Glance

## Musical Instruments



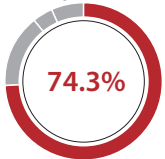
Sales

¥272.7 billion

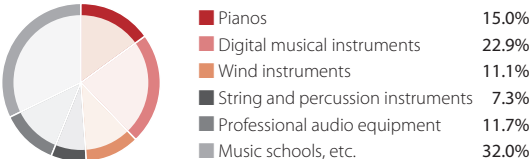
Operating Income

¥8.1 billion

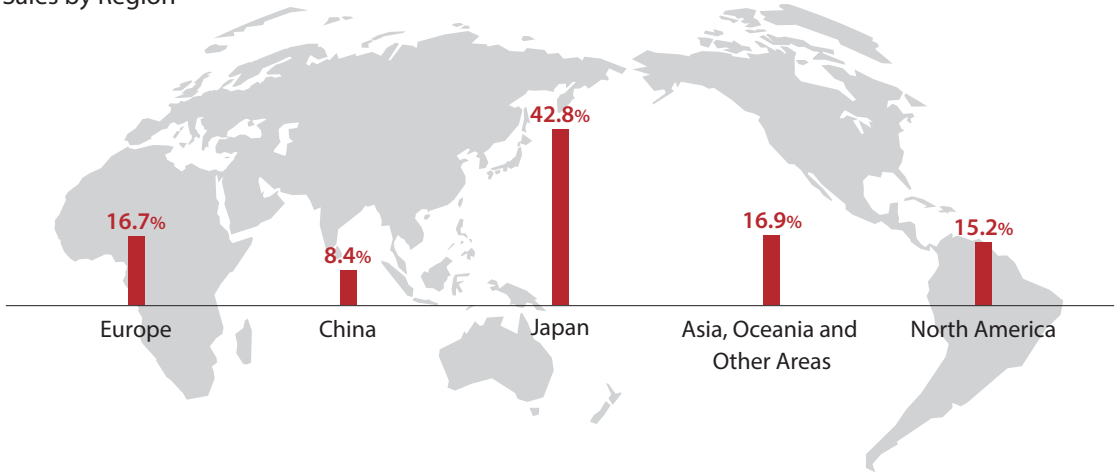
Segment Sales Proportion



Sales by Product Category



Sales by Region





## Business Strengths

- ❖ Wealth of core technical expertise based on traditional craftsmanship in acoustics and advanced digital technology
- ❖ Development of high-quality products by forging close relationships with artists
- ❖ Manufacturing of high value-added 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

## Major Products & Services

- ❖ 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



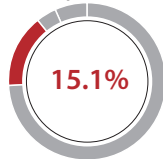
Sales

¥55.4 billion

Operating Income

¥2.9 billion

Segment Sales  
Proportion



## Business Strengths

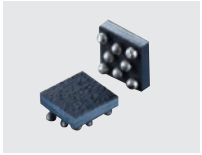
- ❖ Front surround sound technology for Digital Sound Projector™
- ❖ Wireless music transmitting technology for audio players including iPod\*
- ❖ High-quality sound technology in AV components and HiFi audio products
- ❖ Router solutions business
- ❖ Signal processing technology for high sound quality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

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

## Major Products & Services

- ❖ Audio products (AV receivers, speaker systems, front surround speakers, desktop audio systems, etc.)
- ❖ Commercial online karaoke equipment
- ❖ Routers
- ❖ Conferencing systems

# Electronic Devices



# Others



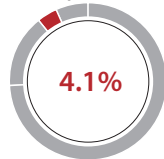
Sales

¥15.0 billion

Operating Loss

¥2.0 billion

Segment Sales Proportion



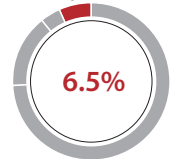
Sales

¥23.8 billion

Operating Income

¥0.3 billion

Segment Sales Proportion



## Business Strengths

- ❖ Accumulated experience and know-how in generating high-quality sound
- ❖ 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

### Major Products & Services

- ❖ Semiconductors

### Major Products & Services

- ❖ Golf products
- ❖ Automobile interior wood components
- ❖ Factory automation (FA) equipment
- ❖ Resort facilities (Tsumagoi™, Katsuragi-Kitanomaru™, Katsuragi Golf Club™)

# To Our Stakeholders





My name is Takuya Nakata, and I have recently assumed the office of President and Representative Director of Yamaha. As the new president, I would like to say a few words to our stakeholders.

In recent years, Japanese industry has experienced adverse business conditions including financial crises, the protracted appreciation of the yen, and fiercer competition. Yamaha is no exception and has also felt the considerable impact these conditions have had on Company earnings. Needless to say, we have dealt with these problems and have also worked hard to produce a wide range of products and services and carry out business structural reforms. And now we are seeing the results of our efforts take shape. We have gotten off to a new start toward continuous growth. However, there are still issues that need to be addressed on an ongoing basis in the area of business structural reforms. Further, to deal with exchange rate volatility, we have cut costs and taken other steps. With the recent favorable turn in circumstances, there are also risks that we are apt to take lightly, therefore, we must always proceed with extreme caution.

Yamaha has long been a company that has sought to satisfy customers based on its corporate objective of "CREATING 'KANDO' TOGETHER." To continue to create what customers want, even amid social diversification and globalization, we must always face our customers squarely and continuously produce what they really want. To that end, it is vitally important that each and every employee at Yamaha maintain the customers' perspective.

In 2012, Yamaha marked the 125th anniversary of its founding with the support of its stakeholders. In 2013, we formulated YMP2016, our new medium-term management plan, and got off to a new start toward a new phase of growth. Realizing that 2013 is a challenging year in which we seek new growth, our goal is to achieve growth for Yamaha, a company whose operations are centered on sound and music, through the steady implementation of the strategies laid out in YMP2016. Please look forward with anticipation to the new Yamaha.



Takuya Nakata  
*President and Representative Director*

# Moving into the Next Growth Phase

# Yamaha Group Medium-Term Management Plan

## Yamaha Management Plan 2016

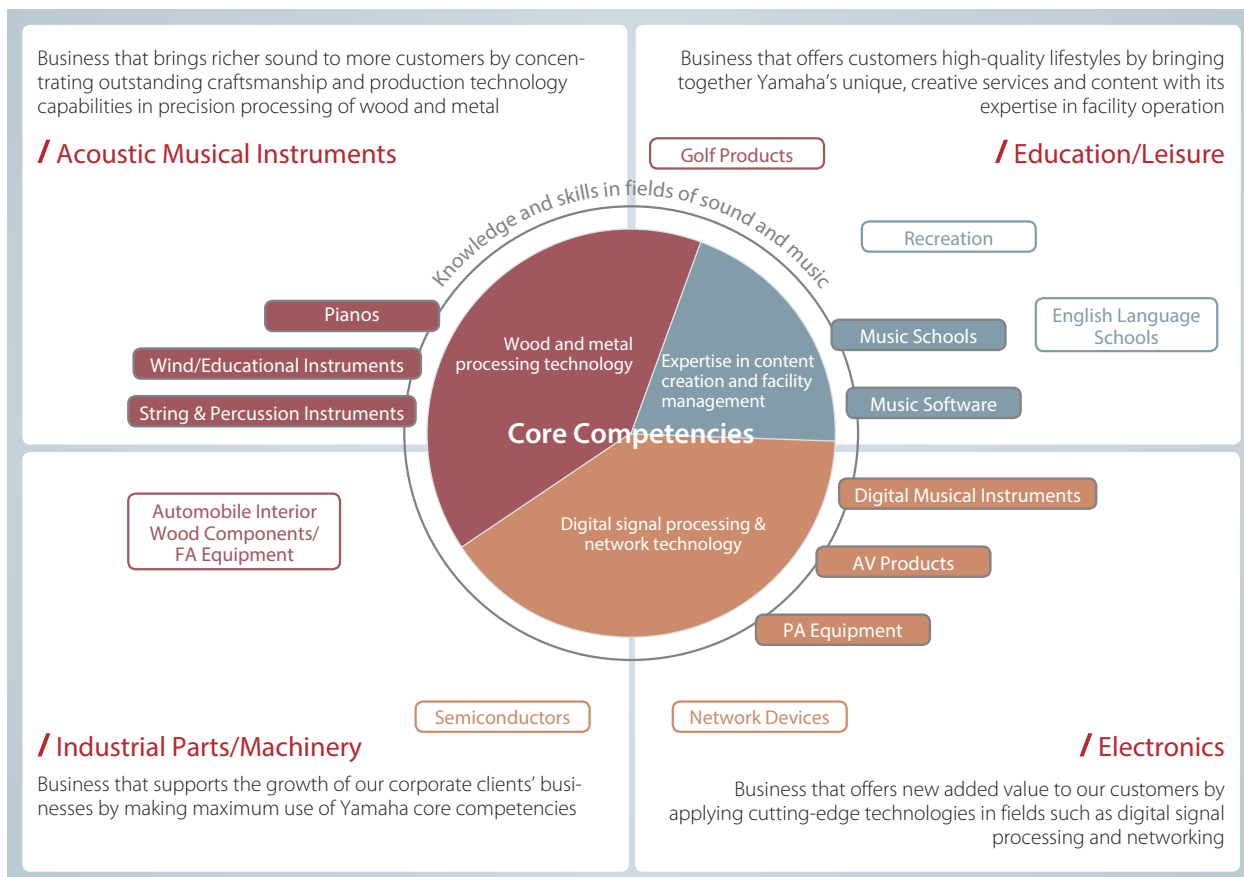
Yamaha Corporation has formulated its new management plan “Yamaha Management Plan 2016 (YMP2016)” that will cover the three-year period beginning in April 2013 to follow its Yamaha Management Plan 125 (YMP125), which was completed at the end of March 2013. YMP2016 sets forth Yamaha’s basic management policies, key strategies, and its numerical targets.

Yamaha has positioned the three years under YMP2016 as the first stage of the “quantum leap” phase of its development. During this stage, Yamaha will endeavor to secure growth in its existing businesses while actively investing to achieve growth through new business in the next stage.

Under the new management plan, by the fiscal year ending March 2016, Yamaha will aim to reach consolidated net sales of ¥430 billion (which will represent real growth over the three-year period of 14%), operating income of ¥30 billion (which will imply an operating income ratio of 7%), and a return on equity (ROE) of 10%. Over the period of YMP2016, Yamaha plans to make investments for growth of ¥33 billion.

### Redefinition of Business Domains

Classify competencies according to technologies and know-how, and redefine business domains targeting synergy



## Management Policies

### Attain continual growth

Expand sales with a focus on emerging markets and electronics business

### Strengthen profitability

Steadily build on results of structural reform

### Enhance specialization and professionalism to create new added value

Generate results from function-specific organizational units, foster specialist personnel

## Positioning

- ❖ The new Medium-Term Management Plan will **achieve steady growth in existing businesses** as the first stage of the “quantum leap” phase.
- ❖ The Company will **invest aggressively in new business development** with a view to achieving next-stage targets of ¥500 billion in net sales and ¥50 billion in operating income.



## Numerical Targets

(Billions of yen)	13/3	16/3 Targets	changes
Net Sales	366.9	430.0	+63.1
Actual growth rate over three years		+14%	
Operating Income	9.2	30.0	+20.8
Operating income ratio	2.5%	7%	
ROE	1.9%	10%	+8.1

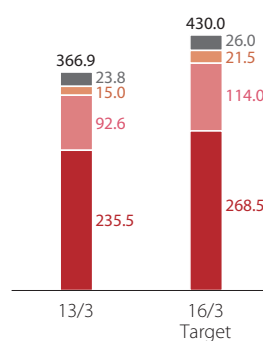
Exchange Rate (Yen)			
Net Sales	US\$	83	85
	EUR	107	115
Operating Income	US\$	82	85
	EUR	103	115

(Billions of yen)	11/3-13/3 (over three years)	14/3-16/3 (over three years)	changes
Free Cash Flows	9.9	50.0	+40.1
R&D Expenses	67.4	68.5	+1.1
Capital Expenditures	35.6	46.0	+10.4
(Depreciation)	(36.4)	(41.0)	+4.6
Special Allocation for Growth Investment	—	33.0	—

## Targets by Segment

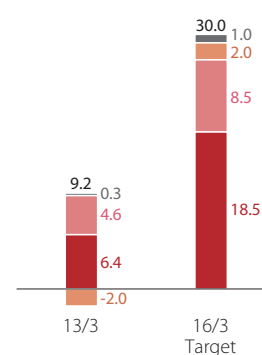
### Net Sales

(Billions of yen)



### Operating Income (Loss)

(Billions of yen)



■ Musical instruments ■ Audio equipment ■ Electronic devices ■ Others

### [Segment Realignment]

As a result of certain organizational realignments, effective from the first quarter of fiscal 2014, some segments are realigned as follow;

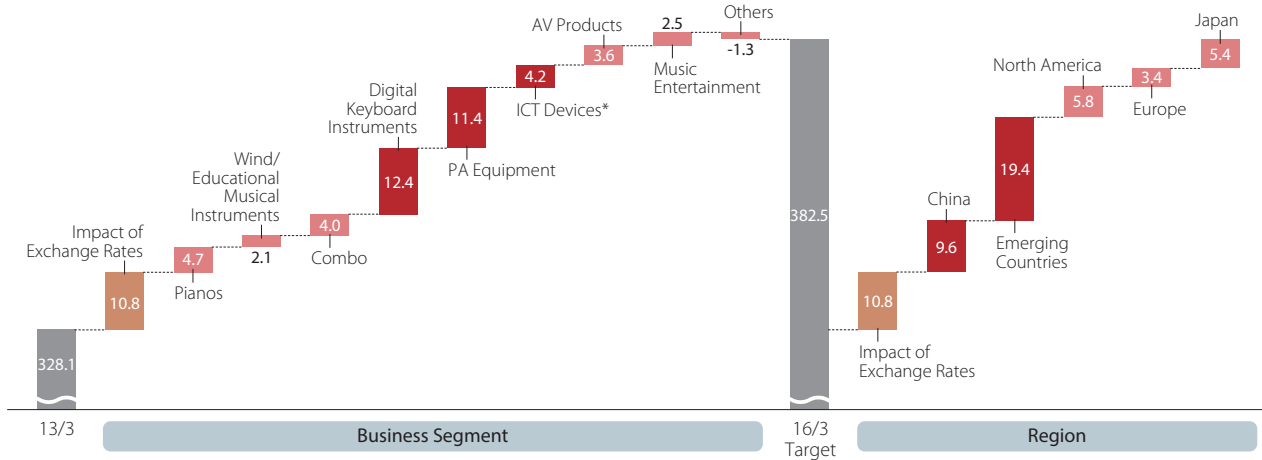
1. AV/IT segment will now be renamed audio equipment segment.
2. PA equipment business, which was previously reported as part of the musical instruments segment will now be reported as part of the audio equipment segment.

\* Yamaha has reflected segment changes to segment net sales and operating income for fiscal 2013 to provide better visibility.

## Net Sales Analysis

### Musical Instruments/Audio Equipment

(Billions of yen)



\* ICT (Information and Communication Technology) devices = network devices + audio communication devices

## Four Key Strategies

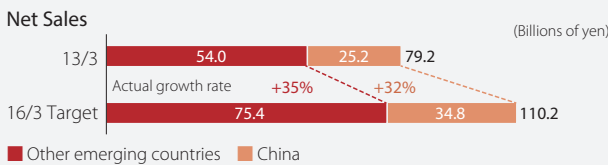
### 1 Accelerate Growth in Emerging Countries

#### Three-Year Target

Achieve growth of ¥31.0 billion (actual increase of +34%) in China and other emerging countries

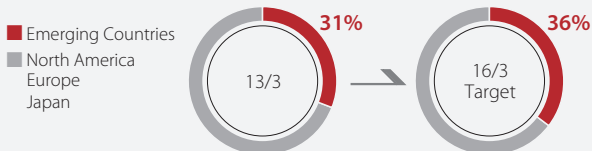
#### Priority Measures

1. Focus management resources on key areas and expand sales network
2. Increase music-playing population through music popularization activities



#### Sales Ratio

(Musical Instruments and Audio Equipment Hardware Products)



### 2 Expand Sales in Electronics Business Domain

#### Three-Year Target

Achieve growth of ¥32.3 billion (actual growth of +28%) for digital keyboard instruments, professional audio equipment, and ICT devices

#### Priority Measures

##### Digital keyboard instruments

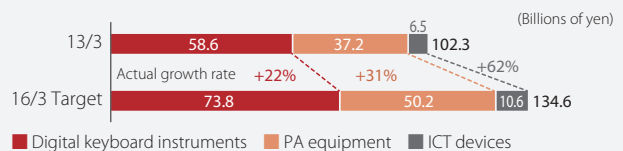
1. Expand market share through product differentiation
2. Further respond to various market demand

##### PA equipment

1. Enhance development capabilities to maintain solid growth
2. Enter new fields to expand business scale

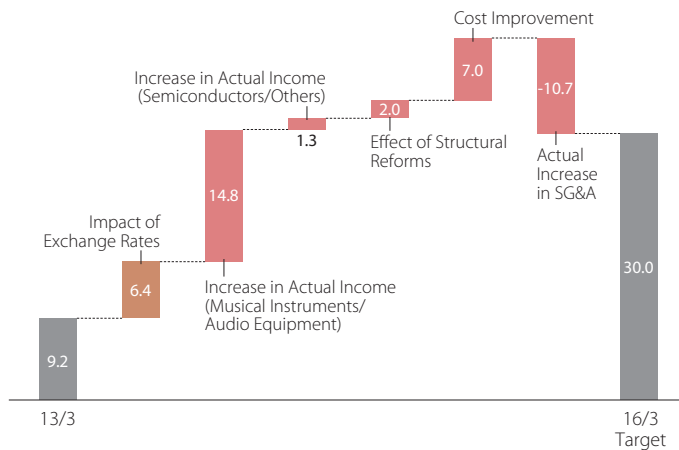
##### ICT devices

1. Transform router business into network device solution business
2. Expand Web conferencing USB microphone and speaker business into audio communication device business



### Operating Income Analysis

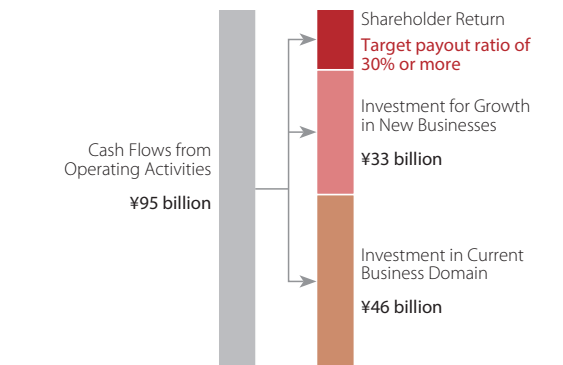
(Billions of yen)



### Growth Investment and Return to Shareholders

Actively invest in growth while continuing stable dividends

General overview of three year cash flow distribution



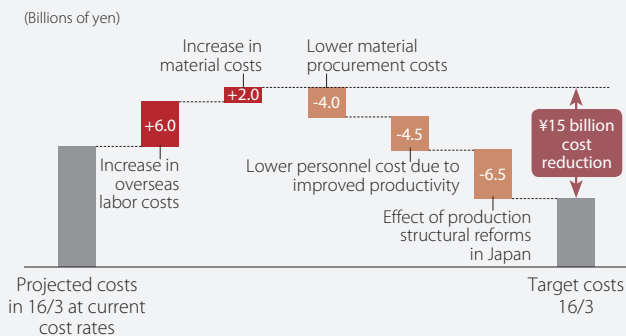
## 3 Strengthen Cost Competitiveness

### Three-Year Target

Achieve cost savings of ¥15 billion by improving utilization rates in existing production bases and cutting unit costs

### Priority Measures

1. Transform Japanese factories into compact structures capable of dealing flexibly with market changes
2. Further strengthen productivities in Chinese and Indonesian factories, where labor costs are rising sharply



Absorb cost increases of ¥8 billion due to sharp rise in labor costs at overseas factories etc., and reduce costs by ¥7 billion

## 4 Develop New Businesses

### Three-Year Target

Develop new businesses to accelerate growth in the quantum leap phase

### Priority Measures

1. Invest in M&A and capital tie-ups
  - Accelerate growth through M&A and capital tie-ups in fields expected to expand, such as commercial audio equipment
  - Special allocation for growth investment: ¥30 billion**
2. Invest in venture firms
  - Invest in venture firms to discover next-generation technologies and services
  - Special allocation for growth investment: ¥3 billion**
3. Pursue new business projects in-house
  - Top-down support for projects already under way
  - Invite suggestions from staff and use in-house projects involving engineers from different disciplines to identify new businesses
  - Conduct workshops for young employees to strengthen capabilities in identifying new businesses

# Interview with the President

Having undertaken various structural reforms and developed new businesses, Yamaha started off on a new growth phase. Based on the vision of its new medium-term management plan YMP2016, President and Representative Director, Takuya Nakata, discusses Yamaha's growth strategy including its priority businesses and expansion overseas.

## Q What were Yamaha's earnings in fiscal 2013?

A Consolidated net sales in fiscal 2013 were ¥366,941 million, an increase of 2.9% year on year. Despite deteriorating manufacturing profits due to production cutbacks, the impact of an appreciating yen, and other factors, Yamaha recorded earnings growth with operating income of ¥9,215 million, a 13.6% increase, and net income of ¥4,122 million, a reversal of last fiscal year's net loss of ¥29,381 million. These figures, in both cases, surpassed those of the previous fiscal year thanks mainly to strong sales in North America, China and other regions, Europe's solid performance in spite of a harsh business

environment, steady results from the implementation of business structural reforms, and a reduction in selling, general and administrative (SG&A) expenses. In the final year of YMP125, we realized that we had pretty much laid the foundation for future growth, which had been our foremost goal. Of course, that is not to say that structural reforms have been completed, as we still have many issues to address, but we have restored normal operations with the goal of growth, and are prepared for the next phase.

## Q With your previous medium-term management plan YMP125 completed, how do you assess Yamaha's performance?

A Two achievements that I can cite are the growth we gained in China and other emerging markets as well as the progress made on business structural reforms. Though the situation in emerging

markets varies, in the third year of our plan, Middle Eastern and Latin American markets suffered slowdowns due to internal conditions and other factors. However, ASEAN countries, on



**Takuya Nakata**  
*President and Representative Director*

the whole, experienced solid growth, while strategic initiatives for future development such as sales network expansion were taken in China.

In the area of business structural reforms, we are also beginning to see success with the completion of wind instrument and piano factory integration in Japan, the setup of a three-base structure for manufacturing in Japan, Indonesia, and China, strides made to the next growth phase, and improved profitability in the piano and wind instrument businesses. Challenges remaining after the integration include ensuring that its effects firmly take hold. This will be accomplished by having our manufacturing bases work further together to procure parts and materials and by transferring additional wind instrument production processes overseas.

In the second half of fiscal 2013, we reorganized our sales and marketing structure for musical instruments and audio equipment in Japan and also restructured our domestic business bases including the semiconductor business. As part of business structural reforms in its sales and marketing structure, Yamaha set up the wholesale business as a separate company and consolidated its nationwide sales bases to the bases of Tokyo and Osaka. Yamaha also integrated its eight retail sales companies into one company, thereby reducing costs and streamlining businesses. In the semiconductor business, we restructured our production system, which included reducing fixed costs, at Yamaha Kagoshima Semiconductors Inc., our manufacturing subsidiary, taking a major step toward higher profitability.

#### Review of YMP125 Financial Results

(Billions of yen)	10/3	13/3	YMP125 Targets
Net Sales	414.8*	366.9	427.0
Operating Income	6.8	9.2	25.0
ROE	-2%	1.9%	7%

\* Including the lifestyle-related products and magnesium molded parts business which were handed over and withdrawn in fiscal 2011.



## Q What are your remaining challenges?

A During the implementation of YMP125, our previous medium-term management plan, there were major changes in the business environment such as the earthquake disaster and exchange rate volatility. And, I was not entirely satisfied with our response to these changes. Specifically, we still face major challenges in terms of the speed of our response. We must make improvements in materials and parts procurement, production lead time, inventory control methods, and other areas. As for improving our response to exchange rate volatility, put simply, we have no permanent policies other than continuing to make our basic products more competitive by figuring out how to precisely gauge customer needs and reflecting those needs in products, and how to launch products at competitive prices

and in a timely manner. A challenge that has remained is that of controlling inventory at an optimal level by balancing actual demand and production. To accomplish this, we changed over to a new structure, a functional organization, in October 2012. In this new structure, the headquarters' Sales & Marketing Division determine customer needs, closely examine various data while gaining a better understanding of market trends, and then steadily reflect this data back into production and inventory, leading to better inventory control. As an inventory control tool, we are introducing an integrated system that simultaneously links overseas sales subsidiaries with the production divisions, allowing us to swiftly handle each product.

## Q What is the basic approach and objective of the new medium-term management plan, YMP2016, started in fiscal 2014?

A For the past six years, including the period of YMP125, we have constantly pursued growth, but have always been forced to deal with drastic changes in the business environment. Now, I feel that we have returned to a growth phase. YMP2016 will position us at the first stage of a "quantum leap" phase. It is a period for sowing the seeds of growth as well as reaping results and will ensure steady growth. Already, the development of our sales networks in China and other emerging countries has progressed and we are on the path to growth. Our numerical targets for the fiscal year ending March 31, 2016, the final year of the plan, are consolidated net sales of ¥430,000 million, operating income of

¥30,000 million, and ROE of 10%. However, as we approach the starting line of this plan, we are, for the most part, prepared to make the next leap forward. Some may think that the exchange rate assumptions of JP¥85 per US\$1 and JP¥115 per €1 contained in this plan are overly cautious. We, on the other hand, consider them a statement of our firm resolve to achieve these targets.

In this plan, we have redefined Yamaha's business domains as the four domains of "Acoustic Musical Instruments," "Electronics," "Education/Leisure," and "Industrial Parts/Machinery." These have been redefined from the standpoint of how much growth we can expect from each of these businesses



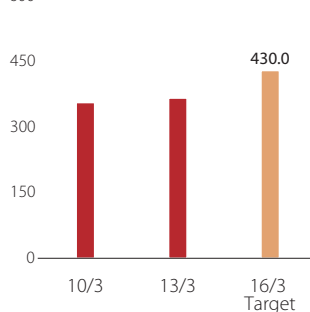
in the years ahead. For instance, in the electronics domain, we have placed digital keyboard instruments and professional audio equipment in the same category. In professional audio equipment, Yamaha was among the first to move toward digitalization of analog equipment. The size of the digital market is huge, and by combining greater efficiency and added functionality with information and network technologies, we can aim for even greater growth. This is a field where we can leverage Yamaha's strengths in multiple technologies.

The plan also incorporates the three strategies of "attaining continual growth," "strengthening profitability," and

"enhancing specialization and professionalism." Particularly in the area of "enhancing specialization and professionalism," we wish to broaden the appeal that Yamaha has among customers as a manufacturer that specializes in "sound and music." We will strengthen cross-functional sales and marketing through organizational realignment. As a specialized manufacturer, we will strengthen these functions and develop personnel with highly specialized skills with the goal of becoming a strong marketing organization. To that end, we will build up our sales network, set pricing policies, and take other steps.

