YAMAHA

More Than the Sum of Our Strengths

Annual Report 2008

Year ended March 31, 2008

Since its establishment in 1887, Yamaha has been engaged in a broad spectrum of businesses, ranging from those with a focus on sound and music, such as musical instruments, AV equipment and semiconductors, to lifestyle-related products, metallic molds and components. Our operations in these businesses are expanding globally as we develop and propose truly satisfying products and services to people the world over. Going forward, we will continue to create 'kando'* and enrich culture together with people throughout the world, drawing on our expertise and rich vein of sensitivity in the realms of sound and music.

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

Financial Highlights

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen			Thousands of U.S. Dollars*
	2008	2007	2006	2008
For the year:				
Net sales	¥ 548,754	¥ 550,361	¥ 534,084	$5,477,133
Operating income	32,845	27,685	24,135	327,827
Net income	39,558	27,866	28,123	394,830
Capital expenditures	24,394	25,152	22,882	243,477
Depreciation expenses	20,289	19,956	18,944	202,505
R&D expenses	24,865	24,220	24,055	248,178
Free cash flows	79,225	17,305	7,406	790,748
At year-end:				
Total assets	¥ 540,347	¥ 559,031	¥ 519,977	$5,393,223
Net assets**	343,028	351,398	316,005	3,423,775
Interest-bearing liabilities	21,036	25,551	28,474	209,961
	Yen			U.S. Dollars
Per share:				
Net income	¥ 191.76	¥ 135.19	¥ 136.04	$ 1.91
Net assets**	1,646.44	1,680.91	1,532.62	16.43
Dividends paid***	50.00	22.50	20.00	0.50
	%			
Ratio:				
Equity ratio**	62.9%	62.0%	60.8%	
Return on assets (ROA)	7.2	5.2	5.5	
Return on equity (ROE)**	11.5	8.4	9.5	
Number of employees	26,517	25,992	25,298	

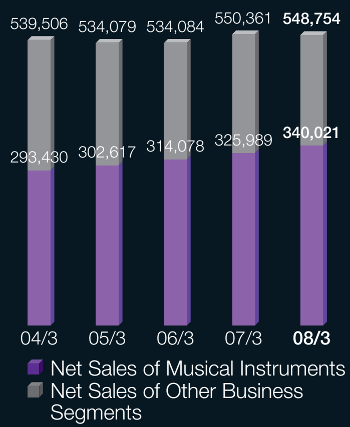
* Throughout this annual report, U.S. dollar amounts are translated from yen at the rate of ¥100.19 = U.S.$1.00, the approximate rate prevailing on March 31, 2008.

** Net assets, equity ratio and return on equity (ROE) were classified as shareholders' equity, shareholders' equity ratio and return on shareholders' equity (ROE), respectively, until the year ended March 31, 2006.

*** The dividend per share for the year ended March 2008 includes a ¥20 special dividend.

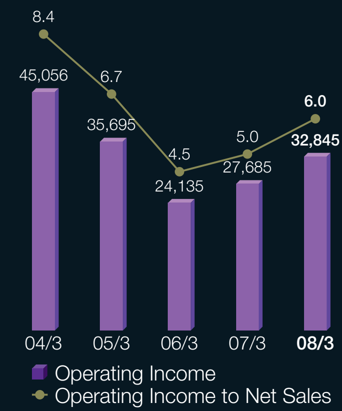
Net Sales

(Millions of Yen)



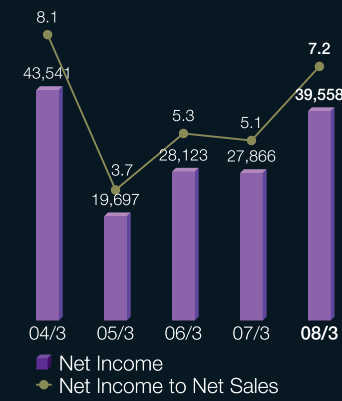
Operating Income/ Operating Income to Net Sales

(Millions of Yen/%)



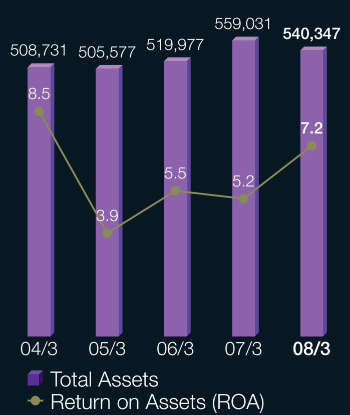
Net Income/ Net Income to Net Sales

(Millions of Yen/%)



Total Assets/ Return on Assets (ROA)

(Millions of Yen/%)

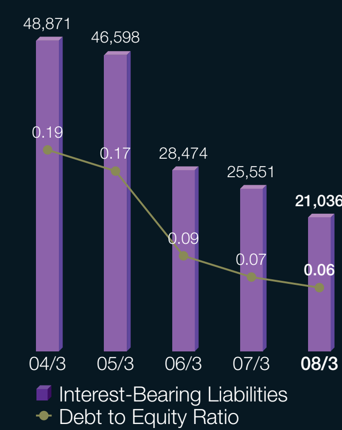


Net Assets/ Return on Equity (ROE)

(Millions of Yen/%)

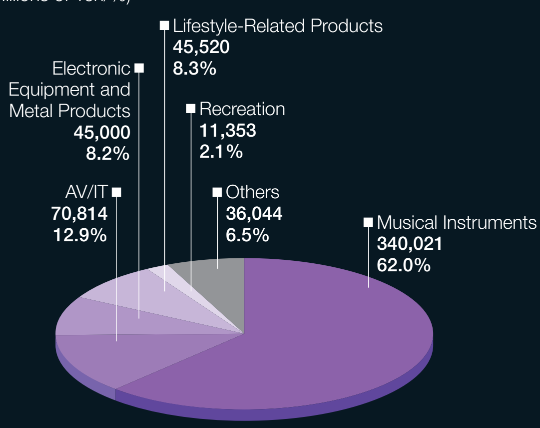
Interest-Bearing Liabilities/ Debt to Equity Ratio

(Millions of Yen/Times)



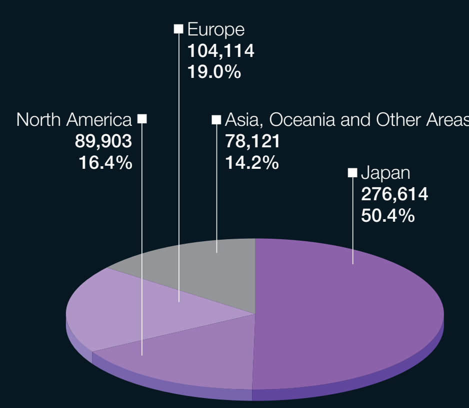
Net Sales by Business Segment

(Year ended March 31, 2008)
(Millions of Yen/%)



Sales by Region

(Year ended March 31, 2008)
(Millions of Yen/%)



Contents

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.

To Our Shareholders

The Yamaha Group achieved tangible success in fiscal 2008, the first year of our current medium-term management plan. In the coming years we will continue to take advantage of Yamaha's unique strengths to provide our customers with high-value-added products and services.

Completing the First Year of the Medium-Term Management Plan

Yamaha has completed the first year of "Yamaha Growth Plan 2010 (YGP2010)," a medium-term management plan that concludes in fiscal 2010.

Under "YGP2010," we have redefined our operations into two business domains: "The Sound Company" business domain and the "Diversification" business domain. "The Sound Company" business domain consists of musical instruments, audio, music entertainment, AV/IT and semiconductors, which are all based on sound, music and network technologies; we are intending to actively invest management resources in this domain to expand business. In the "Diversification" business domain, which covers lifestyle-related products, recreation, and metallic molds and components, we are looking to boost earning power by establishing a strong industry position. Our quantitative targets for fiscal 2010 under the plan are net sales of ¥590.0 billion and operating income of ¥45.0 billion for the Yamaha Group as a whole.

During fiscal 2008 (the year ended March 31, 2008) we made steady progress overall, and achieved substantial success in making the shift to a growth footing, as well as in further increasing earnings potential. Our progress was underpinned by dramatic sales growth—particularly within the musical instruments segment, where commercial audio equipment and emerging markets performed favorably—as well as production base realignment. Nonetheless, an issue remains to be addressed in the second year of the plan: we were unable to sufficiently realize the growth potential of new products and businesses, such as our promising new semiconductor device and the conferencing system business.

Leveraging Yamaha's Strengths to Accelerate Growth Globally

To achieve the targets in "YGP2010," we must accelerate growth on a global scale with a focus on "The Sound Company" business domain by responding flexibly and rapidly to changes in the business environment and steadily implementing the policies and measures set forth in the plan.

Above all, I am aware that fiscal 2009, the second year of the plan, is going to be crucial in achieving the targets for the plan's final year. We face an increasingly adverse business environment with competition intensifying in markets worldwide, and mounting uncertainty surrounding the economic future of North America and the world as a whole. Still, Yamaha is a unique company that combines superb craftsmanship with leading-edge digital technologies, founded on a 120-year tradition of high-quality manufacturing. By leveraging these unique Yamaha advantages, we intend to continue proposing high-value-added products and services.

In closing, I would like to thank our shareholders for their continued understanding and support, and I look forward to another year of cooperation with you as we share the joy and inspiration of music with people everywhere and strive toward our corporate objective: "Creating 'Kando' Together."

June 2008

Mitsuru Umemura
President and Representative Director

Question 1:

First of all, what is your assessment of the results for fiscal 2008, the first year of the "YGP2010" medium-term management plan?

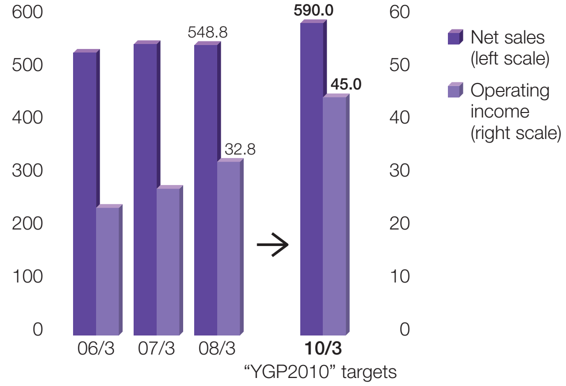
We made solid progress during this first year. Despite net sales decreasing by 0.3% year on year to ¥548.8 billion, we actually achieved net sales growth of 1.2% year on year in real terms. This is because the ¥548.8 billion figure includes a revenue increase of ¥6.8 billion due to the impact of foreign exchange, and a revenue decrease of ¥15.0 billion from the sale of the electronic metal products business and four resort facilities in the recreation segment. With operating income up 18.6% to ¥32.8 billion, the year's results mark a solid first step toward achieving the quantitative targets in the medium-term management plan.

To explain in more detail by business, our results were generally satisfactory in "The Sound Company" business domain, with growth in the musical instruments segment, and in the commercial audio equipment business in particular, despite the impact of economic slowdown in North America during the second half of the year. Meanwhile, our results by region exceeded expectations in emerging markets, especially China. In the semiconductor business, on the other hand, results failed to meet forecasts, partly due to sluggish growth in sales of LSI sound chips for mobile phones. Similarly, sales of conferencing systems, for which we had high expectations as a new business, fell far short of forecast owing to a delay in sales channel development.

In the "Diversification" business domain, we made a good start toward our objective of establishing Yamaha's position in the relevant industries, thanks to particularly strong performances from the golf products and automobile interior wood components businesses.

During the year, we accelerated growth and reinforced earning power by determining which businesses should be nurtured and which should be divested. As a result, on November 30, 2007 we completed the transfer to Dowa Metaltech Co., Ltd. of 90% of our shareholding in Yamaha Metanix Corporation (a company engaged in the electronic metal products business), as reported last year. In the recreation segment, we concluded the handover of four facilities (Kiroro, Toba Hotel International, Nemunosato and Haimurubushi) and put in place a structure for focusing management resources on two facilities: Tsumagoi and Katsuragi. We also realigned our musical instrument production bases in 2007, closing piano and wind instrument production plants in the U.S. and a guitar production plant in Taiwan.

Financial Results
(Billions of Yen)



Question 2:

Prospects for achieving the financial targets in "YGP2010" depend on smooth progress of "The Sound Company" growth strategy. Could you provide a brief overview of the growth strategy and progress with its implementation?

When formulating "YGP2010," we considered the business environment Yamaha would face during the coming three to five years. From that standpoint, I believe the key to achieving our targets is to grow by nurturing businesses in "The Sound Company" business domain, which is founded on sound, music and network technologies. That is why this business domain is now focusing on the development of appealing products that leverage Yamaha's strengths, whether they are for end-users or for businesses. At the same time, we are putting in place an optimal production structure, and conducting marketing activities in ways that put the market's perspective first.

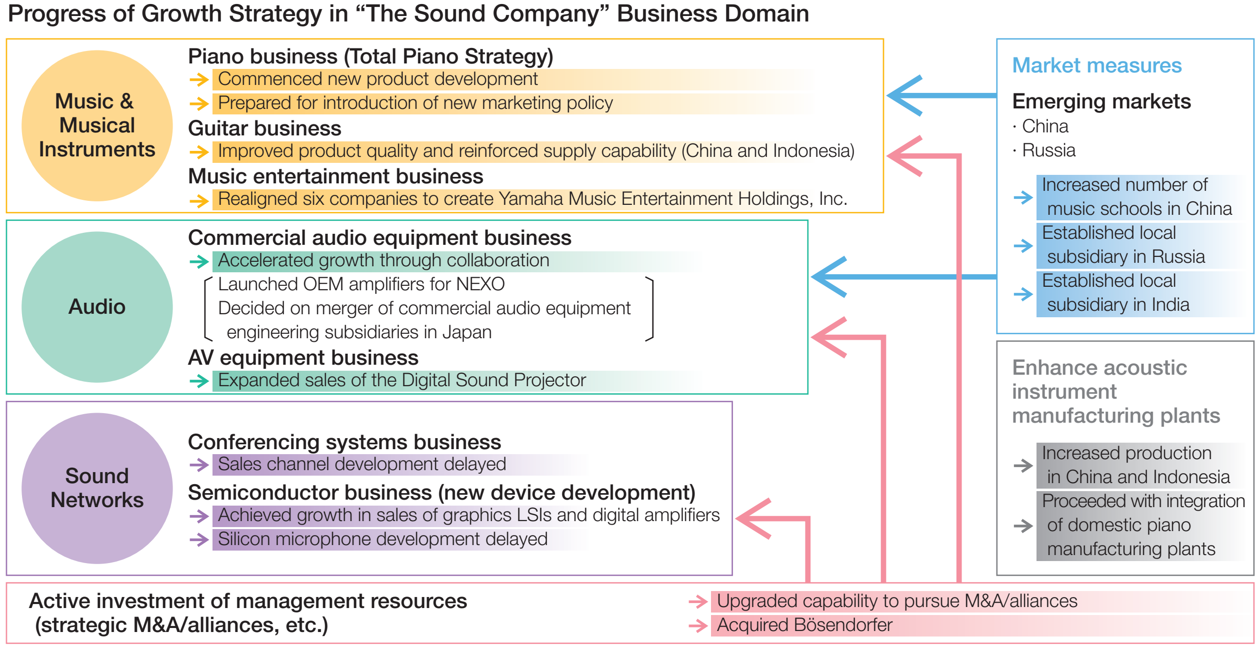
Specifically, we are developing a new concept in pianos that transcends the conventional acoustic/digital categorization, and we plan to make the customer's perspective central in efforts to enhance our product range. In the guitar business, we are upgrading product quality and working to expand sales of electric acoustic guitars leveraging Yamaha's strengths, with a focus on North America, the largest guitar market in the world. We are also taking action in manufacturing by further strengthening our musical instrument manufacturing bases. This entails establishing optimal production networks to clearly define the respective roles of plants in Japan, China and Indonesia—the most important production bases for acoustic musical instruments—with regard to high-value-added products and affordable-price-range products. In the music entertainment business, we will finish developing the necessary infrastructure under Yamaha Music Entertainment Holdings, Inc., a management company established last year, and make 2008 the first year of business expansion for related companies.

In commercial audio equipment, business conditions are continuing to work in our favor, and we are pursuing strategic alliances to supplement our mixers—a product line in which we excel—by enhancing the lineup of amplifiers, speakers and other "output-side" products. At the same time, we are stepping up the pace of our development as a systems solutions provider that provides services to meet a wide range of customer needs, including installation and maintenance. The commercial audio equipment market is expected to expand in emerging markets such as China, Russia, India and Brazil as well as in Europe and North America, and we have high hopes that growth in this sector could even exceed that of musical instruments. In the AV equipment business, meanwhile, our plans are to enter new business domains such as desktop audio systems to complement our mainstay home theater AV receivers, front surround systems, and HiFi audio products.

Despite these promising developments, however, issues remain that must be addressed. In the semiconductor business, existing demand for mobile phone LSI sound chips is expected to decrease, while demand for silicon microphones, primarily for use in mobile phones, should increase. However, development of these products has taken longer than expected, resulting in delays to market introduction. In addition, our efforts to launch new conferencing systems leveraging Yamaha's sound and network technologies to deliver smooth, high-quality sound were hampered by delays in developing the relevant sales channels.

As we enter an era in which achieving product differentiation is more difficult than ever, we continue striving to develop appealing products with the unique Yamaha identity.

Progress of Growth Strategy in "The Sound Company" Business Domain



Question 3:

The “Diversification” business domain includes many businesses for which profitability is an issue, such as the recreation business. What is the key to earning stable profits from businesses in this domain?

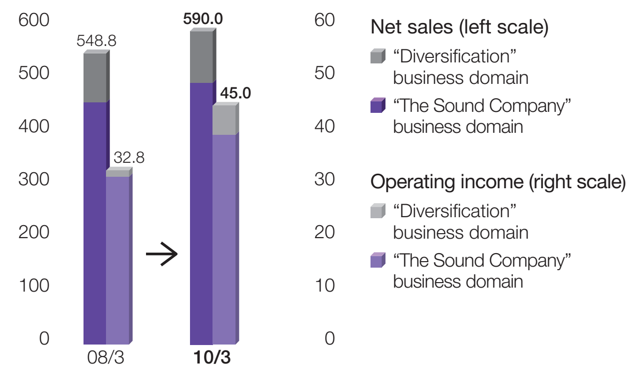
Our policy for the “Diversification” business domain is to increase earning power by focusing management resources on growth sectors and areas of strength, while simultaneously increasing cost-competitiveness.

In the recreation segment, we are improving profitability and contributing to the Yamaha brand by investing in Tsumagoi, Katsuragi-Kitanomaru and Katsuragi Golf Club. These investments are intended to make the most of the features particular to each facility and to enhance their appeal as Yamaha resort facilities. Meanwhile, in the lifestyle-related products segment, we have struggled due to intensifying competition and a decrease in the number of new housing starts in Japan. Still, we intend to improve profitability by increasing the cost-competitiveness of our system kitchens and bathrooms, as well as revamping sales channels to expand the remodeling business through strengthening our marketing by expanding showrooms and upgrading the functions they offer. Meanwhile, in the golf products business, we are steadily increasing sales of the *inpres* brand and will pursue market share by continuing to offer golf tournaments at the Yamaha facility and conduct aggressive advertising.