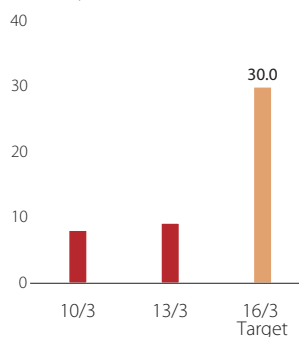
### Net Sales

(Billions of yen)



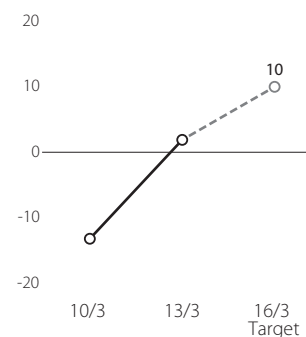
### Operating Income

(Billions of yen)



### ROE

(%)



Q

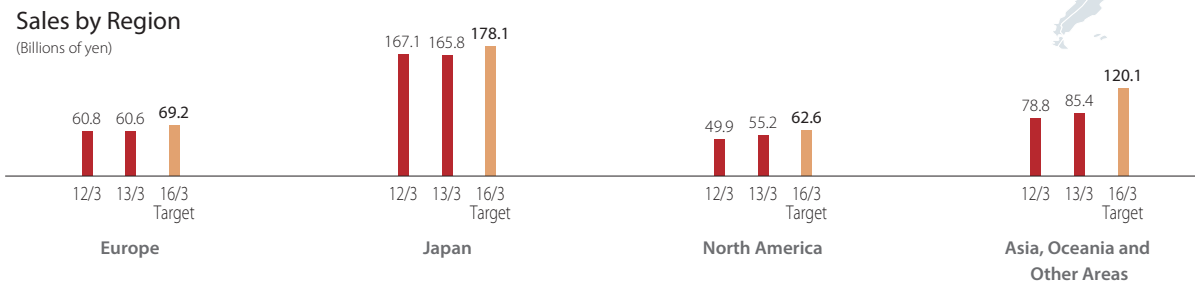
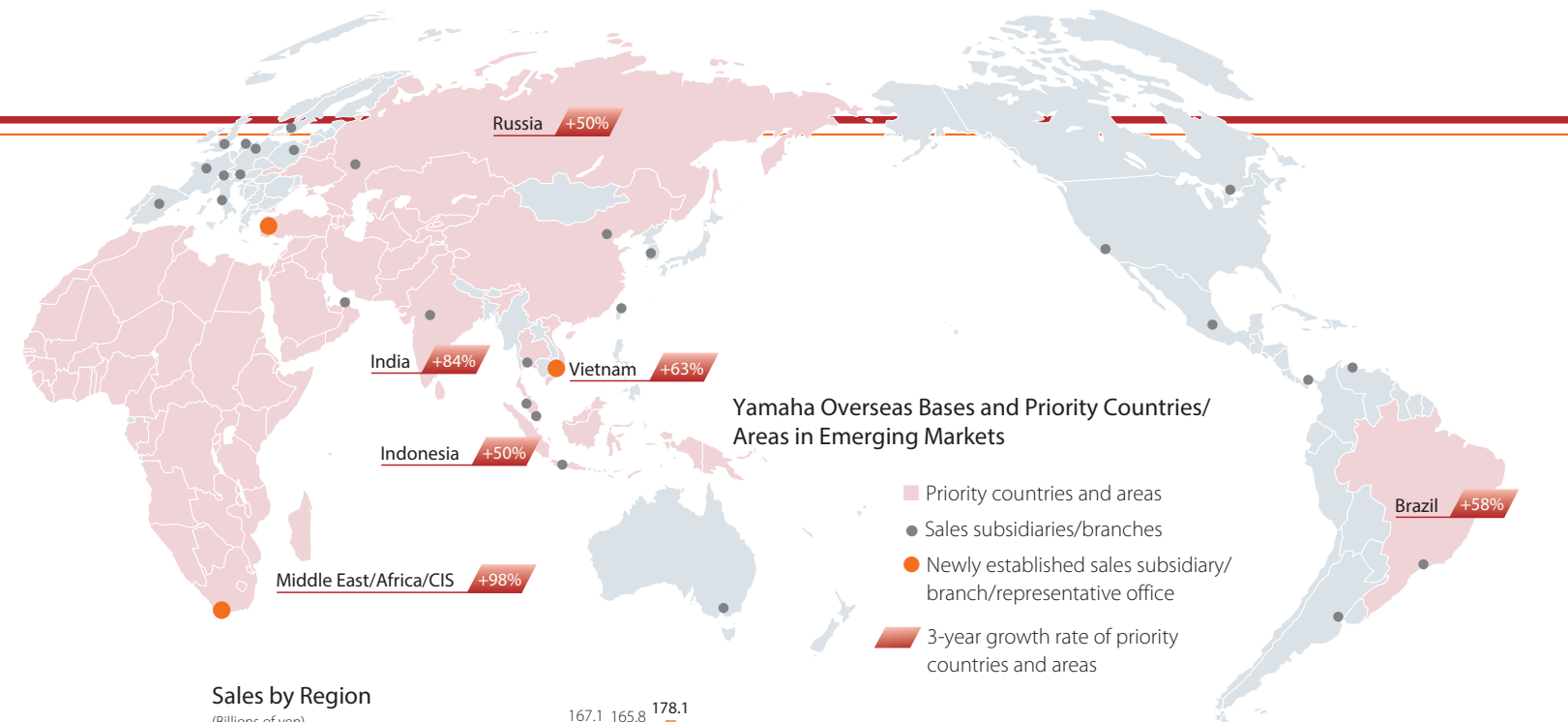
## What are Yamaha's key strategies for the future?

A

Our priority business strategy is, naturally, to accelerate growth in China and other emerging markets. Our target is to achieve growth of 30% or more over the next three years. China is a market where acoustic piano sales accounts for more than half of musical instrument sales, but, with lifestyles changing due to urbanization, we expect major growth, particularly in digital musical instruments. With the goal of increasing the music-playing population and expanding the market, Yamaha is constantly increasing the number of Yamaha Music Schools and providing music instruction at schools in both markets. We will continue to increase the size of our marketing staff, including staff in other

emerging markets, and develop and fortify our sales network.

Turning to products, we will continue to pursue our strategy of expansion in the electronics business domain. Our plan is to achieve sales growth of about 30% over the next three years in digital keyboard instruments, professional audio equipment, and information and communications technology (ICT) devices. Digital keyboard instruments are a promising field of growth in the previously mentioned markets of China and other emerging countries. However, the challenge we face is this: can we assess customer needs, focus on what the customer wants, and provide it at a suitable price? More than ever, Yamaha will develop



products that are finely tailored to market needs with sound data that is genuine, with style and tone data that take into account local preferences, and offer original and appealing products that excite customers.

Professional audio equipment was positioned as a field of growth in the previous medium-term management plan, and with demand rising in emerging markets, it continues to be a promising field of growth. Therefore, we will reinforce development staff to strengthen our development capabilities. In this

field, increasing functionality is being added including networking features. Merging communications and audio technology, this field leverages Yamaha's strength of combining different technologies and producing new value. Thus, we will continue to aggressively invest the Company's businesses resources here. Further, as a new field, we will develop and launch new products for the commercial installations for retail stores, banquet halls, restaurants, and more.

## Q What are your targets and strategies for new business development, in particular, what are your thoughts on special allocations for growth investment?

**A** To accelerate growth in the next "quantum leap" phase, we established a special allocation for growth investment in YMP2016. We established this as an allocation for growth investment, with ¥30,000 million to be invested in mergers and acquisitions (M&A) and capital partnership, and ¥3,000 million to

be invested in venture firms. Today, with technological innovation occurring at incredible speed and increasing diversification, we must not restrict development to internal Group resources, rather we must make clear our intent to accelerate growth by clearly defining our strategy, which includes M&A. Yamaha



views professional audio equipment and other domains as growth fields and we will continue to invest in businesses that complement these domains with the goal of raising our market share. We will support, from the top down, projects that

are currently underway and will do our best to promote new business projects within the Company by, for example, initiating internal public offerings, uncovering new businesses through inter-company projects, and other means.

## Q What measures will you take to strengthen cost competitiveness?

A Even though the depreciation of the yen in the second half of 2012 seemed to have alleviated the profit squeeze, we will continue to enhance our cost competitiveness. With overseas labor and material costs expected to rise, we have sought cost reductions measures, and have targeted ¥15,000 million in cost-cutting over three years. More specifically, to facilitate the shift to a production structure in Japan that is leaner and more flexible in responding to changes, we plan to turn the musical instruments manufacturing divisions into subsidiaries in April 2014. In addition, we will lower costs by using overseas product

parts and materials and create high customer value by using Yamaha's core technologies.

To fortify our manufacturing capabilities, we will cut costs at our plants in China and Indonesia, where labor costs are sharply rising, by raising the percentage of locally procured materials and components. At the same time, we intend to add higher value by bringing outsourced production in-house and taking other steps, thereby cutting costs in Japan and overseas.

## Q Finally, what is your financial strategy and approach to returning profits to shareholders going forward?

A The Yamaha Group will continue to build a solid financial foundation with an equity ratio of 58.1% and DER of 0.04 times. On the basis of maintaining financial soundness, we will firmly adhere to financial policies that balance investments and dividend payments. On the other hand, as explained earlier, we want to flexibly and expeditiously take on growth investments for the next growth phase. In addition, Yamaha has set a goal of 30% or more for its consolidated dividend payout ratio based on continuous and stable dividend payments. In fiscal 2013, Yamaha paid an annual dividend of ¥10 per share. In fiscal 2014, we plan to pay an annual dividend of ¥15 per share.

Dividends per Share



# Board of Directors, Corporate Auditors and Executive Officers

(As of June 26, 2013)

## Board of Directors



**Takuya Nakata**

*President and Representative Director*

1981 Joined Nippon Gakki Co., Ltd.\*  
2005 General Manager of Pro Audio & Digital Musical Instruments Division  
2006 Executive Officer  
2009 Director and Executive Officer  
2010 Senior Executive Officer of Yamaha Corporation and President of Yamaha Corporation of America  
2013 Senior Executive Officer and Deputy Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group of Yamaha Corporation  
2013 President and Representative Director (to the present)



**Hiroo Okabe**

*Director*

1974 Joined Nippon Gakki Co., Ltd.\*  
2000 General Manager of Band & Orchestral Instruments Division  
2003 Executive Officer and Deputy General Manager of Musical Instruments Group  
2006 Director  
2007 Director and Managing Executive Officer (to the present)  
2012 Senior General Manager of Corporate Research & Development Group (to the present)



**Motoki Takahashi**

*Director*

1974 Joined Nippon Gakki Co., Ltd.\*  
1999 President of Yamaha Europe GmbH  
2001 Executive Officer of Yamaha Corporation  
2006 General Manager of Corporate Planning Division  
2007 Director and Executive Officer  
2009 Director and Managing Executive Officer (to the present)  
2012 Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group (to the present)

## Corporate Auditors

**Hisashi Yabe**

*Full-Time Corporate Auditor*

1974 Joined Nippon Gakki Co., Ltd.\*  
1994 General Manager of Accounting Division, Yamaha Livingtec Corporation  
2000 Director of Yamaha Resort Corporation  
2004 General Manager of Resort Management Group, Yamaha Corporation  
2008 Full-Time Corporate Auditor (to the present)

**Fumio Umeda**

*Full-Time Corporate Auditor*

1974 Joined Nippon Gakki Co., Ltd.\*  
2003 General Manager of Accounting and Finance Division  
2009 General Manager of Corporate Auditors' Office  
2011 Full-Time Corporate Auditor (to the present)

**Takashi Miyazawa**

*Outside Corporate Auditor  
(Certified Public Accountant)*

1973 Joined Arthur Young & Co.  
1977 Registered as a Certified Public Accountant  
1993 Joined Showa Ota & Co.  
(currently Ernst & Young ShinNihon LLC)  
2006 General Manager of International Division, ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)  
2010 Retired from Ernst & Young ShinNihon LLC  
2011 Outside Corporate Auditor of Yamaha Corporation (to the present)

## Executive Officers

**Hiroo Okabe**

*Managing Executive Officer*  
Senior General Manager of Corporate Research & Development Group

**Motoki Takahashi**

*Managing Executive Officer*  
Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group

**Masao Kondo**

*Senior Executive Officer*  
Senior General Manager of Electronics Business Group

**Masato Oike**

*Senior Executive Officer*  
Senior General Manager of Acoustic Musical Instruments Business Group

**Masahito Hosoi**

*Senior Executive Officer*  
Senior General Manager of Corporate Administration Group



**Haruo Kitamura**  
*Outside Director*  
*(Certified Public Accountant)*

1983 Joined Arthur Andersen  
 1987 Registered as a Certified Public Accountant  
 2002 Established Kitamura Certified Public Accounting Office (to the present)  
 2004 Outside Corporate Auditor of Rohm Co., Ltd. (to the present)  
 2005 Outside Director of MonotaRo Co., Ltd. (to the present)  
 2006 Supervisory Director, MID REIT, Inc. (to the Present)  
 2009 Outside Corporate Auditor of Yamaha Corporation  
 2010 Outside Director of Yamaha Corporation (to the present)



**Hiroyuki Yanagi**  
*Outside Director*  
*(President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd.)*

1978 Joined Yamaha Motor Co., Ltd.  
 2007 Executive Officer of Yamaha Motor Co., Ltd.  
 2009 Senior Executive Officer of Yamaha Motor Co., Ltd.  
 2010 President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd. (to the present)  
 2011 Outside Director of Yamaha Corporation (to the present)



**Yoshikatsu Ota**  
*Outside Director*  
*(Director and Chairman of the Board of Konica Minolta, Inc.)*

1964 Joined Minolta Camera Co., Ltd.  
 1991 Director of Minolta Camera Co., Ltd.  
 1995 Managing Director of Minolta Co., Ltd.  
 1999 President and Representative Director of Minolta Co., Ltd.  
 2003 Director, Vice President and Representative Executive Officer of Konica Minolta Holdings, Inc.  
 2006 Director, President and Chief Executive Officer, Representative Executive Officer of Konica Minolta Holdings, Inc.  
 2009 Director and Chairman of the Board of Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.) (to the present)  
 2012 Outside Director of Yamaha Corporation (to the present)

**Hirohiko Ikeda**  
*Outside Corporate Auditor*  
*(Attorney)*

1987 Admitted to the Japan Federation of Bar Associations, joined Oh-Ebashi Law Offices (currently Oh-Ebashi LPC & Partners)  
 1991 Worked for Weil, Gotshal & Manges LLP (U.S.A.)  
 1992 Admitted to the New York State Bar Association (U.S.A.)  
 1993 Partner in Oh-Ebashi Law Offices (currently Oh-Ebashi LPC & Partners) (to the present)  
 2011 Outside Corporate Auditor of Yamaha Corporation (to the present)

\* Currently Yamaha Corporation

**Wataru Miki**  
*Executive Officer*  
*General Manager of*  
*Corporate Communications Division*

**Akira Iizuka**  
*Executive Officer*  
*General Manager of Digital Musical Instruments Division*

**Hirofumi Osawa**  
*Executive Officer*  
*General Manager of AV Products Division*

**Hiroshi Sasaki**  
*Executive Officer*  
*President of Yamaha Music Europe GmbH*

**Yutaka Hasegawa**  
*Executive Officer*  
*General Manager of Sound Network Division*

**Kazunori Kobayashi**  
*Executive Officer*  
*General Manager of Pro Audio Division*

**Satoshi Yamahata**  
*Executive Officer*  
*General Manager of Corporate Planning Division*

**Shigeki Fujii**  
*Executive Officer*  
*General Manager of Semiconductor Division*

**Seiichi Yamaguchi**  
*Executive Officer*  
*President of Yamaha Music & Electronics (China) Co., Ltd.*

# Corporate Governance

Yamaha is taking steps to enhance the oversight functions of the Board of Directors while promoting an executive officer system in order to strengthen business execution functions. Yamaha has also introduced highly independent outside directors and outside corporate auditors to increase the effectiveness of its governance.

## Fundamental Concept of Corporate Governance

Yamaha positions the enhancement of corporate governance as an important management issue, and is taking proactive steps to strengthen it.

The Company's corporate objective 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." Based on this objective, Yamaha will improve management efficiency and become globally competitive and highly profitable. At the same time, the Company will increase its corporate and brand value by fulfilling its social responsibilities in areas such as compliance, environment, safety and social contributions.

To achieve this goal, Yamaha will take steps to create a transparent and high-quality management that is also efficient by improving its organizational structure and system, implementing all necessary measures, and disclosing information in an appropriate manner.

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

## Basic Corporate Governance System

Yamaha is a company with a board of auditors as defined under Japanese law. With the General Shareholders' Meeting as its highest decision-making body, Yamaha has built a corporate governance system (outlined in the diagram below) centered on the oversight and supervision of management's execution of duties by the Board of Directors, and audits by the Board of Auditors. Further, Yamaha has enhanced its governance functions by introducing an executive

officer system, setting up a Corporate Officers Personnel Committee, Risk Management Committee, and corporate committees, convening twice a month (in principle) Managing Council meetings, and establishing an internal control system. In conjunction with consistent audits conducted by the Company's system of full-time auditors, these help raise the effectiveness of governance through fair and equitable audits by highly independent outside corporate auditors.

## Board of Directors

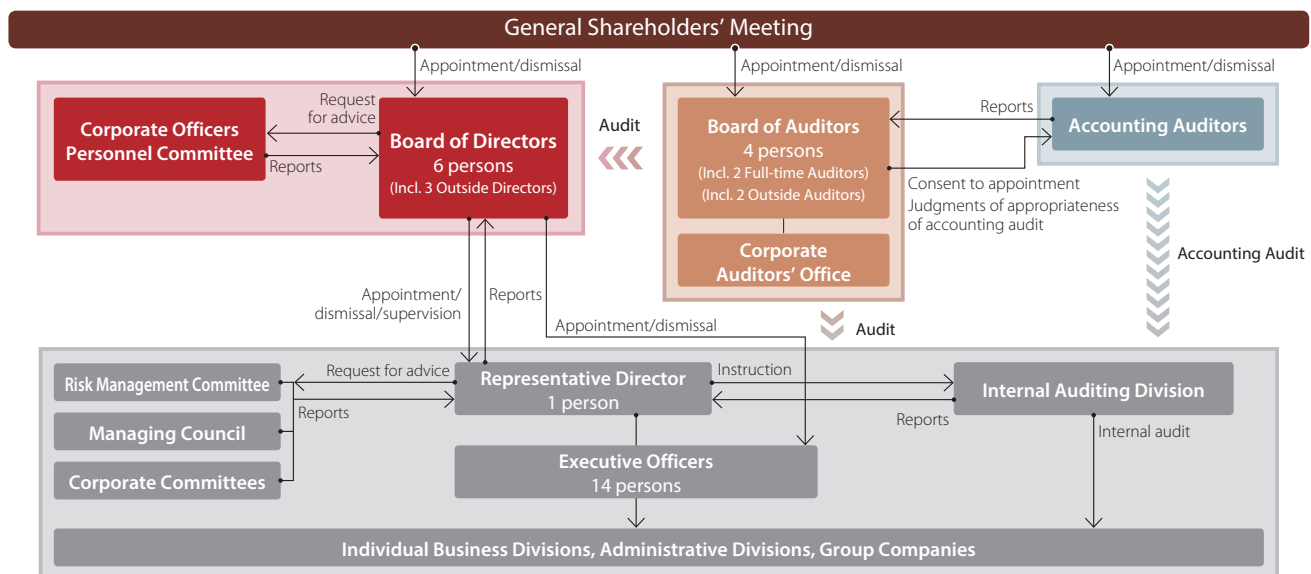
As of June 26, 2013, Yamaha had six directors, including three outside directors. In principle, the Board of Directors convenes once monthly, and is responsible for the Group's management functions, such as strategy planning, monitoring the business execution of each division, and providing guidance. Outside Directors are elected to enhance supervisory function of the Board of Directors from an objective standpoint, for increasing transparency of the management, and gain good advice by utilizing their management experience in different industry and advanced expertise.

In order to clarify directors' management responsibilities, directors are appointed for a term of one year.

## Representative Director

As of June 26, 2013, Yamaha had one representative director who acts as President and Representative Director. The President and Representative Director is the chief officer in charge of business execution and represents the Company.

Corporate Governance Structure (As of June 26, 2013)



## Reorganization of System and Structure to Strengthen Corporate Governance

- 2001 ➔ Adopted an executive officer system to separate management decision-making/oversight and execution functions
- 2003 ➔ Reduced the number of full-time directors from nine to eight, appointed an outside director, increased the number of outside corporate auditors from one to two, and established a Corporate Auditors' Office
- 2005 ➔ Clearly defined directors' management responsibilities and reduced the term of directors from two years to one year to create a system that can swiftly respond to changing business environments
- 2006 ➔ Adopted a group manager system that concedes business execution authority to full-time directors so they can swiftly respond to management issues
- 2009 ➔ Increased the number of outside corporate auditors from two to three
- 2010 ➔ Decreased the number of full-time directors from eight to three, increased the number of outside directors from one to two, and registered one outside director as an independent officer as stipulated by Japan's financial instruments exchange
- 2011 ➔ Reorganized Internal Auditing Division to centralize audit functions and to promote comprehensive audits
- 2012 ➔ Increased the number of outside directors from two to three

### Auditors and the Board of Auditors

As of June 26, 2013, Yamaha had four auditors, including two outside corporate auditors. In principle, the Board of Auditors convenes once monthly. Based on audit plans, auditors periodically perform comprehensive audits of all business divisions, administrative divisions and Group companies, and participate in Board of Directors' meetings and other important meetings such as the Managing Council.

The reasonableness of accounting audits is determined based on periodic progress reports from the accounting auditors of their audits of the Company's financial statements.

In Yamaha, people with knowledge of finance and accounting assume full-time auditor positions. Full-time auditors have many years of experience that enables them to exercise good judgment with respect to the reasonableness of business audits and accounting audits. To ensure objectively fair and equitable audits, outside corporate auditors are appointed and include specialists (CPAs and attorneys) who hold positions independent from that of the Company.

Yamaha has also established a Corporate Auditors' Office (with one staff member as of June 26, 2013) that is dedicated to supporting auditors so as to ensure an environment conducive to performing effective audits.

### Corporate Officers Personnel Committee

Yamaha established the Corporate Officers Personnel Committee as an advisory body to the Board of Directors. The Committee deliberates on corporate officer personnel issues and reports its findings to the Board of Directors. The Committee, which includes outside directors as members, ensures transparency and fairness.

### Risk Management Committee

Yamaha established the Risk Management Committee as an advisory body to the President and Representative Director. The Committee discusses risk management-related matters from a Companywide perspective and reports its findings to the President and Representative Director.

### Managing Council and Corporate Committees

Managing Council meetings are held, in principle, twice a month for the purpose of discussing and forming a consensus about management issues when they arise. Attending the Managing Council are the President and Representative Director, managing executive officers, senior executive officers, and full-time auditors. To encourage deeper

discussion about important management strategic issues, corporate committees have been set up to address each issue.

### Executive Officers

Yamaha has adopted an executive officer system, with the purpose of strengthening consolidated Group management and business execution functions. As of June 26, 2013, the executive officer system comprised 14 executive officers, including two managing executive officers and three senior executive officers. The managing executive officers support the president, who is the chief officer in charge of business execution. The managing executive officers or senior executive officers, in principle, preside over the business and administrative divisions as heads of those divisions in accordance with the importance of these responsibilities. These officers are responsible for the business performance of the groups they preside over and manage and direct in such a way that the group functions to its maximum potential. Moreover, executive officers are assigned to divisions that are responsible for key management issues in each group.

### Internal Audits

Yamaha established the Internal Auditing Division (9 staff members as of June 26, 2013) under the direct control of the President and Representative Director. Its role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company from the standpoint of legality and reasonableness.

The Internal Auditing Division provides the President and Representative Director, divisions subject to audit, and supervisory divisions with information based on the evaluation along with 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.

#### Principal Internal Audit Activities in Fiscal 2013

1. Performed visiting audits of divisions and Group companies (Japan and overseas; paper audits were also performed)
2. Evaluated the status of Company-level internal controls, audited Company regulations, its operation compliance, and updates thereof
3. Presided over audits of subsidiaries by its auditors
4. Verified the status and content of audits conducted by the administrative divisions and provided proposals for improvement of audit quality
5. Performed follow-up audits to confirm that corrective action had been taken

### Support System for Outside Directors and Outside Corporate Auditors

The meeting to discuss and confirm management issues is held, in principle, monthly for the purpose of sharing important management proposals between all directors and auditors and gaining a better understanding about management's execution of its duties.

A Business Report Meeting has been set up for reporting by

the general managers on the progress of division performance and, when necessary, outside directors are individually provided with explanations about proposals and reports to be submitted to the Board of Directors.

With respect to agenda items at meetings of the Board of Directors and the Board of Auditors to be attended by outside

### Fiscal 2013 Outside Directors and Outside Corporate Auditors

#### Outside Directors

Name	Independent Officer	Reasons for Appointment	Views on their Independence	Board of Directors Meetings Attended
Haruo Kitamura	✓	A director with excellent character and insight A CPA with expertise in finance and accounting He can be counted on to strengthen Yamaha's governance functions and provide objective advice	Has many years of experience as a CPA, but is under no advisory agreement with Yamaha. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	15 of 15
Hiroyuki Yanagi	—	A director with excellent character and insight Has management experience in other industries He can be counted on to advise and direct Yamaha management for the purpose of raising brand value	Although he is the president and CEO of a company in which Yamaha is a major shareholder, since Yamaha is not in a position that can exert significant influence over the management team of the company, he is unlikely to pose a conflict of interest with Yamaha's general shareholders.	13 of 15
Yoshikatsu Ota	✓	A director with excellent character and insight Has management experience in other industries He can be counted on to strengthen Yamaha's governance functions and provide objective advice	Although he has many years of corporate management experience, he and the companies that he has managed at have not been major business partners. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	10 of 11

#### Outside Corporate Auditors

Name	Independent Officer	Reasons for Appointment	Views on their Independence	Board of Directors and Board of Auditors Meetings Attended
Takashi Miyazawa	✓	An auditor with excellent character and insight A CPA with expertise in corporate accounting He can be counted on to provide equitable and fair audits from an objective point of view	Although previously affiliated with Yamaha's accounting auditor Ernst & Young ShinNihon LLC, he did not participate in Yamaha's accounting audits and has not been nor is he now in a position that can influence accounting audit work at Ernst & Young ShinNihon LLC. Moreover, Ernst & Young ShinNihon LLC is unlikely to influence his accounting work as an outside corporate auditor. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	Board of Directors Meetings 14 of 15 Board of Auditors Meetings 14 of 14
Hirohiko Ikeda	✓	An auditor with excellent character and insight An attorney with expertise in laws and regulations He can be counted on to provide equitable and fair audits from an objective point of view	Though he has worked for many years as an attorney, he is of independent social and economic standing, and is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	Board of Directors Meetings 11 of 15 Board of Auditors Meetings 11 of 14

\* To gain valuable human resources from outside the Company, Yamaha has concluded agreements with outside directors and outside corporate auditors that limit liability under Article 423, paragraph 1 of the Companies Act. The liability limit based on said agreements is the minimum amount established by law.



corporate auditors, full-time staff members send documents and other materials to them prior to the meeting and provide explanations as necessary to enable them to perform a complete preliminary study of the agenda. With regard to other material matters, the Company strives at all times to maintain an effective auditing environment, including by providing information, supplying documentation, listening to opinions, and supporting research and data collection.

#### Registration of Independent Officers

Yamaha has registered outside directors Haruo Kitamura and Yoshikatsu Ota, and outside corporate auditors Takashi Miyazawa and Hirohiko Ikeda as independent officers under the provisions of the Tokyo Stock Exchange.

#### Policy on Determining Remuneration for Corporate Officers

Yamaha sets the policy that determines remuneration for directors at a meeting of the Corporate Officers Personnel Committee, which includes the outside directors. The policy on determining remuneration for corporate auditors is decided at a meeting of the Board of Auditors.

#### Remuneration for Directors

Remuneration for directors, though based on a compensation framework predetermined at the General Shareholders' Meeting, is to be decided in accordance with the following standards, taking into account compensation levels primarily at other listed companies and relevant employment standards.

(i) Remuneration for directors other than outside directors is determined by reflecting consolidated results and each director's

individual performance into the annual base salary, which is based on job responsibilities. Specifically, depending on consolidated results and individual performance, the annual base salary may be raised or lowered by up to 20%.

(ii) In addition to the compensation framework predetermined at the General Shareholders' Meeting, bonuses are paid to directors (excluding outside directors) depending on the level of consolidated net income based on the annual base salary and are paid after obtaining approval at the Ordinary General Shareholders' Meeting. The amounts of the bonuses paid to directors are decided by the Board of Directors.

(iii) Remuneration for outside directors is not linked to business performance. However, amounts are determined taking into account such factors as whether said remuneration is in balance with that of other directors and the scale of Yamaha Corporation's business.

#### Remuneration for Corporate Auditors

Remuneration for corporate auditors, though based on a compensation framework predetermined at the General Shareholders' Meeting, is not linked to business performance. However, amounts are determined through consultation with the corporate auditors, taking into account such factors as whether said remuneration is in balance with that of directors and the scale of Yamaha Corporation's business.

#### Other

At the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, a resolution was approved abolishing payment of retirement allowances to executive officers. Yamaha does not maintain a stock option system.

#### Remuneration for Directors and Corporate Auditors in Fiscal 2013

Classification	Total Compensation	Compensation by Type				Number of Directors and Corporate Auditors
		Basic Compensation	Stock Options	Bonuses	Retirement Benefits	
Directors (Excluding outside directors)	184	163	—	21	—	3
Corporate Auditors (Excluding outside corporate auditors)	60	60	—	—	—	2
Outside Directors and Outside Corporate Auditors	30	30	—	—	—	5

#### Accounting Auditors

Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor. Shinji Tamiya and Hidetake Kayama, CPAs of said accounting auditor firm, have performed Yamaha's accounting audit. Ernst & Young ShinNihon have voluntarily adopted a rotating system for its managing partners and have taken measures to ensure that the number of continuous years of service do not exceed a fixed period of time. In addition, eleven CPAs, and 22 staff assist with the audits.

## Remuneration for CPAs in Fiscal 2013 and 2012

(Millions of yen)

Classification	Fiscal 2013		Fiscal 2012	
	Compensation based on auditing services	Compensation based on non-auditing services	Compensation based on auditing services	Compensation based on non-auditing services
Filing company	71	—	71	—
Consolidated affiliates	7	27	7	25
Total	78	27	78	25

## Notes:

## Other important remuneration

Fiscal 2013: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 13 other companies paid ¥83 million in compensation based on auditing services and ¥18 million based on non-auditing services to Ernst & Young, which is affiliated with the same CPA network as Yamaha Corporation.

Fiscal 2012: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 13 other companies paid ¥78 million in compensation based on auditing services and ¥13 million based on non-auditing services to Ernst & Young, which is affiliated with the same CPA network as Yamaha Corporation.

## Basic Concept of the Internal Control System

Yamaha has established an internal control system pursuant to Japan's Companies Act and the Enforcement Regulations of the Companies Act. Yamaha seeks to achieve optimal corporate governance in order to raise corporate value and the Yamaha brand image. At the same time, the Company works to improve the internal control system to raise business efficiency, increase the dependability of Yamaha's accounting and financial data, and strengthen compliance, asset soundness, and risk management capabilities.

Further, Yamaha established the Group Management Charter to clarify Group management policies. Also, divisions with jurisdiction over subsidiaries are responsible for providing proper guidance and assistance with management in Group companies under their jurisdiction based on Group company management rules and regulations. Subsidiaries shall confer and consult in advance with said divisions, while administrative divisions of Yamaha Corporation shall support this process.

Yamaha has developed and put into operation internal controls for financial reporting based on implementation standards for internal control reporting systems (Financial Instruments and Exchange Law). We will maintain and more firmly establish this internal control system to ensure the reliability of our financial reporting.

## Compliance Framework

Not only does the Yamaha Group observe laws and regulations, it seeks strict compliance management that addresses social norms and corporate ethics. The Working Group for Compliance was established as a subordinate body to the Risk Management Committee, an advisory body to the president, to promote and strengthen compliance in cooperation with the staff and departments in charge of laws and regulations.

In 2003, Yamaha established the Compliance Code of Conduct, which is disseminated to all Group officers and employees (including part-time and contract employees) through worksite briefings. Since then, we have localized the Code by creating overseas and regional versions based on the laws, regulations, and social norms of the countries in which our Group companies are based, and have had them translated into local languages. In 2011, we revised the Compliance Code of Conduct, carried out routine employee training in the revised

Code and rigorously disseminated it throughout the Group.

Further, Yamaha conducts routine compliance surveys with the goal of raising Group employee awareness and gaining a better understanding of compliance-related problems and potential risks.

As a system for handling compliance-related inquiries and reports from employees, Yamaha has established a Compliance Help Line that connects to the Working Group for Compliance executive office and an outside attorney. The Compliance Help Line accepts inquiries not only from employees, but from interested parties outside the Company. In fiscal 2013, the Help Line received a total of 39 inquiries and reports including from overseas Group company employees. Since its inception, it has resolved problems by responding to 482 inquiries and reports over a ten-year period.

## Business Continuity Plan (BCP)

The Risk Management Committee and its subsidiary body, the Working Group for BCP and Disaster Prevention Management have put the necessary systems and countermeasures in place to respond to a wide range of risks.

In fiscal 2009, Yamaha formulated the BCP Guidelines, its basic Companywide policy for its business continuity plan, which is designed to enable the immediate resumption of operations in the event of an earthquake in Japan's Tokai region where Yamaha headquarters are located or other major natural disaster that could cause damage to its buildings or facilities. In January 2012, Yamaha established various guidelines including the BCP/Disaster Basic Countermeasures, Earthquake Countermeasures, and Fire Countermeasures, which update and supersede the BCP Guidelines.

# 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 described in the text are based on judgments made by the Yamaha Group at the end of the fiscal year under review.

## 1 / Economic Conditions

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The Yamaha Group has a global business presence 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.

## 2 / Price Competition

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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 segment, and competition in the lower price segments has become more intense, especially in recent years.

Also, in the AV/IT segment, the Yamaha Group is subject to competition from low-priced products. Changes in logistics and distribution and new technology trends could expose this business to even greater price competition, which could have an impact on the Group's current strong position.

## 3 / New Technology Development

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The Yamaha Group will focus its management resources on the business domains of sound and music. The Group will firmly establish itself as the world's leading comprehensive musical instruments manufacturer. The AV/IT segment has been expanded, with a focus on AV receivers in the AV products category. The electronic devices segment has also been expanded, mainly in the area of sound-generating LSIs, a core operation in the semiconductor business.

Differentiating the Group's technologies in the fields of sound, music, and networks is essential for the Group's further development and growth. In developing these technologies, if the Group does not continue to correctly forecast future market needs and adequately meet them, the added value of its products in the musical instruments segment will decline, which may lead to price competition. As a result, the Group may be unable to stimulate new demand for its products and may find it difficult to sustain the AV/IT and electronic devices businesses.

## 4 / Business Investment

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The Group makes business investments including capital investments to promote business growth. However, when making investment decisions, even though the Group monitors investment return and risk both qualitatively and quantitatively and makes careful, considered judgments, depending on circumstances, the Group may be unable to recover a portion or the full amount of its investments, or may decide to withdraw from a business, thereby resulting in additional losses. In such cases, the value of assets invested in such businesses may be subject to impairment.

## 5 / Business Alliances

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In recent years, partnership strategies, including alliances, joint ventures and investments in other companies, have increased in importance for the Group. In some cases, the anticipated effects of such alliances and investments may not materialize because of conflicts of interest, or changes in the business strategies of the partner, or other reasons.

## 6 / Dependence on Materials and Parts Business Customers

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The semiconductors, automobile interior wood components, and materials and parts that the Group manufactures and sells are affected by the business performance of the manufacturers who buy them. When the bonds of trust between such customers and Group companies are impaired by delivery, quality, or other issues, this may have a negative impact on future orders. Moreover, customers may ask Group companies to compensate them for quality problems or other defects.

## 7 / International Business and Overseas Expansion

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The Yamaha Group has established a global presence, with manufacturing and marketing bases in various parts of the world. Of the Group's 72 consolidated subsidiaries, 37 are foreign corporations, of which 16 are manufacturing companies, with principal bases of operation in China, Indonesia, and Malaysia. Overseas sales comprise 54.8% of the Group's net sales.

Various risks, including those listed below, are inherent to the expansion of business overseas. If such risks materialize, including

adverse effects caused by an over-concentration of manufacturing facilities in a particular region, the Group may not be able to provide stable supplies of its products. Such risks include:

- (a) Political and economic turmoil, terrorism, and war
- (b) Introduction of adverse policies or imposition of, 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) Interruption of distribution due to harbor strikes, etc.
- (g) Imposition of taxes under transfer pricing regulations

## 8 / Raw Materials Prices, Raw Materials Supplies, and Logistics Costs

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To manufacture its products, the Group uses raw materials, including lumber, metals such as copper, and plastics, for parts. Increases in the prices of these materials raise manufacturing costs. In addition, specific suppliers supply the Group with different raw materials. Supply conditions for those materials could have an impact on the Group's manufacturing activities.

In addition, when logistics costs increase due to sharply rising crude oil prices, the ratio of manufacturing costs and cost of sales to net sales may increase.

## 9 / Declining Birthrates

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In the Yamaha Group's core business of musical instruments, schools constitute an important sales channel, in addition to the Group's music schools and English language schools, whose students are primarily children. Declining birthrates, particularly in Japan, could lead to decreasing sales through these channels.

## 10 / Recruitment and Training of Personnel

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The average age of the Company's employees is relatively high, with a significant number in the upper age brackets and many approaching the set retirement age. Therefore, an important challenge for the Company is to address the changing composition of the workforce by passing on musical instrument manufacturing know-how and recruiting and training a new generation of employees. If the Company is unable to respond sufficiently to changes in the composition of its workforce, this could interfere with its business activities and future growth.

## 11 / Protection and Use of Intellectual Property

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The Group possesses intellectual property rights, including patents based on its proprietary technologies, and accumulated business know-how. Some of this intellectual property cannot be fully protected, or can only be partially protected because of legal constraints in certain regions. Therefore, the Group may not be able to effectively prevent third parties from using 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 interfering with Group sales. In addition, third parties may claim that Group products infringe on their own intellectual property rights. As a result, sales of Group products that employ said intellectual property may be delayed or suspended.

In some cases, the Group licenses the intellectual property of third parties to produce key components for its products. Any increases in royalties paid for such intellectual property may result in higher manufacturing costs, which could affect price-competitiveness. Moreover, if the Group is unable to obtain a license, it may have to suspend manufacturing of the relevant product.

## 12 / Defects in Products and Services

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The Yamaha Group controls the quality of its products based on corporate quality assurance and product quality rules and regulations. However, there is no guarantee that all products will be free of defects. The Group is insured against product liability claims, but there is no guarantee that this insurance will be sufficient to cover any potential payments for damages. If product liability issues arise, insurance rates are likely to increase. In that case, the cost to recall, exchange, repair, or change the design of a product could increase significantly, or the Group's business reputation could be tarnished, which could cause sales to decline, and adversely affect the Group's performance and financial position.

Also, although the Group is very careful about safety and sanitation at the retail shops, music schools, recreation and other facilities that it operates, in the event of an accident, the stores, schools, or facilities may have to temporarily suspend operation, which could damage the Group's reputation and lead to declining sales.

## 13 / Legal Regulations

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The Group's business operations throughout the world are subject to the laws and regulations of the countries in which they operate. These laws and regulations include those pertaining to foreign investment, restrictions on exports and imports that may affect national security, commerce, anti-trust issues, consumer protection, tax systems, and environmental protection. In addition, the Group has an obligation to securely manage the personal information of its customers. The Yamaha Group takes every measure to ensure that it complies with

legal regulations, but, if for some unexpected reason, it is unable to comply with these laws and regulations, the Group's activities could be restricted and costs could increase as a result.

#### 14 / Environmental Regulations

With the environmental protection regulations that govern business activities becoming increasingly stringent, companies are being asked to implement voluntary environmental programs as one of their corporate social responsibilities. The Yamaha Group has implemented measures that exceed existing environmental standards for products, packaging materials, energy conservation, and industrial waste treatment. However, there is no guarantee that the Group can completely prevent restricted substances released due to accidents or other causes from exceeding environmental standards, or reduce the release of said substances. Moreover, in cases where soil pollution has occurred on land formerly occupied by industrial plants, substantial soil remediation costs may be incurred when the land is sold in the future, or the land may be impossible to sell. Restricted substances in the soil on land already sold to third parties may spread, resulting in pollution of the air or underground water, and may incur cleaning and remediation costs.

#### 15 / Information Leakage

The Group retains a wide range of important management- and business-related information as well as personal information on numerous customers. To manage this information properly, the Group has prepared policies and rules and put into place systems for maintaining its security. However, in the event that this information accidentally leaks outside the Group, this could have a major impact on the Group's business activities or lower public confidence in the Group.

#### 16 / Fluctuations in Foreign Currency Exchange Rates

As Yamaha Group's business activities, including manufacturing and sales, are global in scale, the transactions of Group companies that are denominated in foreign currencies are subject to fluctuating currency rates. The Group uses forward currency hedge transactions to minimize the impact of foreign exchange rate fluctuations in the short term. However, the Group may not be able to achieve its initial business plan targets due to exchange rate fluctuations. The euro-yen exchange rate has an especially strong impact on profit and loss: a ¥1 change will result in a ¥0.4 billion change in profitability.

#### 17 / Earthquakes and Other Natural Disasters

In the event of earthquakes and other natural disasters, the production plants of the Yamaha Group may be damaged. Notably, the Company's Head Office, domestic plants, and major subsidiaries are concentrated in Shizuoka Prefecture, located in the Tokai region of Japan, an area in which a major earthquake has been predicted for years. Moreover, the Group's overseas manufacturing plants are concentrated in China, Indonesia, and Malaysia, countries where the outbreak of unexpected natural disasters may arise. In the event of a natural disaster, the Yamaha Group's facilities may suffer damage, and the Group may be required to suspend or postpone operation, which could incur substantial restoration costs.

#### 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 (acquisition cost: ¥15.9 billion; consolidated balance sheet value: ¥68.0 billion, as of March 31, 2013). Since available-for-sale securities with market value are valued at the market price at the settlement date based on the mark-to-market valuation method, the recorded balance sheet value of these securities may fluctuate depending on the price of the securities at the settlement date. This may, in turn, have an impact on the Company's net assets. Further, when the market value of these securities falls markedly relative to their acquisition cost, the value of said securities may be subject to impairment.

##### b. Unrealized Losses on Land Valuation

As of March 31, 2013, the market value of the Group's land, revalued in accordance with the Law Concerning Revaluation of Land, was ¥8.0 billion below the book value of said land after revaluation. In the event of the sale or disposal of said land, this unrealized loss may be recognized.

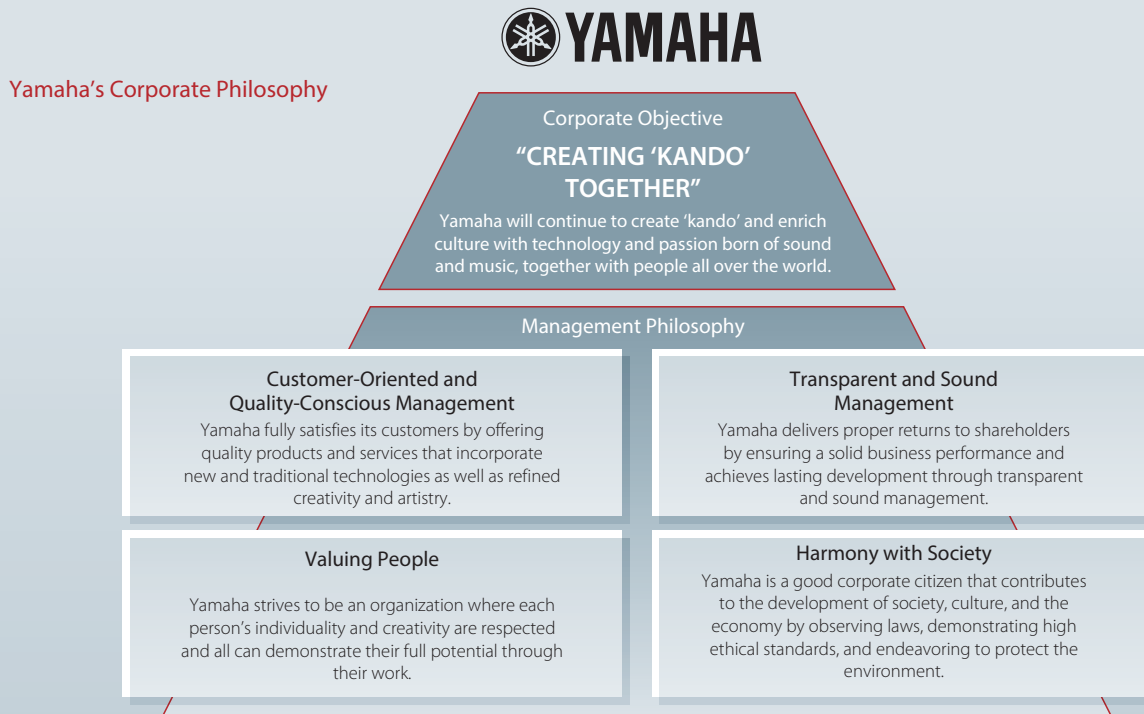
##### c. Retirement Benefit Obligations and Expenses

The Yamaha Group's retirement benefit obligations and expenses are calculated based on its retirement benefit system, an estimated discount rate, and an expected rate of return on pension plan assets. In some cases, the retirement benefit system may change and the estimate of said obligations and expenses may differ from the actual results. As a result, retirement benefit obligations and expenses could increase.

Particularly, in the event that expected returns on managed assets cannot be realized because of declining stock prices and other factors, unrecognized actuarial losses could arise, and retirement benefit expenses could increase.

# Corporate Social Responsibility (CSR)

In all its interactions with stakeholders, the Yamaha Group seeks through its business activities to help create 'kando'.<sup>\*</sup> 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 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 position 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 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 Yamaha Group's Approach to CSR

The Yamaha Group's corporate management seeks to realize the corporate objective of "CREATING 'KANDO' TOGETHER" through business activities grounded in the fields of sound and music. With an emphasis on corporate social responsibility (CSR) as one of our basic management policies, we are making steady, ongoing efforts in quality, customer satisfaction, procurement, environmental issues, and public relations in order to fulfill our role as a corporate citizen. The Group as a whole will continue to raise awareness of its social responsibility and contributions, and work to address various social issues based on the following themes laid out in its 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.

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

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



8th year of collaboration in Indonesian reforestation activities at Yamaha Forest



Fund raising activities through a charity marathon for a children's hospital in the U.S.



Visiting children's institutions in Malaysia



Yamaha Piano Contest in China



Music scholarships for Korean students



Support for establishing youth orchestra to promote sound development of young people in one of the conflict zones of Colombia



Reduction in power consumption at a Japanese factory through update of an electric annealing furnace



Approval of cleaner production audit in China



Yamaha's inclusion in SRI indices

For more in-depth reporting on Yamaha's CSR activities, please visit "Corporate Social Responsibility" on Yamaha's website:

[http://www.yamaha.com/about\\_yamaha/csr/](http://www.yamaha.com/about_yamaha/csr/)

# R&D and Intellectual Property

Based on its corporate objective of CREATING 'KANDO' TOGETHER and corporate philosophy of a quality-conscious approach, Yamaha conducts its business activities driven by both products and services centered on sound and music. To support this objective, Yamaha has identified technologies it has amassed in the fields of sound and music as core technologies and is conducting research and development with the aim of further advancing and extending these technologies. Yamaha is also sharpening its competitive edge by linking R&D with its design and intellectual property strategies.

## Research and Development

Yamaha's R&D organization was restructured amid the organizational reforms carried out in October 2012, and now consists of the Corporate Research & Development Group, which is in charge of R&D aimed at strengthening elemental technology — the foundation of the entire company — and new business creation, as well as the division-specific product and technology development divisions, which handle individual management themes for each division. In addition, there is the Research and Development Committee, which mainly consists of relevant officers and R&D group managers who coordinate and decide major Companywide R&D themes.

The Corporate Research & Development Group integrates the R&D, design, new business creation, and intellectual property divisions. This integration strengthens our technology development, design, and business creation capabilities by promoting R&D, design strategy, and intellectual property strategy in a unified manner. At the same time, it protects and leverages our intellectual property rights to a greater extent than before.

The R&D domain encompasses acoustics, materials, electronic devices, sound generators, signal processing, communications, and networks, that is from the inlet to the outlet of sound, as well as its multipurpose uses.

In fiscal 2013, Yamaha selected sound, music, networks, and devices as areas that it needs to further strengthen. The Company has therefore focused on technology development as it applies to resonance control structures, which improve musical instrument sound quality, effect electronic circuits for musical instruments and audio equipment that flexibly reproduce the fine qualities of analog in digital format, and musical instruments with acoustic digital data transmission technology. Other areas of focus have included authenticity of vocal synthesizing and language extensions for singing synthesizers, acoustic optimization design for microphones and speakers, signal processors providing advanced control of spatial acoustics, sound masking systems that prevent voice data leakage, and thermoelectric elements.

### R&D Achievements

#### » Acoustic Damper™

An acoustic damper is an acoustic sound field control technology for controlling relatively small acoustic spaces such as digital pianos, speaker cabinets, soundproof rooms, and recording studios. The behavior of sound in small spaces, unlike large spaces such as concert halls where resonance control has been well researched, is such that various acoustic resonances influence each other thereby frequently causing difficulty with optimal acoustic control, such as excess reverb and cloudiness for a specific range. Therefore, Yamaha has devised a new acoustic theory of coupled control of a specially designed resonator and a resonant sound field based on acoustic technology accumulated through the development of acoustic musical instruments. Now, elegant high-quality sound can be expressed and reproduced with greater delicacy and more naturally than ever before. Yamaha plans to install this technology in various types of acoustic instruments beginning with acoustic optimizers that are contained in digital pianos, as well as in speakers and other instruments.

#### » VOCALOID™

VOCALOID, a singing voice synthesizer software application developed by Yamaha in 2003, can produce music vocals by simply entering lyrics and a melody into a computer.

In collaboration with Steinberg Media Technologies GmbH, Yamaha released VOCALOID Editor for Cubase\*, a program that runs the user interface and singing synthesis in a seamless integration without the need of vocals and accompaniments composed separately on two different software programs.

In addition, Yamaha has developed a method of synthesizing the Chinese language based on Chinese vocalization and speech analysis, allowing it to expand its existing product lineup of Japanese, English, Korean, and Spanish singing voice synthesis to Chinese.

\* Cubase is a trademark of Steinberg Media Technologies GmbH.





## 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 by implementing a number of measures designed to maximize the contribution of intellectual property to business earnings.

### Patents

In order to differentiate itself from competitors, gain business advantages, ensure greater flexibility, and enable licensing to third parties, Yamaha has formulated patent strategies tailored to operations in specific business segments. These strategies include identifying target technical fields for patent acquisition, such as core technologies, new businesses and new technologies, and building a strong patent portfolio by concentrating on its core competencies.

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

As of March 31, 2013, the Yamaha Group owned a total of approximately 5,800 patents and utility models in Japan. Outside of Japan, the Group held roughly 5,300 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 to protect against counterfeit products. The Yamaha Group held some 800 design rights in Japan and overseas as of March 31, 2013.

### Copyrights

In addition to industrial property rights, such as patents, designs and trademarks, the Yamaha Group generates numerous copyrighted works, mostly in the fields of sound and music. Music-related copyrights are of particular importance to Yamaha in terms of intellectual property. The Company takes steps to ensure their proper management and use, including legal action 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, and also set up a Companywide brand management committee to maintain and improve brand value by ensuring appropriate use. In order to protect the Yamaha brand, the Company acquires trademarks in numerous product domains in every 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 agencies and legal means, Yamaha has vigorously combated counterfeiting with growing success. Going forward, Yamaha plans to adopt a more aggressive legal approach, including litigation against infringers, to preserve its brand value and business and to retain consumer trust in the Yamaha brand.

### Intellectual Property Management Systems

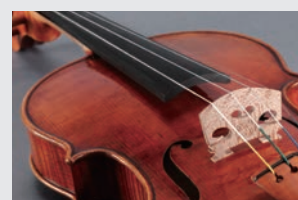
Corporate staff are assigned to the Intellectual Property Division to oversee the integrated management of all intellectual property held by the Yamaha Group. In addition, specialists responsible for intellectual property are assigned to each business and R&D division to ensure the Company's intellectual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

#### Topics

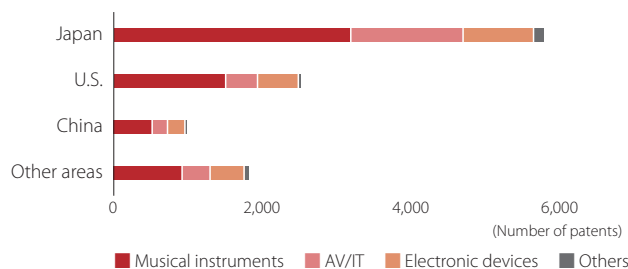
##### A.R.E.<sup>™</sup> Technology

Acoustic Resonance Enhancement (A.R.E.) technology is a revolutionary wood reforming technology capable of maturing wood materials within a short period of time. The technology enables wood to produce a tonal richness like that of well-used vintage wooden musical instruments.

Yamaha is actively protecting its intellectual property rights related to A.R.E.. At present, it has acquired approximately 10 different patents and trademarks related to A.R.E. in Japan and abroad.