The automobile interior wood components and metallic molds and components businesses will contribute to sustaining overall Group profit by focusing on yield improvement and establishing stable profit structures.

“YGP2010” Targets for Net Sales and Operating Income

(Billions of Yen)



Question 4:

Yamaha has been able to enhance its presence in various business domains in addition to the musical instrument business. This suggests that Yamaha has certain unique strengths. What do you regard as unique Yamaha strengths that will serve as the source of future growth?

I believe that Yamaha’s fundamental advantage lies in possessing both acoustic and digital technologies, underpinned by a 120-year tradition of high-quality manufacturing. Our acoustic expertise and skills are evident in the practiced technique of our craftsmen, and our digital technologies are at the cutting edge of the industry. Above all, it takes 20 to 30 years to cultivate the necessary skills in a craftsman, and Yamaha already has many skilled artisans who have been through that process, making the capabilities of our people our most important asset.

I envisage making the most of these combined strengths in the coming years to develop businesses in sectors where Yamaha’s uniqueness can come into its own. In fact, we have already made progress in this regard, since “The Sound Company” business domain was founded on the concept of pursuing growth through these advantages. What’s more, the possibilities extend beyond the musical instruments business: in the semiconductor business, too, we aim to create high-value-added products by fusing analog and digital sound signal processing technologies in line with our “Smart AnaHyM* Strategy.”

* AnaHyM™ is an outstanding technology comprising reinforced analog (Ana), hybrid (Hy) and MEMS (M) technologies combined with Yamaha’s strengths in the “Smart” technology field.

Question 5:

Business expansion in the global marketplace is a prominent aspect of Yamaha's recent business activities. Why do you think that Yamaha can prevail in the global market?

Yamaha has long engaged in business overseas. We have earned an excellent reputation all over the world for brand value underpinned by strong customer trust and confidence nurtured through long years of providing high-quality products and services. We intend to further cement our position as the world's leading comprehensive musical instruments manufacturer by maintaining the value of the Yamaha brand and continuing to find common ground with, and contribute to, musical cultures in the many regions in which we operate.

We are planning to develop our business aggressively in emerging markets, where economic growth is fuelling an increase in the number of people who enjoy music as a part of daily life. But that is not our only focus, since there is also ample potential for boosting sales in the mature markets of Japan, North America and Europe by expanding the market to increase our market share—if we can propose the right products in the right way. The key here, I believe, is to build on Yamaha's market presence still further by continuing to supply products that offer new value and provide tailored services. In emerging markets we aim to increase sales by investing management resources and selling products adapted to the characteristics of individual regions or countries. In China, for example—a market where business conditions remain robust—we are developing our music schools and sales networks at a rapid pace. We have also established local sales subsidiaries and are now putting in place the infrastructure to expand the musical instruments business in two other countries: Russia, which boasts a rich tradition of Western music and striking economic growth; and India, a country that offers excellent prospects for market expansion.

Question 6:

Effective strategic investment, including M&A strategy, will be essential for Yamaha's future growth. Could you describe Yamaha's basic approach to strategic investment using recent case examples?

Yamaha's basic policy on strategic investment is to make appropriate resource investments and seek out further opportunities for expansion to secure growth in "The Sound Company" business domain. Reinforcing the capabilities of the relevant internal business units is one way in which we have pursued that goal. In more specific terms, we are not aiming simply to expand business scale, but are actively searching for opportunities to enhance and perfect our in-house technologies, sales network and manufacturing bases, as well as our product portfolio in areas where we have low market share. Our plans to marry the software of German music software developer Steinberg Media Technologies GmbH with Yamaha's hardware technologies are a case in point.

In the commercial audio equipment sector, we recently entered into an alliance with NEXO S.A., a leading sound reinforcement loudspeaker manufacturer in France, and we are now seeking synergies with them by developing Yamaha digital amplifiers that make the most of the superb sound of NEXO speakers. We are also achieving benefits of scale in audio equipment installation and maintenance by merging and integrating our sound engineering subsidiaries in Japan's commercial audio equipment sector. This will enable us to make solid progress in exploiting business opportunities at numerous halls and theaters in Japan that are due to upgrade their audio facilities.

In 2008, L. Bösendorfer Klavierfabrik GmbH, an Austrian manufacturer of premium pianos, joined the Yamaha Group. With this new subsidiary we intend to increase sales and enhance earning power, in addition to bolstering our presence in the premium piano market by applying Yamaha's marketing expertise and developing new products incorporating automatic playing technology.

Question 7:

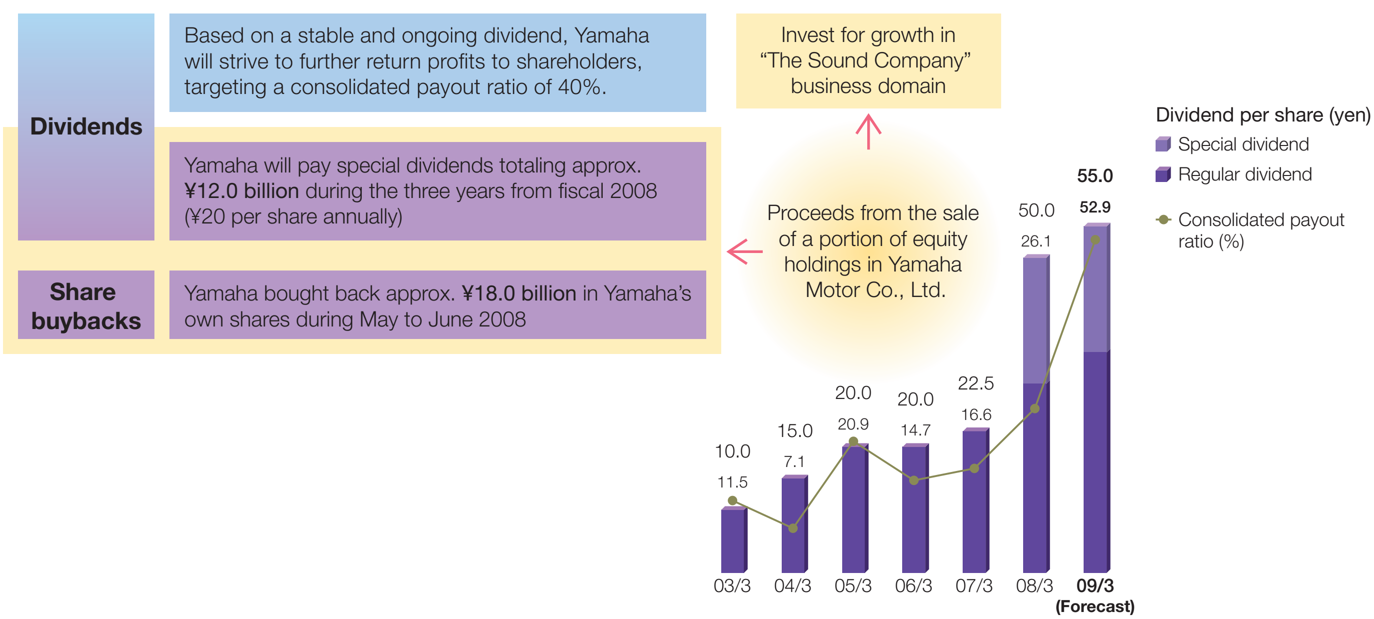
Finally, do you have a message for stakeholders, or any comments regarding Yamaha's stance on shareholder value?

Our most fundamental aim is to meet the expectations of all our stakeholders by continuously enhancing corporate value. I am convinced that, to achieve this, the best policy is to further increase Yamaha's potential by fusing its competitive advantages in terms of skilled craftsmanship with its digital technologies. At the same time, we need to grow on a global scale by expanding our scope of operations in the sound, audio and network sector, where these advantages can best be leveraged. In my role as president, I make a point of communicating with our employees to ensure that the Group mounts a united effort to achieve the targets set forth in "YGP2010." I urge them to think in line with the customer's perspective and to improve the quality of their work by paying attention to how they perform on a day-to-day basis. At the same time, I believe that it is essential to have a corporate governance structure that fosters sound business decisions and ensures transparency and fairness.

We are taking active steps to increase shareholder value by paying dividends and acquiring our own shares. Yamaha has a basic capital policy that entails taking consolidated ROE into account in securing the internal reserves necessary to sustain and expand the business, while at the same time prioritizing shareholder returns in distributing the balance. In fiscal 2008 we allocated ¥39.1 billion in proceeds from the sale of a portion of our equity holdings in Yamaha Motor Co., Ltd. as a reserve fund to use mainly for investment in the growing "The Sound Company" business domain. In addition, we plan to return a total of ¥30.0 billion to shareholders over the next three years. In concrete terms this means that during the three-year period beginning in fiscal 2008 we will implement a special dividend of ¥20 per share each year and share buybacks in the sum of ¥18.0 billion.

* Please note that this interview was conducted in April 2008. The acquisition and cancellation of treasury stock was completed in June 2008.

Returns to Shareholders



Yamaha is a truly unique company with the ability to contribute to music culture in countries and regions the world over through its music-related businesses. We intend to create 'kando' and enrich culture together with people everywhere by managing our business in a way that inspires trust in our stakeholders. Our overarching goal is, as ever, to meet and exceed their expectations by creating still greater value.

The Power of Strengths Compounded

Yamaha is drawing upon its full ensemble of capabilities to pursue the goals of its medium-term management plan, "Yamaha Growth Plan 2010"—the creative strength to enhance product value, the competitive strength to drive business growth, and the organizational strength to sustain growth over the longer term. Taking advantage of these capabilities, the Company will continue to pursue the goals expressed in our corporate objective: "Creating 'Kando' Together."

Creative Strength to Enhance Product Value

Yamaha is uncompromising with regard to the quality and technical perfection of its instruments and the musical notes they produce, always striving for the highest level of product quality. Its ability to create products offering the ultimate in added value is founded on 120 years of accumulated craftsmanship in making acoustic instruments, as well as the most advanced electronics technology, and product development in collaboration with some of the world's top musicians. These strengths are the basis of the Company's competitiveness, and have allowed Yamaha to expand its operations beyond the musical instruments business into AV equipment, as well as semiconductor products such as LSI sound chips for mobile phones.

→ Inspiring Products

Creative Strength to Enhance Product Value

Crafting Sound

Technology and Craftsmanship Put the Music Into Grand Pianos

Yamaha has over a century of experience in making pianos, dating back to 1900, when Company founder Torakusu Yamaha built his first piano. Over the years, Yamaha has combined the latest in technology with its accumulated craftsmanship, striving to perfect each note according to the most exacting standards in order to always provide the market with the finest pianos possible. At its factories, the Company makes use of the most up-to-date facilities to enhance the quality of its products, such as anechoic chambers to scientifically study the relationship between each product's structure and the sound it generates, weather-resistance testing rooms to study the impact of temperature and humidity, and the world's most advanced computer-controlled drying equipment.

When manufacturing a grand piano, the most essential features are the richness and expressiveness of the notes. To achieve the highest quality in these areas, our skilled artisans carefully adjust the key regulation and voicing—a process that involves carefully adjusting the striking action of each key and the shaping and positioning of the hammer heads to produce ideal sound quality. This adjustment requires highly skilled craftsmanship and refined musical perception, as the entire process is carried out by hand. These traditions and skills have been passed down through the Company over a period of more than 100 years. Each Yamaha piano is a product of this experienced craftsmanship and the constant endeavors of technicians with a wealth of piano expertise gained through extensive consultation and cooperation with top-class pianists in Japan and overseas.

Electronics Technology Founded on Experience with Musical Instruments

Yamaha made an early start in embracing electronics technology to develop top-quality digital musical instruments. In order to reproduce rich and expressive musical notes using electronic equipment, the Company researched frequency modulation sound synthesis technology and a range of other digital audio synthesis technologies, and used them to develop the Electone™, synthesizers and many other successful digital musical instruments.

The Company also conducted extensive research on sound processing technologies, learning how to collect, adjust, mix and amplify the sounds generated by musical instruments. This research led the Company to develop professional audio (PA) equipment such as our commercial digital mixers, which have acquired a very positive reputation in the market.

Yamaha has developed some of the world's most advanced sound field reproduction technology, which can electronically reproduce the acoustic environment of world-famous concert halls and other music performance venues. This technology has made a significant contribution as one of Yamaha's core technologies, and is incorporated into the Company's CINEMA DSP™ AV equipment, as well as in our PA equipment and digital musical instruments.

In order to acquire the processing power needed for sound synthesis and sound processing, the Company has established its own semiconductor operations to design and manufacture these high-performance chips in-house, thereby securing an overwhelming competitive advantage that rivals simply cannot match. The success of these endeavors has led to new product applications in other fields, such as LSI sound chips for PCs and mobile phones, becoming a major driving force for the Company's further innovation.

All of these efforts to develop digital musical products and applications are supported by research and development which has generated a wealth of information and know-how, from sound design technology to a veritable concert of musical instrument data, data on music styles from around the world, and data on the sound fields of famous concert halls and auditoriums in many countries. These and many other intangible assets compiled by the Company over the years provide a foundation for Yamaha's competitive advantages as it seeks to further expand its electronics technology and related businesses.

The DX7, whose 1983 launch set off the worldwide synthesizer boom

Refining the Sound

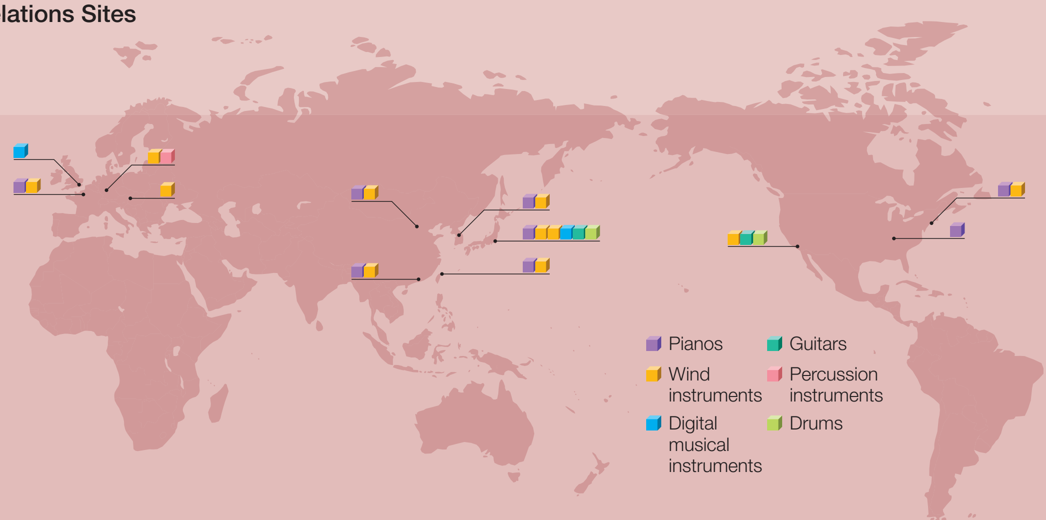
Creating the Sounds that Musicians Seek

In order to create top-quality musical instruments, Yamaha considers it important to collect feedback not only from music-lovers, but also from top musicians around the world. The Company therefore takes a proactive approach to developing relationships with top-level musicians and musical specialists, including members of orchestras and ensembles, professional musicians, and professors and students at music academies.

The Company has set up "artist relations" sites in various regions of the globe to establish these ties to musicians. Technical professionals are assigned to each region to find out from musical specialists what is required in terms of maintenance, redesign and customization, in addition to working jointly with musicians to develop, test and evaluate instruments. Each regional center also uses its network to try to locate young musicians who show promise of future success, and provide them with support to develop their talents.

One example of Yamaha's successful collaboration with musical artists is the YTR-9445NYS trumpet, which was jointly developed by Yamaha and a former trumpet player from the New York Philharmonic. Together, Yamaha and the musician re-examined the basic design of the trumpet, researched the detailed design of each component part. Then, with support from the artist, Yamaha's technicians developed a trumpet with a very complex design and consistent quality with which the musicians were satisfied. In this way, Yamaha is trying to utilize its "artist relations" network as extensively as possible to enhance its competitive advantage over other musical instrument manufacturers. The accumulated experience gained from these continuous efforts effectively supports Yamaha in improving product quality and enhancing the value of its brand name.

Artist Relations Sites




Yamaha Atelier Frankfurt (Germany)


Yamaha Atelier Los Angeles (U.S.)


Yamaha Music Communication Centre, Beijing (China)


Yamaha Corporate Artist Affairs (U.S.)


Yamaha Artist Services Hollywood (U.S.)


Yamaha Artist Services (U.S.)

Competitive Strength to Drive Business Growth

As Yamaha expands its global business, the Company is accelerating sales efforts not only in the more mature markets of Japan, North America and Europe, but also in emerging economic powers such as China, Russia, India and Brazil. One particularly promising business is the Company's commercial audio equipment, which can look forward to significant growth as digital and networking technology advances. Within this context, Yamaha will continue its efforts to develop attractive products that are designed with consideration for the cultural characteristics of each region, and to accelerate the global development of its businesses. The Company thereby aims to make itself indispensable to people, societies and musical cultures in all parts of the world.

→ Dynamic Expansion

Competitive Strength to Drive Business Growth

Growth in Emerging Markets

China

As the Chinese economy continues to expand at a rapid pace, Yamaha is bolstering its sales network for musical instruments to expand sales, developing music schools, and using its “artist relations” sites in an effort to expand and energize the music market in China. In the market’s mainstay piano business, Yamaha intends to enhance its sales capabilities by expanding its retail network from 200 retailers, at present, to 350 by 2010, and raising the number of stores who have set up a “Yamaha piano corner” from 100 to 200 over the same period. In addition, the Company already operates Yamaha music schools in Shanghai, Beijing and Guangzhou, and plans to open many more schools, primarily in large cities, including some multi-purpose sites which function as sales outlets for pianos, portable keyboards and wind instruments as well as music schools. The Company also targets educational institutions in an effort to stimulate sales.

Russia and Eastern Europe

In the past, Yamaha’s sales activities in the Russian market were consigned to local sales distributors. However, since political stability and economic growth have taken hold in the country, Yamaha established a local sales subsidiary in Moscow, in anticipation of rising sales growth. The company, which began operations in April 2008, will pursue a strategy of sales promotion and music popularization activities to try to accelerate market growth. Yamaha plans to expand its product lineup in Russia, focusing on musical instruments, commercial audio equipment, AV equipment and music schools, while aggressively increasing its advertising and sales promotion activities in order to strengthen its brand image there. Other countries that are members of the CIS, or have a Russian-speaking population, also have achieved brisk economic growth in recent years. Yamaha intends to turn its focus to these countries going forward, developing and strengthening its network of sales offices in the region in an effort to tap these markets and establish a strong brand presence, while improving customer service. Finally, in the growing markets of Eastern Europe, Yamaha will concentrate on introducing high-value-added products, centering on grand pianos.