Patents Owned by Yamaha (As of March 31, 2013)



# Main Networks

(As of July 1, 2013)

## Overseas Network

Company name	Location	Company name	Location
1 Yamaha Corporation of America	California, U.S.A.	26 Yamaha Music & Electronics Taiwan Co., Ltd.	Taipei, Taiwan
2 Yamaha Commercial Audio Systems, Inc.	California, U.S.A.	27 Yamaha Music & Electronics (China) Co., Ltd.	Shanghai, China
3 Yamaha Music InterActive, Inc.	New York, U.S.A.	28 Yamaha Music Technical (Shanghai) Co., Ltd.	Shanghai, China
4 YMH Digital Music Publishing, LLC <sup>1</sup>	New York, U.S.A.	29 Yamaha Trading (Shanghai) Co., Ltd.	Shanghai, China
5 Yamaha Artist Services, Inc.	New York, U.S.A.	30 Yamaha Electronics (Suzhou) Co., Ltd.	Suzhou, China
6 Yamaha Canada Music Ltd.	Toronto, Canada	31 Xiaoshan Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
7 Yamaha de México, S.A. de C.V.	Mexico City, Mexico	32 Hangzhou Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
8 Yamaha Music Latin America, S.A.	Panama City, Panama	33 Tianjin Yamaha Electronic Musical Instruments, Inc.	Tianjin, China
9 Branch in Venezuela	Caracas, Venezuela	34 Yamaha Music Korea Ltd.	Seoul, South Korea
10 Branch in Argentina	Buenos Aires, Argentina	35 Yamaha Music (Asia) Private Limited	Singapore
11 Yamaha Musical do Brasil Ltda.	São Paulo, Brazil	36 Yamaha Music (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia
12 Yamaha Music Europe GmbH	Rellingen, Germany	37 Yamaha Electronics Manufacturing (M) Sdn Bhd	Chemor, Malaysia
13 Branch in France	Croissy-Beaubourg, France	38 PT. Yamaha Indonesia	East Jakarta, Indonesia
14 Branch in Italy	Milan, Italy	39 PT. Yamaha Music Manufacturing Indonesia	East Jakarta, Indonesia
15 Branch in Ibérica	Madrid, Spain	40 PT. Yamaha Musik Indonesia (Distributor)	Central Jakarta, Indonesia
16 Branch in the U.K.	Milton Keynes, U.K.	41 PT. Yamaha Music Manufacturing Asia	Bekasi, Indonesia
17 Branch in Scandinavia	Gothenburg, Sweden	42 PT. Yamaha Musical Products Indonesia	Pasuruan, Indonesia
18 Branch in Switzerland	Zurich, Switzerland	43 PT. Yamaha Electronics Manufacturing Indonesia	Pasuruan, Indonesia
19 Branch in Austria	Vienna, Austria	44 Siam Music Yamaha Co., Ltd. <sup>2</sup>	Bangkok, Thailand
20 Branch in Benelux	Vianen, Netherlands	45 Yamaha Music Vietnam Company Limited <sup>2</sup>	Ho Chi Minh City, Vietnam
21 Branch in Poland	Warsaw, Poland	46 Yamaha Music India Pvt. Ltd.	Gurgaon, India
22 Branch in Turkey	Istanbul, Turkey	47 Yamaha Music Gulf FZE	Dubai, U.A.E.
23 Steinberg Media Technologies GmbH	Hamburg, Germany	48 Yamaha Music (Russia) LLC.	Moscow, Russia
24 Nexo S.A.	Plailly, France	49 Yamaha Music Australia Pty. Ltd.	Melbourne, Australia
25 L. Bösendorfer Klavierfabrik GmbH	Wiener Neustadt, Austria		

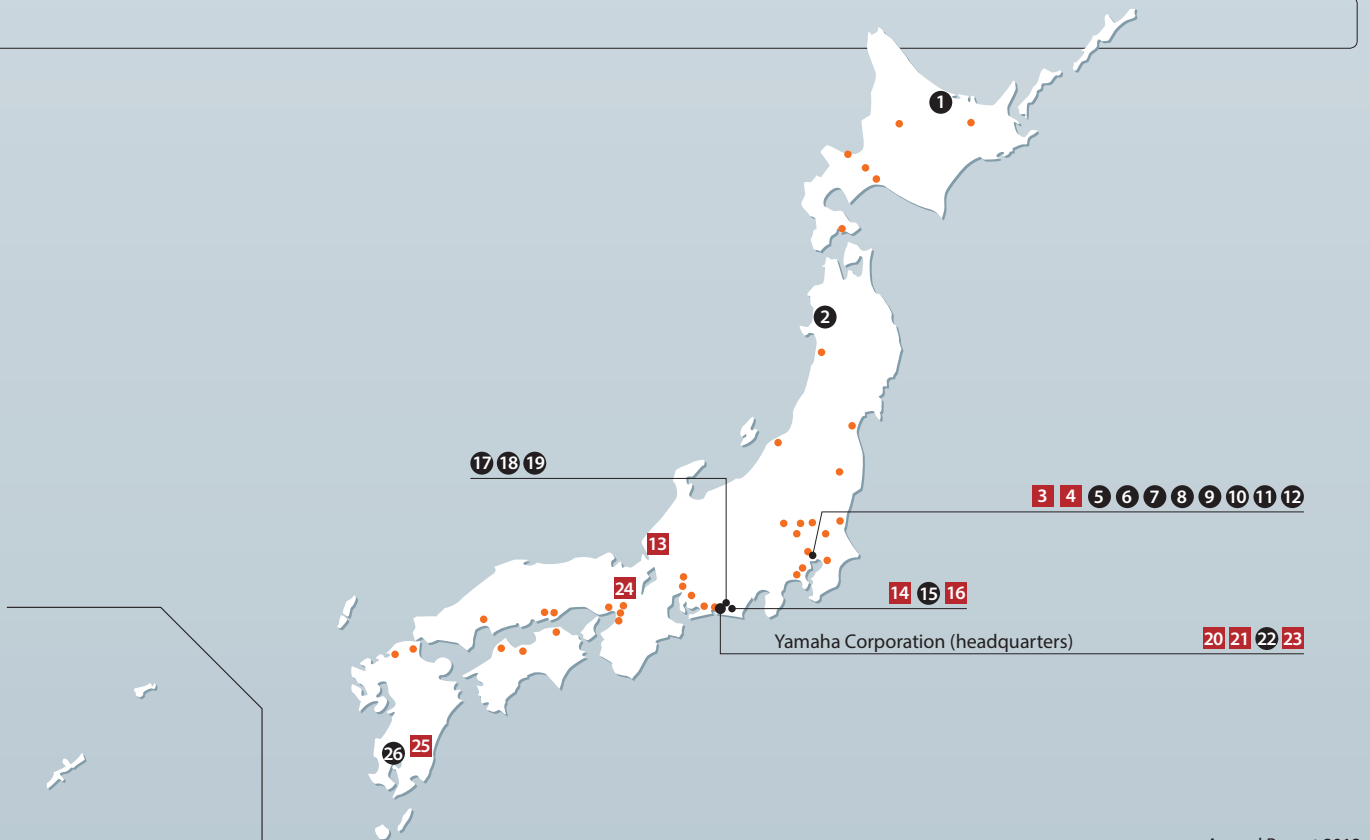
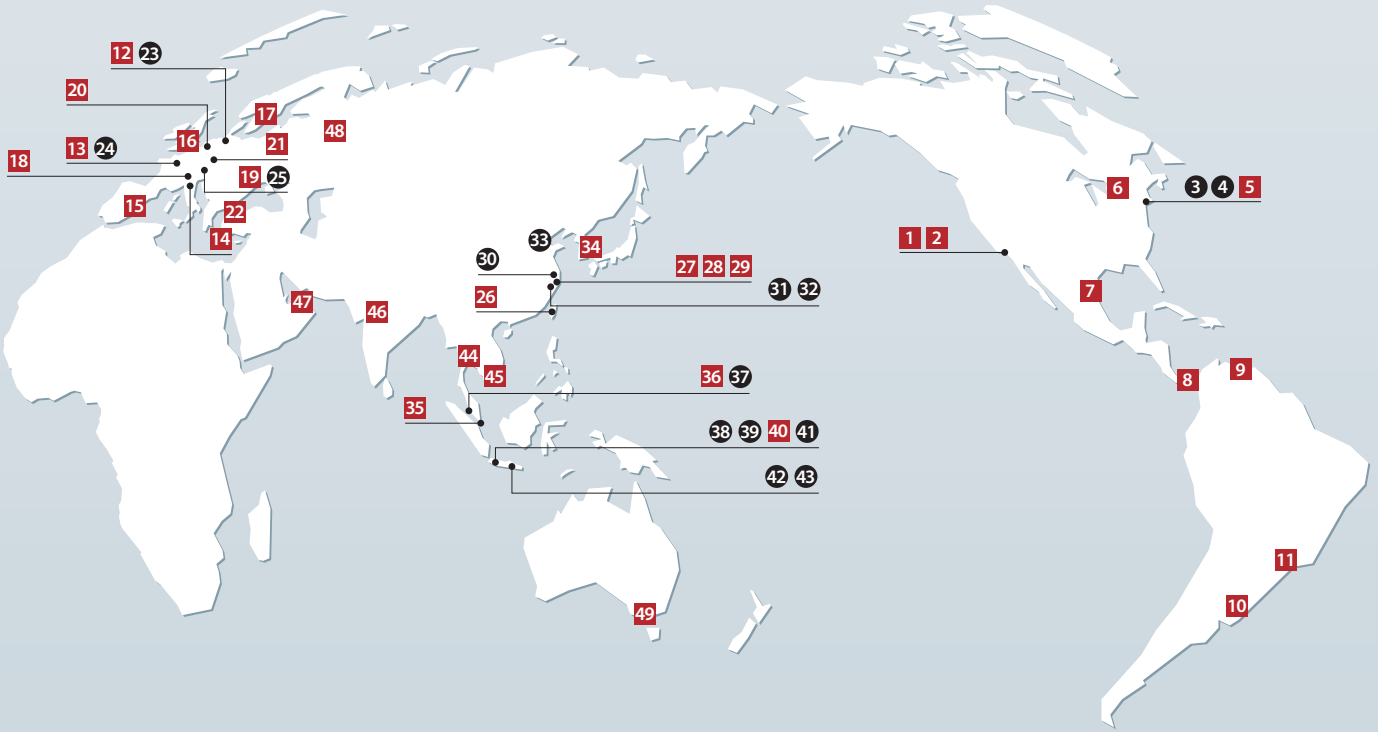
## Domestic Network

Company name	Location	Company name	Location
1 Kitami Mokuzai Co., Ltd.	Mombetsu-gun, Hokkaido, Japan	14 Yamaha Piano Service Co., Ltd.	Kakegawa, Shizuoka, Japan
2 Sakuraba Mokuzai Co., Ltd.	Kitaakita, Akita, Japan	15 Yamanashi Kogei Co., Ltd.	Kakegawa, Shizuoka, Japan
3 Yamaha Music Japan Co., Ltd.	Minato, Tokyo, Japan	16 Yamaha Resort Inc.	Kakegawa, Shizuoka, Japan
4 Yamaha Music Retailing Co., Ltd.	Minato, Tokyo, Japan	17 D.S. Corporation	Fukuroi, Shizuoka, Japan
5 Yamaha Sound Systems Inc.	Chuo, Tokyo, Japan	18 Yamaha Music Craft Corporation	Iwata, Shizuoka, Japan
6 Yamaha Music Entertainment Holdings, Inc.	Shibuya, Tokyo, Japan	19 Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
7 Yamaha Music Communications Co., Ltd.	Shibuya, Tokyo, Japan	20 Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
8 Yamaha Music Artist, Inc.	Shibuya, Tokyo, Japan	21 Yamaha Ai Works Co., Ltd. <sup>2</sup>	Hamamatsu, Shizuoka, Japan
9 Yamaha Music Publishing, Inc.	Shibuya, Tokyo, Japan	22 Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
10 Yamaha Music and Visuals, Inc.	Shibuya, Tokyo, Japan	23 Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
11 Yamaha Music Media Corporation	Toshima, Tokyo, Japan	24 Jeugia Corporation <sup>1</sup>	Kyoto, Japan
12 Epicurus Corporation	Toshima, Tokyo, Japan	25 Nishimuragakki Co., Ltd.	Miyazaki, Japan
13 Matsukiya Co., Ltd.	Fukui, Japan	26 Yamaha Kagoshima Semiconductor Inc.	Aira-gun, Kagoshima, Japan

\*1 Equity-method affiliate

\*2 Non-consolidated subsidiaries and affiliates

- Sales companies, etc.
- Manufacturing/production companies, etc.
- Retail shops (Yamaha Music Retailing Co., Ltd.)



# Investor Information

(As of March 31, 2013)

## ❖ 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)

27,886 (Includes average number of temporary employees: 8,198)

## ❖ Number of Consolidated Subsidiaries

72

## ❖ 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 Sumitomo Mitsui Trust Bank, Limited  
Stock Transfer Agency Department  
3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan

## ❖ Depository for American Depositary Receipt

Deutsche Bank Trust Company Americas  
DR Exchange: OTC  
Ticker Symbol: YAMCY  
Ratio: 1 share of common stock = 1 ADR  
U.S. Securities Code: 984627109  
Type: Level 1 with sponsor bank

## ❖ Public Notices

Shall be issued electronically at <http://jp.yamaha.com/> (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

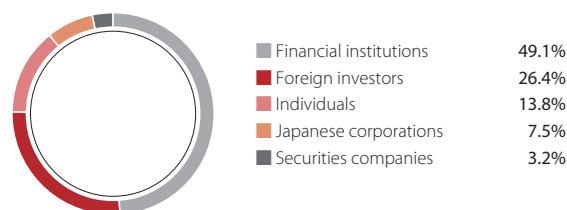
## ❖ Accounting Auditors

Ernst & Young ShinNihon LLC

## ❖ Number of Shareholders

28,561

## ❖ Shareholder Composition (Number of shares)



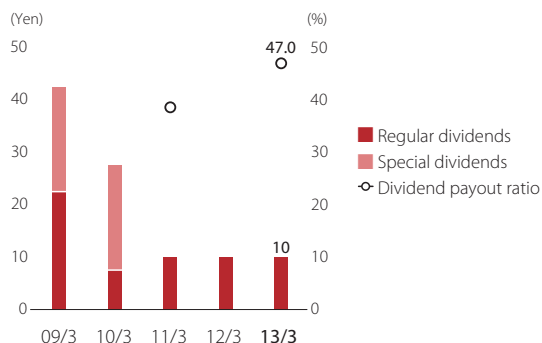
## ❖ Main Shareholders

Shareholder	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust a/c)	7.34
Japan Trustee Services Bank, Ltd. (trust a/c)	6.71
Yamaha Motor Co., Ltd.	5.33
The Shizuoka Bank, Ltd.	4.31
Mitsui Sumitomo Insurance Co., Ltd.	4.14
Sumitomo Life Insurance Company	3.77
Nippon Life Insurance Company	3.35
Mizuho Corporate Bank, Ltd.	2.98
Japan Trustee Services Bank, Ltd. (trust a/c 9)	2.00
Mizuho Bank, Ltd.	1.44

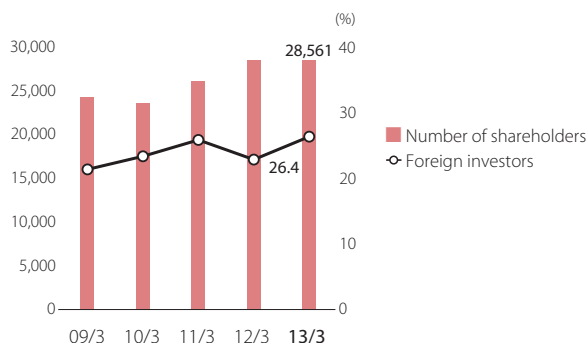
Note: The shareholding ratio is calculated by excluding treasury stock amounting 3,623,885 shares from total outstanding shares.

**IR Contact** Corporate Planning Division  
TEL: +81 3 5488 6602  
<http://www.yamaha.com/>

## Dividends per Share / Dividend Payout Ratio



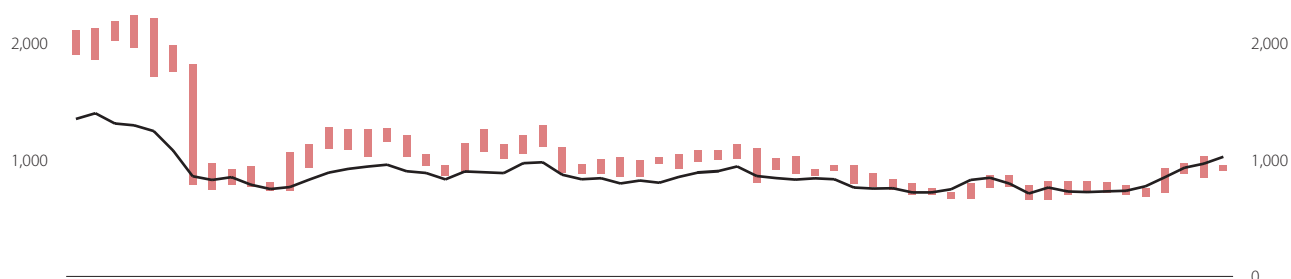
## Number of Shareholders / Foreign Investors



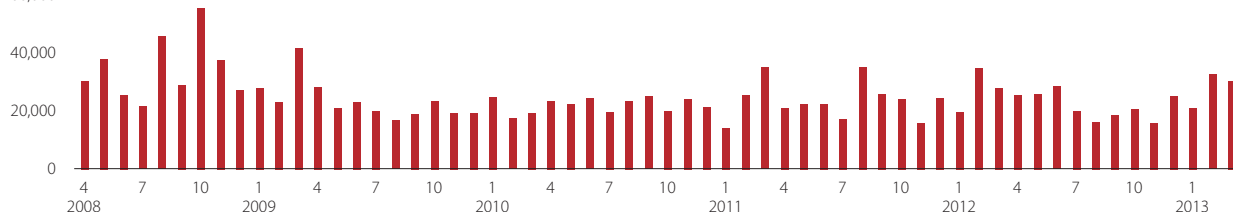
## Common Stock Price Range and Trading Volume

Common stock price range  
(Yen)  
3,000

— TOPIX  
(Points)  
3,000



Trading volume  
(Thousand shares)  
60,000

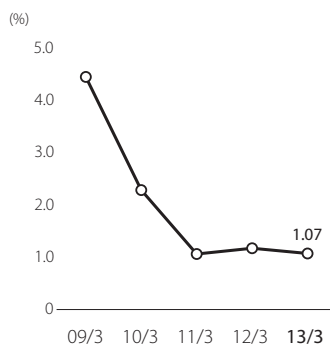


Fiscal year ended	09/3	10/3	11/3	12/3	13/3
Share price at the end of fiscal year (Yen)	957	1,207	943	858	<b>934</b>
Share price — high (Yen)	2,240	1,282	1,295	1,034	<b>1,035</b>
Share price — low (Yen)	730	865	805	663	<b>654</b>
Trading volume (Million shares)	403	252	280	291	<b>281</b>

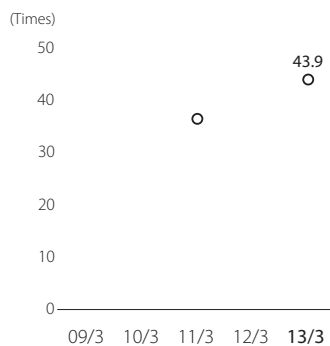
Fiscal year ended	09/3	10/3	11/3	12/3	13/3
Dividend yield (%)	4.44	2.28	1.06	1.17	<b>1.07</b>
Price to earnings ratio (Times)	—	—	36.4	—	<b>43.9</b>
Price to book value ratio (Times)	0.76	0.95	0.75	0.82	<b>0.80</b>
Number of shares issued (Thousand shares)	197,255	197,255	197,255	197,255	<b>197,225</b>
Market capitalization at the end of fiscal year (Millions of yen)	188,773	238,086	186,011	169,244	<b>184,236</b>
Percentage of shares owned by foreign investors (%)	21.4	23.4	25.9	22.9	<b>26.4</b>

A special dividend of ¥20 is included in the dividends per share for the years ended March 31, 2009 and 2010.

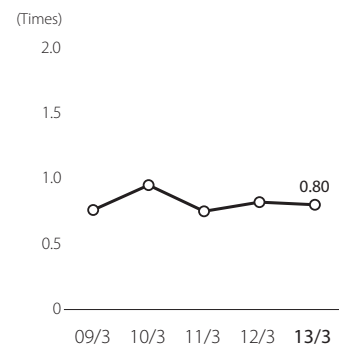
### Dividend Yield



### Price to Earnings Ratio



### Price to Book Value Ratio



# Management's Discussion and Analysis

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# Consolidated Financial Statements

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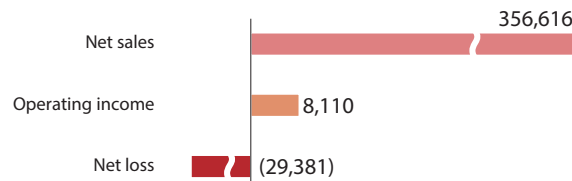
## Fiscal 2013 Summary

- ❖ Sales and earnings in fiscal 2013 increased year on year
- ❖ Production was adjusted in second half to compensate for high inventory levels caused by slower sales during year-end peak demand season
- ❖ Q4 profits improved compared with previous years, as selling, general and administrative expenses were cut more than expected
- ❖ A sharp depreciation of the yen had a limited impact on earnings growth due to forward foreign exchange contracts

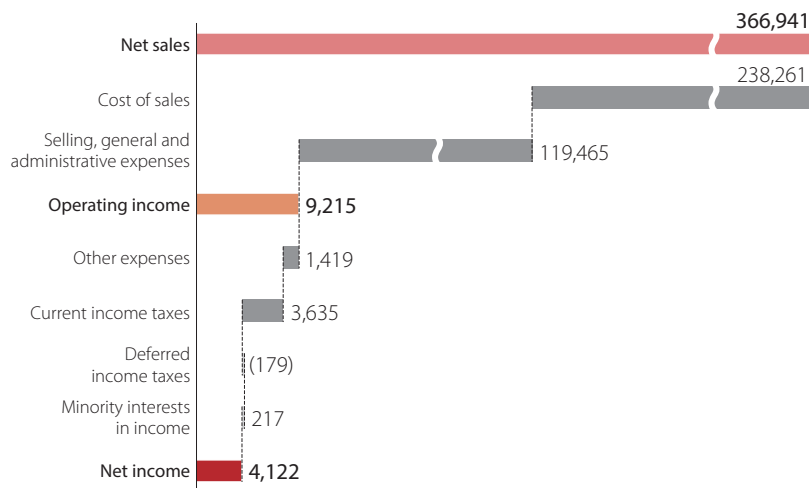
### Consolidated Statement of Operations Summary

(Millions of yen)

Fiscal 2012



Fiscal 2013

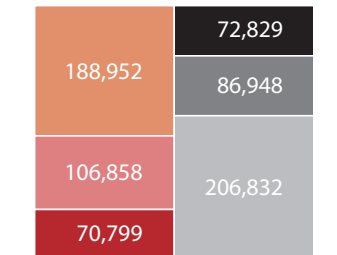


### Consolidated Balance Sheet Summary

(Millions of yen)

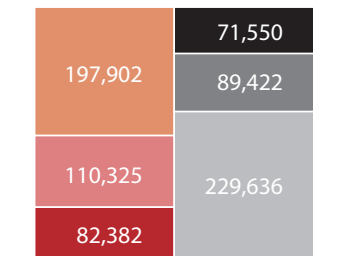
Fiscal 2012

Total assets  
366,610



Fiscal 2013

Total assets  
390,610



- Current assets
- Property, plant and equipment
- Investments and other assets
- Current liabilities
- Noncurrent liabilities
- Net assets

# Eleven-Year Summary

Yamaha Corporation and consolidated subsidiaries

Years ended March 31

	2003	2004	2005	2006
<b>For the year:</b>				
Net sales	¥524,763	¥539,506	¥534,079	¥534,084
Cost of sales	338,307	337,813	335,483	341,816
Gross profit	186,456	201,693	198,595	192,267
Selling, general and administrative expenses	154,413	156,637	162,899	168,132
Operating income	32,043	45,056	35,695	24,135
Income (loss) before income taxes and minority interests	22,612	47,456	33,516	35,842
Net income (loss)	17,947	43,541	19,697	28,123
Capital expenditures	16,883	21,160	22,702	22,882
Depreciation expenses	17,586	17,522	18,958	18,944
R&D expenses	22,441	22,503	22,953	24,055
Cash flows from operating activities	33,052	58,349	39,588	25,510
Cash flows from investing activities	(21,645)	(18,775)	(12,896)	(18,104)
Free cash flow	11,407	39,574	26,692	7,406
<b>At year-end:</b>				
Total assets	¥512,716	¥508,731	¥505,577	¥519,977
Total current assets	221,089	201,704	225,581	209,381
Total current liabilities	158,148	123,596	145,820	117,047
Interest-bearing liabilities	90,436	48,871	46,598	28,474
Net assets* <sup>2</sup>	214,471	259,731	275,200	316,005
<b>Per share:</b>				
Net income (loss)	¥ 86.65	¥ 210.63	¥ 95.06	¥ 136.04
Net assets* <sup>2</sup>	1,040.06	1,259.28	1,334.51	1,532.62
Dividends* <sup>3</sup>	10.00	15.00	20.00	20.00
<b>Key indicators:</b>				
Operating income to net sales	6.1	8.4	6.7	4.5
ROE (Return on equity)* <sup>2</sup>	8.6	18.4	7.4	9.5
ROA (Return on assets)	3.5	8.5	3.9	5.5
Equity ratio* <sup>2</sup>	41.8	51.1	54.4	60.8
D/E ratio (Times)	0.42	0.19	0.17	0.09
Interest coverage (Times)	19.97	36.51	44.62	36.89
Current ratio	139.8	163.2	154.7	178.9
Dividend payout ratio	11.5	7.1	21.0	14.7

\*1. U.S. dollar amounts are translated from yen at the rate of ¥94.05 = U.S.\$1.00, the approximate rate prevailing on March 31, 2013.

\*2. 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.

\*3. The dividends per share from the years ended March 2008 to March 2010 include a ¥20 special dividend.



	Millions of yen						%	Thousands of U.S. dollars*1	
	2007	2008	2009	2010	2011	2012	2013	2012/2013	2013
	¥550,361	¥548,754	¥459,284	¥414,811	¥373,866	¥356,616	<b>¥366,941</b>	+2.9	\$3,901,552
	352,382	343,686	290,381	268,380	237,313	231,659	<b>238,261</b>	+2.8	2,533,344
	197,980	205,066	168,902	146,431	136,553	124,957	<b>128,680</b>	+3.0	1,368,208
	170,295	172,220	155,057	139,602	123,387	116,846	<b>119,465</b>	+2.2	1,270,229
	27,685	32,845	13,845	6,828	13,165	8,110	<b>9,215</b>	+13.6	97,980
	33,101	62,510	(12,159)	(201)	6,802	6,971	<b>7,795</b>	+11.8	82,881
	27,866	39,558	(20,615)	(4,921)	5,078	(29,381)	<b>4,122</b>	—	43,828
	25,152	24,394	22,581	14,480	10,439	11,337	<b>13,844</b>	+22.1	147,198
	19,956	20,289	17,912	14,139	12,814	11,973	<b>11,613</b>	-3.0	123,477
	24,220	24,865	23,218	21,736	22,416	22,819	<b>22,149</b>	-2.9	235,502
	39,732	37,225	(2,235)	39,870	22,646	10,880	<b>7,755</b>	-28.7	82,456
	(22,427)	41,999	(25,999)	(12,711)	(9,740)	(9,004)	<b>(12,617)</b>	—	(134,152)
	17,305	79,225	(28,234)	27,159	12,906	1,875	<b>(4,862)</b>	—	(51,696)
	¥559,031	¥540,347	¥408,974	¥402,152	¥390,852	¥366,610	<b>¥390,610</b>	+6.5	\$4,153,216
	231,033	275,754	202,097	193,260	194,717	188,952	<b>197,902</b>	+4.7	2,104,221
	136,656	120,174	90,050	75,182	74,836	72,829	<b>71,550</b>	-1.8	760,766
	25,551	21,036	19,192	15,017	11,838	11,295	<b>10,013</b>	-11.3	106,465
	351,398	343,028	251,841	254,591	245,002	206,832	<b>229,636</b>	+11.0	2,441,637
	¥ 135.19	¥ 191.76	¥ (103.73)	¥ (24.95)	¥ 25.90	¥ (151.73)	<b>¥ 21.29</b>		U.S. dollars
	1,680.91	1,646.44	1,262.42	1,276.35	1,250.06	1,052.01	<b>1,171.67</b>		\$ 0.23
	22.50	50.00	42.50	27.50	10.00	10.00	<b>10.00</b>		12.46
									0.11
								%	
	5.0	6.0	3.0	1.6	3.5	2.3	<b>2.5</b>		
	8.4	11.5	(7.0)	(2.0)	2.1	(13.2)	<b>1.9</b>		
	5.2	7.2	(4.3)	(1.2)	1.3	(7.8)	<b>1.1</b>		
	62.0	62.9	60.9	62.6	61.9	55.6	<b>58.1</b>		
	0.07	0.06	0.08	0.06	0.05	0.05	<b>0.04</b>		
	47.83	34.56	26.74	16.88	40.38	31.84	<b>40.64</b>		
	169.1	229.5	224.4	257.1	260.2	259.4	<b>276.6</b>		
	16.6	26.1	—	—	38.6	—	<b>47.0</b>		

# Overview

## Economic Environment

In fiscal 2013, ended March 31, 2013, despite signs of economic recovery in the United States, developed markets continued to face economic uncertainty due to the business slowdown in the Eurozone caused by the debt crisis in EU countries. In addition to signs of a slower growth rate in China, which had thus far been high, other emerging countries experienced only modest economic growth due to the effects of deteriorating economic conditions in Europe, though the effects were different for each country. In Japan, after the new prime minister assumed office at the end of 2012, the Japanese economy had shown signs of an upturn, including the depreciation of the yen and a booming stock market. However, we are not yet at a point where we can clearly see the light at the end of the economic tunnel, such as an increase in consumer spending.

## Performance Review and Japan's Business Structural Reforms

In fiscal 2013, musical instrument production in the first half, especially in the first quarter, was generally strong after rebounding from the electronic parts procurement difficulties of the previous period caused by the Great East Japan Earthquake. Subsequently, however, we were forced to hold high inventory levels after sales in all markets, including China and other emerging countries, sharply declined right through to the year-end peak demand season. In the second half, we adjusted production levels, mainly of digital musical instruments, but had to make further drastic production adjustments in the fourth quarter, which had a major impact on profitability. Meanwhile, regarding currency exchange rates, since the new prime minister assumed office at

the end of 2012, the yen has rapidly depreciated, but the euro, which strongly affects Yamaha's profitability, had a limited impact on earnings growth largely due to our forward foreign exchange contracts.