India

India is beginning to experience a surge in economic growth, and promises to develop into a giant consumer market. In September 2007, Yamaha introduced the PSR-I425, a portable keyboard instrument designed specifically for the Indian market, with tones, styles and functions intended to appeal to the tastes of music lovers in India. The keyboard incorporates over 70 varieties of percussion sounds generated by sampling the sound of traditional Indian musical instruments such as the *tabla*, 12 types of rhythm accompaniment drawn from traditional Indian music, and three built-in Indian pop tunes. These features received very positive reviews. Yamaha intends to accelerate its business expansion efforts in India by establishing a local sales subsidiary for musical instruments and AV equipment in the suburbs of Delhi. The subsidiary will begin operations in October 2008.

Brazil

Since the local currency—the Real—has stabilized in value, Brazil’s economy has been experiencing steady growth. Yamaha is tapping this vibrant market, and taking steps to expand sales of portable keyboards and other products which are mainstays in the music markets of Latin America. The Company also aims to develop businesses that can take advantage of growth in the number of people who enjoy music in Brazil, and the increasing use of musical instruments in schools. In March 2008, Yamaha began full-scale sales of AV equipment in Brazil. The Company intends to train employees at its sales outlets in an effort to improve sales promotion activities and unlock the vast potential of the Brazilian market.

PSR-I425 portable keyboard, designed specifically for the Indian market

A “Yamaha piano corner” at a retail store in China

The site of Yamaha Music Russia

Recorder lessons for instructors in Brazil

Turning Up the Volume in the Commercial Audio Equipment Business

Aiming to Become a Systems Solutions Provider

Yamaha's digital mixers are used in famous concert halls and theaters around the world, and have earned such favorable reviews that they are considered by many to be the industry standard. As technological innovations sweep through the market and the industry shifts to digital and networked products, business opportunities will open up for Yamaha. From North America and Europe to the emerging markets of China, Russia, the Middle East and India, the commercial audio equipment industry is growing steadily, with global demand expected to rise by around 4% per year. In the U.S. particularly, brisk demand is expected from churches, which are virtually unaffected by economic trends, while in emerging markets, a surge of new construction is creating demand from all sorts of venues, from office buildings and hotels to concert halls and theaters.

Against this backdrop, Yamaha aims to exploit its strengths in digital and network technologies to enlarge and upgrade its family of "output-side" products such as power amplifiers and speakers. At the same time, the Company plans to accelerate efforts to develop its capabilities as a systems solutions provider. Critically, this involves continuing to improve the interoperability, reliability and system-related capabilities of each product. It also means proposing delivery and service solutions that are optimized to customer needs. Alongside this, the Company is also focusing on upgrading its technical support systems. In the future, Yamaha aims to further enhance growth prospects by expanding its scope of operations to include a new market: commercial sound systems that do not require a skilled sound system operator, installed in venues such as hotels, restaurants and corporate facilities.

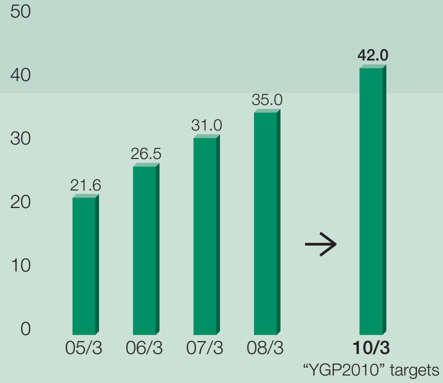
Yamaha CA Training Seminar (YCATS)

Supporting Engineers via YDACC

Yamaha operates a network of ten Yamaha Digital Audio Creative Centers (YDACC) that conduct training seminars for sales representatives and engineers, allowing the Company to develop services and support that are finely tailored to the needs of the local market.

Trends in PA Equipment* Sales

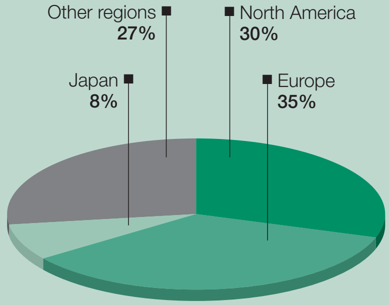
(Billions of Yen)



Sales of PA Equipment* by Region

(Year ended March 31, 2008)

(%)



* PA (Professional Audio) equipment includes commercial audio equipment, and professional audio equipment sold primarily at musical instrument stores.

Organizational Strength to Sustain Growth

Yamaha has already conducted structural reform initiatives to improve its financial position and enhance profitability. These reforms involved restructuring the Company's production bases and reviewing all operations, including the decision to withdraw from certain businesses. In line with these reforms, Yamaha plans to focus investment on areas where it can leverage its unique strengths to maintain steady growth. Most of the Company's capital investment and R&D spending will be concentrated on "The Sound Company" business domain, comprising the musical instruments business, AV/IT operations and semiconductors.

→ Sustained Growth

Organizational Strength to Sustain Growth

Strengthening Yamaha's Financial Position

Elevating Profitability in the Acoustic Musical Instruments Business

In order to improve profitability, the basis for stable growth over the long term, the Company has reorganized its infrastructure for the production of acoustic musical instruments, a business in which Yamaha is already extremely competitive. The Company is solidifying its production structure by allocating specific roles to each of the major factories in Japan, China and Indonesia. Japan will serve as the central production base, handling production of medium- and high-quality products with high added value. Piano production is being centralized at the Kakegawa Factory, while the factories in Toyooka (Shizuoka Prefecture) and Saitama will concentrate on the production of high-value-added wind, string and percussion instruments.

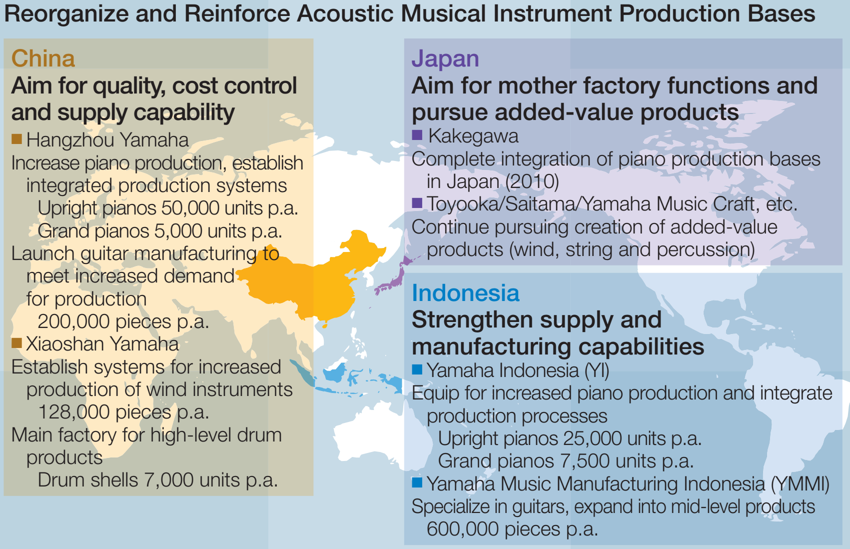
Yamaha's Chinese factories will take advantage of their quality- and cost-competitiveness and supply capabilities. Hangzhou Yamaha Musical Instruments Co., Ltd. (Hangzhou Yamaha) will handle the entire production process for pianos sold in the Chinese market, while Xiaoshan Yamaha Musical Instrument Co., Ltd. (Xiaoshan Yamaha) will focus on increasing production volume of wind instruments and drums, as well as stabilizing production quality. Finally, Yamaha will take steps to expand the production capacity and supply abilities of its Indonesian production facilities, expanding and integrating piano production and increasing production of medium-class guitars. During 2007, Yamaha closed its guitar production facility in Taiwan and its piano and wind instrument plants in the United States. This improved profitability by ¥2.0 billion. Going forward, Yamaha plans to continue working to reduce inventories of both unfinished and finished products by further enhancing the supply chain management (SCM) system, making efforts to cut lead times and other initiatives, especially in the piano business.

The plans to centralize almost all of Yamaha's piano-related operations in Japan—from product development and production to sales and after-sales service—at the Kakegawa Factory will establish a solid foundation on which to continue expanding and developing the piano business. The consolidation is scheduled for completion by 2010. This should improve the quality, cost-competitiveness and distribution capabilities for both grand pianos and upright pianos. Since piano construction requires skills and techniques that are passed on from one generation to the next, the concentration of production activities at the Kakegawa Factory will also provide a better environment for personnel training and advancement. Administrative functions have already been transferred to the facility. Going forward, Yamaha plans to further reform manufacturing and restructure operations by reorganizing production processes, particularly in the upright piano production department, taking measures to reduce unused space in the plant, and relocating the grand piano assembly department, the early-stage coating department and the component processing department one by one.

Improving Capital Efficiency

In addition to reorganizing its production bases for musical instruments, Yamaha is continuing the process of consolidating its operations to focus on areas of core competitiveness. The Company has transferred businesses which do not have any synergy with its core business, including the electronic metal products business and four resort facilities (Kiroro, Toba Hotel International, Nemunosato and Haimurubushi). Yamaha also sold a portion of its equity holdings in Yamaha Motor Co., Ltd., allocating the proceeds to investment in businesses associated with "The Sound Company" business domain as well as returns to investors. In this way, the Company is pursuing improved capital efficiency.

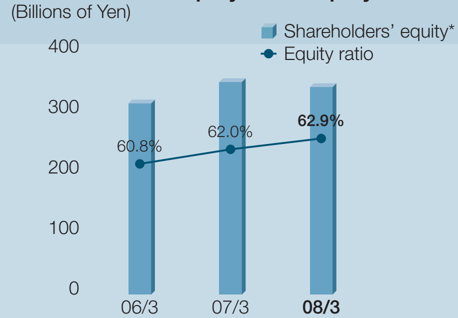
Reorganize and Reinforce Acoustic Musical Instrument Production Bases



Plants that have ceased production
- Taiwan: guitars (February 2007)
- U.S.: pianos (March 2007), wind instruments (April 2007)

Shareholders' Equity* and Equity Ratio

(Billions of Yen)



*Shareholders' equity=Net assets–Minority interests

Hangzhou Yamaha

PT. Yamaha Music Manufacturing Indonesia (YMMI)

Aggressive Investment in Growth Sectors

Strengthening Strategic Mergers, Acquisitions and Alliances

In 2005, Yamaha acquired Steinberg Media Technologies GmbH, a German audio software house that puts out music and media production products. In 2006, the Company entered into a strategic alliance with a leading French manufacturer of sound reinforcement loudspeakers, NEXO S.A. (in June 2008 Yamaha submitted an offer to acquire the controlling interest in NEXO and make it a wholly owned subsidiary). In 2007 Yamaha concluded the acquisition of Fuji Sound Co., Ltd., a long-standing leader in the development, manufacturing, engineering and installation of commercial audio equipment, and in 2008 Yamaha acquired L. Bösendorfer Klavierfabrik GmbH, an Austrian manufacturer of premium pianos with a 180-year history. Retaining its traditions and sound design capabilities, Bösendorfer aims to maximize the resources supplied by Yamaha to restructure operations and improve its brand image.

Yamaha intends to continue pursuing mergers and acquisitions of companies that can complement its strengths in core operations, and particularly "The Sound Company" business domain.

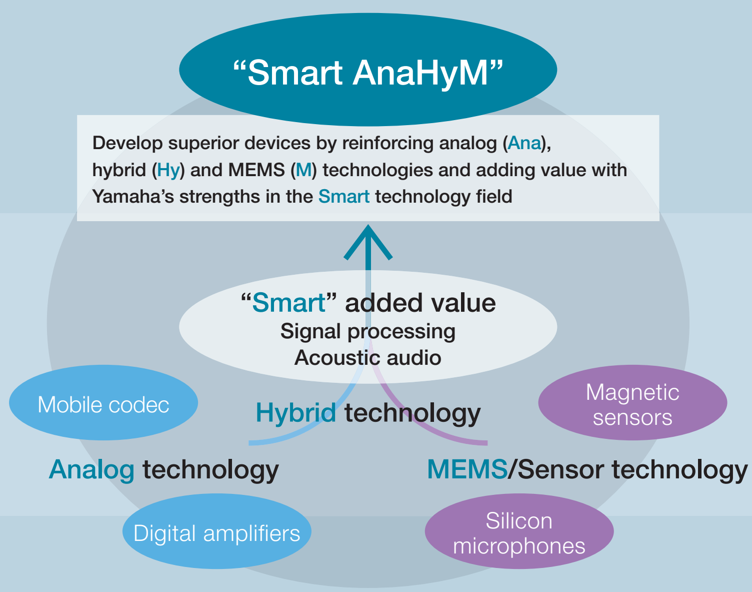
Investing in the "Smart AnaHyM* Strategy"

Yamaha supplies its sound-related technology to high sound-quality, high-value-added semiconductors for use in musical instruments, mobile phones, automobiles, home electronics, audio equipment, and a host of other applications. The Company is investing aggressively in this business, which is part of "The Sound Company" business domain. At present, Yamaha is investing in devices related to its "Smart AnaHyM Strategy," developing a series of silicon microphones and working to improve the competitiveness of its digital amplifiers. Alongside this, the Company is also investing to maximize processing capabilities at Yamaha Kagoshima Semiconductor Inc., as well as to increase production capacity.

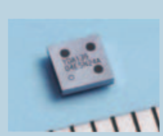
* AnaHyM™ is an outstanding technology comprising reinforced analog (Ana), hybrid (Hy) and MEMS (M) technologies combined with Yamaha's strengths in the "Smart" technology field.

Investment in Magnesium Parts Factory in Suzhou, China

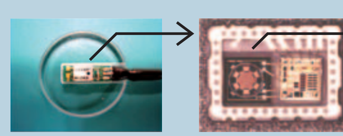
In recent years, the market for digital single-lens reflex cameras has been growing rapidly, pushing up demand for the magnesium casing materials used in the exterior of camera bodies. Yamaha's magnesium casings benefit from the Company's technological edge in metal molding, component processing and coating, cultivated through experience in manufacturing equipment for musical instrument production. Production of the magnesium casings is currently handled by Yamaha Fine Technologies Co., Ltd. in Japan. However, in order to respond to the surge in demand, the Company plans to invest ¥2.0 billion in a production facility for a new magnesium casing plant in China at Yamaha's local subsidiary, Yamaha Electronics (Suzhou) Co., Ltd. in fiscal 2009. Yamaha expects the plant to commence mass production in May 2009.



Yamaha Electronics Suzhou's magnesium casing production plant (Artist's rendering)



Digital amplifiers



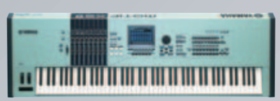
Silicon microphones

MEMS structure

Company Segments At a Glance

Segment | **Major Products & Services**

Musical Instruments

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

AV/IT



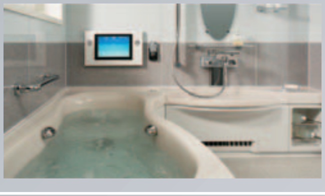
- Audio products (AV receivers, speaker systems, Digital Sound Projector™, desktop audio systems, etc.)
- Commercial online karaoke equipment
- Routers
- Conferencing systems

Electronic Equipment and Metal Products


- Semiconductors
- Specialty metals*

* Following the transfer of the electronic metal products business on November 30, 2007, the former electronic equipment and metal products segment was renamed the electronic devices segment in fiscal 2009.

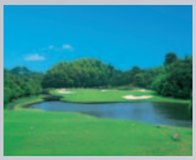
Lifestyle-Related Products

- System kitchens
- System bathrooms
- Washstands

Recreation





- Tsumagoi™
- Katsuragi-Kitanomaru™, Katsuragi Golf Club™
- Kiroro*, Toba Hotel International*, Nemunosato*, Haimurubushi*

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

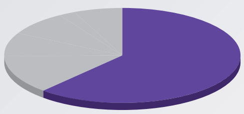
Others



- Golf products
- Automobile interior wood components
- Factory automation (FA) equipment
- Metallic molds and components (magnesium parts, plastic parts, etc.)

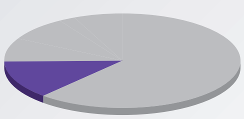
Breakdown of Net Sales	Net Sales (Millions of Yen)	Operating Income (Loss) (Millions of Yen)

62.0%



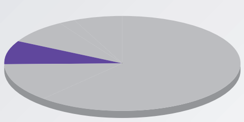
	Net Sales	Operating Income (Loss)
2004/3	293,430	10,480
2005/3	302,617	14,183
2006/3	314,078	14,132
2007/3	325,989	22,037
2008/3	**340,021**	**27,924**

12.9%



	Net Sales	Operating Income (Loss)
2004/3	78,257	4,418
2005/3	77,720	3,651
2006/3	75,939	2,113
2007/3	72,823	2,137
2008/3	**70,814**	**1,839**

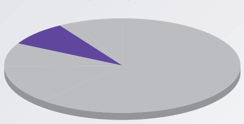
8.2%



Electronic metal products

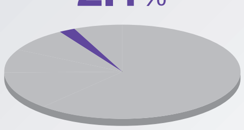
	Net Sales	Operating Income (Loss)
2004/3	76,892	30,018
2005/3	69,048	19,970
2006/3	56,167	7,927
2007/3	54,809	3,101
2008/3	**45,000**	**1,863**

8.3%



	Net Sales	Operating Income (Loss)
2004/3	44,765	1,462
2005/3	42,844	(24)
2006/3	45,214	1,169
2007/3	46,573	1,150
2008/3	**45,520**	**588**

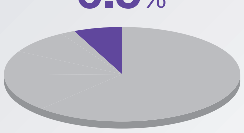
2.1%



Four transferred facilities

	Net Sales	Operating Income (Loss)
2004/3	20,100	(1,110)
2005/3	18,290	(2,253)
2006/3	18,013	(1,789)
2007/3	17,800	(1,536)
2008/3	**11,353**	**(1,103)**

6.5%



	Net Sales	Operating Income (Loss)
2004/3	26,061	(211)
2005/3	23,557	168
2006/3	24,671	582
2007/3	32,365	794
2008/3	**36,044**	**1,731**

Musical Instruments

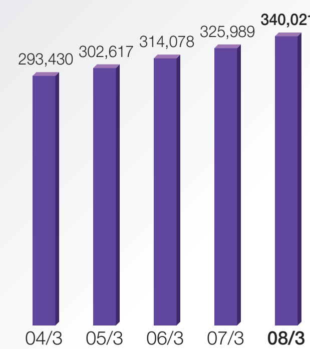
Key Policies and Priority Measures in Fiscal 2008

- Establish a highly profitable earnings structure as a core Yamaha business
- Enhance product lineup from customer perspective
- Boost cost-competitiveness (expand production in China and Indonesia; consolidate piano factories in Japan)
- Expand sales aggressively in growth markets such as China, Russia and Brazil

Fiscal 2008 Highlights

- Sales increased and operating income grew significantly by 26.7% compared with the previous year
- Professional audio equipment showed steady sales growth at a double-digit pace of 12.9% year on year
- Production capacity in China and Indonesia increased; consolidation of piano operations in Japan proceeded on schedule
- Sales in emerging markets such as China rose at a double-digit pace. New subsidiaries were established in Russia and India

Net Sales
(Millions of Yen)



Business Outline

Musical instruments are the cornerstone of Yamaha's business operations, accounting for over 60% of consolidated sales. The Company has earned a strong reputation for quality from the multitude of customers it has served over its 120-year history, offering a broad assortment of musical instruments that are engineered to provide superior sound quality and are supported by high-quality customer service. Yamaha offers an extensive lineup of products to suit the requirements of every player, from beginners to professional musicians. Products range from acoustic items like pianos, wind, string and percussion instruments to digital keyboards and other digital musical instruments, as well as professional audio equipment. The Company also offers a variety of services related to its music businesses, including music entertainment and the Yamaha music schools, which aim to increase the number of people who play a musical instrument, as well as promote an appreciation of music among the public at large, thus serving to perpetuate growth in the overall music-related market.

Performance Overview

Sales in the musical instruments business increased 4.3% year on year in fiscal 2008, to ¥340.0 billion, mainly reflecting sales of digital musical instruments, professional audio equipment and wind instruments. Sales were particularly brisk in Europe, China, the Middle East, Latin America and other emerging markets. Operating income grew 26.7% from the previous year to ¥27.9 billion due to sales growth, favorable exchange rates (particularly the yen-euro exchange rate), and higher gross profit margins resulting from factors including the Company's efforts to restructure production facilities and reduce costs.

Business Review by Major Product Category

Pianos

The global piano market is evolving towards a highly polarized, two-tier segmentation according to price and customer needs. Demand in the lower-end price range is steady, but these products are starting to become mere commodities with little opportunity to add value. On the other hand, demand for top-quality, high-value-added pianos is also brisk, and in fiscal 2008, overall sales of pianos increased year on year. Specifically, by region, sales weakened in the highly mature Japanese market, as well as in the U.S., where an economic downturn depressed demand, while sales in Eastern Europe, China and other emerging markets continued to increase.

In Europe, unit prices have been falling as price competition intensifies, but sales of upright pianos manufactured in Indonesia expanded. In Eastern Europe, in particular, economic growth and rising market penetration levels for musical instruments supported double-digit sales growth. In 2008, Yamaha acquired L. Bösendorfer Klavierfabrik GmbH, an Austrian manufacturer of premium pianos, to enhance the Company's presence in the market for these pianos.

In China, the Company has set up Yamaha piano displays in retail stores to raise its visibility, particularly in major cities, and promoted the development of Yamaha music schools as part of its marketing strategy. The Company also pursued initiatives to expand sales of low-priced upright pianos built at its local factory, and increased sales of high-end pianos imported from Japan.

During fiscal 2008, Yamaha expanded production capacity at its factory in China, Hangzhou Yamaha Musical Instruments Co., Ltd., as well as at PT. Yamaha Indonesia. Meanwhile, the Company is taking steps to consolidate its two piano factories in Japan (Hamamatsu and Kakegawa), in order to improve efficiency, facilitate the transfer of skills, and improve personnel training. This comprehensive project is due to be completed in 2010.

Digital Musical Instruments

Sales of digital musical instruments remained strong in fiscal 2008, reflecting the popularity of a new line of digital pianos—the CVP-400 series—which was launched during the fiscal year under review. Although sales in Japan and the U.S. were weak, strong performance in Europe and emerging markets supported overall year-on-year sales growth. Sales of high-value-added products with superior design features and expanded functions were particularly robust, and this also bolstered profits in the sector.

In Japan, sales of digital pianos showed steady growth despite continued declines in sales of Electone™ electronic organs. In North America, weak consumer spending caused by a U.S. economic slump depressed sales, particularly in the lower-priced product segment. On the other hand, sales of digital pianos boomed in Europe and emerging markets. Yamaha launched a new line of digital pianos under the ARIUS™ brand name during fiscal 2008, and continued its efforts to differentiate its product brand from the competition, while at the same time implementing measures to enhance the product lineup by addressing customer needs.

Wind Instruments and Educational Musical Instruments

Sales in this product segment increased compared with the previous year, as firm demand for high-end products offset sluggish sales of wind instruments in the affordable price range. By region, sales in Japan remained brisk, particularly in the middle- and higher-priced segments. In North America, sales were underpinned by strong demand from school bands and orchestras, which also focused mainly on middle- and higher-priced products. This enabled the Company to sell models in these price ranges developed in collaboration with musical artists, and to cooperate with artists in improving instrument design, which also supported sales growth. In Europe, sales directly to schools supported strong performance, while sales in other regions also increased as a result of thriving emerging markets, efforts to extend sales via schools, and music popularization activities.

Yamaha Musical Products, Inc., the Company's local production subsidiary in the U.S., ceased operations in April 2007. Following the closure, Yamaha plans to increase production volume at its Chinese production subsidiary Xiaoshan Yamaha Musical Instrument Co., Ltd., its Indonesian production subsidiary PT. Yamaha Musical Products Indonesia, and at the Toyooka factory in Japan. Accordingly, the Company increased production capacity at Xiaoshan Yamaha, in particular, to cover the expected increase in Chinese domestic demand.

Digital piano
MODUS™ H01

String and Percussion Instruments

String and percussion instruments registered an overall increase in sales year on year, reflecting brisk demand for guitars in Europe. However, sales in Japan declined, and operations in North America faced rising competition from instruments sold by musical instrument and electronics mass merchandisers. New product launches contributed to favorable shipments of electronic drums.

In January 2007, Yamaha discontinued production at Kaohsiung Yamaha Co., Ltd., a Taiwanese guitar production subsidiary. Accompanying the closure, as part of an effort to solidify its manufacturing base to increase production and improve quality, the Company expanded production activities at PT. Yamaha Music Manufacturing Indonesia and Hangzhou Yamaha Musical Instruments Co., Ltd.

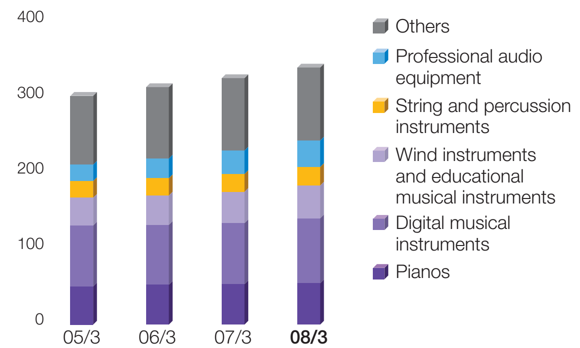
Professional Audio Equipment

In the professional audio equipment business, sales increased sharply in every geographical region, with overall sales rising at a double-digit pace in fiscal 2008. Growth was supported by "output-side" devices (amplifiers, speakers and processors), as well as digital mixers like the PM5D and M7CL models and the new LS9 model, which was launched during fiscal 2007. In Japan, strong demand for new or upgraded audio systems in concert halls and theaters supported steady growth at two audio equipment engineering subsidiaries—Yamaha Sound Technologies Inc. and Fuji Sound Co., Ltd. In Europe and North America, demand created by the transition from analog to digital mixers contributed to sales growth, while an increase in the number of new professional audio equipment installations generated strong performance in other regions, centered on emerging markets.

Music Entertainment Business

In June 2007, Yamaha established a new subsidiary, Yamaha Music Entertainment Holdings, Inc. to conduct an organizational realignment of the Yamaha Group's music entertainment businesses in an effort to facilitate the expansion of their activities going forward. Yamaha also acquired Epicurus Corporation, which operates audio, lighting and music planning businesses. By consolidating the music entertainment operations of all its Group subsidiaries under the control of Yamaha Music Entertainment Holdings, the Company has laid the groundwork for future growth in this sector.

Net Sales by Product
(Billions of Yen)



Business Review by Region

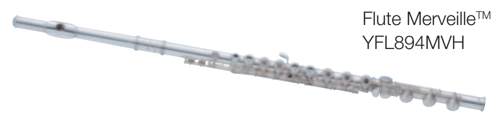
Japan

In Japan, overall demand for musical instruments is gradually declining, leading sales of large keyboard instruments (pianos and Electone) to remain sluggish. On the other hand, sales of wind instruments and professional audio equipment were strong. In its music schools, Yamaha took measures to cater to diverse needs, attracting various age groups while offering high-quality services, in an effort to expand the overall size of the music-related market and to encourage a larger percentage of the population to be involved in music. These measures included establishing nationwide standardized music schools and English language schools located in suburban areas and developing schools mainly for adults in city centers. Meanwhile, the Company also realigned its organization to reinforce its marketing and sales network, ensuring a system that can address the differing needs of customers in terms of quality, performance and price. To this end, Yamaha launched products at a variety of price ranges to cater to a diversifying range of retail formats, including Yamaha contracted dealers, mass merchandisers and large full-line musical instrument stores.

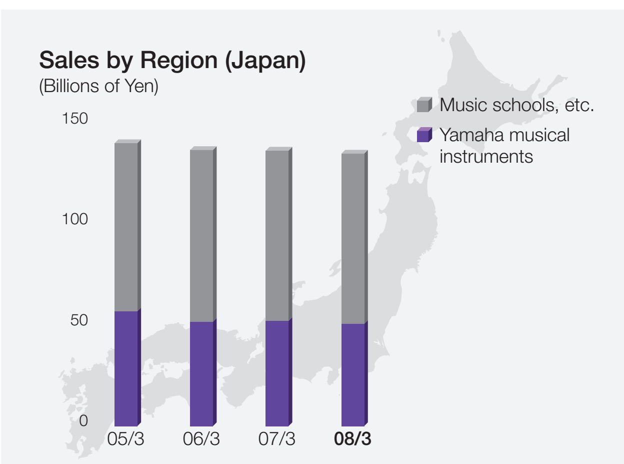
With regard to production, Yamaha positioned Japan as the mother base for manufacturing high-value-added instruments and proceeded with the consolidation of its domestic production bases.

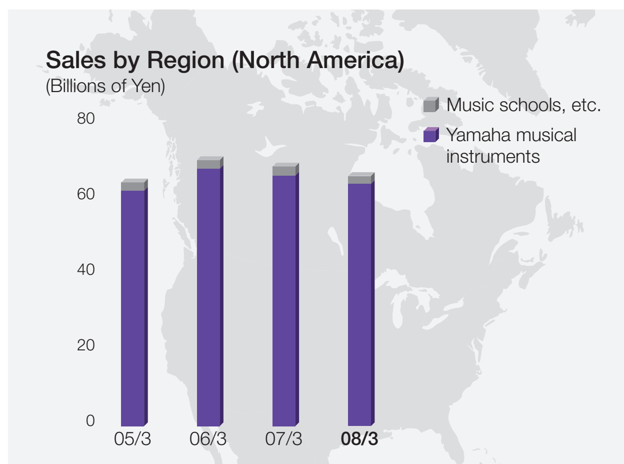
North America

Sales in North America declined year on year in fiscal 2008, affected by depressed economic growth arising from the decrease in the number of new housing starts, the subprime mortgage crisis and other factors. As a result, market conditions were unfavorable throughout the year, particularly for pianos. However, sales of digital musical instruments, wind instruments and professional audio equipment were comparatively firm. With regard to the sales network, some policy issues remained to be addressed as sales volume decreased, largely due to a reduction in the number of musical instruments handled at major mass merchandise stores. Yamaha reorganized its production structure in the U.S. during fiscal 2008, closing the factories that produced pianos and wind instruments for the U.S. market.



Flute Merveille™
YFL894MVH





Market Trends in Each Region

Japan

The piano market in Japan has contracted dramatically over the past 20 years to one-tenth of its peak level, due to a declining birth rate and the fact that pianos have already achieved a high rate of market penetration. Overall demand for musical instruments has fallen as well. However, in recent years there have been some signs of more active demand for keyboard instruments, particularly as digital pianos with a greater variety of features have entered the market. Price segmentation in the keyboard market has become increasingly polarized, with steady demand for top-of-the-line products and inexpensive products. In addition, musical interest has revived in Japan, particularly among baby boomers. Yamaha is doing its best to encourage this trend, primarily through the activities of its Yamaha music schools and by organizing and supporting a variety of events and activities to encourage more people in Japan to enjoy playing a musical instrument.

North America

Although Yamaha expects the musical instruments market in the U.S. to steadily expand over the medium term, current overall market conditions are stagnant. A decline in new housing starts has contributed to weak sales of large keyboard instruments, and the economy showed increasing signs of slowdown following the subprime mortgage crisis, which led to depressed consumer spending, pushing down shipments of lower-priced instruments as well. In the U.S., Yamaha sells its products primarily through specialized music retailers who handle pianos and wind instruments, and through large mass merchandisers of musical instruments. The U.S. market is characterized by a particularly large component of hobby and leisure demand, consisting of guitars and drum sets which account for one-third of the total market.

The market for professional audio equipment is also expanding in North America, as demand from concert halls, theaters, churches and other venues increases.

Europe

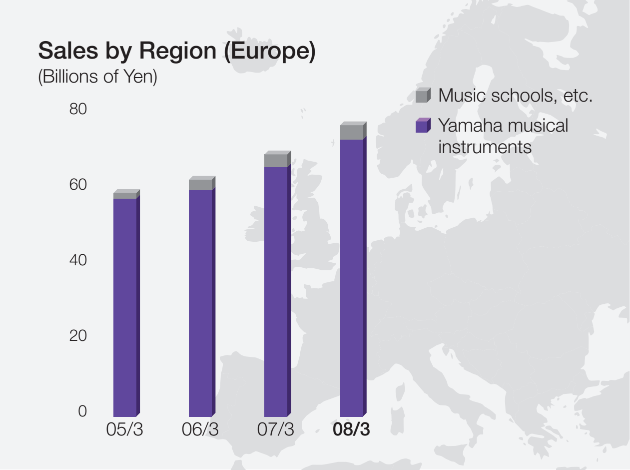
Demand for pianos, digital musical instruments and wind instruments was generally strong in Europe, resulting in overall growth in sales. Although the market growth tapered off slightly from the end of 2007, rapid growth during the first half in major countries contributed to the sales increase. Sales in high-growth Eastern Europe were particularly robust, recording double-digit growth, centered on pianos.

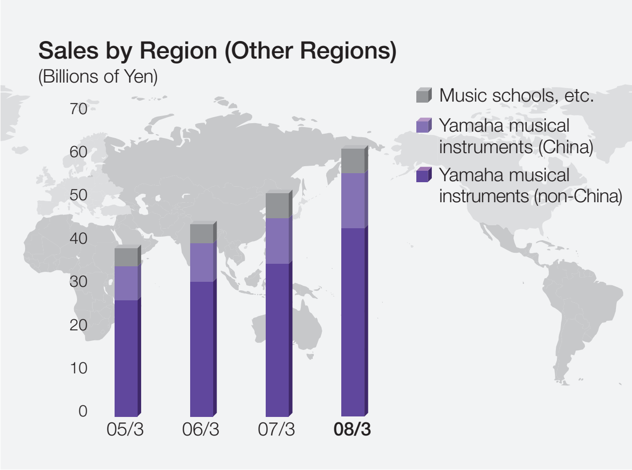
Upright piano
b1

Other Regions

Sales in other regions expanded sharply in fiscal 2008, driven by brisk economic growth in most of the major markets. By product, nearly every category posted an increase in revenues compared with the previous fiscal year, and sales of high-value-added products such as digital musical instruments and professional audio equipment, in particular, led the way. Strong performance continued in the Middle East and Latin America where demand for musical instruments is expanding.

Sales developed favorably in China, as expansion in the economy continued, with pianos posting especially strong growth. To support sales and marketing efforts, Yamaha established Yamaha music schools in the Shanghai, Beijing and Guangzhou metropolitan areas. This is not only contributing to an increase in the number of musical instrument players, but also is elevating Yamaha's profile in the market and increasing brand recognition. To expand its network of sales channels in China, Yamaha conducted marketing activities jointly with retailers to increase the number of retailers with Yamaha piano displays inside their stores and to provide education and training to retail staff in these stores to ensure that they can explain the products' features effectively.





Europe

In the major European markets—Germany, France and the U.K.—healthy economic conditions and strong currencies are supporting steady sales growth. Although the market showed some signs of slowdown in the latter half of fiscal 2008, brisk market conditions in the first half supported steady growth for the full fiscal year. In Eastern Europe, where classical music and other forms of music are deeply embedded in the cultural fabric, demand for musical instruments is increasing as the economies of countries in this region expand.

Other Regions

In Russia, the Middle East, Africa, Latin America and other emerging regions, favorable economic conditions are contributing to brisk growth. Sales of digital musical instruments, professional audio equipment and other high-value-added products are leading the way in these countries.

In China, meanwhile, despite booming economic growth, the market has tapered off over the past few years after a period of rapid expansion. However, there are signs that the market for musical instruments is back on a growth trajectory. Within the overall market for musical instruments in mainland China, acoustic pianos account for roughly two-thirds of the total market value, which is expected to exceed ¥60 billion this fiscal year.

High-Priority Initiatives

Priority Markets

During fiscal 2009, newly-established subsidiaries in Russia and India will commence operations in an effort to encourage market growth in these regions, while Yamaha will expand its presence in emerging markets such as China, Eastern Europe, the Middle East and Brazil. To accelerate the pace of marketing activities in its priority markets, in April 2008 Yamaha launched a sales subsidiary handling musical instruments and AV equipment in Russia, and a similar subsidiary in India will commence operations in October 2008. In Europe, Yamaha consolidated its musical instrument and AV equipment sales subsidiaries in Germany, France and the U.K. by the end of June 2008, and plans to introduce a new price structure which reflects recent changes in the European market. The consolidation of sales operations in Western Europe is expected to improve efficiency, enhance sales and marketing capabilities and boost revenues.

Yamaha Music School in Shanghai (China)

Priority Products

To address the ongoing polarization of the piano market, as well as diversification in the retail industry, Yamaha is trying to develop keyboard products which more accurately match consumer demand in terms of quality, performance and price. Leveraging its advanced technology, both in acoustic pianos and digital keyboards, Yamaha is developing an extensive lineup of unique new hybrid products which combine both acoustic and digital sound as part of the Company's "Total Piano Strategy." Meanwhile, the Company intends to upgrade the quality and features of acoustic pianos, and to give its digital pianos a more favorable balance of cost and performance. In the market for premium grand pianos, Yamaha will work to strengthen its market presence by developing the synergy between its own piano operations and those of Bösendorfer, which Yamaha acquired in 2008.

Yamaha has a comparatively small share in the extremely lucrative market for guitars, in which the Company expects new opportunities for growth. Therefore, it is concentrating its management resources on efforts to develop appealing guitars distinctive to Yamaha. The electric acoustic guitar which merges acoustic and digital technologies in a single instrument is already attracting strong demand from the world's largest guitar market, North America. Yamaha will continue to pursue product development efforts in this sector to further improve the quality of these products, focusing on acoustic pick-ups, DSP* and other technologies which form the basis for an electric acoustic guitar. Meanwhile, the Company is working aggressively, in cooperation with Yamaha Artist Services Hollywood (a U.S. affiliate involved in guitar and drum R&D), to develop relationships with musical artists worldwide and seek their assistance in planning, developing and marketing products.