In fiscal 2013, the 125th anniversary of Yamaha's founding, aiming to build a solid foundation for the next growth phase, we reorganized and restructured business to reinforce the Group's overall earning capacity by enhancing profitability in Japan. On April 1, 2013, we restructured the domestic sales organization, consolidating our sales bases to two, Tokyo and Osaka, and transferred our musical instrument, professional audio equipment wholesaling, and music school business to a subsidiary, which will be merged with two other subsidiaries to form Yamaha Music Japan Co., Ltd., a musical instrument and professional audio equipment wholesale company. Also on April 1, our eight musical instrument sales companies were made into a subsidiary of Yamaha Music Japan and then merged to form Yamaha Music Retailing Co., Ltd. To restructure the electronic devices business, we cut fixed costs, consigned production to overseas suppliers, and focused business resources on competitive products. Although the full effects of restructuring will not be seen until fiscal 2014, the restructuring measures have progressed as planned.

As a result, net sales in fiscal 2013 climbed 2.9%, year on year, to ¥366,941 million, due to increasing revenue in all segments excluding electronic devices. Operating income was also up 13.6%, to ¥9,215 million. In addition, net income came to ¥4,122 million, as income taxes deferred were not recorded due to the reversal of ¥32,057 million in deferred tax assets in the previous fiscal year.

# Analysis of Management Performance

## Net Sales

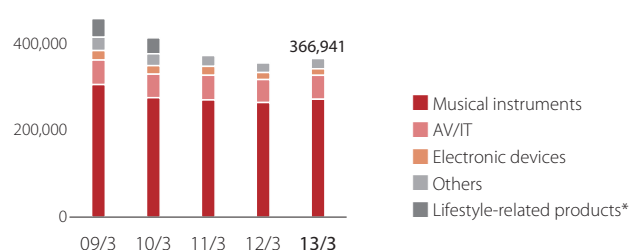
**¥366,941 million** **+2.9%**

Net sales in fiscal 2013 climbed ¥10,324 million, or 2.9%, year on year, to ¥366,941 million. This was attributable to various factors including a sales increase of about ¥3,700 million caused by foreign currency effects, the recovery of digital musical instruments from the effects of the Great East Japan Earthquake, the launch of new professional audio equipment products, and favorable AV product sales in North America.

## Sales by Segment

(Millions of yen)

600,000



\* Following the handover of the lifestyle-related products business on March 31, 2010, this segment has been excluded from consolidation from the year ended March 31, 2011.

### Sales by Region

Fiscal 2013 sales in Japan declined ¥1,315 million, or 0.8%, year on year, to ¥165,790 million. Despite strong sales of professional audio equipment, commercial online karaoke equipment, automobile interior wood components, and other products, sales of AV products and other items decreased. Overall, sales were down primarily due to a substantial drop in sales of sound generators for mobile phones in the electronic devices business.

Outside of Japan, sales increased by ¥11,639 million, or 6.1%, to ¥201,151 million. Key factors behind this increase were strong musical instrument and AV product sales in North America and continued double-digit growth in China. Although sales were up year on year, sales in Europe were down slightly, while growth rates in other markets slowed. After adding the effects of the yen's depreciation at year-end 2012, sales increased overall. The ratio of overseas sales to net sales was 1.7 percentage points higher than in fiscal 2012, rising from 53.1% to 54.8%.

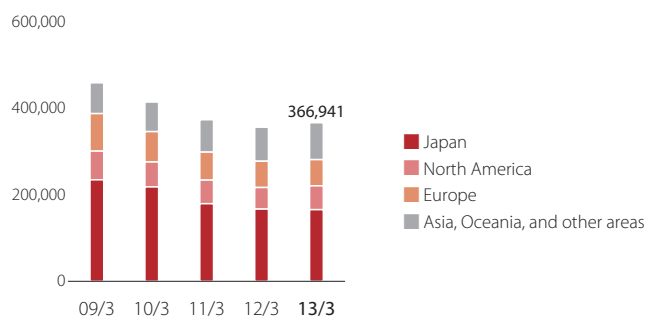
By region, sales in North America were up ¥5,233 million, or 10.5%, to ¥55,156 million. Sales of nearly all musical instruments were above those of the previous fiscal year, while sales of AV products at major mass retailers fared well and also increased. Excluding the approximately ¥2,500 million increase from foreign currency effects, sales increased by roughly ¥2,800 million, or 5.5%, in real terms.

In Europe, sales declined ¥211 million, or 0.3%, to ¥60,611 million. Under adverse economic conditions, despite brisk professional audio equipment sales, piano, portable keyboard, and wind instrument sales declined. With an approximately ¥1,300 million decrease from foreign currency effects, sales increased, by roughly ¥1,100 million, or 1.8%, in real terms.

Net sales in Asia, Oceania and other areas increased by ¥6,616 million, or 8.4%, to ¥85,383 million. In China, double-digit sales growth continued as piano sales remained strong and digital musical instruments and professional audio equipment enjoyed solid growth. In other regions, harsh conditions continued, with piano sales falling below those of the previous year. With an approximately ¥2,500 million gain from foreign currency effects, sales increased by roughly ¥4,100 million, or 5.2%, in real terms.

### Sales by Region

(Millions of yen)



### Cost of Sales and Selling, General and Administrative Expenses

Cost of sales in fiscal 2013 climbed ¥6,601 million, or 2.8%, year on year, to ¥238,261 million, mainly due to actual revenue growth and foreign currency effects. The gross profit ratio was largely unchanged from the previous fiscal year at 64.9%

Gross profit increased by ¥3,722 million, or 3.0%, to ¥128,680 million. The gross profit ratio was largely unchanged from the previous fiscal year at 35.1%.

Selling, general and administrative (SG&A) expenses increased by ¥2,618 million, or 2.2%, to ¥119,465 million. Advertising expenses and sales promotion expenses increased ¥964 million, or 6.6%, from ¥14,716 million to ¥15,680 million. Personnel expenses decreased ¥1,269 million, or 2.3%, from ¥55,378 million to ¥54,109 million. The ratio of SG&A expenses to net sales decreased by 0.2 of a percentage point, to 32.6%.

### Major Items Included in Selling, General and Administrative Expenses

	Millions of yen		%
	12/3	13/3	
Sales commissions	¥ 1,263	¥ 1,239	-1.9
Transport expenses	10,934	11,263	+3.0
Advertising expenses and sales promotion expenses	14,716	15,680	+6.6
Allowance for doubtful accounts	53	(15)	—
Provision for product warranties	734	426	-42.0
Provision for retirement benefits	4,916	4,270	-13.1
Provision for directors' bonuses	—	21	—
Salaries and benefits	50,462	49,817	-1.3
Rent	3,395	3,682	+8.5
Depreciation and amortization	3,270	3,156	-3.5

## Operating Income

**¥9,215 million** **+13.6%**

Operating income in fiscal 2013 climbed ¥1,104 million, or 13.6%, year on year, to ¥9,215 million. The primary factors were higher earnings in the mainstay musical instruments segment and increased profitability from a higher gross profit margin caused by changes to the product mix made by the electronic devices business. In fiscal 2012, the negative factors of a strong yen (approx. ¥3,000 million) and higher SG&A expenses (approx. ¥1,400 million) were replaced by positive factors in fiscal 2013. These included earnings growth and price hikes (approx. ¥3,100 million), increased profitability following the integration of wind instrument factories in Japan (approx. ¥1,100 million), an interest gain on retirement benefit obligations (approx. ¥900 million), and a reduction in raw materials prices (approx. ¥400 million).

## Non-Operating Income and Expenses

In fiscal 2013, non-operating income decreased by ¥401 million, or 14.8%, year on year, from ¥2,710 million to ¥2,309 million. Of this amount, interest and dividend income decreased by ¥259 million, or 16.2%, to ¥1,339 million, compared to ¥1,598 million in the previous fiscal year. Other non-operating income decreased by ¥142 million, or 12.8%, from ¥1,112 million to ¥970 million. An expense of ¥438 million in compensation for the transfer of stores of the domestic musical instrument sales subsidiary was recorded in fiscal 2012, and was the main factor behind the fiscal 2013 decrease.

Non-operating expenses decreased by ¥622 million, or 17.5%, from ¥3,566 million to ¥2,943 million. Of this amount, interest expenses decreased ¥45 million, or 14.8%, from ¥304 million to ¥259 million. Sales discounts due to early payment declined from ¥2,153 million to ¥1,980 million, a decrease of ¥173 million, or 8.1%. Other non-operating expenses decreased by ¥403 million, or 36.4%, from ¥1,107 million to

¥703 million. Of these, foreign exchange losses decreased ¥604 million, or 91.3%, from ¥662 million to ¥57 million.

## Extraordinary Income and Losses

Extraordinary income in fiscal 2013 increased by ¥2,314 million, or 361.2%, from ¥640 million to ¥2,955 million. Of this amount, gain on sales of property, plant and equipment increased by ¥1,666 million, or 872.5%, from ¥190 million in the previous fiscal year, to ¥1,857 million. This was primarily due to the sell-off of idle assets such as land formerly occupied by industrial plants. Gain on sales of investment securities increased by ¥1,088 million, from ¥1 million to ¥1,089 million. Gain on liquidation of subsidiaries decreased ¥440 million, from ¥448 million to ¥8 million.

Extraordinary losses were up ¥2,815 million, or 304.3%, to ¥3,740 million, compared to ¥925 million in the previous fiscal year. The principal factor was the recording of ¥3,059 million in domestic business structural reform expenses.

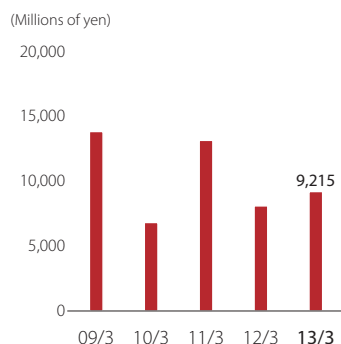
## Income before Income Taxes and Minority Interests

Income before income taxes and minority interests in fiscal 2013 came to ¥7,795 million, an increase of ¥824 million, or 11.8%, from ¥6,971 million in the previous fiscal year. The ratio of income before income taxes and minority interests to net sales increased from 2.0% to 2.1%, a 0.1 of a percentage point improvement.

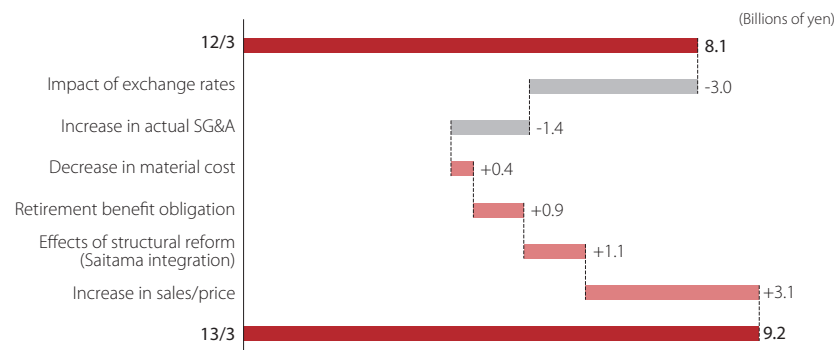
## Current Income Taxes and Deferred Income Taxes

Current income taxes and deferred income taxes in fiscal 2013 decreased ¥32,621 million year on year, to ¥3,455 million, compared with ¥36,077 million in the previous fiscal year. This was due to the recording of ¥32,057 million in deferred tax assets resulting from the reversal of deferred tax assets in the previous fiscal year.

## Operating Income



## Operating Income Analysis



### Minority Interests in Income

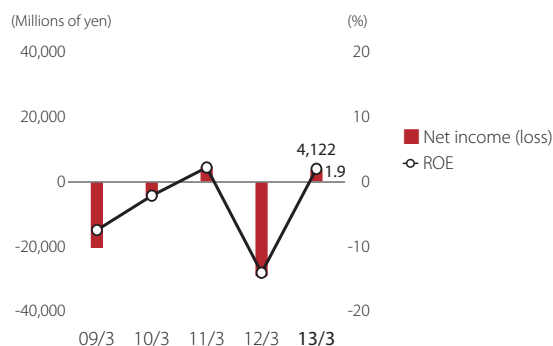
In fiscal 2013, minority interests in income dropped ¥57 million, or 20.8%, year on year, from ¥274 million to ¥217 million.

### Net Income

**¥4,122 million**

As a result of the foregoing, the Company recorded net income for fiscal 2013 of ¥4,122 million, an improvement of ¥33,503 million from the net loss of ¥29,381 million in the previous fiscal year. Net income per share was ¥21.29 compared with a net loss per share of ¥151.73 in fiscal 2012.

### Net Income (Loss) / ROE



### Fluctuation in Foreign Exchange Rates and Risk Hedging

Yamaha conducts business operations on a global scale with a focus 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 are affected by foreign currency translation effects stemming from the risks associated with currency translations and transactions denominated in those currencies, including the U.S. dollar, the euro, the Canadian dollar, the Australian dollar, and the Chinese yuan. Of these risks, currency translation risks are only incurred when consolidated subsidiaries translate their financial statements for a specified period or on a specified date into Japanese yen. Transaction-related risks are incurred when earnings and expenses and/or assets and liabilities are denominated in different currencies. For this reason, only transaction related risks are subject to risk hedges. 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, 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 2013, the yen depreciated ¥4 against the U.S. dollar compared with the previous year, to ¥83 per U.S.\$1. The year-on-year effect of this change was an increase of approximately ¥2,900 million in sales. The yen appreciated ¥2 against the euro year on year, for an average exchange rate of ¥107 to €1, resulting in a decrease of roughly ¥1,300 million in sales. Overall, the net effect on sales of foreign exchange rate movements, including the upward effect of approximately ¥2,100 million in fluctuations of the yen against such other currencies as the Canadian and Australian dollars, was an increase of around ¥3,700 million compared with fiscal 2012.

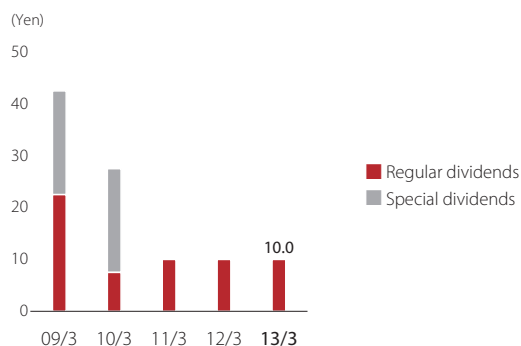
In operating income, for the U.S. dollar, benefits from the aforementioned marriage of risks related to the currency enabled the Company to largely hedge the effects of currency exchange rates stemming from fluctuations in settlement rates. However, the translation of operating income figures by overseas subsidiaries caused income to increase by approximately ¥300 million. The average settlement rate against the euro was ¥103 to €1, an appreciation of ¥9, resulting in an approximately ¥3,300 million decline in operating income. As the effect of currencies other than the U.S. dollar and the euro were immaterial, the net effect on operating income of exchange rate movements was a decline of roughly ¥3,000 million compared with the previous fiscal year.

### Dividends

**¥10.0**

In fiscal 2013, a regular dividend of ¥10 was paid, the same as in fiscal 2012.

### Dividends per Share



# Review of Operations

## Musical Instruments

### Sales

**¥272,711 million** +2.9%

#### Fiscal 2013 Performance Overview

Sales in fiscal 2013 increased ¥7,621 million, or 2.9%, year on year, to ¥272,711 million. Excluding increases resulting from foreign currency effects (approx. ¥2,900 million), net sales increased in real terms by about ¥4,800 million, or 1.8%, year on year.

Operating income was up ¥434 million, or 5.6%, from ¥7,713 million to ¥8,148 million.

#### Review of Major Products

Although sales of grand pianos and overseas-built upright pianos rebounded in the fourth quarter, piano sales in Japan fell below those of the previous fiscal year. Europe continued to face generally harsh conditions, as sales in Central Europe, which had been driving the market, slowed, although conditions in other markets varied by region. Sales in North America were steady. In China, though the growth rate has slipped, growth was solid. Overall sales of pianos were slightly up.

Even though a substantial recovery from the Great East Japan Earthquake had been expected, digital musical instrument sales in Japan dipped below those of the previous fiscal year. However, despite not reaching our targets in North America, Europe, China and other areas, sales as a whole were up. By product category, digital piano sales were generally strong, but portable keyboards continued to face difficulties and increased only slightly.

Wind instrument sales, despite harsh conditions in all markets except North America, where shipments for school rentals were brisk, remained unchanged from those of the previous fiscal year.

### Operating Income

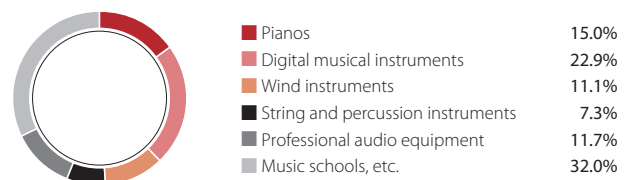
**¥8,148 million** +5.6%

Sales of string and percussion instruments increased thanks to strong guitar sales on brisk demand for new guitar amplifiers.

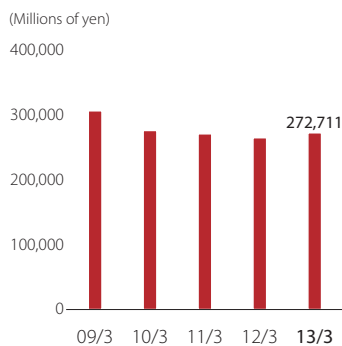
Sales of professional audio equipment grew as new digital mixers fared well in all markets.

In the music entertainment business, sales were up due to large turnouts at concerts of contracted artists and an increase in music distribution memberships. Revenue from music and English language schools was down on decreased student enrollment.

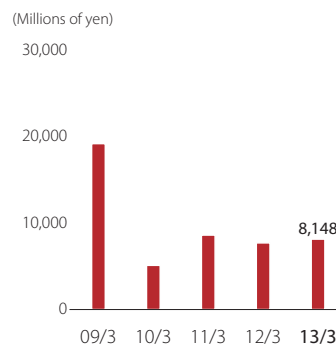
#### Fiscal 2013 Sales by Product Category



#### Sales



#### Operating Income

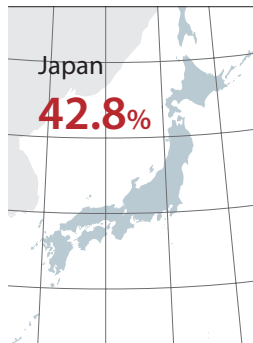


Review by Region

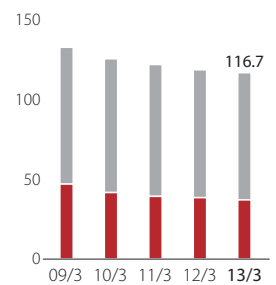
Percentage of Sales by Region

Market Trends and Fiscal 2013 Performance

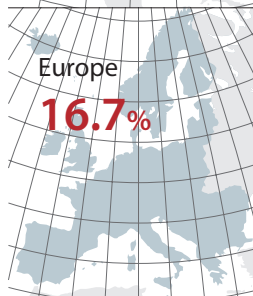
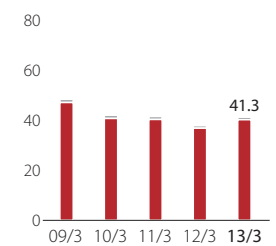
Sales by Region (Billions of yen)



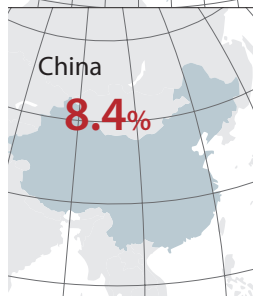
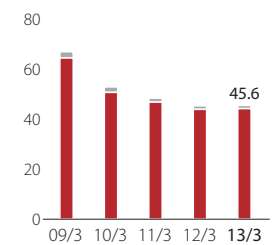
- ❖ Demand for musical instruments in Japan has been declining steadily. An example of this trend is the drastic reduction in the market for acoustic pianos over the past three decades. The high piano ownership rate and low birthrate are both responsible for this trend.
- ❖ On the whole, the market was stagnant and revenue fell below that of fiscal 2012, a year in which the effects of the Great East Japan Earthquake were felt. Piano sales for the full year were down, despite a fourth-quarter rebound in new grand pianos, overseas-built upright pianos, and other products. Digital musical instrument and wind instrument sales slipped while string and percussion instruments fared well thanks to strong new guitar amplifier sales. Professional audio equipment saw double-digit revenue growth thanks mainly to sales of new digital mixers.



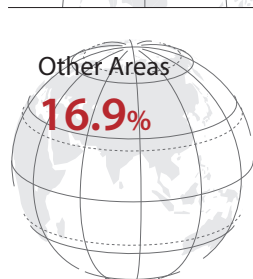
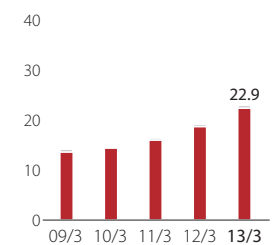
- ❖ The U.S. musical instruments market, showing no bias toward any particular instrument category, is clearly oriented toward hobbies and entertainment, where a wide range of musical instruments are used. The market experienced modest upward momentum and revenue increased on strong growth in the fourth quarter.
- ❖ Piano sales, on the whole, increased year on year. Wind instrument sales were strong thanks to steady rental demand and professional audio equipment sales were robust in the second half mainly due to the launch of new products. Despite difficult conditions for portable keyboards, digital musical instrument sales were solid overall due to brisk digital piano sales.



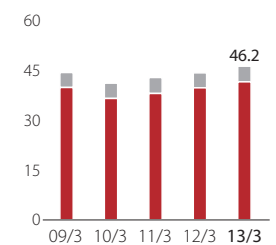
- ❖ In Europe, each country has its own musical tastes and musical instrument use varies. The market grew increasingly uncertain as a whole due to the economic slowdown triggered by the debt crisis in southern Europe in the summer of 2011, the effects of which are just now appearing in Germany.
- ❖ By country and region, revenue was up in the United Kingdom, and Central, Eastern, and Northern Europe, but down in the southern European countries of France, Spain and Italy. By product category, digital piano and professional audio equipment sales were up, but other product sales were mostly down year on year.



- ❖ China's musical instruments market is distinctive, with acoustic piano sales accounting for more than half of its market. On the other hand, sales of digital musical instruments, PA equipment, and string and percussion instruments, though small in scale, have begun to see high growth rates.
- ❖ Despite a slowdown in economic growth, piano growth remained strong, digital pianos and portable keyboard enjoyed a more than 20% growth rate, professional audio equipment growth was also in double digits. As a result, the market as a whole maintained double-digit growth.



- ❖ Influenced by the economic downturn in developed markets and China, the growth rate of musical instrument markets in key emerging countries has largely slowed. Sales were up in Russia, but flat in India. In Southeast Asia, sales were brisk in Indonesia and Thailand, but growth was slack in Latin America, Brazil, Argentina and other countries excluding Mexico. The Middle East continued to face harsh conditions due to current conditions in Iran, Syria and other nations.
- ❖ By product category, digital pianos grew in double-digits, while professional audio equipment and string and percussion instruments also sustained growth, but sales of pianos and wind instruments declined, and were up only slightly for the region as a whole.



■ Yamaha musical instruments hardware products  
■ Music schools, etc.

## AV/IT

### Sales

**¥55,367 million** **+4.1%**

### Operating Income

**¥2,856 million** **-0.5%**

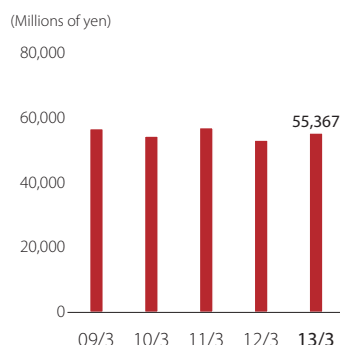
#### Fiscal 2013 Performance Overview

Sales in fiscal 2013 increased ¥2,202 million, or 4.1%, to ¥55,367 million. Excluding increases resulting from foreign currency translation effects (approx. ¥700 million), sales were up in real terms by roughly ¥1,500 million, or 2.8%.

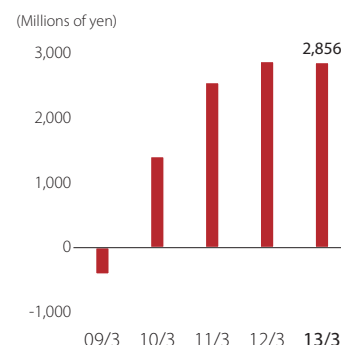
AV products sales decreased in Japan due to lower flat panel TV sales, but were largely unchanged in Europe, China and other areas. In North America, favorable sales of AV receivers, a mainstay product, and robust sales at mass retailers resulted in double-digit growth, driving the entire business. Commercial online karaoke equipment sales increased on strong shipments of new products. Meanwhile, router sales dropped due to a decrease in large projects and a decline in shipments.

Operating income slipped ¥15 million, or 0.5%, from ¥2,872 million to ¥2,856 million.

#### Sales



#### Operating Income (Loss)



## Electronic Devices

### Sales

**¥15,038 million** **-7.4%**

### Operating Loss

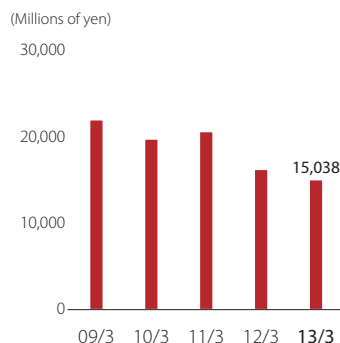
**¥2,044 million** **-**

#### Fiscal 2013 Performance Overview

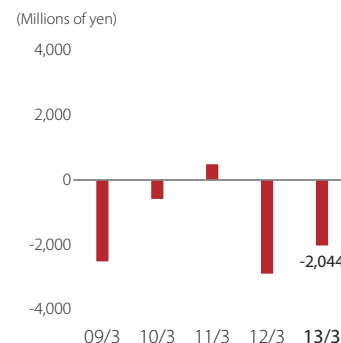
Sales in fiscal 2013 decreased ¥1,194 million, or 7.4%, year on year, to ¥15,038 million. Sales of LSIs used in amusement equipment, which had been expected to recover, and geomagnetic sensors increased, but sound generator LSIs for mobile phones continued to lose ground and the accelerating shift to smart phones led to a major sales decline. With digital amplifiers for flat panel TVs down year on year, sales for the entire segment decreased.

The electronic devices segment posted an operating loss of ¥2,044 million. As a result of changes in the product mix, business structural reforms, and other factors, we reduced last fiscal year's operating loss of ¥2,913 million by ¥868 million.

#### Sales



#### Operating Income (Loss)





## Others

### Sales

**¥23,823 million** **+7.7%**

### Fiscal 2013 Performance Overview

Sales in fiscal 2013 increased ¥1,694 million, or 7.7%, year on year, to ¥23,823 million. Despite the launching of new products, golf product revenue was down overall due to lower sales in Japan stemming from quality issues, and decreased overseas sales due in part to stagnation in the key South Korean market.

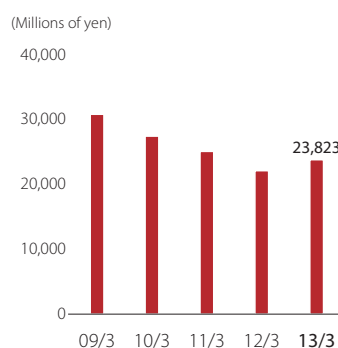
Sales in the automobile interior wood components business increased on strong shipments in response to automakers' introduction of new car models. Sales in the factory automation (FA) business were robust owing to brisk demand for precision machinery (flexible PCB processing equipment) caused by smart phone and tablet PC growth. In the resorts business, sales were up thanks to the favorable progress of our plan to attract customers during the winter season, an increase in customers visiting on day trips, and other factors.

### Operating Income

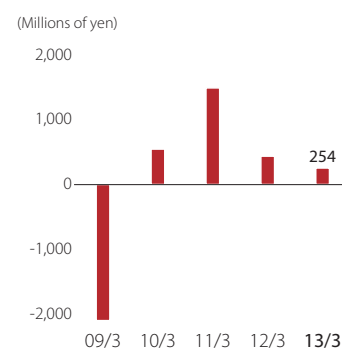
**¥254 million** **-41.9%**

Operating income dropped ¥183 million, or 41.9%, from ¥437 million, to ¥254 million.