* Digital Signal Processor (Processing) (DSP) refers to general digital signal-processing technologies developed by Yamaha, including various original technologies for processing digital audio and music. Practical applications include sound field controls in AV equipment, effects used in professional mixing consoles, sound-generating chips in mobile phones and 3D sound technologies.

Digital piano Clavinova™ CVP-409

Electric acoustic guitar APX500

In the percussion instrument business, Yamaha will concentrate on developing new technologies to reinforce its electronic drum business, in an effort to expand its market share in the medium-to-high price range for drums as a whole. The Company is also improving productivity and cost performance for acoustic drums, with the factory in Japan concentrating on high-end products, and production of drums in the affordable price range at plants in Indonesia and China.

Yamaha offers a broad assortment of brass and woodwind instruments; its product line extends from instruments for beginners to professionals. The Company will continue to focus primarily on medium- and top-quality wind instruments used in bands and orchestras, especially in Japan, Europe and North America. Yamaha will also work to develop relationships with musicians via its R&D affiliates, and take steps to improve customer services.

The professional audio equipment market offers strong potential for growth worldwide. Yamaha is considering the pursuit of mergers and strategic alliances in this market segment to leverage the market presence of existing brands, as well as establish a full product lineup from digital mixers to "output-side" devices such as speakers and amplifiers. This will allow the Company to offer total solutions to clients, covering every piece of equipment and component they require. The Company aims to expand this business both in Japan and overseas by targeting not only concert halls and theaters, but also other facilities and venues in the commercial installed sound market which use professional audio equipment, such as hotels, restaurants, corporate facilities and other buildings.

In January 2009 Yamaha plans to merge two of its Group subsidiaries: Fuji Sound Co., Ltd. and Yamaha Sound Technologies Inc. Fuji Sound, which Yamaha acquired in February 2007, is a long-standing leader in developing and manufacturing commercial audio equipment, and in engineering, installation and maintenance services. Yamaha Sound Technologies is also engaged in the design, installation, adjustment and maintenance of audio systems for concert halls and other public facilities. By merging and consolidating these two subsidiaries under a new name—Yamaha Sound Systems Inc.—Yamaha aims to further strengthen its management base and increase its competitiveness in the Japanese commercial audio equipment market. These endeavors will be underpinned by enhanced operating efficiency and synergies derived from know-how shared between the two existing companies. Through the merger, Yamaha aims to provide customers with comprehensive services ranging from commercial audio equipment design to maintenance.

In the music entertainment business, Yamaha consolidated all operations related to music entertainment under the new management company, Yamaha Music Entertainment Holdings, Inc., which was founded in 2007. This provided a more solid base for Yamaha's future growth in the music entertainment market. Yamaha intends to work aggressively to develop a comprehensive music entertainment business and promote future growth by identifying new recording artists while upgrading artist management and marketing functions.

Through the above initiatives, Yamaha aims to increase sales from the musical instruments segment to ¥360.0 billion in fiscal 2010, and elevate operating income to ¥30.0 billion.

Silent Session Drum™
DTXTREME™ Ⅲ

Digital mixing console
LS9-32

Saxophone
YAS-875EX

CD by Miyuki Nakajima
"Utatabi – Miyuki Nakajima Concert Tour 2007"

CD by HIROMI'S SONICBLOOM
"Beyond Standard"

AV/IT

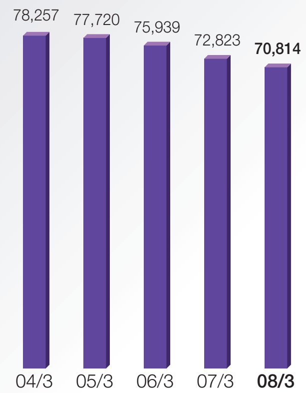
Key Policies and Priority Measures in Fiscal 2008

- Manage AV equipment business in line with market changes
  - · Expand sales of front surround systems by enhancing product lineup
  - · Reinforce two-channel HiFi business, focusing on medium- and high-end products
  - · Develop and launch new varieties of AV products, such as desktop audio systems
- Reinforce router business and boost its efficiency by integrating sales channels
- Enhance marketing of conferencing systems in Japan and North America

Fiscal 2008 Highlights

- Sales of the Digital Sound Projector YSP series were favorable, rising 12.9% year on year, to ¥7.9 billion
- Sales of AV receivers declined slightly, due to fierce competition, but overall sales of HiFi components and desktop audio systems were favorable
- Sales of conferencing systems were well below expectations, as efforts to develop sales channels fell behind schedule

Net Sales
(Millions of Yen)



Business Outline

The AV/IT segment comprises audio and visual (AV) equipment (including AV receivers, Digital Sound Projector™, HiFi components, desktop audio systems and other products), commercial online karaoke equipment, routers and conferencing systems. The Company's AV equipment has acquired a high reputation among users of home theater systems. Products employ Yamaha's exclusive digital sound field processing technology which reproduces the original sound fields of performance venues in listeners' own homes, enabling them to feel as if they are actually in a large concert hall or music club.

In the conferencing systems business, Yamaha is leveraging audio technologies accumulated in the music business for this new domain, thus aiming to establish a unique business model. As such, the Company intends to expand into the voice telecommunications sector by drawing on its exclusive echo-canceller technology.

Digital Sound Projector™ YSP-4000
with furniture stand

Performance Overview

Sales in the AV/IT business declined 2.8% year on year in fiscal 2008, to ¥70.8 billion. Although sales of the Digital Sound Projector were brisk, this was offset by increased competition in the AV receiver market and a sharp fall in sales of commercial online karaoke equipment. Operating income fell 14.0% year on year, to ¥1.8 billion. Despite the sales shortfall, factors such as favorable exchange rates and efforts to cut production costs reduced the impact on income.

With regard to AV receivers, competition has intensified as the home theater market shrinks, particularly in developed countries. Nonetheless, among home theater products, front surround systems designed for use with flat-panel TVs are enjoying market expansion both in Japan and overseas. Consequently, sales of the Digital Sound Projector showed particularly strong growth. HiFi audio components also recorded steady sales in fiscal 2008, led by new medium- and high-end products such as amplifiers, CD players and speakers. In the desktop audio systems market, Yamaha added new products to its lineup, that posted strong performances. This move was in response to significant recent changes in the way people enjoy music, spurred by the increasing market penetration of portable digital audio players such as the iPod* and the growth in Internet-based music distribution services.

In the commercial online karaoke equipment field, sales and income fell sharply during the year, reflecting a contraction in the overall karaoke market and a cutback on new investment by karaoke operators as replacement demand fell off.

In the router field, Yamaha worked to boost sales of commercial routers for small and midsized networks by promoting the use of Virtual Private Networks (VPN). However, the overall sales and income of routers declined due to a general reduction in market size.

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

As for conferencing systems, despite the fact that the Company's Web conferencing microphone speakers have been well received by the market, sales remained sluggish, mainly due to the delay in development of sales channels.

Market Trends and Business Strategy

AV Equipment

Business conditions for AV receivers—for which it seems the market has bottomed out, especially in North America—are still uncertain, since competitors have taken the lead in product innovation. Another ongoing issue is the sales impact on DVD products as the market's focus shifts toward Blu-ray Disc players. Yamaha plans to expand sales for AV receivers by reinforcing product competitiveness to enhance the product lineup. Where its front surround systems are concerned, the Company is working to enhance its market presence by supplying a diversified product range in addition to its current Digital Sound Projector.

For HiFi components, Yamaha is expanding its lineup of speakers in the Soavo™ series, and is launching new medium- and high-end amplifiers and CD players in an effort to boost market share. The Company also plans to enter the mainstream consumer product market by launching micro-component stereo systems in Japan and other markets. Meanwhile, in desktop audio systems—a new area for Yamaha—the market is growing globally, and the Company will aim to enter new product domains such as iPod dock speakers and desktop clock radios.

In addition to developing and introducing new products that meet specific market needs, the Company is seeking to expand sales in countries with rapidly growing economies, such as Russia and China.

Moreover, from April 2008 onward, Yamaha plans to consolidate its AV equipment sales subsidiaries with musical instrument sales subsidiaries to form one sales company per country for these products in Germany, France and the U.K. By consolidating these sales functions, the Company aims to maximize the synergy between AV equipment and musical instruments as well as simultaneously improve management efficiency through the consolidation of logistic functions.

HiFi Audio System

Commercial Online Karaoke Equipment

With the market for karaoke equipment in the midst of an extended contraction, sales are unlikely to grow substantially. Going forward, Yamaha will focus on development activities targeting high-definition image and networking capabilities for a new generation of products.

Routers

The Japanese market for routers used in small businesses and homes is shrinking, and there is no indication that this business will generate significant sales growth in the near term. Nevertheless, Yamaha's routers have constantly earned a strong reputation for quality in the small office/home office (SOHO) market. Going forward, the Company plans to consolidate its sales channels in order to improve efficiency and enhance its marketing capabilities, and develop new products that are tailored to better meet customer needs. In addition, the Company aims to develop new applications for its router technology, including products for next-generation telecommunications networks. Through these efforts, Yamaha is striving to attract new customers and develop new market niches.

Conferencing Systems

Conferencing systems is a business that promises to generate substantial sales as the market for audio and video conferencing systems grows. Demand for business-related conferencing between Japan and China in particular will drive such growth, while the trend is likely to accelerate as China upgrades its telecoms infrastructure, creating a large and potentially lucrative market. Yamaha is focusing on products that leverage its network technologies in audio and routers, as well as products that address diverse user needs by being compact, lightweight and easy to carry. Plans call for steadily building a global network of sales channels for conferencing systems, incorporating the Company's existing sales subsidiaries and licensed sales distributors.

Although the market for conferencing system products still faces constraints due to the fact that telecommunications protocols and technology standards vary widely from country to country, there is nevertheless a vast potential for growth in markets worldwide. Yamaha will work to develop its operations in this sector by focusing on the high sound quality for which it is renowned.

Yamaha's medium-term management plan targets call for sales in the AV/IT segment to reach ¥88.0 billion, and operating income to total ¥4.5 billion, in fiscal 2010.

Conference microphone speaker
PJP-25UR

Electronic Equipment and Metal Products

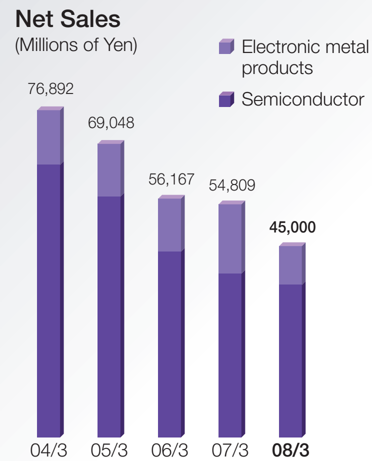
Key Policies and Priority Measures in Fiscal 2008

- Strengthen the "Smart AnaHyM* Strategy" by actively introducing high-value-added products in the AnaHyM product line (digital amplifiers, silicon microphones, etc.)
- Increase market share in the amusement equipment sector (sound-source and graphics LSIs)
- Maintain the profitability of LSI sound chips for mobile phones

Fiscal 2008 Highlights

- Sales of digital amplifiers tripled year on year. Silicon microphones were introduced
- In the amusement equipment business, sales of graphics LSIs increased
- Sales of LSI sound chips for mobile phones declined as demand further weakened, particularly in overseas markets
- The electronic metal products business was transferred to Dowa Metaltech

* AnaHyM™ is an outstanding technology comprising reinforced analog (Ana), hybrid (Hy) and MEMS (M) technologies combined with Yamaha's strengths in the "Smart" technology field.



Business Outline

Yamaha's electronic equipment and metal products segment encompasses the semiconductor and the electronic metal products businesses. The Company entered the semiconductor business in order to provide an in-house supply of LSI sound chips for Yamaha digital musical instruments. The Company later used the know-how it accumulated in this business to develop LSI sound chips for mobile phones and LSIs for amusement equipment. More recently, Yamaha has expanded this business to include LSIs used in onboard products for vehicles, digital amplifiers, and silicon microphones that incorporate micro electro mechanical systems (MEMS) technology, among others. In this way, Yamaha has charted a unique course to market growth, building on its experience with musical instruments to access a much broader market for sound-related technology and products.

Today, Yamaha is developing and investing in new products other than LSI sound chips for mobile phones, through its "Smart AnaHyM™ Strategy." The strategy entails reinforcing analog (Ana), hybrid (Hy) and MEMS (M) technologies to achieve superior basic performance, while expediting development of the leading-edge AnaHyM product line. Encompassing digital amplifiers, silicon microphones, geomagnetic sensors and mobile codecs, among other products, the AnaHyM product line leverages Yamaha's unique skills in DSP* technology and other forms of "Smart" added value.

Yamaha's electronic metal products business produced lead frame materials and other high-performance alloys through the subsidiary Yamaha Metanix Corporation for many years, until November 30, 2007, when Yamaha sold this business, transferring 90% of the shares in Yamaha Metanix to Dowa Metaltech Co., Ltd.

* Digital Signal Processor/Processing (DSP) is a general term for the digital signal-processing technologies used to process and generate sounds and music. This includes many unique technologies developed by Yamaha. Practical applications include the sound controls in AV equipment, effects used in professional mixing consoles, sound-generating chips in mobile phones and 3D sound technologies.

Performance Overview

In the electronic equipment and metal products segment, Yamaha's efforts in fiscal 2008 focused on infrastructure development to strengthen the "Smart AnaHyM Strategy," by which the Company aims to cultivate new growth sectors in the semiconductor business.

Although sales of digital amplifiers, LSIs for amusement equipment and onboard LSIs for vehicles were brisk, demand for mobile phone sound chips declined as handset manufacturers turned to sound-generating software, particularly in overseas markets. As a result, sales in the semiconductor business declined year on year.

In the electronic metal products business, sales declined due to the fact that Yamaha Metanix was sold to Dowa Metaltech, as mentioned previously, and was therefore excluded from the scope of financial consolidation for the second half.

As a result, sales in the electronic equipment and metal products segment fell 17.9% year on year, to ¥45.0 billion. Operating income contracted 39.9% year on year, to ¥1.9 billion, reflecting the drop in sales from the semiconductor business and the absence of second-half profits from the electronic metal products business.

With regard to performance by product, LSI sound chips for mobile phones recorded decreased sales overseas, where sound-generation software has replaced sound chips. Meanwhile in Japan, the expanded functions of Yamaha products were well-received by a significant number of customers, despite an adverse market environment characterized by reluctance to purchase mobile phones.

Sales of digital amplifiers increased sharply. Yamaha's excellent sound quality based on its unique circuit technology was well-received in the market, where low heat generation and low power consumption are increasingly in demand, and applications are expanding to include mobile phones and flat-panel TVs.

Sales of LSIs used in amusement equipment increased, thanks to the popularity of new graphics LSIs launched during fiscal 2008.

As for silicon microphones—a key element in the medium-term management plan—mass production and shipments successfully started in March 2008, although there was a delay in the launch.

Market Trends and Business Strategy

Yamaha will continue endeavoring to maintain the position of the segment's core business, LSI sound chips for mobile phones, while taking active measures to expand sales of audio and graphics chips for amusement equipment and onboard LSIs for vehicles. The Company also intends to upgrade and expand its capacity to develop and manufacture digital amplifiers and silicon microphones, in an effort to turn its AnaHyM product line into a new engine of growth for the semiconductor business.

Going forward, the business environment for LSI sound chips for mobile phones is likely to remain harsh, and unit prices may fall further as sound-generation software continues to replace LSI sound chips, particularly in overseas markets. Yamaha will work to strengthen this business by offering extensive support, product development, and value-added proposals to telecoms carriers and handset manufacturers, while developing LSI sound chips combined with non-sound-source devices (codec, silicon microphones, etc.).

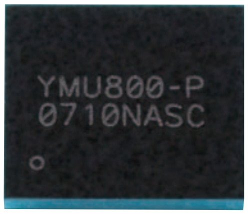
Yamaha expects demand for digital amplifiers to continue rising as these products are adopted in a wider range of applications, including mobile phones, flat-panel TVs and amusement equipment. The Company plans to introduce products with new functions, such as automatic sound optimization technology, to leverage demand from the rapidly growing market for flat-panel digital TVs.

Demand for silicon microphones is also rising, particularly from the mobile phone industry, since these components are much more compact and can be surface-mounted easily, unlike conventional microphones. Yamaha will continue its efforts to expand its customer base, develop new products and solidify its production base.

Yamaha Kagoshima Semiconductor Inc., a manufacturing subsidiary, is investing in new production lines for silicon microphones in addition to normal annual renewals of manufacturing machinery, in an effort to boost production efficiency.

Through these efforts, Yamaha expects the semiconductor business to generate ¥45.0 billion in net sales and an operating income of ¥5.0 billion in the fiscal year ending March 31, 2010.

Graphics LSI
YGV631



High-quality audio codec LSI
YMU800

Silicon microphone
YAM551


Yamaha Kagoshima Semiconductor Inc.


Clean room

Lifestyle-Related Products

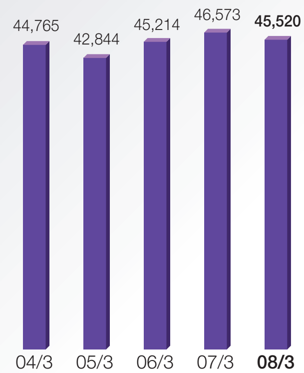
Key Policies and Priority Measures in Fiscal 2008

- Develop a growth strategy centered on kitchen products
  Develop product line categorizations: luxury / moderately-priced / entry-level
- Realign sales and marketing activities to match market needs (open new showrooms, expand remodeling business)
- Continue efforts to differentiate products from those of competitors (artificial marble, Sound Shower™, etc.)
- Reduce costs by standardizing products and reducing production lead times

Fiscal 2008 Highlights

- Sales of system kitchens increased 7% year on year owing to new sales promotion strategy
- Number of visitors to the showrooms increased as expansion and relocation of showrooms continued

Net Sales
(Millions of Yen)



Business Outline

The lifestyle-related products segment is mainly composed of system kitchens, system bathrooms and washstands. Yamaha Livingtec Corporation is the principal Yamaha Group subsidiary in this segment. The company's artificial marble production process and advanced coating and wood-processing technology allow it to offer high-quality, highly functional products that closely match customer tastes and preferences. The company is currently restructuring its production system, including the streamlining of production processes and the reinforcement of its procurement system in order to improve profitability.