### Sales



### Operating Income (Loss)



## Key Business Indicators

Years ended March 31					Millions of yen	Thousands of U.S. dollars
	2009	2010	2011	2012	2013	2013
<b>Sales</b>						
Musical instruments	¥306,630	¥276,252	¥271,124	¥265,089	¥272,711	\$2,899,638
AV/IT	56,722	54,409	57,023	53,165	55,367	588,698
Electronic devices	21,975	19,745	20,610	16,233	15,038	159,894
Others	30,833	27,461	25,108	22,128	23,823	253,301
<b>Operating income (loss)</b>						
Musical instruments	¥ 19,198	¥ 5,117	¥ 8,616	¥ 7,713	¥ 8,148	\$ 86,635
AV/IT	(410)	1,405	2,547	2,872	2,856	30,367
Electronic devices	(2,536)	(606)	510	(2,913)	(2,044)	(21,733)
Others	(2,100)	546	1,490	437	254	2,701
<b>Capital expenditures</b>						
Musical instruments	¥ 14,793	¥ 11,663	¥ 8,008	¥ 8,251	¥ 9,462	\$ 100,606
AV/IT	1,451	1,348	1,044	1,059	1,931	20,532
Electronic devices	3,247	659	921	736	1,381	14,684
Others	2,082	284	464	1,290	1,068	11,356
<b>Depreciation expenses</b>						
Musical instruments	¥ 10,042	¥ 9,511	¥ 9,678	¥ 9,065	¥ 8,912	\$ 94,758
AV/IT	1,631	1,436	1,361	1,248	1,277	13,578
Electronic devices	3,326	981	900	976	669	7,113
Others	1,889	1,323	873	684	754	8,017
<b>R&amp;D expenses</b>						
Musical instruments	¥ 10,780	¥ 9,910	¥ 11,557	¥ 12,704	¥ 12,085	\$ 128,495
AV/IT	5,257	5,605	5,752	4,898	5,222	55,524
Electronic devices	4,474	3,630	3,931	3,979	3,374	35,875
Others	1,809	1,661	1,174	1,237	1,466	15,587

For more detailed information, please refer to Financial Data 2013.

# Analysis of Financial Position

## Financing Policy

The Yamaha Group obtains working capital to fund its business activities and finances its 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 tries to ensure that liquidity on hand is equivalent to approximately one month of consolidated net sales, a figure covered by the ¥51,445 million in cash and deposits recorded as of March 31, 2013.

In principle, each subsidiary has been responsible for meeting its own requirements with respect to fund procurement, but to promote efficient fund utilization for the entire Group, Group finance has been carried out since the fiscal year ended March 31, 2013.

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.

## Credit 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)

\* As of March 31, 2013

## Total Assets

**¥390,610 million** **+6.5%**

Total assets as of March 31, 2013 amounted to ¥390,610 million, an increase of ¥24,000 million, or 6.5%, from the previous fiscal year-end figure of ¥366,610 million. Of this amount, current assets totaled ¥197,902 million, up ¥8,950 million, or 4.7%, from the previous fiscal year-end figure of ¥188,952 million. Property, plant and equipment came to ¥192,707 million, an increase of ¥15,049 million, or 8.5%, from the previous fiscal year-end figure of ¥177,658 million.

## Current Assets

Current assets as of March 31, 2013 totaled ¥197,902 million, up ¥8,950 million, or 4.7%, from the end of the previous fiscal year. This was attributable to decreases in cash and deposits and short-term investment securities, which were outweighed by increases in inventories, notes and accounts receivable–trade, deferred tax assets, and other items.

Cash and deposits decreased ¥657 million, or 1.3%, year on year, to ¥51,445 million. Notes and accounts receivable–trade (after deduction of allowance for doubtful accounts) increased ¥6,512 million, or 14.6%, to ¥50,980 million. Short-term investment securities declined ¥4,449 million, or 94.7%, to ¥250 million, due mainly to the decrease of

negotiable certificates of deposit. Inventories increased ¥4,868 million, or 6.3%, to ¥82,014 million. This figure includes an increase of roughly ¥6,200 million due to currency translation effects. Excluding this factor, inventories decreased by about ¥1,300 million, or 1.7%, in real terms. In light of sluggish sales during the peak demand season, production was adjusted in the second half, but we were largely able to cut inventory to the previous year's level. Deferred tax assets increased ¥385 million, or 20.8% from the previous fiscal year-end, to ¥2,241 million. Other current assets increased ¥2,291 million, or 26.4%, to ¥10,969 million. The ratio of current assets to current liabilities at fiscal 2013 year-end was 277%, compared with 259% from a year earlier, sustaining liquidity at a high level during fiscal 2013.

## Property, Plant and Equipment

Property, plant and equipment as of March 31, 2013 were ¥110,325 million, up ¥3,466 million, or 3.2%, year on year. Construction in progress came to ¥2,104 million, an increase of ¥347 million, due to investments in business structural reforms in the electronic devices segment.

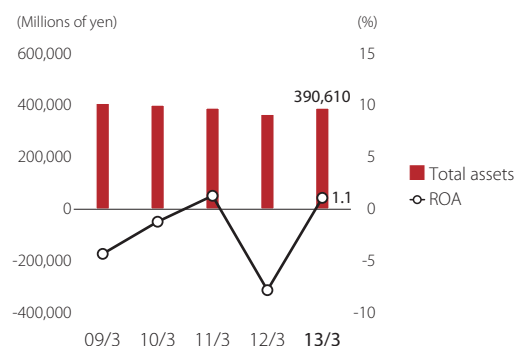
## Investments and Other Assets

Investments and other assets excluding intangible assets as of March 31, 2013 amounted to ¥79,157 million, a year-on-year increase of ¥11,043 million, or 16.2%.

Investment securities amounted to ¥71,568 million, up ¥9,877 million, or 16.0%. This was mainly due to increases in the value of Yamaha Motor Co., Ltd. stock and other listed stocks held. Deferred tax assets increased ¥244 million, or 23.4%, to ¥1,290 million.

Intangible assets as of March 31, 2013 increased ¥539 million, or 20.1%, year on year, to ¥3,224 million.

## Total Assets / ROA



**Total Liabilities**

**¥160,973 million** +0.7%

Total liabilities as of March 31, 2013 came to ¥160,973 million, an increase of ¥1,195 million, or 0.7%, from the previous fiscal year-end figure of ¥159,778 million. Current liabilities decreased ¥1,278 million, or 1.8%, to ¥71,550 million from ¥72,829 million. Noncurrent liabilities increased ¥2,474 million, or 2.8%, to ¥89,422 million from ¥86,948 million.

**Current Liabilities**

Current liabilities as of March 31, 2013 came to ¥71,550 million, a decrease of ¥1,278 million, or 1.8%, year on year. This was due to increases in accounts payable–other and accrued expenses, which were outweighed by decreases in notes and accounts payable–trade, short-term loans payable, and the current portion of long-term loans payable.

Notes and accounts payable–trade were ¥20,339 million, a decrease of ¥1,924 million, or 8.6%, from the previous fiscal year-end figure. Short-term loans payable decreased ¥522 million, or 5.3%, to ¥9,360 million. The current portion of long-term loans payable decreased ¥425 million, or 46.6%, to ¥486 million. Accounts payable–other and accrued expenses amounted to ¥31,309 million, up ¥1,901 million, or 6.5%, year on year. Income taxes payable declined ¥348 million, or 18.1%, to ¥1,582 million.

**Noncurrent Liabilities**

Noncurrent liabilities as of March 31, 2013 increased ¥2,474 million, or 2.8% year on year, to ¥89,422 million. This was due to decreases in long-term loans payable, deferred tax liabilities for land revaluation, long-term deposits received, and provision for retirement benefits, which were outweighed by an increase in deferred tax liabilities

Long-term loans payable amounted to ¥165 million, down ¥333 million, or 66.8%. Deferred tax liabilities increased ¥3,142 million, or 20.5%, to ¥18,491 million. Deferred tax liabilities for land revaluation decreased ¥155 million, or 1.2%, to ¥12,439 million. Provision for retirement benefits declined ¥331 million, or 0.8%, to ¥41,148 million. Long-term deposits received decreased ¥71 million, or 0.5%, to

¥15,445 million following the refund of deposits received from resort memberships.

**Net Interest-Bearing Liabilities**

As of March 31, 2013, long- and short-term loans payable, which are interest-bearing liabilities, totaled ¥10,013 million. Cash and cash equivalents were ¥49,464 million, resulting in net cash and cash equivalents, less long- and short-term loans payable, of ¥39,450 million, a ¥5,173 million decrease compared with ¥44,623 million at the previous fiscal year-end.

**Net Assets**

**¥229,636 million** +11.0%

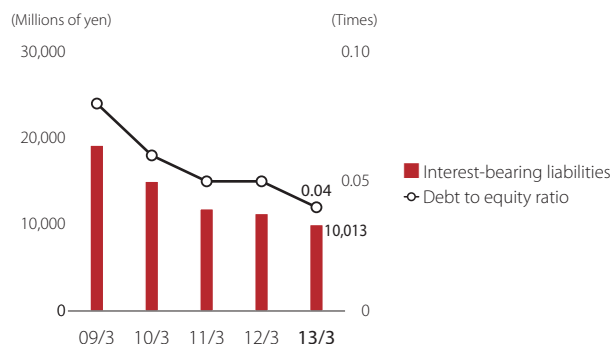
Total net assets as of March 31, 2013 amounted to ¥229,636 million, an increase of ¥22,804 million, or 11.0%, from the previous fiscal year-end figure of ¥206,832 million. This was the result of turning the net loss of fiscal 2012 into net income in fiscal 2013, increases in retained earnings and in valuation difference on available-for-sale securities, and changes in foreign currency translation adjustments. The loss recorded under foreign currency translation adjustments was reduced by ¥13,167 million year on year. Retained earnings increased ¥2,321 million, or 1.7%, to ¥140,473 million, reflecting net income of ¥4,122 million, dividend payments of ¥1,936 million, and other factors. Valuation difference on available-for-sale securities increased ¥7,472 million, or ¥27.3%, to ¥34,810 million, reflecting a rise in the value of investment securities held.

Revaluation reserve for land decreased ¥120 million, or 0.7%, to ¥17,184 million.

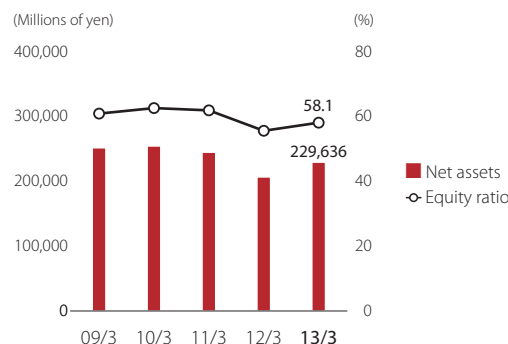
Minority interests declined ¥353 million, or 11.3%, year on year, to ¥2,764 million.

The equity ratio was 58.1% as of March 31, 2013, a 2.5 percentage point increase, from 55.6% at the previous fiscal year-end. Return on equity (ROE) improved from -13.2% to 1.9%.

**Interest-Bearing Liabilities / Debt to Equity Ratio**



**Net Assets / Equity Ratio**



### Cash Flows

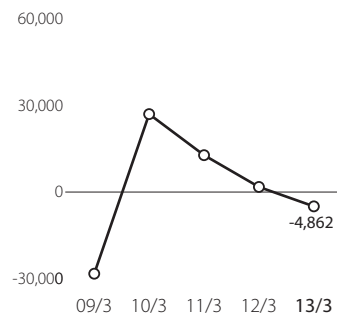
Net cash provided by operating activities in fiscal 2013 was ¥7,755 million, in contrast to net cash of ¥10,880 million provided in the previous fiscal year. This represented a ¥3,125 million decrease in cash provided. Net cash used in investing activities was ¥12,617 million, in contrast to net cash of ¥9,004 million used in the previous fiscal year. This represented a ¥3,613 million increase in cash used, reflecting increased purchases of property, plant and equipment.

Net cash used in financing activities was ¥5,536 million, in contrast to net cash of ¥3,247 million used in the previous fiscal year. This represented a ¥2,289 million increase in cash used, reflecting the repayment of short-term loans payable.

As a result, with currency translation effects and other factors also taken into account, the fiscal 2013 year-end balance of cash and cash equivalents amounted to ¥49,464 million, representing a year-on-year decrease of ¥6,454 million.

### Free Cash Flow

(Millions of yen)



### Capital Expenditures/Depreciation and Amortization

Capital expenditures in fiscal 2013 came to ¥13,844 million, an increase of ¥2,507 million, or 22.1%, from ¥11,337 million in the previous

fiscal year. Capital expenditures in the musical instruments segment increased ¥1,211 million, or 14.7%, year on year, from ¥8,251 million to ¥9,462 million. In the AV/IT segment, capital expenditures were up ¥872 million, or 82.4%, from ¥1,059 million to ¥1,931 million. In the electronic devices segment, capital expenditures were up ¥645 million, or 87.7%, year on year, from ¥736 million to ¥1,381 million. Capital expenditures decreased in the others segment, falling ¥222 million, or 17.2%, from ¥1,290 million to ¥1,068 million.

Depreciation and amortization amounted to ¥11,613 million, a decrease of ¥360 million, or 3.0%, from ¥11,973 million in fiscal 2012.

### R&D Expenses

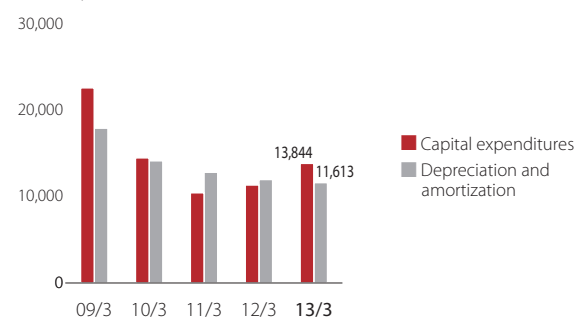
R&D expenses in fiscal 2013 decreased ¥670 million, or 2.9%, from ¥22,819 million to ¥22,149 million. The ratio of R&D expenses to net sales was 0.4 of a percentage point lower than in fiscal 2012, falling from 6.4%, to 6.0%.

Most of this spending was directed at product development primarily in digital musical instruments, professional audio equipment, AV/IT and semiconductor businesses. Specifically, the spending supported elemental technology research and product development for hybrid pianos that blend acoustic and digital technologies, various developments to make digital musical instruments more competitive, development of new professional audio equipment for the commercial audio equipment market leveraging digital network technology, development of products to expand the AV products category, and new product development for commercial online karaoke equipment, routers, and other products. In semiconductors, spending was used for development of high value-added analog and hybrid semiconductors and development of new products for mobile phones, amusement equipment and geomagnetic sensors for smartphones.

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.

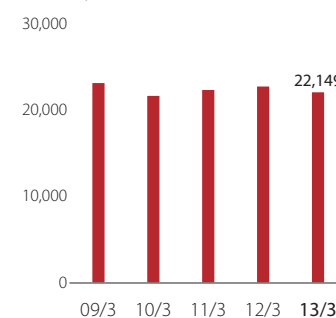
### Capital Expenditures / Depreciation and Amortization

(Millions of yen)



### R&D Expenses

(Millions of yen)



## Forecast for Fiscal 2014

### Performance Forecast

#### Net Sales

**¥390,000 million** +6.3%

#### Operating Income

**¥18,000 million** +95.3%

#### Net Income

**¥13,500 million** +227.5%

In fiscal 2014, despite concerns about the economic effects of fiscal austerity, steady economic recovery is expected in North America. In Europe, with some countries facing financial crisis, the regions' economy remains under adverse conditions. Despite a slackening growth rate in China resulting from an economic slowdown, continued solid growth is expected. Other emerging markets should remain strong, but this will vary by region. As for currency exchange rates, with the outlook for these markets uncertain, the yen's record-high appreciation should reverse and shift to a weak yen in fiscal 2014. Even with the risk of sharply rising materials and parts procurement costs, product exports are generally expected to be positive.

In fiscal 2013, because we failed to achieve our sales target for the peak demand season, which had been expected to rebound from the effects of the earthquake disaster, we adjusted production, mainly of digital musical instruments. However, in fiscal 2014, even though we continue to adjust production for some products such as wind instruments, we anticipate steady production since we have reduced inventories to a constant level.

Sales of professional audio equipment, which had been part of the musical instruments business segment, have been shifted to the AV/IT segment in fiscal 2014. At the same time, we have changed the name of the AV/IT business segment to the audio equipment business segment.

By business segment, in the musical instruments segment, we will continue to upgrade our sales network in China and other emerging markets and aggressively expand business. Above all, in China, we will respond flexibly to the changing market and accelerate growth. Also, in developed markets, especially North America, we will expand sales by taking a flexible approach to market changes while maximizing the impact of new product launches. Through these efforts, we expect to increase both sales and earnings for the entire musical instruments segment.

The audio equipment business will seek growth by launching products that meet existing demand trends for AV products. Further, in professional audio equipment, we will take steps to improve our development capabilities so that we can expand our lineup of mainstay

products and maintain growth. At the same time, we want to achieve sales growth by entering new fields in the commercial installed sound market. In the router business, we will take advantage of our excellent reputation in the market and expand our product domain for switches, access points, and other products. Also, we plan to increase sales of Information and Communication Technology (ICT) devices as a whole by bringing microphone speakers for Web conferencing into the audio communication device business.

In the electronic devices segment, we expect higher revenue from the effects of business structural reforms implemented in fiscal 2013, a pickup in demand for amusement equipment, and aggressively proposing to customers products with promising growth potential such as geomagnetic sensors.

In the others segment, as the measures taken to solve product issues for the new golf product launched in autumn 2012 have been successful, we hope to restore our market share for golf products in Japan. In parallel with these efforts, we will develop overseas markets including South Korea, a market of continued focus, and China, a market with high growth potential. In the automobile interior wood component business, we will raise manufacturing capabilities by reducing lead time and maintain stable supply to our customers. In the FA equipment business, we will further strengthen our marketing capabilities including overseas market development. In the resort business, we expect to increase revenue by taking stronger measures to attract customers during the winter season, which proved effective in the previous fiscal year. In the others segment as a whole, sales are expected to increase.

Exchange rate assumptions for fiscal 2014 are: JP¥85 per US\$1, JP¥115 per €1, JP¥90 per AU\$1, JP¥85 per CA\$1, and JP¥13.5 per CN¥1. In fiscal 2014, as previously stated, we forecast increases in both sales and earnings over fiscal 2013.

### Capital Expenditures Forecast

In fiscal 2014, capital expenditures are expected to rise. Major planned items include 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. We also anticipate higher depreciation and amortization expenses.

### Profit Distribution Policy (Dividend Forecast)

With 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 business foundation through investments in R&D, sales and capital expenditures to drive corporate growth, based on prospective levels of medium-term consolidated earnings. Specifically, Yamaha has set a goal of 30% for its consolidated dividend payout ratio based on continuous and stable dividend payments. Under this policy, Yamaha plans to pay a total dividend of ¥15 per share for fiscal 2014, including an interim dividend payment of ¥7.5 per share.

# Consolidated Balance Sheet

Yamaha Corporation and consolidated subsidiaries At March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
<b>Assets</b>			
Current assets:			
Cash and deposits (Notes 19 and 21)	¥ 51,445	¥ 52,103	\$ 546,996
Notes and accounts receivable — trade (Notes 21 and 29)	52,069	45,634	553,631
Short-term investment securities (Notes 21, 22 and 28)	250	4,699	2,658
Inventories (Note 9)	82,014	77,146	872,026
Deferred tax assets (Note 25)	2,241	1,855	23,828
Other	10,969	8,678	116,629
Allowance for doubtful accounts	(1,088)	(1,165)	(11,568)
<b>Total current assets</b>	<b>197,902</b>	<b>188,952</b>	<b>2,104,221</b>
Property, plant and equipment, net of accumulated depreciation (Notes 5, 13 and 28):			
Buildings and structures, net	36,845	36,695	391,760
Machinery and equipment, net	21,405	19,301	227,592
Land (Note 8)	49,634	48,853	527,741
Leased assets, net	336	250	3,573
Construction in progress	2,104	1,757	22,371
<b>Total property, plant and equipment, net of accumulated depreciation</b>	<b>110,325</b>	<b>106,858</b>	<b>1,173,046</b>
Investments and other assets:			
Investment securities (Notes 6, 21, 22 and 28)	71,568	61,690	760,957
Long-term loans receivable	365	353	3,881
Deferred tax assets (Note 25)	1,290	1,045	13,716
Lease and guarantee deposits	5,019	4,792	53,365
Goodwill	356	54	3,785
Other	4,374	3,601	46,507
Allowance for doubtful accounts	(591)	(739)	(6,284)
<b>Total investments and other assets</b>	<b>82,382</b>	<b>70,799</b>	<b>875,938</b>
<b>Total assets</b>	<b>¥390,610</b>	<b>¥366,610</b>	<b>\$4,153,216</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
<b>Liabilities</b>			
Current liabilities:			
Notes and accounts payable — trade (Notes 21 and 29)	¥ 20,339	¥ 22,263	\$ 216,257
Short-term loans payable (Notes 21 and 28)	9,360	9,883	99,522
Current portion of long-term loans payable (Note 28)	486	912	5,167
Accounts payable — other and accrued expenses (Note 21)	31,309	29,407	332,897
Income taxes payable	1,582	1,931	16,821
Advances received (Note 28)	14	234	149
Deferred tax liabilities (Note 25)	625	262	6,645
Provision for product warranties	2,596	2,769	27,602
Provision for directors' bonuses	21	—	223
Other	5,213	5,165	55,428
<b>Total current liabilities</b>	<b>71,550</b>	<b>72,829</b>	<b>760,766</b>
Noncurrent liabilities:			
Long-term loans payable (Notes 21 and 28)	165	499	1,754
Deferred tax liabilities (Note 25)	18,491	15,348	196,608
Deferred tax liabilities for land revaluation (Note 8)	12,439	12,595	132,259
Provision for retirement benefits (Note 24)	41,148	41,479	437,512
Long-term deposits received (Note 21)	15,445	15,516	164,221
Other	1,732	1,508	18,416
<b>Total noncurrent liabilities</b>	<b>89,422</b>	<b>86,948</b>	<b>950,792</b>
<b>Contingent liabilities (Note 7)</b>			
<b>Net Assets</b>			
Shareholders' equity (Note 18):			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2013 — 197,255,025 shares	28,534	—	303,392
2012 — 197,255,025 shares	—	28,534	—
Capital surplus	40,054	40,054	425,880
Retained earnings	140,473	138,152	1,493,599
Treasury stock	(3,699)	(3,690)	(39,330)
<b>Total shareholders' equity</b>	<b>205,363</b>	<b>203,050</b>	<b>2,183,551</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	34,810	27,337	370,122
Deferred losses on hedges	(41)	(367)	(436)
Revaluation reserve for land (Note 8)	17,184	17,304	182,711
Foreign currency translation adjustment	(30,443)	(43,611)	(323,690)
<b>Total accumulated other comprehensive income</b>	<b>21,508</b>	<b>662</b>	<b>228,687</b>
<b>Minority interests</b>	<b>2,764</b>	<b>3,118</b>	<b>29,389</b>
<b>Total net assets</b>	<b>229,636</b>	<b>206,832</b>	<b>2,441,637</b>
<b>Total liabilities and net assets</b>	<b>¥390,610</b>	<b>¥366,610</b>	<b>\$4,153,216</b>

# Consolidated Statement of Operations

Yamaha Corporation and consolidated subsidiaries Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
<b>Net sales</b>	¥366,941	¥356,616	\$3,901,552
<b>Cost of sales</b> (Notes 9 and 11)	238,261	231,659	2,533,344
<b>Gross profit</b>	128,680	124,957	1,368,208
Selling, general and administrative expenses (Notes 10 and 11)	119,465	116,846	1,270,229
<b>Operating income</b>	9,215	8,110	97,980
Other income (expenses):			
Interest and dividend income	1,339	1,598	14,237
Interest expenses	(259)	(304)	(2,754)
Sales discounts	(1,980)	(2,153)	(21,053)
Gain (loss) on sales or disposal of property, plant and equipment, net (Note 12)	1,604	(107)	17,055
Gain (loss) on sales of investment securities	1,089	(5)	11,579
Loss on impairment of fixed assets (Note 13)	(293)	(169)	(3,115)
Business structural reform expenses (Note 14)	(3,059)	—	(32,525)
Other, net (Note 15)	139	2	1,478
	(1,419)	(1,139)	(15,088)
<b>Income before income taxes and minority interests</b>	7,795	6,971	82,881
<b>Income taxes</b> (Note 25):			
Current	3,635	3,959	38,650
Deferred	(179)	32,117	(1,903)
	3,455	36,077	36,736
<b>Income (loss) before minority interests</b>	4,339	(29,106)	46,135
<b>Minority interests in income</b>	217	274	2,307
<b>Net income (loss)</b>	¥ 4,122	¥ (29,381)	\$ 43,828

See notes to consolidated financial statements.



## Consolidated Statement of Comprehensive Income

Yamaha Corporation and consolidated subsidiaries Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
<b>Income (loss) before minority interests</b>	¥ 4,339	¥(29,106)	\$ 46,135
Other comprehensive income:			
Valuation difference on available-for-sale securities	7,474	(6,221)	79,468
Deferred gains or losses on hedges	326	(114)	3,466
Revaluation reserve for land	—	1,802	—
Foreign currency translation adjustment	13,607	(1,966)	144,678
Share of other comprehensive income (loss) of affiliates accounted for using equity method	0	(0)	0
Total other comprehensive income (loss) (Note 16)	21,408	(6,500)	227,624
<b>Comprehensive income (loss)</b>	¥25,747	¥(35,606)	\$273,759
(Composition)			
Comprehensive income (loss) attributable to owners of the parent	¥25,091	¥(35,941)	\$266,784
Comprehensive income attributable to minority interests	¥ 656	¥ 334	\$ 6,975

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

Yamaha Corporation and consolidated subsidiaries	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock (Note 17)	Capital surplus	Retained earnings (Note 17)	Treasury stock (Note 17)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Year ended March 31, 2013												
Balance at the beginning of the year ended March 31, 2012	¥28,534	¥40,054	¥169,894	¥(3,690)	¥234,793	¥33,559	¥(252)	¥15,549	¥(41,583)	¥ 7,272	¥2,937	¥245,002
Changes of items during the period:												
Dividends from retained earnings (Note 17)			(1,936)		(1,936)							(1,936)
Net loss			(29,381)		(29,381)							(29,381)
Change of scope of consolidation			(454)		(454)							(454)
Change resulting from merger with unconsolidated subsidiaries			(17)		(17)							(17)
Reversal of revaluation reserve for land			47		47							47
Purchase of treasury stock				(0)	(0)							(0)
Net changes of items other than shareholders' equity						(6,221)	(114)	1,754	(2,028)	(6,609)	181	(6,428)
Total changes of items during the period	—	—	(31,741)	(0)	(31,742)	(6,221)	(114)	1,754	(2,028)	(6,609)	181	(38,170)
Balance at the beginning of the year ended March 31, 2013	¥28,534	¥40,054	¥138,152	¥(3,690)	¥203,050	¥27,337	¥(367)	¥17,304	¥(43,611)	¥ 662	¥3,118	¥206,832
Changes of items during the period:												
Dividends from retained earnings (Note 17)			(1,936)		(1,936)							(1,936)
Net income			4,122		4,122							4,122
Change of scope of consolidation			14		14							14
Reversal of revaluation reserve for land			120		120							120
Purchase of treasury stock				(9)	(9)							(9)
Net changes of items other than shareholders' equity						7,472	326	(120)	13,167	20,845	(353)	20,492
Total changes of items during the period	—	—	2,321	(9)	2,312	7,472	326	(120)	13,167	20,845	(353)	22,804
Balance at the end of the year ended March 31, 2013	¥28,534	¥40,054	¥140,473	¥(3,699)	¥205,363	¥34,810	¥ (41)	¥17,184	¥(30,443)	¥21,508	¥2,764	¥229,636

Yamaha Corporation and consolidated subsidiaries	Thousands of U.S. dollars (Note 4)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock (Note 17)	Capital surplus	Retained earnings (Note 17)	Treasury stock (Note 17)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Year ended March 31, 2013												
Balance at the beginning of the year ended March 31, 2013	\$303,392	\$425,880	\$1,468,921	\$(39,234)	\$2,158,958	\$290,665	\$(3,902)	\$183,987	\$(463,700)	\$ 7,039	\$33,153	\$2,199,171
Changes of items during the period:												
Dividends from retained earnings (Note 17)			(20,585)		(20,585)							(20,585)
Net income			43,828		43,828							43,828
Change of scope of consolidation			149		149							149
Reversal of revaluation reserve for land			1,276		1,276							1,276
Purchase of treasury stock				(96)	(96)							(96)
Net changes of items other than shareholders' equity						79,447	3,466	(1,276)	140,000	221,637	(3,753)	217,884
Total changes of items during the period	—	—	24,678	(96)	24,583	79,447	3,466	(1,276)	140,000	221,637	(3,753)	242,467
Balance at the end of the year ended March 31, 2013	\$303,392	\$425,880	\$1,493,599	\$(39,330)	\$2,183,551	\$370,122	\$ (436)	\$182,711	\$(323,690)	\$228,687	\$29,389	\$2,441,637

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Yamaha Corporation and consolidated subsidiaries Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
<b>Net cash provided by operating activities:</b>			
Income before income taxes and minority interests	¥ 7,795	¥ 6,971	\$ 82,881
Depreciation and amortization	11,613	11,973	123,477
Loss on impairment of fixed assets	293	169	3,115
Amortization of goodwill	105	145	1,116
Decrease in allowance for doubtful accounts	(355)	(136)	(3,775)
Loss on valuation of investment in capital of subsidiaries and affiliates	102	374	1,085
Gain on liquidation of subsidiaries	(8)	(443)	(85)
Loss on valuation of investment securities	32	19	340
Loss (gain) on sales of investment securities	(1,089)	5	(11,579)
Loss on liquidation of investment securities	—	7	—
Increase (decrease) in provision for retirement benefits	(771)	3,884	(8,198)
Interest and dividend income	(1,339)	(1,598)	(14,237)
Interest expenses	259	304	2,754
Foreign exchange losses (gains)	(181)	48	(1,925)
Equity in (earnings) losses of affiliates	0	(0)	0
Loss (gain) on sales or disposal of property, plant and equipment, net	(1,604)	107	(17,055)
Business structural reform expenses	3,059	—	32,525
Loss on disaster	—	44	—
Increase in notes and accounts receivable — trade	(2,178)	(13)	(23,158)
Decrease (increase) in inventories	2,004	(6,451)	21,308
Decrease in notes and accounts payable — trade	(4,464)	(1,578)	(47,464)
Other, net	(630)	471	(6,699)
Subtotal	12,643	14,305	134,428
Interest and dividend income received	1,327	1,583	14,110
Interest expenses paid	(244)	(310)	(2,594)
Payment of business structural reform expenses	(1,940)	—	(20,627)
Income taxes paid	(4,030)	(4,698)	(42,850)
<b>Net cash provided by operating activities</b>	<b>7,755</b>	<b>10,880</b>	<b>82,456</b>
<b>Net cash used in investing activities:</b>			
Net increase in time deposits	(1,043)	(397)	(11,090)
Payments for purchase of property, plant and equipment	(13,115)	(9,696)	(139,447)
Proceeds from sales of property, plant and equipment	2,680	931	28,495
Payments for purchase of investment securities	(150)	(394)	(1,595)
Proceeds from sales and redemption of investment securities	283	6	3,009
Proceeds from liquidation of investment securities	—	42	—
Payments for purchase of stocks of subsidiaries and affiliates	(675)	(26)	(7,177)
Proceeds from sales of stocks of subsidiaries and affiliates	5	—	53
Payments for investments in capital of subsidiaries and affiliates	(601)	—	(6,390)
Proceeds from liquidation of subsidiaries and affiliates	11	576	117
Other, net	(11)	(45)	(117)
<b>Net cash used in investing activities</b>	<b>(12,617)</b>	<b>(9,004)</b>	<b>(134,152)</b>
<b>Net cash used in financing activities:</b>			
Net increase (decrease) in short-term loans payable	(2,336)	3,060	(24,838)
Repayment of long-term loans payable	(998)	(3,857)	(10,611)
Proceeds from deposits received from membership	265	3	2,818
Repayments for deposits received from membership	(337)	(369)	(3,583)
Purchase of treasury stock	(9)	(0)	(96)
Cash dividends paid	(1,936)	(1,936)	(20,585)
Cash dividends paid to minority shareholders	(180)	(124)	(1,914)
Other, net	(3)	(22)	(32)
<b>Net cash used in financing activities</b>	<b>(5,536)</b>	<b>(3,247)</b>	<b>(58,862)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>3,825</b>	<b>(724)</b>	<b>40,670</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,573)</b>	<b>(2,096)</b>	<b>(69,888)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>55,919</b>	<b>58,446</b>	<b>594,567</b>
Increase in cash and cash equivalents from newly consolidated subsidiaries	130	—	1,382
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(12)	(484)	(128)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	53	—
<b>Cash and cash equivalents at end of period (Note 19)</b>	<b>¥49,464</b>	<b>¥55,919</b>	<b>\$525,933</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## 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. However, in accordance with "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force (PITF) No.18), 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 (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. The Company and all consolidated subsidiaries are referred to herein as the "Yamaha Group."

The 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 that 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 of March 31, 2013, the numbers of consolidated subsidiaries and subsidiaries and affiliates accounted for by the equity method were 72 and 1 (72 and 1 in 2012). During the year ended March 31, 2013, three domestic subsidiaries, Nishimuragakki Co., Ltd., Matsukiya Co., Ltd. and Kitami Mokuzai Co., Ltd. were newly included in the scope of consolidation after a re-evaluation of the scope of consolidation. The Company excluded two domestic subsidiaries, (Yamaha Hall Co., Ltd. and Yamaha Music Craft Corporation) from the scope of consolidation during the year. Yamaha Hall Co., Ltd. was excluded from the scope of consolidation due to its liquidation, and Yamaha Music Craft Corporation was merged with Yamaha Music Winds Corporation. Also, the Company excluded one foreign subsidiary (Yamaha Electronics Corporation, USA) from the scope of consolidation due to a merger with Yamaha Corporation of America. Additionally, Yamaha Music Winds Corporation changed its name to Yamaha Music Craft Corporation.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their operations are significantly affected in various ways by the Yamaha Group are accounted for by the

equity method. Investments in one affiliate were accounted for by the equity method for the years ended March 31, 2013 and 2012. Investments in unconsolidated affiliates not accounted for by the equity method are carried at cost.

Ten overseas subsidiaries have a financial closing date as of December 31, which differs from the financial closing date of the Company; however, a financial closing as of 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) 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. Nonmarketable 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 a loss on valuation of investment securities unless the fair value is deemed recoverable. The Company has established a policy for the recognition of loss on valuation of investment securities 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.

### (d) 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 periodic average 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.

### (e) Depreciation

Depreciation of property, plant and equipment (excluding leased assets) is calculated principally by the declining-balance method, except for certain consolidated subsidiaries applying the straight-line method, at rates based on the estimated useful lives of the respective assets.

Estimated useful lives:

Buildings: 31 – 50 years (leasehold improvement: 15 years)

Structures: 10 – 30 years

Machinery and equipment: 4 – 9 years

Tools, furniture and fixtures: 5 – 6 years (molds: 2 years)

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 at zero.

**(f) Allowance for doubtful accounts**

To properly evaluate accounts receivable, 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.

**(g) 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.

**(h) Provision for directors' bonuses**

Provision for directors' bonuses is provided at the estimated amount for the payment of bonuses to directors.

**(i) 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) that 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) that is shorter than the average remaining years of service of the employees participating in the plans.

**(j) 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.

**(k) 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.

**(l) 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. 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.

**(m) Derivative financial instruments**

The Company has 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.

(Hedge accounting)

For the purpose of hedging the fluctuation of foreign exchange risk in normal export and import transactions, the Company and its consolidated subsidiaries manage their forward foreign exchange contracts and currency options, within amounts necessary, in accordance with internal rules of each company.

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.

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. See Note 21.

**(n) 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.

**(o) 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.

The Company and certain of its subsidiaries have adopted the consolidated taxation system.

#### (p) Consumption tax

National and local consumption taxes are excluded from transaction amounts. Non-deductible national and local consumption taxes on assets are treated as expenses effective under review.

## 2. New Accounting Standards Not Yet Applied

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On May 17, 2012, the ASBJ issued "Accounting Standards for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009. The major changes are as follows:

- (1) Treatment in balance sheet — Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (2) Treatment in the statement of income and statement of comprehensive income — Actuarial gains and losses and prior service cost that arose in the current periods and have yet to be recognized in profit or loss shall be included in other comprehensive income in prior periods and then recognized in profit and loss in the current period shall be treated as reclassification adjustments.
- (3) Determination of retirement benefit obligations and current service costs — The Accounting Standards allows the choice of the method of attributing expected benefit to periods between Straight-line basis and Benefit formula basis (the expected benefit attribute to periods of service under the plan's benefit formula would be deemed as arising in each period).
- (4) Enhanced disclosures — The Accounting Standards requires the enhanced disclosures, including the analysis of changes in retirement benefit obligations and plan assets, which are required in global accounting standards.

The Company is planning to apply these new standards from the beginning of the year ending March 31, 2014. The estimated impacts that the application of these new accounting standards will have on the consolidated financial statement as of the beginning of the year ending March 31, 2014, are (1) decrease of accumulated other comprehensive income by ¥10,086 million (\$107,241 thousand) and (2) increase of retained earnings by ¥7,062 million (\$75,088 thousand) due to a change in the allocation method for retirement benefit obligations from straight-line basis to the benefits formula basis, a change in the discount rate and other factors.

## 3. Changes in Methods of Accounting and Presentation

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### *Changes in accounting principles difficult to distinguish from changes in accounting estimates*

Beginning the year ended March 31, 2013, accompanying revisions in the Corporate Tax Law, the Company and its domestic consolidated subsidiaries have changed their method of depreciation for property, plant and equipment acquired on or after April 1, 2012, based on the corporate tax law after revisions.

The effects of these changes on consolidated income and segment information for the year ended March 31, 2013, were not material.

## 4. U.S. Dollar Amounts

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Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2013 have been presented in U.S. dollars by translating all yen amounts at ¥94.05 = U.S.\$1.00, the exchange rate prevailing on March 31, 2013. 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.

## 5. Accumulated Depreciation

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Accumulated depreciation of property, plant and equipment at March 31, 2013 and 2012 amounted to ¥212,307 million (\$2,257,384 thousand) and ¥201,573 million respectively.

## 6. Investment Securities

Investment securities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Investments in unconsolidated subsidiaries and affiliates	¥ 1,502	¥ 792	\$ 15,970
Other	70,065	60,897	744,976
Investment securities	¥71,568	¥61,690	\$760,957

## 7. Contingent Liabilities

Contingent liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Export bills discounted with banks	¥394	¥570	\$4,189
Guarantees of indebtedness of Hamamatsu CATV*	262	358	2,786

\* The amount guaranteed substantially by the Company is ¥21 million (\$223 thousand) at March 31, 2013, and ¥28 million at March 31, 2012.

## 8. Land Revaluation

For the year ended March 31, 2013, 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.

For the years ended March 31, 2013 and 2012, the Company determined the value of its 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, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Excess of revalued carrying amount of land over market value	¥(8,044)	¥(7,036)	\$(85,529)

## 9. Inventories

Inventories at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Merchandise and finished goods	¥54,647	¥51,452	\$581,042
Work in process	14,090	13,771	149,814
Raw materials and supplies	13,276	11,922	141,159
	¥82,014	¥77,146	\$872,026

Write-downs of inventories for the years ended March 31, 2013 and 2012 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Cost of sales	¥(345)	¥429	\$(3,668)

## 10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Sales commissions	¥ 1,239	¥ 1,263	\$ 13,174
Transport expenses	11,263	10,934	119,755
Advertising expenses and sales promotion expenses	15,680	14,716	166,720
Allowance for doubtful accounts	(15)	53	(159)
Provision for product warranties	426	734	4,530
Provision for retirement benefits	4,270	4,916	45,401
Provision for directors' bonuses	21	—	223
Salaries and benefits	49,817	50,462	529,686
Rent	3,682	3,395	39,149
Depreciation and amortization	3,156	3,270	33,557

## 11. R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2013 and 2012, amounted to ¥22,149 million (\$235,502 thousand) and ¥22,819 million, respectively.

## 12. Sales or Disposal of Property, Plant and Equipment

For the years ended March 31, 2013 and 2012

Gains on sale of property, plant and equipment principally resulted from sales of land, machinery and equipment. Loss on disposal of property, plant and equipment principally resulted from disposal of buildings and structures, machinery and equipment.



### 13. Loss on Impairment of Fixed Assets

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The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2013 (Information for the year ended March 31, 2012 has been omitted, since the amounts are not material.):

Group of fixed assets	Location	Impaired assets	Millions of yen	Thousands of U.S. dollars (Note 4)
			2013	2013
Idle assets, etc.	Sapporo-shi, Hokkaido, etc.	Buildings and structures	¥503	\$5,348
		Machinery and equipment	2	21
		Land	350	3,721
		Total	¥855	\$9,091

Of the total shown above, ¥562 million (\$5,976 thousand) was reported as business structural reform expenses in connection with the consolidation and concentration of business locations.

#### Method of grouping assets

Within its segment classification, the Yamaha Group groups assets based on the smallest cash-flow generating units.

#### Background on recognition of impairment losses

Impairment losses were recognized on idle assets that will not be used in the future, assets that are expected to become idle assets, and assets that the Company expects to dispose of.

#### Method for computing recoverable amounts

The recoverable amount of idle assets, etc., is estimated at the net selling value, using estimates based on price indexes of real estate appraisers and/or the assessed value for the tangible fixed assets tax.

### 14. Business Structural Reform Expenses

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Expenses consist of personnel-related costs in the domestic sales division and retail subsidiaries, in line with a change in management structure for domestic sales activities, loss on impairment of fixed assets in connection with the consolidation and concentration of business locations, and personnel-related costs for Yamaha Kagoshima Semiconductor Inc. as part of a change in the management structure.

## 15. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Compensation for transfer	¥ —	¥438	\$ —
Foreign exchange losses	(57)	(662)	(606)
Gain on liquidation of subsidiaries	8	448	85
Loss on valuation of investment securities	(32)	(19)	(340)
Loss on valuation of investments in capital of subsidiaries and affiliates	(102)	(374)	(1,085)
Loss on disaster*	—	(44)	—
Other, net	323	216	3,434
	¥139	¥ 2	\$1,478

\* Loss in the wake of the Great East Japan Earthquake that occurred on March 11, 2011.

## 16. Information on Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to each component of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Other comprehensive income			
Valuation difference on available-for-sale securities			
Amount arising during the year	¥11,533	¥(14,144)	\$122,626
Reclassification adjustments for gains and losses recognized in the income statement	(885)	22	(9,410)
Amount before tax effect adjustment	10,648	(14,122)	113,216
Tax effect	(3,173)	7,900	(33,737)
Total	7,474	(6,221)	79,468
Deferred gains on hedges			
Amount arising during the year	326	48	3,466
Tax effect	—	(163)	—
Total	326	(114)	3,466
Revaluation reserve for land			
Tax effect	—	1,802	—
Foreign currency translation adjustment			
Amount arising during the year	13,607	(1,966)	144,678
Share of other comprehensive income of affiliates accounted for using equity method			
Amount arising during the year	0	(0)	0
Total	¥21,408	¥ (6,500)	\$227,624

## 17. Information for Consolidated Statement of Changes in Net Assets

The following tables present information related to the accompanying consolidated statement of changes in net assets for the years ended March 31, 2013 and 2012:

### (a) Common stock

Number of shares	2013	2012
Beginning of the year	197,255,025	197,255,025
Increase	—	—
Decrease	—	—
End of the year	197,255,025	197,255,025

### (b) Treasury stock

Number of shares	2013	2012
Beginning of the year	3,612,338	3,611,429
Increase	11,547 <sup>*1</sup>	909 <sup>*2</sup>
Decrease	—	—
End of the year	3,623,885	3,612,338

\*1. Increase owing to purchase of outstanding fractional shares of less than one trading unit: 11,547 shares

\*2. Increase owing to purchase of outstanding fractional shares of less than one trading unit: 909 shares

### (c) Subscription rights to shares

None issued

### (d) Cash dividends

#### (1) Amount of dividend payments

##### 2013

Date of approval	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 27, 2012 (Annual General Meeting of Shareholders)	Common stock	¥968	\$10,292	¥5.00	\$0.05	Mar. 31, 2012	Jun. 28, 2012
Oct. 31, 2012 (Board of Directors)	Common stock	¥968	\$10,292	¥5.00	\$0.05	Sept. 30, 2012	Dec. 4, 2012

Note: Dividends per share of ¥5.00 (\$0.05) approved on June 27, 2012 consisted of regular dividends of ¥5.00 (\$0.05)

Dividends per share of ¥5.00 (\$0.05) approved on October 31, 2012 consisted of regular dividends of ¥5.00 (\$0.05)

##### 2012

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 24, 2011 (Annual General Meeting of Shareholders)	Common stock	¥968	¥5.00	Mar. 31, 2011	Jun. 27, 2011
Nov. 1, 2011 (Board of Directors)	Common stock	¥968	¥5.00	Sept. 30, 2011	Dec. 5, 2011

Note: Dividends per share of ¥5.00 approved on June 24, 2011 consisted of regular dividends of ¥5.00

Dividends per share of ¥5.00 approved on November 1, 2011 consisted of regular dividends of ¥5.00

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

2013

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 26, 2013 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥968	\$10,292	¥5.00	\$0.05	Mar. 31, 2013	Jun. 27, 2013

Note: Dividends per share of ¥5.00 (\$0.05) approved on June 26, 2013 consisted of regular dividends of ¥5.00 (\$0.05)

## 18. 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.

## 19. Supplementary Cash Flow Information

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Cash and deposits	¥51,445	¥52,103	\$546,996
Time deposits with a maturity of more than three months	(1,981)	(684)	(21,063)
Short-term (securities) investments with maturities of three months or less when purchased	—	4,500	—
Cash and cash equivalents	¥49,464	¥55,919	\$525,933

## 20. Leases

2013

### Lessees' accounting

#### Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2013 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2014	¥ 637	\$ 6,773
2015 and thereafter	1,376	14,631
Total	¥2,013	\$21,404

#### 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 year

As of March 31, 2013	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥943	¥398	¥544	\$10,027	\$4,232	\$5,784
Machinery and equipment	4	4	0	43	43	0
Other	7	6	1	74	64	11
Total	¥955	¥408	¥546	\$10,154	\$4,338	\$5,805

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, 2013

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2014	¥ 58	\$ 617
2015 and thereafter	487	5,178
Total	¥546	\$5,805

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

Year ended March 31, 2013	Millions of yen	Thousands of U.S. dollars (Note 4)
Lease payments	¥64	\$680
Depreciation	64	680

(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 at zero.

### Lessors' accounting

#### Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2013 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2014	¥ 538	\$ 5,720
2015 and thereafter	664	7,060
Total	¥1,202	\$12,780

## 2012

### Lessees' accounting

#### Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2012 on noncancellable leases are as follows:

Years ending March 31	Millions of yen
2013	¥ 558
2014 and thereafter	1,481
Total	¥2,040

#### 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 year

As of March 31, 2012	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 943	¥341	¥601
Machinery and equipment	58	53	5
Other	27	25	1
Total	¥1,028	¥420	¥608

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, 2012

Years ending March 31	Millions of yen
2013	¥ 63
2014 and thereafter	544
Total	¥608

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

Year ended March 31, 2012	Millions of yen
Lease payments	¥79
Depreciation	79

##### (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 at zero.

### Lessors' accounting

#### Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2012 on noncancellable leases are as follows:

Years ending March 31	Millions of yen
2013	¥ 480
2014 and thereafter	586
Total	¥1,067

## 21. Financial Instruments

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### (a) Overview

#### *(1) Policy for financial instruments*

The Yamaha Group, in principle, limits its cash management to deposits for which principals are guaranteed and interest rates are fixed. In addition, the Group raises funds mainly through bank borrowings. Further, Yamaha and its wholly owned subsidiaries practice group finance. 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 investment 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 formerly affiliated company which shares Yamaha brand in common, 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 five years and nine months from March 31, 2012, up to three years from March 31, 2011, respectively. 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 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 foreign currency exchange risk. Since the Group only used foreign currency puts and yen call options for currency options, their risk is only the fees for these options and they are not exposed to foreign currency risk.

Derivative transactions are accounted for by hedge accounting. The method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities are described in Note **1(I)** Derivative financial instruments (Hedge accounting).

### (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 monitors credit exposure limits of each customer and organizes all trade receivables by customer, and 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 that 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 each accounting and finance department of these companies. Internal rules set forth the roles of 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)

The Group manages liquidity risk based on the cash flow plans of the Company and its consolidated subsidiaries and through the practice of group finance at the Company and its wholly owned subsidiaries in Japan.

### (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 Note 23 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, 2013 and 2012, 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:

As of March 31, 2013	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥51,445	¥51,445	¥—	\$546,996	\$546,996	\$ —
Notes and accounts receivable — trade	52,069	52,069	—	553,631	553,631	—
Short-term investment securities						
Held-to-maturity securities	250	250	0	2,658	2,658	0
Investment securities						
Held-to-maturity securities	40	40	0	425	425	0
Subsidiaries and affiliates securities	247	324	77	2,626	3,445	819
Available-for-sale securities	68,025	68,025	—	723,285	723,285	—
Notes and accounts payable — trade	(20,339)	(20,339)	—	(216,257)	(216,257)	—
Accounts payable — other and accrued expenses	(31,309)	(31,309)	—	(332,897)	(332,897)	—
Derivatives*2	(41)	(41)	—	(436)	(436)	—

As of March 31, 2012	Millions of yen		
	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥52,103	¥52,103	¥—
Notes and accounts receivable — trade	45,634	45,634	—
Short-term investment securities			
Held-to-maturity securities	199	200	0
Others (Negotiable deposits)	4,500	4,500	—
Investment securities			
Held-to-maturity securities	250	250	0
Available-for-sale securities	57,344	57,344	—
Notes and accounts payable — trade	(22,263)	(22,263)	—
Accounts payable — other and accrued expenses	(29,407)	(29,407)	—
Derivatives*2	(367)	(367)	—

\*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. Regarding negotiable deposits, since they are settled in a short period of time, the carrying value approximates fair value. Information on securities classified by holding purpose is contained in Note 22.

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 23.

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Carrying value			
Unlisted stocks	¥ 3,256	¥ 4,096	\$ 34,620
Long-term deposits received	15,445	15,516	164,221

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, and has not been disclosed.

**(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2013 and 2012**

As of March 31, 2013	Millions of yen				Thousands of U.S. dollars (Note 4)			
	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	¥ 51,445	¥—	¥—	¥—	\$ 546,996	\$ —	\$—	\$—
Notes and accounts receivable — trade	52,069	—	—	—	553,631	—	—	—
Short-term investment securities and investment securities								
Held-to-maturity securities								
Government and municipal bonds	250	40	—	—	2,658	425	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
<b>Total</b>	<b>¥103,764</b>	<b>¥40</b>	<b>¥—</b>	<b>¥—</b>	<b>\$1,103,285</b>	<b>\$425</b>	<b>\$—</b>	<b>\$—</b>

As of March 31, 2012	Millions of yen			
	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 52,103	¥ —	¥—	¥—
Notes and accounts receivable — trade	45,634	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government and municipal bonds	199	250	—	—
Corporate bonds	—	—	—	—
Others	—	—	—	—
Other investment securities				
Negotiable deposits	4,500	—	—	—
<b>Total</b>	<b>¥102,437</b>	<b>¥250</b>	<b>¥—</b>	<b>¥—</b>

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2013 and 2012

As of March 31, 2013	Millions of yen					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥9,360	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	486	32	31	30	30	40
Lease obligations	26	30	22	19	16	151
Other interest-bearing debt	—	—	—	—	—	—
<b>Total</b>	<b>¥9,873</b>	<b>¥63</b>	<b>¥54</b>	<b>¥50</b>	<b>¥47</b>	<b>¥192</b>

As of March 31, 2013	Thousands of U.S. dollars (Note 4)					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	\$ 99,522	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	5,167	340	330	319	319	425
Lease obligations	276	319	234	202	170	1,606
Other interest-bearing debt	—	—	—	—	—	—
<b>Total</b>	<b>\$104,976</b>	<b>\$670</b>	<b>\$574</b>	<b>\$532</b>	<b>\$500</b>	<b>\$2,041</b>

As of March 31, 2012	Millions of yen					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥ 9,883	¥ —	¥—	¥—	¥—	¥ —
Long-term loans payable	912	470	9	6	6	5
Lease obligations	28	17	16	16	16	165
Other interest-bearing debt	—	—	—	—	—	—
<b>Total</b>	<b>¥10,824</b>	<b>¥488</b>	<b>¥26</b>	<b>¥23</b>	<b>¥23</b>	<b>¥171</b>

## 22. Securities

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

As of March 31, 2013	Millions of yen			Thousands of U.S. dollars (Note 4)		
	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	¥290	¥290	¥ 0	\$3,083	\$3,083	\$ 0
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	<b>290</b>	<b>290</b>	<b>0</b>	<b>3,083</b>	<b>3,083</b>	<b>0</b>
Securities whose estimated fair value does not exceed their carrying value:						
Government and municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>¥290</b>	<b>¥290</b>	<b>¥ 0</b>	<b>\$3,083</b>	<b>\$3,083</b>	<b>\$ 0</b>

As of March 31, 2012	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥350	¥350	¥ 0
Corporate bonds	—	—	—
Other	—	—	—
	350	350	0
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	99	99	(0)
Corporate bonds	—	—	—
Other	—	—	—
	99	99	(0)
<b>Total</b>	<b>¥450</b>	<b>¥450</b>	<b>¥ 0</b>

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

As of March 31, 2013	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥68,016	¥15,898	¥52,117	\$723,190	\$169,038	\$554,141
Other	—	—	—	—	—	—
	68,016	15,898	52,117	723,190	169,038	554,141
Securities whose carrying value does not exceed their acquisition costs:						
Stock	8	11	(2)	85	117	(21)
Other	—	—	—	—	—	—
	8	11	(2)	85	117	(21)
<b>Total</b>	<b>¥68,025</b>	<b>¥15,909</b>	<b>¥52,115</b>	<b>\$723,285</b>	<b>\$169,155</b>	<b>\$554,120</b>

As of March 31, 2012	Millions of yen		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥54,280	¥12,640	¥41,639
Other	—	—	—
	54,280	12,640	41,639
Securities whose carrying value does not exceed their acquisition costs:			
Stock	3,064	3,138	(74)
Other	4,500	4,500	—
	7,564	7,638	(74)
<b>Total</b>	<b>¥61,844</b>	<b>¥20,279</b>	<b>¥41,565</b>

**(c) Available-for-sale securities sold during the years ended March 31, 2013 and 2012**

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Sales of available-for-sale securities	¥2,129	¥6	\$22,637
Gain on sales	883	1	9,389
Loss on sales	—	6	—

## 23. Derivatives and Hedging Activities

As of March 31, 2013 and 2012, 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, 2013 and 2012, for which hedge accounting has been applied are summarized as follows:

As of March 31, 2013	Hedged items	Millions of yen		Estimated fair value	Calculation of fair value
		Notional amount			
		Total	Over one year		
Foreign exchange forward contracts accounted for by benchmark method:					
Sell:	Accounts receivable				Prices provided by financial institution*2
Australian dollars		¥ 1,682	¥—	¥ 1,721	
Canadian dollars		1,276	—	1,291	
Euros		10,154	—	10,142	
Foreign exchange forward contracts accounted for by allocated method:					
Sell:	Accounts receivable				Market prices
Australian dollars		104	—	*1	
Canadian dollars		167	—		
Euros		1,490	—		
<b>Total</b>		<b>¥14,874</b>	<b>¥—</b>	<b>¥ —</b>	

\*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 ¥41 million.