System kitchen
DOLCE™

Performance Overview

In fiscal 2008, business conditions in the market for home fixtures and equipment were very challenging. Revisions to the Building Standards Law, which went into effect in June 2007, led new housing starts to drop off dramatically compared with the previous year. Even demand for refurbishing, structural additions and home remodeling was weak. Sales in Yamaha's lifestyle-related products business fell 2.3% from the previous year, to ¥45.5 billion. In addition to the decline in revenues, soaring raw materials costs combined with a reduction in unit prices to erode the gross profit margin. As a result, operating income contracted 48.8% to ¥0.6 billion.

By product, sales of system kitchens with artificial marble sinks increased steadily, led by the moderately-priced berry™ product line. However, sales of system bathrooms dropped off sharply compared with the previous year. Although Yamaha Livingtec introduced new system bathroom products in the mid- and upper-level price range, sales of these items were not enough to offset the drop in new housing starts and declining unit prices caused by increased competition.

Three years ago, Yamaha Livingtec launched a major restructuring effort which included a thorough review of its business design. The company addressed six issues related to its business processes, and has been working to implement these reforms one by one. In fiscal 2008, the company focused its efforts on the expansion and relocation of showrooms, as well as showroom staff training, with the aim of reinforcing the remodeling business—one sector in which the company expects to achieve growth.

Market Trends and Business Strategy

The Japanese market for home fixtures and equipment faces a serious challenge, as demographic trends show a decline in the number of "nuclear family households," creating a slump in new housing demand. This is compounded by a drop in the unit prices for moderately-priced housing, together with the impact of rising prices for raw materials. In light of these developments, Yamaha's competitors have all been shifting their focus to the remodeling business, so competition is likely to intensify further in this market.

In response, Yamaha Livingtec has adopted a business model aimed at enhancing competitiveness to ensure a market advantage, thereby increasing sales and improving profitability. In this regard, Yamaha's medium-term management plan "YGP2010" sets a sales target for the segment of ¥56.0 billion for fiscal 2010, and a ¥3.0 billion operating income target. To meet these goals, the company aims to boost sales of high-value-added artificial marble products by expanding its lineup of higher-priced luxury offerings. In addition, the company will take steps to improve profitability through focusing on growth in the remodeling business and implementing fundamental reform of its production structure.

Yamaha Livingtec's artificial marble technology is one factor that lends the company a competitive advantage in this business. It reproduces the beauty and solidity of natural marble, and also is highly heat-resistant and impact-resistant. Moreover, it can always be re-polished to restore the finish to "good-as-new" condition. Yamaha Livingtec is currently promoting its MARBLE CRAFT™ brand to establish it as the world's best artificial marble and expand its share of the market for luxury system kitchens and system bathrooms.

As regards the sales network, Yamaha Livingtec is restructuring its current sales and marketing system, and introducing marketing techniques which focus on direct contact with the final consumer. The company is focusing particularly on home remodeling and redecorating, aiming to strengthen its presence in this market segment by building a reputation for high-quality luxury system kitchens and system bathrooms. Therefore, it is working to cultivate sales channels that specialize in remodeling work and taking steps to improve the marketing impact of its nationwide network of 42 showrooms (as of May 2008). For example, the company is conducting special events and "hands-on" demonstrations, and staffing the showrooms with trained personnel who can answer questions about remodeling needs in order to cultivate sales from individuals who might be planning to remodel their homes. The showrooms and sales offices are also trying to develop stronger ties to people who live nearby and are upgrading the level of after-sales service provided, in order to create an established customer base. Finally, the company is trying to attract new members for the "Yamaha Reform Club" in order to broaden the range of companies with which it does business in remodeling sales channels.

As regards fundamental reform of its production structure, Yamaha aims to cut costs by ¥3.0 billion and improve manufacturing productivity 30% by the fiscal year ending March 31, 2010. To achieve its goal, the company will focus, in particular, on greater sharing and standardization of components, increased procurement from overseas suppliers and a reorganization of the logistics system.

Yamaha Livingtec showroom in Kawagoe, Japan

The "Hands-on" Showroom

A cooking demonstration in a model kitchen

Visitors can actually try out the model bathroom

System bathroom
Beaut™

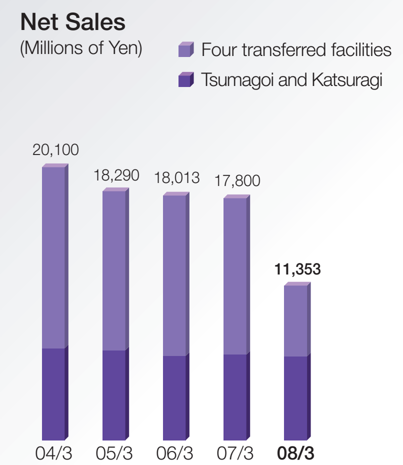
Recreation

Key Policies and Priority Measures in Fiscal 2008

- Achieve smooth handover of the four resort facilities (Kiroro, Toba Hotel International, Nemunosato and Haimurubushi)
- Further enhance the value of the remaining two resort facilities (Tsumagoi and Katsuragi-Kitanomaru / Katsuragi Golf Club)

Fiscal 2008 Highlights

- The transfer of the four resort facilities mentioned above was completed as of October 1, 2007
- Katsuragi-Kitanomaru / Katsuragi Golf Club conducted promotional activities through hosting a golf tournament



Business Outline

During fiscal 2008, Yamaha sold its shares in the subsidiaries which operated Kiroro, Toba Hotel International, Nemunosato and Haimurubushi to Mitsui Fudosan Resort Co., Ltd., and transferred all operating assets of these subsidiaries to the new owner as of October 1, 2007. The recreation business now comprises the operations of two subsidiaries: Tsumagoi Co., Ltd., and Katsuragi Co., Ltd. which operates a golf club and an accommodation facility.

Tsumagoi™ Music Garden

Katsuragi Golf Club™

Performance Overview

Sales in the recreation segment declined 36.2% year on year in fiscal 2008, to ¥11.4 billion, reflecting the loss of sales from the four subsidiaries transferred to Mitsui Fudosan Resort. These companies were excluded from the scope of consolidation for the second half, which resulted in the improvement of the operating loss to ¥1.1 billion. Details of the financial performance of the two remaining facilities are provided below.

Tsumagoi™

Tsumagoi is a multipurpose resort facility that offers visitors a variety of musical entertainment and sports facilities. A number of music concerts were held during fiscal 2008, and the use of the facilities for long-term accommodation, such as school trips and corporate training, bolstered revenues. However, sales revenues from weddings fell sharply, mainly due to increased competition from refurbishment of nearby wedding facilities.

Katsuragi-Kitanomaru™/ Katsuragi Golf Club™

During fiscal 2008, the Company took a first step toward financial stability, having completed a major project to restore greens and refurbish facilities in fiscal 2007. Katsuragi-Kitanomaru sought to increase both hotel guests and daytime visitors, while Katsuragi Golf Club made efforts to attract more players. However, demand from corporations and tour groups remained weak, and the number of visitors failed to increase as much as anticipated. Furthermore, preparations for a golf tournament held in April 2008 pushed up operating expenses, causing the resort to book an operating loss for the fiscal year.

Market Trends and Business Strategy

Yamaha will focus its management resources on the two remaining facilities, upgrading the quality of all amenities at Tsumagoi and Katsuragi-Kitanomaru / Katsuragi Golf Club, and making these resorts as attractive as possible to prospective customers. In this way, the Company seeks not only to improve its profitability, but also to ensure that the facilities make a positive contribution to Yamaha's brand image. Yamaha's medium-term management plan "YGP2010" sets a sales target of ¥7.0 billion for the recreation segment and aims to achieve a positive operating income in the fiscal year ending March 2010.

Tsumagoi™

Resort-related spending in Japan is not expected to increase significantly in 2008, yet resort operators will need to address the challenge of rising expenses due to soaring crude oil prices and higher food prices.

Tsumagoi will try to address this challenge by stepping up its marketing efforts while trying to keep cost increases to a minimum. Specifically, the resort will try to develop vacation packages for individual guests, tailored to appeal to baby boomers and women. Tsumagoi will also continue its efforts to attract tour groups, corporate training retreats, and other corporate and group-related business.

Katsuragi-Kitanomaru™/ Katsuragi Golf Club™

Katsuragi-Kitanomaru offers authentic Japanese-style accommodations and high-quality service. The hotel is stepping up its marketing activities in an effort to provide hotel accommodations and dining facilities not only to members of Katsuragi Golf Club, but also to overnight and daytime guests who are not golfers.

Katsuragi Golf Club faces intensifying price competition from other nearby golf courses, and it is having difficulty attracting customers from the Tokyo metropolitan area. Although the business environment is likely to remain harsh, there are signs of recovery, particularly in demand from corporate customers.

Going forward, the golf club is stepping up marketing activities in an effort to differentiate itself from other golf courses in the area. Along with the "Yamaha Ladies Open Katsuragi" hosted in April 2008 for the first time in 16 years, the golf club is taking steps to raise its profile by hosting regular professional golf tournaments and hiring famous professional golfers to provide lessons, among other measures.

Katsuragi–Kitanomaru™

Tsumagoi™ Spa

Yamaha Ladies Open Katsuragi

Tsumagoi™

Others

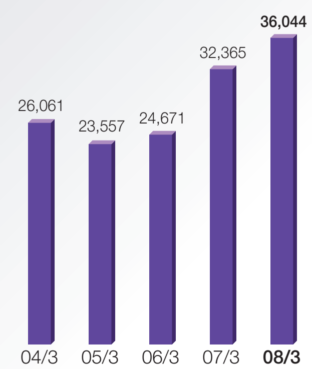
Key Policies and Priority Measures in Fiscal 2008

- Conduct continuous publicity and promotional activities, centering on the inpres brand, to boost sales in the golf products business
- Transfer automobile interior wood components business to Yamaha Fine Technologies, in order to develop business synergy
- Improve flexibility in responding to fluctuations in orders in the metallic molds and components business, and take steps to improve production yields

Fiscal 2008 Highlights

- Sales and income from the golf products business increased substantially as the inpres brand achieved rising levels of recognition
- The income from automobile interior wood components used in luxury cars increased year on year, owing to more reliable, improved product quality
- Sales in the metallic molds and components business rose compared with the previous year, but profits declined due to deteriorating production yields for magnesium parts

Net Sales
(Millions of Yen)



Business Outline

The others segment encompasses the parent company's golf products business, and the automobile interior wood components, metallic molds and components, and factory automation (FA) equipment operations of a consolidated subsidiary, Yamaha Fine Technologies Co., Ltd. All of these operations are based on the technology, expertise and high standards of quality that the Company acquired from crafting musical instruments. For example, the automobile interior wood components business makes use of the appeal of natural wood by applying wood processing, coating and precision molding technologies cultivated through piano manufacturing. The resulting components are used primarily in luxury car interiors. In addition, Yamaha's integrated production technologies for manufacturing lightweight, strong magnesium casings used in products such as digital cameras originally derived from the metallic mold technology Yamaha developed to produce parts for musical instruments. Many of Yamaha's precision machines and industrial robot systems, as well as many of its leakage inspection devices, also originated from the requirements of musical instrument mass manufacturing and its rationalization.

Golf club
inpres™X 4.6D

Performance Overview

In fiscal 2008, sales in this segment rose 11.4% compared with the previous fiscal year, to ¥36.0 billion, and operating income soared 118.0%, to ¥1.7 billion. This result mainly reflected buoyant sales of golf products, which enjoyed brisk demand both in Japan and other Asian countries, and increased sales of magnesium parts to manufacturers of digital single-lens reflex cameras.

In the golf products business, both sales and income posted substantial growth, which resulted mainly from enhancement of the product lineup, particularly in high-trajectory drivers, as well as aggressive advertising and marketing activities, and promotional campaigns with well-known professional golfers under contract.

Sales of automobile interior wood components also increased, and profitability improved dramatically, as the business was transferred to Yamaha Fine Technologies and stability in product quality was achieved.

In the metallic molds and components business, the company increased its production for magnesium parts, to address surging demand from expansion of the single-lens reflex camera market. However, delay in production yield improvement led income to decline year on year.

Business conditions in the FA equipment business were brisk, with sales rising year on year.

Market Trends and Business Strategy

Golf Products

Market conditions for fiscal 2009 are expected to be challenging in the second half, as the replacement demand generated by new product standards for golf clubs in Japan is likely to begin tapering off. Yamaha is focusing its marketing efforts on wealthy individuals in their 50s and 60s with a preference for top-quality name brands; the Company has carefully surveyed and analyzed this user segment and is using the data to support product development and sales promotion efforts. Going forward, Yamaha intends to expand its product lineup, focusing on high-end products, to support growth in both the Japanese and overseas markets. Japanese marketing efforts will focus on the large-scale chains of golfing supply retailers that have established nationwide networks of stores. Overseas, the Company plans to enhance operations in South Korea, where sales of golf products show steady growth, as well as in the burgeoning Chinese market. Meanwhile, the Company will accelerate product development efforts and reinforce R&D staff in an effort to differentiate its products from those of competitors.

In April 2008, Yamaha Corporation and Yamaha Motor Co., Ltd. sponsored the "Yamaha Ladies Open Katsuragi" golf tournament. Leveraging this event, the Company aims to raise its profile in the golf industry and demonstrate its proactive approach toward the golf business, making this business a driver for development of the Company's operations going forward.

Automobile Interior Wood Components

Yamaha's automobile interior wood components business will continue to supply high-value-added wood fixtures for luxury cars. At the same time, the company intends to maintain its edge in the global competition between rival suppliers by enhancing its cost-competitiveness through lead time reduction and production yield improvement. Going forward, the company will also be striving to elevate its brand image in interior wood components for luxury cars, further stepping up its efforts with regard to overseas markets and actively proposing innovative designs to foreign automakers based on the appeal of natural wood.

Metallic Molds and Components

In the metallic molds and components business, Yamaha is responding to growth in the market for digital single-lens reflex cameras by seizing opportunities for reliable earnings. To this end, Yamaha is increasing its productivity for magnesium parts and working to improve production yields. In addition, the company seeks to expand the business through cost reduction efforts and developing mass production technology for composite materials. It also aims to respond to the further expansion expected in the market for magnesium parts by investing ¥2.0 billion to establish production facilities for magnesium casings in China during fiscal 2009.

Factory Automation (FA) Equipment

In the FA equipment business, Yamaha aims to increase sales of precision machines for production equipment used in the IT industry to make flexible printed circuit boards and leakage inspection devices used by automakers to detect microscopic leaks in auto parts.

Under Yamaha's medium-term management plan, the Company aims to increase sales in the others segment to ¥34.0 billion in fiscal 2010, with an operating income of ¥2.5 billion.

Gas leakage inspection device

Automobile interior wood components

R&D and Intellectual Property

Technological expertise underpins the Yamaha Group's base of broad operations. Yamaha invests substantially in research and development (R&D) activities that support its progress in advanced technology. Securing, protecting and utilizing related intellectual property is another prime aim at Yamaha Group to ensure that the Company retains and enhances its competitive technical edge.

Research and Development

Core Technologies and Business Direction

Yamaha leverages the core technological expertise that it has acquired over many years in the fields of sound and music to increase the value of the Yamaha brand and to stimulate new demand by developing and offering innovative, high-quality products and services. At the same time, the Company has cultivated an excellent global reputation for original design. This attracts customers worldwide while boosting the competitiveness of the product range and raising the Yamaha brand profile. Core technical expertise and innovative product design constitute important functions for Yamaha.

Going forward, Yamaha will focus attention on developing network-based sound technologies that bring about "sound-filled" lifestyles, as well as materials and devices connected with human senses and emotions. By doing so, Yamaha can generate new business opportunities using its expertise in sound, and continue expanding as "the sound professional" company, even in the realms of human voice and environmental sound. The Company is working, for instance, on blending acoustic, digital signal processing and network technologies to enable sound to become the basis for important aspects of home life, such as conveying information or security.

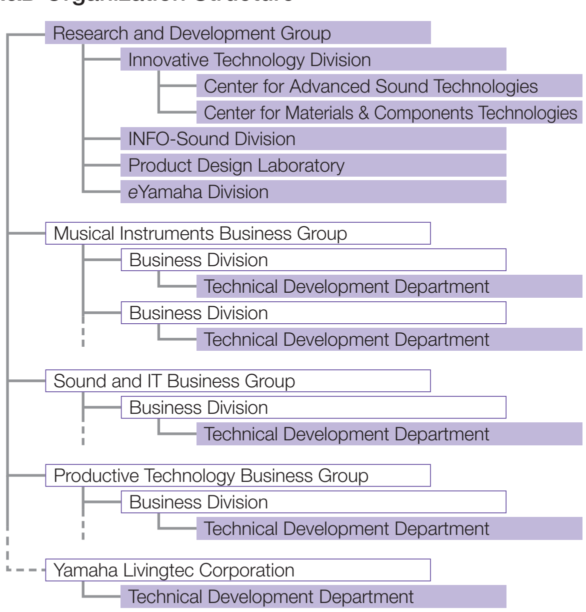
To further its use of core technologies to support future business, Yamaha invests in core technology improvement as well as employee training to ensure that these skills are passed on and nurtured within its workforce. Other key aspects of R&D at Yamaha include programs to maintain and upgrade technologies for product development and manufacturing. These efforts strengthen the Yamaha brand and boost the value of the Company's intellectual property and other intangible assets.

R&D Organization

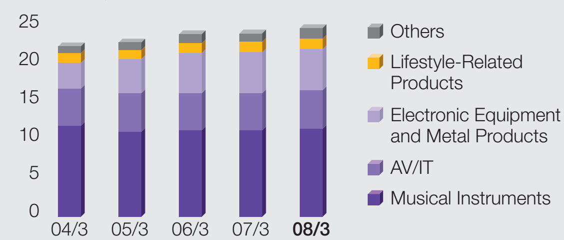
R&D at Yamaha comprises three elements. First, technical departments attached to each business segment work on product development. Second, the Innovative Technology Division and the INFO-Sound Division focus on new research and technical development projects spanning the entire Company. Third, separate Companywide project teams work on specific strategic research and product development themes.

Within the Innovative Technology Division are separate R&D centers—the Center for Advanced Sound Technologies for comprehensive R&D of musical instruments, audio equipment, electronic equipment and software, and the Center for Materials & Components Technologies for new materials and devices. In addition, the INFO-Sound Division develops technologies for new sound systems. The Companywide project teams, meanwhile, include the *e*Yamaha Division, which promotes R&D into new business models for the Internet age.

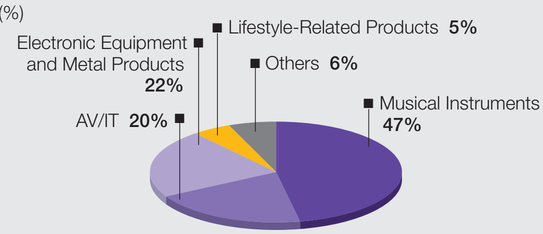
R&D Organization Structure



R&D Expenses
(Billions of Yen)



R&D Expenses by Business Segment
(Year ended March 31, 2008)
(%)



Total = ¥24.9 billion

In addition, Yamaha conducts most of its product design in-house at the Product Design Laboratory, which holds two Design Studios in Tokyo and London. Yamaha continually works to bolster its structure with a view to being a leader in high-quality product design with a fresh, cutting-edge feel to it.

R&D Achievements

TENORI-ON™

TENORI-ON is a revolutionary new digital musical instrument with a unique interface which allows even someone with no knowledge of music to compose and play music intuitively and visually. In 2002 Yamaha began collaborating with Toshio Iwai, an internationally renowned media artist, to develop a new type of digital musical instrument, and later succeeded in developing TENORI-ON through combining Mr. Iwai's creativity and Yamaha's digital musical instrument technology.

Even before the product was officially released, it won the Interaction Design Prize (the Minister's Prize from the Ministry of Economy, Trade and Industry, Japan) at the 2005 Good Design Awards. During fiscal 2008 it was selected as one of the "25 Most Innovative Products of the Year" by *PC World* magazine in the U.S. It was also nominated for the "Brit Insurance Design of the Year Awards," sponsored by London's Design Museum, in the product category, thereby receiving tremendous critical acclaim.

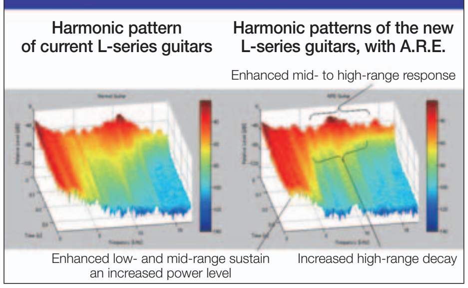
VOCALOID™

VOCALOID is a vocal synthesizing software program, launched in 2003, which creates genuine-sounding computer-generated vocals. A songwriter simply inputs the melody and words to their PC, and the computer generates the vocal track. The software draws upon an extensive database of actual vocal recordings, referred to as the "vocal library," in order to generate the sounds. Since it preserves the acoustic properties of the human voice, the computer-generated tracks sound identical to real vocalists. VOCALOID applies a synthesizing method based on signal processing technology in a frequency domain Yamaha developed through years of research into signal processing technology in music and human voices. During fiscal 2008, Crypton Future Media, Inc. released a software program named *Hatsune Miku*, which it developed using this technology under license from Yamaha. The product has been extremely well received, and is earning acclaim for the Company's technology.

Yamaha's Wood Reforming Technology for Acoustic Guitars

Acoustic Resonance Enhancement (A.R.E.) is a technology which Yamaha developed to alter the resonant qualities of wood. The technology was derived from the Company's basic materials research conducted on the properties of wood, a basic component in a wide range of musical instruments. By carefully controlling the temperature, humidity and pressure, which affect the micro-structure of wood, the molecular properties of the wood can actually be manipulated to match the ideal acoustic conditions of the wood in an instrument that has been played for decades. The process uses no harmful chemicals, and is therefore environmentally friendly. Guitars which are made using this technology have superior resonance and vibration characteristics, sustaining tones in the low- and mid-ranges while delivering increased high-range response and shorter delay after the attack. This gives the guitars clearer notes with no discordant harmonic overtones and a warm, "vintage" sound quality.

Acoustic spectrum measurements through the use of A.R.E.



Acoustic Design in Refurbishing Waseda University's "Okuma Auditorium"

Though the Company's main business focuses on musical instruments, Yamaha is well aware of the fact that the instruments themselves contribute only one dimension of an acoustic field. For musical instruments to sound impressive in a large space, such as a concert hall, the architectural and acoustic design of any amplification system must also be carefully considered. Over the past 20 years Yamaha has supervised more than 200 projects to build music venues, including the refurbishment of older halls, offering sound design assistance to create an ideal acoustic environment. Yamaha has earned a strong reputation for acoustic design by carefully studying, analyzing and testing the architectural structure and electrical acoustic design of each venue and trying to design an optimal acoustic space to match these characteristics.

In supervising the remodeling project for Waseda University's "Okuma Auditorium," Yamaha took great care to preserve the historical character of the hall while trying to modernize the building, in an effort to match the original design and acoustic qualities as closely as possible. To accomplish this, it was necessary to repair the materials used in the walls and ceilings, redesign the audience seating and floor sections, and also replace the electrical sound system. In addition to replacing the entire sound system with digital equipment, Yamaha redesigned the speakers to best match the acoustic qualities of an indoor performance hall, giving it a more natural-sounding volume and clarity.

Waseda University's "Okuma Auditorium"

Intellectual Property

Patents

The graphs below illustrate the number of Yamaha patent applications published in Japan and the number of patents owned at the end of March 2008 by Yamaha geographical and business segments. The musical instruments segment accounts for over 40% of Yamaha's published patent applications in Japan and for more than 60% of all the patents owned by the Company. Recently, growth in the number of patent applications filed by the Company in China has contributed to the number of Yamaha-owned patents.

Patent Strategy

Patent Acquisition

Yamaha makes every effort to ensure that its patent strategies are coherent with its business development plans. In this respect, Yamaha has formulated patent strategies which contribute to the major themes central to its "YGP2010" medium-term management plan, namely, "achieve growth in 'The Sound Company' business domain" and "further strengthen profit-making capability as the foundation for growth." To meet the objective of its first policy, Yamaha is heightening efforts to foster innovation and to promote patent acquisition with respect to the innovation. Yamaha seeks to meet the objective of the second policy by continually obtaining patents in Japan and abroad that help to protect its existing businesses.

Yamaha has also identified priority themes for patent acquisition in each business segment with the intention of establishing a strong patent portfolio. These target themes are summarized below.

- **Musical instruments**
  Network-related technologies, new-concept musical instruments, commercial audio equipment-related technologies
- **AV/IT**
  Sound field control technologies, network-related technologies
- **Electronic equipment and metal products**
  Sound-related devices
- **Lifestyle-related products**
  Kitchen and bathroom-related technologies

Yamaha promotes patent filings and rights acquisition in its others segment as well. The aim is to achieve filings and acquisitions commensurate in number with the scale of each business.

Companywide R&D focuses on patent filings in areas related to audio signal processing technology as a major theme. By instilling a patent-oriented viewpoint in management for each stage of development, Yamaha promotes an aggressive approach to patent filings in accordance with the R&D progress for all key R&D themes, without exception.

Patent Use

Patents are regarded by all Yamaha business segments as fundamental to commercial differentiation and to securing and maintaining an advantageous business position. Yamaha's AV/IT and electronic equipment/metal products segments make use of cross-licensing arrangements to augment their operational freedom. In its AV/IT segment, for example, Yamaha is engaged in patent licensing to third parties for optical disk recording technology.

Yamaha also aims to maintain its intellectual property assets in the most appropriate manner. An annual review of all Company-owned patent rights in Japan and elsewhere is conducted to determine current and future uses of respective patents. Patents to be maintained are then selected and a maintenance fee paid, thereby ensuring the appropriateness of intellectual property assets owned by the Company.

Patent Management Systems and Methods

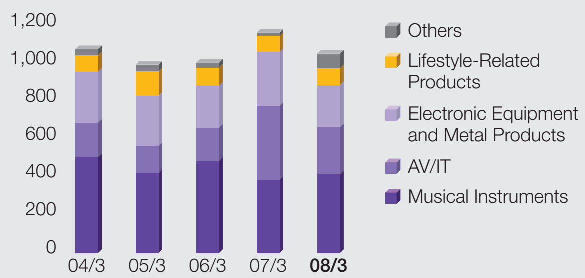
A corporate Legal & Intellectual Property Division oversees Yamaha's patent strategy and the integrated management of all patents held by the Yamaha Group. Specific personnel at each business and R&D division are assigned to intellectual property roles to ensure the Company's patent strategy is coherent with business and R&D strategies. Yamaha also holds regular meetings between each business and R&D division and the Legal & Intellectual Property Division, with the objective of promoting an integrated patent strategy at the Group level.

"Respect for intellectual property" and "the securing of confidentiality" are also key concepts in Yamaha's Compliance Code of Conduct, which forms part of the code of conduct for Yamaha Group personnel and member firms.

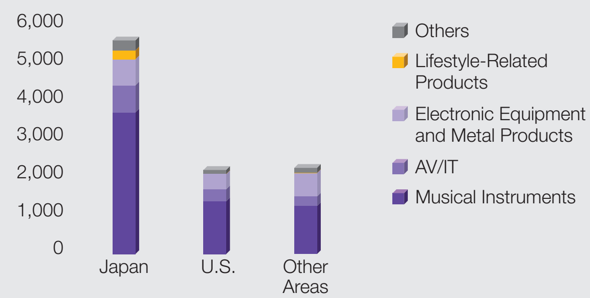
Internal Incentives for Inventions and Patents

Yamaha revised internal regulations on patent rewards in 2005. The Company remunerates inventors at the various stages of patent acquisition and use, including filing, registration, internal use and any outward licensing. The payments are to reward inventors and to provide an incentive for invention. In the course of amending corporate regulations on patent rewards, Yamaha has incorporated steps required by the Patent Law, and carried out an increase in reward payments.

Yamaha Patent Applications Published in Japan
(Number of patents)



Patents Owned by Yamaha (as of March 31, 2008)
(Number of patents)



To encourage increased patent applications and registrations, Yamaha also strives to cultivate a dynamic corporate culture that values innovation and that honors the achievements of inventors. The Yamaha patent awards are held annually to recognize inventors who have made aggressive efforts to create inventions, patent filings and patent registrations, and to recognize inventions with significant potential and their originators.

Designs

The graph below right shows the number of registered designs owned by Yamaha at the end of March 2008. The musical instruments segment accounts for about 70% of the total. Yamaha has boosted the number of product design applications made to the Chinese patent office in recent years as part of countermeasures against counterfeit products.

Copyright and Other Rights

Besides industrial property rights, such as patents, designs and trademarks, the Yamaha Group generates numerous intellectual property in the form of copyright works, mostly in the field of sound and music. Since music-related copyright is of particular importance to the Company in terms of intellectual property, Yamaha strives to ensure its proper management and use, taking legal measures when necessary. Specifically, the musical data, or automatic accompaniment style data, incorporated in digital musical instruments is an extremely important form of intellectual property, since it requires sophisticated creative capabilities and major investment.

Recently several manufacturers were found to be illegally copying and using this type of style data, and Yamaha took legal measures against the companies in question. Going forward, the Company will continue to work to respect and protect intellectual property and to take a resolute stand against the infringement of intellectual property rights.

Brand Management

Yamaha has taken various initiatives to maintain and enhance the value of its brand. In 1986, the Company established regulations for its management, also setting up a brand management committee and refining rules regarding brand representation to ensure appropriate usage. In 2007, the Company established the Joint Brand Committee in conjunction with Yamaha Motor Co., Ltd., thereby working to maintain and enhance the value of the brand as an asset that it shares with Yamaha Motor.

Going forward, Yamaha will develop and utilize its brands more strategically by extending rigorous management beyond the main Yamaha brand to product- and service-related sub-brands.

Anti-Counterfeiting Measures

Yamaha has pursued a proactive policy for more than 10 years against the counterfeiting of its products. By using bureaucratic and legal routes, Yamaha seeks actively to expose and stop such counterfeiting practices, with some success. Since cases of other firms seeking to copy Yamaha-branded goods have become more frequent in recent years, Yamaha plans to adopt a more aggressive legal posture, including filing lawsuits against infringers, to preserve its brand value and to retain consumer trust in the Yamaha brand. Yamaha also takes anti-counterfeiting measures in alliance with other companies in diverse industries.

Intellectual Property Risk

At the time of this report's publication, the Yamaha Group was not involved in any intellectual property dispute with the potential to have a significant impact on the Company's business.

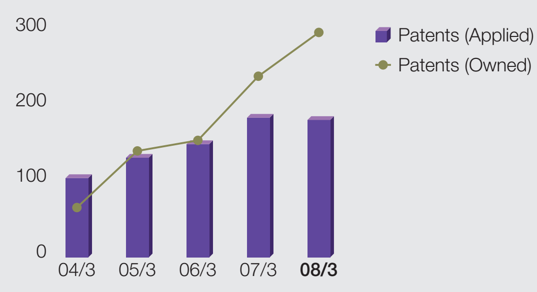
Style Data Litigation in China

In November 2006, Yamaha brought a lawsuit regarding copyright infringement against China's Deli Electronics (Shenzhen) Co., Ltd. and three other companies in the Beijing Second Intermediate People's Court. The lawsuit was prompted by Yamaha's discovery that Deli Electronics (Shenzhen) had illegally copied the style data for automatic accompaniment contained in Yamaha's portable keyboards (a total of 425 style data), incorporating the data in MEDELI-brand digital musical instruments, which were subsequently sold. Yamaha demanded redress, including an injunction on manufacturing and sale of the relevant products, compensation for damages and apology.

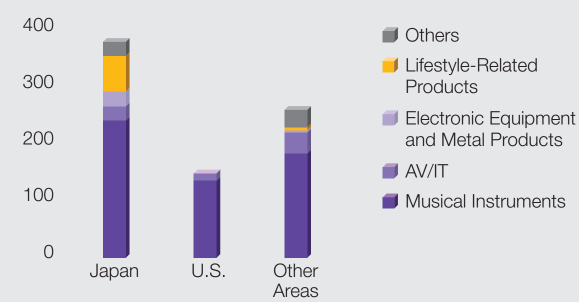
In December 2007, the Court ruled in favor of Yamaha with regard to the preceding portion of its deliberations on evidence involving 26 of the style data. Subsequently, in April 2008, a final settlement arbitrated by the Court was reached with regard to the remainder (involving around 400 style data), based on the Court's previously issued judgment.

The judgment set the world's first legal precedent for recognizing copyright in style data, which is a valuable form of intellectual property for Yamaha. This has created a powerful deterrent to similar types of incidents occurring in future, and enabled injunctions to be issued promptly when such incidents do occur.

Patents Applied for and Owned by Yamaha in China
(Number of patents)



Registered Designs Owned by Yamaha (as of March 31, 2008)
(Number of designs)



Corporate Governance and Corporate Social Responsibility (CSR)

- Yamaha reinforced the Internal Auditing Division to refine the framework for enhancing a companywide monitoring system.
- Yamaha established a unit dedicated to CSR within the General Administration Division.

Fundamental Concept

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

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

In order to achieve its goal, the Company aims to establish high-quality management that is also transparent and efficient by improving its business structures and systems, by implementing all necessary measures, and by disclosing information in a timely manner.

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

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

The Board of Directors at Yamaha consists of nine directors, including one representative director and one outside director. The Board of Directors oversees the management function of the Yamaha Group, with directors appointed for a fixed period of one year to clarify management responsibilities.

Yamaha also employs an executive officer system, comprised of 17 executive officers, including one senior managing executive officer and two managing executive officers, to support the Company president, the chief officer in charge of business execution.

The executive officers, who double as Company directors, principally oversee the operational and administrative divisions. As part of this supervision, they manage and direct the divisions within the groups in an appropriate and proper manner and are responsible for the performance of the groups. In addition, an executive officer, distinct from the aforementioned, is assigned to each division within a group, each with responsibility for a key management theme.

An Audit System to Ensure Fair and Transparent Business Practices

Yamaha employs an auditing system headed by its Board of Auditors. The Board comprises two internal and two outside auditors who periodically perform comprehensive audits of all divisions and Group companies, and participate in Board of Directors' meetings and management meetings, with Board of Auditors' meetings generally convened once per month.

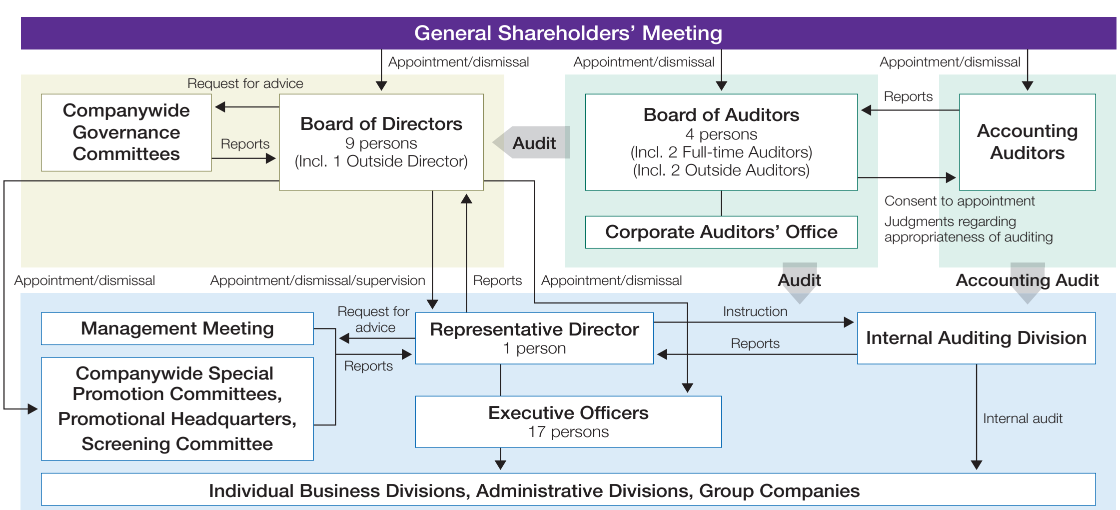
The Internal Auditing Division is under the direct control of the President and Representative Director. Its role is to closely examine and evaluate all activities undertaken at Yamaha and its Group companies from the perspective of legal compliance and rationality. The evaluation results are then used to provide information for the formulation of suggestions and proposals for rationalization and improvement. In the fiscal year ended March 31, 2008, audit reports were submitted to the President nine times.

Fiscal 2008 Activities by Outside Directors and Outside Corporate Auditors

Toru Hasegawa, the outside director, attended 10 of the 13 meetings of the Board of Directors held in fiscal 2008. In addition, utilizing his experience as a director of a publicly owned company, he made necessary statements as appropriate during the consideration of meeting agenda items, and so forth.

Kunio Miura, an outside corporate auditor, attended all 13 of the meetings of the Board of Directors held in fiscal 2008. He also attended all 14 Board of Auditors' meetings, and mainly made statements from his specialist standpoint as a lawyer.

Yasuharu Terai, an outside corporate auditor, attended all 13 of the meetings of the Board of Directors held in fiscal 2008. He



(As of June 25, 2008)

also attended all 14 Board of Auditors' meetings, and mainly made statements based on his experience and insight as a management executive.

Remuneration for Directors and Corporate Auditors

The amount of remuneration, etc. paid to directors and corporate auditors in fiscal 2008 is outlined below.