As of March 31, 2013	Hedged items	Thousands of U.S. dollars (Note 4)		Estimated fair value	Calculation of fair value
		Notional amount			
		Total	Over one year		
Foreign exchange forward contracts accounted for by benchmark method:					
Sell:	Accounts receivable				Prices provided by financial institution*2
Australian dollars		\$ 17,884	\$—	\$ 18,299	
Canadian dollars		13,567	—	13,727	
Euros		107,964	—	107,836	
Foreign exchange forward contracts accounted for by allocated method:					
Sell:	Accounts receivable				Market prices
Australian dollars		1,106	—	*1	
Canadian dollars		1,776	—		
Euros		15,843	—		
<b>Total</b>		<b>\$158,150</b>	<b>\$—</b>	<b>\$ —</b>	

\*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 \$436 thousand.

As of March 31, 2012	Hedged items	Millions of yen		Estimated fair value	Calculation of fair value
		Notional amount			
		Total	Over one year		
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 986	¥—	¥ 990	
Canadian dollars		1,276	—	1,322	
Euros		8,363	—	8,680	
Foreign exchange forward contracts accounted for by allocated method:					Market prices
Sell:	Accounts receivable				
Australian dollars		143	—	*1	
Canadian dollars		28	—		
Euros		833	—		
<b>Total</b>		<b>¥11,631</b>	<b>¥—</b>	<b>¥ —</b>	

\*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 ¥367 million.

## 24. 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 sheet at March 31, 2013 and 2012 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Retirement benefit obligation	¥(127,080)	¥(128,246)	\$(1,351,196)
Plan assets at fair value	75,846	68,965	806,443
Unfunded retirement benefit obligation	(51,234)	(59,281)	(544,753)
Unrecognized actuarial gain or loss	11,846	19,878	125,954
Unrecognized prior service cost	(1,759)	(2,076)	(18,703)
Net retirement benefit obligation at transition	(41,148)	(41,479)	(437,512)
Prepaid pension expenses	—	—	—
Provision for retirement benefits	¥ (41,148)	¥ (41,479)	\$ (437,512)

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Service cost	¥4,214	¥4,324	\$44,806
Interest cost	2,557	2,521	27,188
Expected return on plan assets	(1,469)	(2,548)	(15,619)
Amortization of prior service cost	(316)	(193)	(3,360)
Amortization of actuarial gain or loss	3,451	5,235	36,693
Additional retirement benefit expenses	78	629	829
<b>Total</b>	<b>¥8,515</b>	<b>¥9,968</b>	<b>\$90,537</b>

Note: In the year ended March 31, 2013, with the exception of retirement benefit expenses, the Company posted an extraordinary loss (business structural reform expenses) of ¥2,440 million (\$25,944 thousand) on premium severance pay and other items.

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

	2013	2012
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	3.50%
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)

## 25. 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 statutory tax rates of approximately 37.0% and 39.5% for the years ended March 31, 2013 and 2012, respectively. 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, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Deferred tax assets:			
Write-downs of inventories	¥ 2,083	¥ 2,063	\$ 22,148
Unrealized gain on inventories and property, plant and equipment	464	400	4,934
Allowance for doubtful accounts	464	591	4,934
Depreciation	8,367	8,396	88,963
Loss on impairment of fixed assets	9,016	9,301	95,864
Loss on valuation of investment securities	2,790	3,190	29,665
Accrued employees' bonuses	2,072	2,186	22,031
Provision for product warranties	691	781	7,347
Provision for retirement benefits	14,305	14,795	152,100
Tax loss carryforwards	15,321	13,565	162,903
Other	3,949	3,987	41,988
Gross deferred tax assets	59,526	59,259	632,919
Valuation allowance	(55,852)	(56,188)	(593,854)
Total deferred tax assets	¥ 3,673	¥ 3,070	\$ 39,054
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	¥ (1,040)	¥ (1,158)	\$ (11,058)
Reserve for special depreciation	(24)	(31)	(255)
Valuation difference on available-for-sale securities	(17,400)	(14,227)	(185,008)
Other	(793)	(362)	(8,432)
Total deferred tax liabilities	(19,258)	(15,780)	(204,763)
Net deferred tax liabilities	¥(15,585)	¥(12,710)	\$(165,710)

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2013 and 2012 is as follows:

	2013	2012
Statutory tax rate	37.0%	39.5%
Adjustments:		
Differences in tax rates of overseas consolidated subsidiaries	(15.6)	(13.1)
Non-temporary differences not deductible for tax purposes	0.4	(0.8)
Per capita inhabitants' taxes	1.6	2.5
Effect of the change in the statutory tax rates on the deferred tax assets and liabilities	—	(1.5)
Allowances for changes in valuation	7.7	487.5
Other	13.2	3.4
Effective tax rate after adjustments for tax-effect accounting	44.3%	517.5%

## 26. Segment Information

For the year ended March 31, 2013 and 2012

### (a) Summary of reporting segments

Business segments are composed of business units that provide separate financial information, are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions, and that have been grouped to consolidate products and services with similar economic characteristics and contents.

The Company has established business divisions by product and service in its head office and formulates comprehensive strategies for implementation in Japan and overseas in its respective business domains.

Therefore, the Company's business segments, based on its business domains, comprise its three principal reporting segments, which are "Musical instruments," "AV/IT," and "Electronic devices." Other businesses have been grouped together in "Others."

The "Musical instruments" segment includes manufacturing and sales of pianos, digital musical instruments, wind, string, and percussion instruments and professional audio equipment as well as other music-related activities. The "AV/IT" segment includes manufacturing and sales of audio products, IT equipment and certain other products. The "Electronic devices" segment includes manufacturing and sales of semiconductors. The "Others" includes automobile interior wood components, factory automation (FA) equipment, golf products, recreation, and certain other lines of business.

### (b) Method for calculating the sales, income (loss), assets, and other items for reporting segments

The accounting treatment for reporting business segments is carried out through principles and procedures set forth in Note 1 "Summary of Significant Accounting Policies."

Figures for segment income in reporting segments are on an operating income basis.

Intersegment sales and transfers are based on prevailing market prices.

### (c) Information by product and service

Year ended March 31, 2013	Millions of yen						Consolidated
	Musical instruments	AV/IT	Electronic devices	Others	Total	Adjustments	
Sales							
Sales to external customers	¥272,711	¥55,367	¥15,038	¥23,823	¥366,941	¥ —	¥366,941
Intersegment sales or transfers			697		697	(697)	
Total	272,711	55,367	15,736	23,823	367,638	(697)	366,941
Segment income (loss)	¥ 8,148	¥ 2,856	¥ (2,044)	¥ 254	¥ 9,215	¥ —	¥ 9,215
Segment assets	¥259,186	¥39,444	¥13,638	¥78,341	¥390,610	¥ —	¥390,610
Other items							
Depreciation and amortization	¥ 8,912	¥ 1,277	¥ 669	¥ 754	¥ 11,613	¥ —	¥ 11,613
Loss on impairment of fixed assets	¥ 855	¥ —	¥ —	¥ —	¥ 855	¥ —	¥ 855
Increase in property, plant and equipment and intangible assets	¥ 9,564	¥ 1,940	¥ 1,381	¥ 1,068	¥ 13,954	¥ —	¥ 13,954

Year ended March 31, 2013	Thousands of U.S. dollars (Note 4)						Consolidated
	Musical instruments	AV/IT	Electronic devices	Others	Total	Adjustments	
Sales							
Sales to external customers	\$2,899,638	\$588,698	\$159,894	\$253,301	\$3,901,552	\$ —	\$3,901,552
Intersegment sales or transfers			7,411		7,411	(7,411)	
<b>Total</b>	<b>2,899,638</b>	<b>588,698</b>	<b>167,315</b>	<b>253,301</b>	<b>3,908,963</b>	<b>(7,411)</b>	<b>3,901,552</b>
Segment income (loss)	\$ 86,635	\$ 30,367	\$ (21,733)	\$ 2,701	\$ 97,980	\$ —	\$ 97,980
Segment assets	\$2,755,832	\$419,394	\$145,008	\$832,972	\$4,153,216	\$ —	\$4,153,216
Other items							
Depreciation and amortization	\$ 94,758	\$ 13,578	\$ 7,113	\$ 8,017	\$ 123,477	\$ —	\$ 123,477
Loss on impairment of fixed assets	\$ 9,091	\$ —	\$ —	\$ —	\$ 9,091	\$ —	\$ 9,091
Increase in property, plant and equipment and intangible assets	\$ 101,691	\$ 20,627	\$ 14,684	\$ 11,356	\$ 148,368	\$ —	\$ 148,368

Notes: 1. The item "Adjustments" for the year ended March 31, 2013 contains the following:

The sales adjustment item of ¥(697) million (\$ (741) thousand), which comprises eliminations of transactions among the Company's business segments.

2. "Segment income (loss)" for the year ended March 31, 2013 means the operating income (loss) of the segment as presented in the Consolidated Statement 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 Sheet) were ¥55,009 million (\$584,891 thousand).

Year ended March 31, 2012	Millions of yen						Consolidated
	Musical instruments	AV/IT	Electronic devices	Others	Total	Adjustments	
Sales							
Sales to external customers	¥265,089	¥53,165	¥16,233	¥22,128	¥356,616	¥ —	¥356,616
Intersegment sales or transfers			768		768	(768)	
<b>Total</b>	<b>265,089</b>	<b>53,165</b>	<b>17,001</b>	<b>22,128</b>	<b>357,385</b>	<b>(768)</b>	<b>356,616</b>
Segment income (loss)	¥ 7,713	¥ 2,872	¥ (2,913)	¥ 437	¥ 8,110	¥ —	¥ 8,110
Segment assets	¥247,968	¥33,734	¥13,843	¥71,064	¥366,610	¥ —	¥366,610
Other items							
Depreciation and amortization	¥ 9,065	¥ 1,248	¥ 976	¥ 684	¥ 11,973	¥ —	¥ 11,973
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ 169	¥ 169	¥ —	¥ 169
Increase in property, plant and equipment and intangible assets	¥ 8,480	¥ 1,072	¥ 736	¥ 1,290	¥ 11,579	¥ —	¥ 11,579

Notes: 1. The item "Adjustments" for the year ended March 31, 2012 contains the following:

The sales adjustment item of ¥(768) million, which comprises eliminations of transactions among the Company's business segments.

2. "Segment income (loss)" for the year ended March 31, 2012 means the operating income (loss) of the segment as presented in the Consolidated Statement 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 Sheet) were ¥47,290 million.

#### (d) Information by geographical segment

##### (i) Sales information based on the geographical location of the customers

Year ended March 31, 2013	Millions of yen				Total	Consolidated
	Japan	North America	Europe	Overseas Asia, Oceania and other areas		
Net sales	¥165,790	¥55,156	¥60,611	¥85,383	¥201,151	¥366,941
Sales as a percentage of consolidated net sales	45.2%	15.0%	16.5%	23.3%	54.8%	100.0%

Year ended March 31, 2013	Thousands of U.S. dollars (Note 4)				Total	Consolidated
	Japan	North America	Europe	Overseas Asia, Oceania and other areas		
Net sales	\$1,762,786	\$586,454	\$644,455	\$907,847	\$2,138,767	\$3,901,552
Sales as a percentage of consolidated net sales	45.2%	15.0%	16.5%	23.3%	54.8%	100.0%

Notes: 1. Sales information is based on the geographical location of customers, and it is classified by country or region.

2. Main country and regional divisions other than Japan:

(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



Year ended March 31, 2012	Millions of yen					Total	Consolidated
	Japan	Overseas			Total		
		North America	Europe	Asia, Oceania and other areas			
Net sales	¥167,105	¥49,922	¥60,822	¥78,766	¥189,511	¥356,616	
Sales as a percentage of consolidated net sales	46.9%	14.0%	17.0%	22.1%	53.1%	100.0%	

Notes: 1. Sales information is based on the geographical location of customers, and it is classified by country or region.

2. Main country and regional divisions other than Japan:

(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

*(ii) Sales information based on group locations where sales take place*

Year ended March 31, 2013	Millions of yen						Consolidated
	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	
Sales							
Sales to external customers	¥177,939	¥54,635	¥60,898	¥ 73,467	¥366,941	¥ —	¥366,941
Intersegment sales or transfers	117,423	586	1,523	66,847	186,381	(186,381)	—
Total	295,363	55,222	62,421	140,314	553,322	(186,381)	366,941
Segment income (loss)	¥ (2,190)	¥ 1,735	¥ 2,062	¥ 8,016	¥ 9,624	¥ (409)	¥ 9,215
Total assets	¥256,886	¥28,144	¥34,391	¥ 92,267	¥411,690	¥ (21,079)	¥390,610
Property, plant and equipment	¥ 84,978	¥ 1,087	¥ 3,438	¥ 20,819	¥110,325	¥ —	¥110,325

Year ended March 31, 2013	Thousands of U.S. dollars (Note 4)						Consolidated
	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	
Sales							
Sales to external customers	\$1,891,962	\$580,914	\$647,507	\$ 781,148	\$3,901,552	\$ —	\$3,901,552
Intersegment sales or transfers	1,248,517	6,231	16,194	710,760	1,981,722	(1,981,722)	—
Total	3,140,489	587,156	663,700	1,491,909	5,883,275	(1,981,722)	3,901,552
Segment income (loss)	\$ (23,285)	\$ 18,448	\$ 21,925	\$ 85,231	\$ 102,329	\$ (4,349)	\$ 97,980
Total assets	\$2,731,377	\$299,245	\$365,667	\$ 981,042	\$4,377,352	\$ (224,125)	\$4,153,216
Property, plant and equipment	\$ 903,541	\$ 11,558	\$ 36,555	\$ 221,361	\$1,173,046	\$ —	\$1,173,046

Notes: 1. Sales information is based on Group locations where sales take place, and it is classified by country or region.

2. Main country and regional divisions other than Japan:

This classification is the same as "Sales information based on the geographical location of the customers."

3. The item "Adjustments" contains the following:

The sales adjustment item of ¥(186,381) million (\$ (1,981,722) thousand), which comprises eliminations of transactions among the Company's business segments.

4. Consolidated segment income (loss) corresponds to operating income presented in the Consolidated Statement of Operations.

Year ended March 31, 2012	Millions of yen						Consolidated
	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	
Sales							
Sales to external customers	¥178,404	¥49,580	¥60,817	¥ 67,814	¥356,616	¥ —	¥356,616
Intersegment sales or transfers	122,042	724	1,311	64,102	188,181	(188,181)	—
Total	300,447	50,305	62,128	131,917	544,798	(188,181)	356,616
Segment income (loss)	¥ (3,478)	¥ 1,874	¥ 2,288	¥ 7,876	¥ 8,560	¥ (449)	¥ 8,110
Total assets	¥251,549	¥23,728	¥30,708	¥ 78,508	¥384,495	¥ (17,884)	¥366,610
Property, plant and equipment	¥ 85,725	¥ 1,094	¥ 3,249	¥ 16,788	¥106,858	¥ —	¥106,858

Notes: 1. Sales information is based on Group locations where sales take place, and it is classified by country or region.

2. Main country and regional divisions other than Japan:

This classification is the same as "Sales information based on the geographical location of the customers."

3. The item "Adjustments" contains the following:

The sales adjustment item of ¥(188,181) million, which comprises eliminations of transactions among the Company's business segments.

4. Consolidated segment income (loss) corresponds to operating income presented in the Consolidated Statement of Operations.

(e) Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reporting segment

Since the amounts are not material, this information has been omitted.

(f) Information on profit arising from negative goodwill by reporting segment

Since the amounts are not material, this information has been omitted.

## 27. Amounts per Share

Years ended March 31	Yen		U.S. dollars (Note 4)
	2013	2012	2013
Net income (loss) per share:			
Basic	¥21.29	¥(151.73)	\$0.23
Diluted	—	—	—

At March 31	Yen		U.S. dollars (Note 4)
	2013	2012	2013
Net assets per share	¥1,171.67	¥1,052.01	\$12.46

Basic net income (loss) per share is computed based on the net income (loss) and the weighted-average number of shares of common stock outstanding during each year. Diluted net income (loss) per share for the years ended March 31, 2013 and 2012 has not been presented because there were no potentially dilutive securities at March 31, 2013 and 2012, and because a net loss was reported for the year ended March 31, 2012.

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 income (loss) per share was determined as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Basic net income (loss) per share:			
Net income (loss)	¥ 4,122	¥ (29,381)	\$43,828
Amounts not attributable to shareholders of common stock	—	—	—
Net income (loss) attributable to shareholders of common stock	4,122	(29,381)	43,828
Weighted-average number of shares outstanding (thousands of shares)	193,635	193,643	—

## 28. Short-Term Loans Payable and Long-Term Debt

Short-term and long-term loans payable, lease obligations, and guarantee deposit as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Short-term loans payable	¥ 9,360	¥ 9,883	\$ 99,522
Current portion of long-term loans payable	486	912	5,167
Current portion of lease obligations	26	28	276
Long-term loans payable	165	499	1,754
Lease obligations	241	233	2,562
Guarantee deposits	52	57	553
Total	¥10,333	¥11,615	\$109,867

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2013 was as follows:

	2013
Short-term loans payable	1.4%
Current portion of long-term loans payable	1.4%
Long-term loans payable	2.7%
Guarantee deposits	1.2%

Note: 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 year. For lease obligations, no average interest rate is shown because the amounts in the consolidated balance sheet include the amounts corresponding to interest paid from total lease payments.

The assets pledged as collateral for long-term loans payable and certain other current liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands U.S. dollars (Note 4)
	2013	2012	2013
Short-term investment securities	¥250	¥199	\$2,658
Property, plant and equipment, net of accumulated depreciation	16	—	170
Investment securities	40	250	425
Total	¥306	¥450	\$3,254

The above assets were pledged as collateral for "Advances received" of ¥14 million (\$149 thousand) and for "Long-term loans payable" of ¥20 million (\$213 thousand) at March 31, 2013, and for "Advances received" of ¥234 million at March 31, 2012.

## 29. Notes Receivable and Payable Maturing on the Balance Sheet Date

Notes receivable and payable are settled on the date of clearance. As March 31, 2013 was bank holiday, notes receivable and payable maturing on that date could not be settled and were settled on the following business day and included in the ending balances of notes and accounts receivable–trade, and notes and accounts payable–trade as follows:

	Millions of yen		Thousands U.S. dollars (Note 4)
	2013	2012	2013
Notes receivable	¥258	¥763	\$2,743
Notes payable	6	1	64

## 30. Related Parties

None

## 31. Subsequent Events

None

## Independent Auditor's Report

The Board of Directors  
YAMAHA CORPORATION

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 27, 2013  
Hamamatsu, Japan

# History of the Yamaha Group

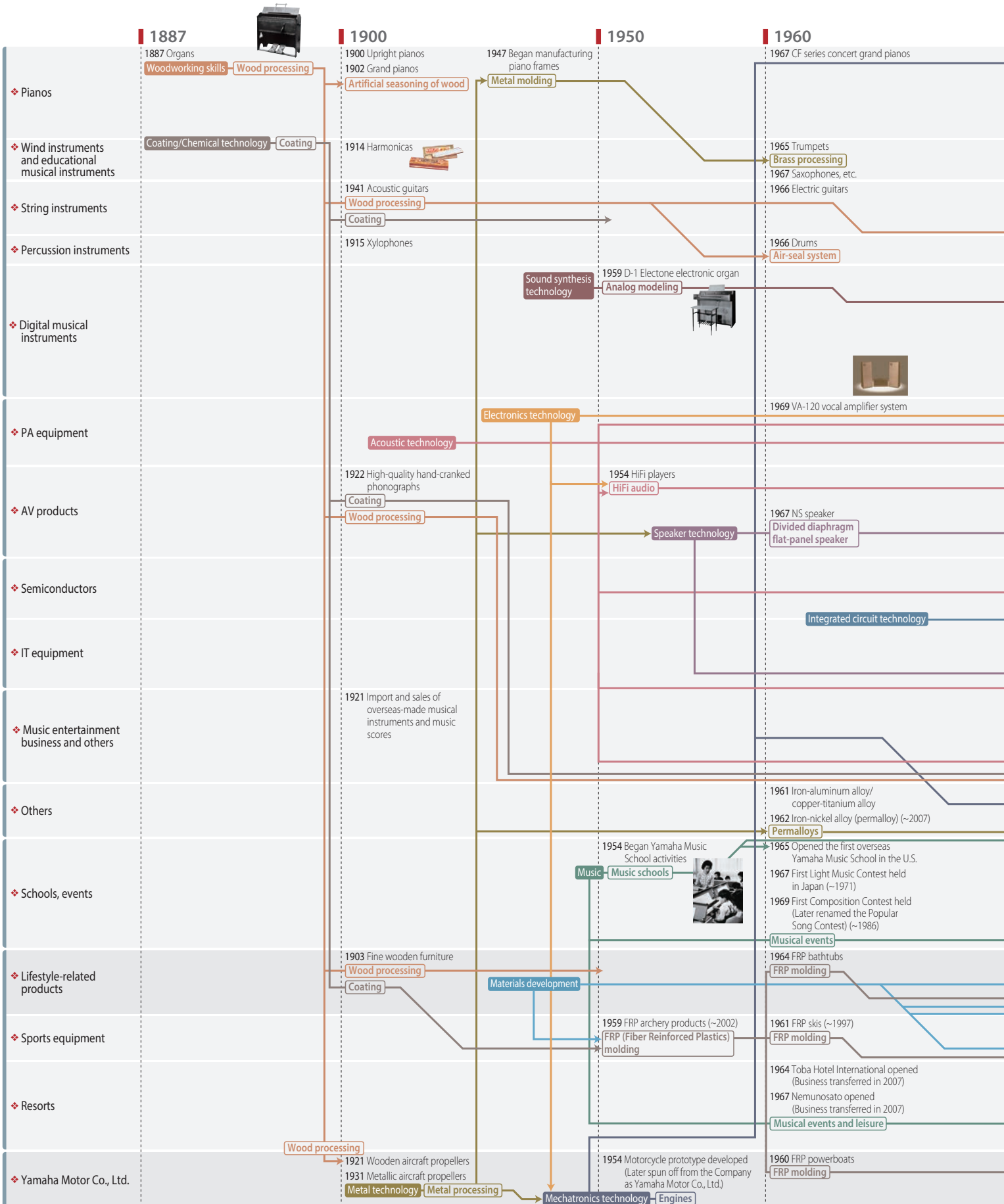


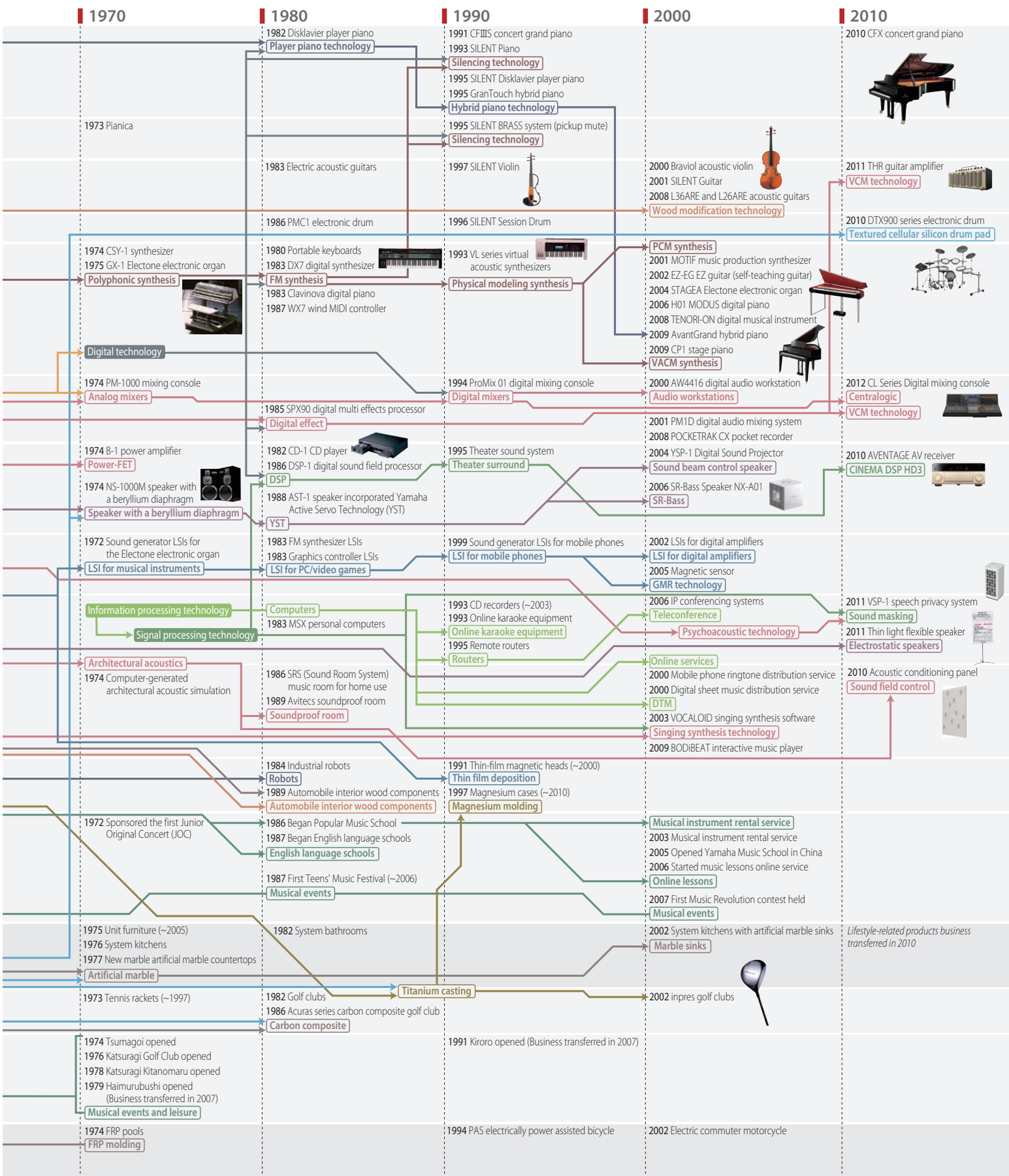
Founder,  
Torakusu Yamaha



- **1887** Torakusu Yamaha builds his first reed organ
- **1897** Nippon Gakki Co., Ltd. (currently Yamaha Corporation) is established with capital of ¥100,000
- **1900** Production of upright pianos begins
- **1949** Listed on Tokyo Stock Exchange
- **1954** Establishes Yamaha Music School and holds pilot classes  
Produces its first HiFi player (audio product)
- **1955** Establishes Yamaha Motor Co., Ltd. (Splits off the motorcycle division)
- **1958** Begins production of sports equipment  
Establishes first overseas subsidiary in Mexico
- **1960** Establishes Yamaha International Corporation (currently Yamaha Corporation of America)
- **1962** Begins recreation business
- **1965** Production of wind instruments begins
- **1968** Issues shares at market price for the first time in Japan
- **1971** Production of semiconductors begins
- **1987** Changes company name to Yamaha Corporation
- **2002** Establishes Yamaha Music & Electronics (China) Co., Ltd.  
Establishes Yamaha Music Holding Europe GmbH (currently Yamaha Music Europe GmbH)
- **2005** Acquires Steinberg Media Technologies GmbH
- **2007** Establishes music entertainment business holding company
- **2008** Acquires L. Bösendorfer Klavierfabrik GmbH  
Acquires NEXO S.A.
- **2010** Transfers shares of the lifestyle-related products subsidiary  
Completes integration of Japanese piano factories to Kakegawa
- **2012** Completes integration of Japanese wind instrument factories to Toyooka  
Celebrates 125th anniversary of foundation

# Yamaha Product History







YAMAHA CORPORATION  
Corporate Planning Division  
<http://www.yamaha.com/>



Printed in Japan on FSC-approved paper using vegetable oil inks and waterless printing processes.