Directors: Eight persons ¥459 million
(including ¥5 million to one outside director)

Corporate Auditors: Four persons ¥80 million
(including ¥11 million to two outside corporate auditors)

Notes:
1. The remuneration amount includes the directors' and corporate auditors' bonuses of ¥120 million in the aggregate, comprising ¥102 million in directors' bonuses (including ¥1 million for the outside director) and ¥18 million in corporate auditors' bonuses (including ¥2 million for outside corporate auditors) for fiscal 2008, the year under review.
2. At the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, a proposal regarding the lump-sum payment of retirement allowances to directors and corporate auditors upon the abolition of the retirement allowance system was approved. Based on that resolution, in addition to the amount of remuneration mentioned above, an aggregate amount of ¥197 million in retirement allowances was paid to one director and one corporate auditor who retired from office upon the conclusion of the 183rd Ordinary General Shareholders' Meeting. In addition, Yamaha paid an aggregate amount of ¥25 million in retirement allowances to one director and one corporate auditor who retired as of the conclusion of the 184th Ordinary General Shareholders' Meeting held on June 25, 2008.
   The abovementioned payment amounts are the amounts calculated based on the respective terms of office served by directors and corporate auditors as of the end of June 2006.

Support System for Outside Director and Outside Corporate Auditors

Yamaha explains matters to be reported or resolved at the Board of Directors' Meetings to the outside director individually, as required.

In the case of proposals to be submitted to meetings of the Board of Directors and the Board of Auditors attended by outside corporate auditors, a full-time staff member working for the corporate auditors sends documents and other materials to the outside corporate auditors prior to the meeting and provides explanations as required so that they are able to perform a complete preliminary study. With regard to other material matters, the Company also strives at all times to maintain an efficient auditing environment by providing information, supplying materials, listening to opinions, supporting research, collecting information, etc.

Refining the Yamaha Group's Internal Control System

Yamaha refines its internal control system to maximize efficiency in all its business activities, improve the reliability of its accounting and financial information, ensure full legal compliance, improve asset safeguarding, and enhance its risk management. With regard to redeveloping internal controls over financial reporting, which the Company has been promoting within the project team, the Company transferred functions to the Accounting & Finance Division and newly established a group assigned to internal control over financial reporting in April 2008. Furthermore, in addition to existing audits, the Internal Auditing Division will promote the systemization of Companywide internal control system monitoring.

Companywide Governance Committees to Strengthen Corporate Governance

To strengthen corporate governance, Yamaha established the Companywide Governance Committees, consisting of the Compliance Committee, the CSR Committee and the Corporate Officer Personnel Committee.

The Compliance Committee promotes activities across the Yamaha Group aimed at enhancing corporate management compliance with the law and social norms. The Corporate Social Responsibility Committee (CSR Committee) decides themes for the Yamaha Group to promote in order to achieve greater corporate social responsibility.

Since April 2008, a section established as a dedicated organization within the General Administration Division has been responsible for secretariat duties of the CSR Committee. The Company will continue to engage in activities designed to contribute to society through its businesses.

Various other Companywide committees have been established to provide an across-the-board response to critical risk factors, such as those relating to brands, quality and the environment, that may arise during the course of business execution.

Message From Outside Corporate Auditor

Kunio Miura
Outside Corporate Auditor

Emphasizing the objectivity and validity of the decision-making process

I come from a legal background: I have experience in corporate legal affairs as a lawyer, as well as in litigation connected with business execution in which I have represented shareholders. In 2003, I was appointed as an outside corporate auditor of Yamaha Corporation. I assume this was because shareholders expected me to apply the knowledge and experience I had acquired over the preceding years to conducting the Company's audits. During the past fiscal year, I attended all the Company's Board of Directors' and Board of Auditors' meetings, and made a point of attending all corporate meetings as well. From what I observed, Yamaha has established mechanisms and systems for outside corporate auditors to access internal corporate information that are effective even when compared to those of other companies. Moreover, corporate auditors conducted vigorous online discussions. I also endeavored to exchange opinions actively in response to the full-time auditors' reports on the results of regular audits, such as visiting audits.

When the Board of Directors makes important decisions regarding the Company's business execution, I try to confirm whether it has attempted to make legally compliant, rational judgments and decisions based on the so-called Business Judgment Rule. In other words, I check whether at the time of making those decisions sufficient information had been collected and appropriately analyzed, and whether the judgments based on the results of analysis are rational, i.e., whether they are in the interests of shareholders after assessing the merits and demerits, risks and other factors.

An auditor's activities encompass "audits at ordinary times" and "audits at extraordinary times." Particularly in the case of the latter, a situation where a risk has actually occurred, I believe that outside corporate auditors can bring to bear the ability that an objective, third-party viewpoint gives them to conduct audits aimed at minimizing a company's losses.

Fortunately, since I assumed my position I have not encountered a situation where a major risk has materialized. However, by conducting auditing activities based on my objective standpoint as an outsider, I intend to continue to play a role that differs from that of full-time corporate auditors who were formerly employees of the Company, so as to resolutely support sound management activities at Yamaha.

The Yamaha Group's Corporate Philosophy and CSR

Yamaha management endeavors to conduct business with consideration for all of its stakeholders—shareholders, customers, employees and the communities in which the Company operates. As shown below, Yamaha has declared in its corporate philosophy how it will fulfill its social responsibility as a company to each of the four stakeholder categories, and is now aiming to fulfill that responsibility. Going forward, the Company will continue striving to enhance the satisfaction of all stakeholders and work to maximize corporate value.

Corporate Philosophy

Corporate Objective

CREATING 'KANDO' TOGETHER

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

Management Philosophy

Customer-Oriented and Quality-Conscious Management
Yamaha fully satisfies its customers by offering quality products and services that incorporate new and traditional technologies as well as refined creativity and artistry.

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

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

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

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

Yamaha's Approach to Corporate Social Responsibility (CSR)

As the Company's corporate philosophy states, Yamaha is constantly seeking ways to develop its operations sustainably, drawing upon the technologies and resources accumulated in its core businesses as it interacts with each type of stakeholder in an effort to create 'kando' and enrich culture. This philosophy is what underlies all of our CSR activities.

Yamaha pursues CSR activities on a Companywide basis, and in a multitude of ways. Initiatives include compliance activities and product quality assurance, the Company's efforts to communicate openly and continuously with shareholders and to create a comfortable work culture for employees, as well as social contributions such as supporting music concerts and taking environmentally conscious initiatives.

Compliance

Promoting Compliance in Management

- In April 2003, Yamaha established a Compliance Committee and formulated the Compliance Code of Conduct for Company personnel, beginning compliance promotion activities in Japan.
- The Company added several items to the Compliance Code of Conduct in April 2006, including the prohibition of forced and child labor, and other items which take into account the increasingly global nature of Yamaha's operations.
- In April 2008, Yamaha's overseas subsidiaries completed their own respective Compliance Codes of Conduct reflecting the laws of the countries where they operate.

Compliance Promotion Month

- October has been designated as Compliance Promotion Month. Each year, the Company plans and carries out events to increase awareness of compliance issues.
- In fiscal 2008, Yamaha arranged presentations for employees related to harassment in the workplace, and collected slogans and senryu (haiku-like sayings) related to compliance from employees throughout the Group.

Compliance Help Line

- Since the Compliance Help Line was introduced in 2003, it has received and worked to handle reports and consultations related to over 250 incidents.
- During fiscal 2008, 55 incidents were dealt with, including matters at overseas Group subsidiaries.

Principal CSR Activities

Initiatives for Customers

- **Improve product quality through customer surveys**

Since fiscal 2006, the Pro Audio & Digital Musical Instruments Division has been conducting two surveys targeting purchasers of Yamaha products—one shortly after purchase, and one a year later—using the feedback to make improvements to products. Yamaha also surveyed purchasers of digital pianos—both Yamaha and non-Yamaha models—in Japan, the U.S. and Europe to determine their views on product specifications and their level of satisfaction. As a result of this initiative, Yamaha has gained a thorough understanding of clients' specific expectations with regard to musical instruments and the Yamaha brand. The Company will continue to conduct such surveys regularly, using the insight thus gained to improve its product development and sales efforts.

- **Improving customer support services**

Since the Company is involved in a number of different businesses, Yamaha has in the past operated more than 15 different customer support centers to offer assistance customized to the type of product purchased. To further enhance customer convenience, a customer support division has now been established under the direct control of the Domestic Sales & Marketing Division to supervise and consolidate these customer support services. Under the new system, all the support centers have been brought together on one floor in the form of a newly established Customer Support Center. Here the existing product-specific services are supplemented by a single initial contact point handling all products, thus enabling the Company to provide more integrated and efficient service.

Initiatives for Shareholders

- **Proactive IR efforts to promote understanding of the Company**

For Japanese securities analysts and institutional investors, Yamaha holds quarterly briefings to explain the Company's financial results and strategy conferences to discuss individual business segments, as well as factory and Yamaha facility tours. For overseas institutional investors, the Company publishes its IR materials in English, and the president or other top executives visit major investors personally to address questions. In addition, the Company offers a special benefit plan for individual shareholders, and provides IR information via the Yamaha Company website.

- **Socially Responsible Investment indexes**

Yamaha is listed in a number of major Socially Responsible Investment (SRI) indexes, including the FTSE4Good Global Index, the Ethibel Sustainability Index (ESI) and Morningstar Socially Responsible Investment Index (MS-SRI).

Initiatives for Stakeholders

- **Activities related to core business operations**
- **Voluntary activities which extend beyond core business operations**

Laying the Foundations for CSR

- **Improve corporate governance**
- **Enhance the quality of internal control systems**

Ensure legal compliance and business activities' conformity to principles of corporate ethics

Initiatives for Those Who Work with Yamaha

- **Efforts to promote women's contributions**

The Yamaha Group places importance on the diversity of its workforce, actively promoting a working environment which enables all employees to make the most of their individual abilities, regardless of their gender or national origin. To encourage women to be active within the Yamaha Corporation, we are striving to create a more comfortable working environment through such initiatives as the Diversity Planning Department.

- **Conducting CSR surveys**

The Purchasing & Logistics Division carried out a "CSR Activities Survey for Business Suppliers" targeting approximately 1,350 companies in Japan and overseas—not only companies that the division does business with directly, but also manufacturers that supply products to those direct business partners. The survey is focused particularly on evaluating measures to ensure legal compliance. The respondents' activities are assessed on a five-grade scale, and those accorded the higher grades are prioritized when it comes to selecting suppliers, while those with lower grades are requested to make improvements to their compliance management.

Initiatives for Society

- **Yamaha music scholarships program**

Yamaha subsidiaries in various countries provide support to people in those countries who study music. For example, in 1989 Yamaha established the Yamaha Music Foundation of Europe using corporate funds in addition to those of the Yamaha Music Foundation. The Yamaha Music Foundation of Europe offers scholarships to gifted young people in Europe who study music. The foundation began awarding scholarships in 1990, and has supported roughly 700 music students to date.

Initiatives for the Environment

- **Fuel conversion to reduce CO_2 emissions**

Yamaha's Toyooka Factory recently replaced its heating system, switching from boilers fueled by heavy oil to boilers that run on liquefied natural gas (LNG). Since LNG generates more energy per unit than heavy oil while reducing CO_2 emissions, the factory is able to generate as much energy as it did in the past while reducing CO_2 emissions by roughly 28%, or 970 tons, per year.

Further details on Yamaha's CSR activities are provided in our "CSR Report 2008." In the report, the emphasis is on communicating clearly with all our stakeholders, so initiatives of interest to stakeholders are explained in an easy-to-understand format.

Board of Directors, Corporate Auditors and Executive Officers

Board of Directors

Shuji Ito
Chairman and Director

Mitsuru Umemura
President and
Representative Director

Hirokazu Kato
Director

Tsuneo Kuroe
Director

Hiroo Okabe
Director

Takashi Kajikawa
Outside Director
President and
Representative Director,
Yamaha Motor Co., Ltd.

Yasushi Yahata
Director

Motoki Takahashi
Director

Tsutomu Sasaki
Director

Corporate Auditors

Tokihisa Makino
Full-Time Auditor

Hisashi Yabe
Full-Time Auditor

Kunio Miura
Outside Auditor (Lawyer)

Yasuharu Terai
Outside Auditor

Executive Officers

Hirokazu Kato
Senior Managing Executive Officer
[Sound and IT Business Group, Research and Development Group]

Hiroo Okabe
Managing Executive Officer
[Musical Instruments Business Group]

Motoki Takahashi
Executive Officer [Deputy Group Manager, Finance and Administration Group
(Corporate Planning and Business Planning), General Manager, Corporate Planning Division]

Takuya Tamaru
Executive Officer [General Manager, Sound Network Division]

Tatsumi Ohara
Executive Officer [General Manager, Semiconductor Division]

Yoshihiro Doi
Executive Officer [General Manager, Domestic Sales & Marketing Division]

Takashi Onoda
Executive Officer [General Manager, Piano Division]

Wataru Miki
Executive Officer
[General Manager, Public Relations Division]

Masao Kondo
Executive Officer [General Manager, AV Products Division]

Tsuneo Kuroe
Managing Executive Officer
[Finance and Administration Group]

Yasushi Yahata
Executive Officer
[Productive Technology Business Group, Process Management Group, Golf Products Division]

Tsutomu Sasaki
Executive Officer
[General Manager, General Administration Division]

Koji Niimi
Executive Officer [General Manager, Innovative Technology Division]

Masaaki Koshiba
Executive Officer [President, Yamaha Music & Electronics (China) Co., Ltd.]

Takuya Nakata
Executive Officer [General Manager, Pro Audio & Digital Musical Instruments Division]

Masahito Kato
Executive Officer [General Manager, Business Planning Division]

Keiji Taniguchi
Executive Officer
[President and Representative Director, Yamaha Music Entertainment Holdings, Inc.]

(As of July 1, 2008)

Financial Section

Eleven-Year Summary

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen			
	2008	2007	2006	2005
For the year:				
Net sales	**¥ 548,754**	¥ 550,361	¥ 534,084	¥ 534,079
Cost of sales	**343,688**	352,381	341,816	335,483
Gross profit	**205,066**	197,980	192,267	198,595
Selling, general and administrative expenses	**172,220**	170,295	168,132	162,899
Operating income (loss)	**32,845**	27,685	24,135	35,695
Income (loss) before income taxes and minority interests	**62,510**	33,101	35,842	33,516
Net income (loss)	**39,558**	27,866	28,123	19,697
Capital expenditures	**24,394**	25,152	22,882	22,702
Depreciation expenses	**20,289**	19,956	18,944	18,958
R&D expenses	**24,865**	24,220	24,055	22,953
At year-end:				
Total assets	**¥ 540,347**	¥ 559,031	¥ 519,977	¥ 505,577
Net assets*	**343,028**	351,398	316,005	275,200
Total current assets	**275,754**	231,033	209,381	225,581
Total current liabilities	**120,174**	136,656	117,047	145,820

	Yen			
Per share:				
Net income (loss)	**¥ 191.76**	¥ 135.19	¥ 136.04	¥ 95.06
Net assets*	**1,646.44**	1,680.91	1,532.62	1,334.51
Dividends paid**	**50.00**	22.50	20.00	20.00

	%			
Ratios:				
Current ratio	**229.5%**	169.1%	178.9%	154.7%
Equity ratio*	**62.9**	62.0	60.8	54.4
Return on assets (ROA)	**7.2**	5.2	5.5	3.9
Return on equity (ROE)*	**11.5**	8.4	9.5	7.4

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

Millions of Yen						
2004	2003	2002	2001	2000	1999	1998
¥ 539,506	¥ 524,763	¥504,406	¥519,104	¥ 527,897	¥ 563,751	¥ 608,990
337,813	338,307	340,411	346,200	371,757	402,240	416,434
201,693	186,456	163,994	172,904	156,140	161,511	192,556
156,637	154,413	152,951	149,902	148,057	161,608	168,452
45,056	32,043	11,043	23,001	8,082	(97)	24,103
47,456	22,612	(5,784)	23,491	(47,601)	(6,532)	18,995
43,541	17,947	(10,274)	13,320	(40,777)	(15,879)	13,475
21,160	16,883	16,627	14,770	18,544	34,342	37,066
17,522	17,586	18,767	17,310	28,635	36,446	35,399
22,503	22,441	22,539	21,158	22,588	20,700	–
¥ 508,731	¥ 512,716	¥509,663	¥522,486	¥ 543,088	¥ 532,852	¥ 544,465
259,731	214,471	201,965	196,733	221,750	214,896	231,940
201,704	221,089	211,140	231,872	205,979	212,911	217,408
123,596	158,148	144,498	175,371	178,281	189,386	181,409
Yen						
¥ 210.63	¥ 86.65	¥ (49.75)	¥ 64.50	¥ (197.45)	¥ (76.89)	¥ 65.25
1,259.28	1,040.06	978.15	952.62	1,073.75	1,040.56	1,123.09
15.00	10.00	8.00	7.00	3.00	6.00	10.00
%						
163.2%	139.8%	146.1%	132.2%	115.5%	112.4%	119.8%
51.1	41.8	39.6	37.7	40.8	40.3	42.6
8.5	3.5	(2.0)	2.5	(7.6)	(2.9)	2.5
18.4	8.6	(5.2)	6.4	(18.7)	(7.1)	6.0

Management's Discussion and Analysis

- Net sales in fiscal 2008 declined 0.3% year on year, to ¥548.8 billion, partially due to the transfer of certain businesses. Operating income rose 18.6% year on year to ¥32.8 billion, while net income expanded 42.0%, to ¥39.6 billion, primarily as a result of extraordinary income from the sale of a portion of Yamaha's equity holdings in Yamaha Motor Co., Ltd.
- Cash and cash equivalents at the end of fiscal 2008 increased by ¥57.4 billion compared with the previous fiscal year to ¥103.4 billion, as a result of the sale of a portion of shares held in Yamaha Motor Co., Ltd. Going forward, Yamaha will use the cash acquired for business growth investment and for returns to shareholders in order to improve capital efficiency.

Business Environment

In the first half of fiscal 2008, the year ended March 31, 2008, the Japanese economy experienced moderate recovery against a backdrop of global economic expansion, supported by favorable corporate revenues and robust capital expenditures. Uncertainty increased in the second half of the fiscal year due to such factors as a fall in housing investment, a steep increase in prices for crude oil and raw materials, the appreciation of the yen, and a decline in stock prices.

Overseas, the U.S. market showed increasing signs of a slowdown in economic expansion resulting from a major drop in housing investment and the effect of the subprime mortgage crisis. The European market performed steadily for the most part throughout the period, led by domestic demand.

In other regions, resource-exporting nations benefited from the most favorable business conditions ever, with China and India also maintaining high growth. In the second half of the fiscal year, however, concern regarding the future arose amid uncertainty about the effect of weak U.S. economic performance.

Under these circumstances, Yamaha actively implemented its growth strategy under its medium-term management plan "Yamaha Growth Plan 2010 (YGP2010)," established at the beginning of the period under review. In the core "The Sound Company" business domain, Yamaha worked to create new technologies and promote development of new high-value-added products through thoroughgoing marketing activities. In parallel with these activities, Yamaha strengthened and expanded its production plants in China and Indonesia while also implementing measures to bolster its sales network in emerging markets. The latter activities included establishing subsidiaries in Russia and India. In order to strengthen its presence in the global, premium-quality piano market, Yamaha acquired Austrian piano manufacturer L. Bösendorfer Klavierfabrik GmbH (Bösendorfer). In the commercial audio equipment business, Yamaha expanded its product lineup and strengthened its sales capabilities, promoting the expansion of its business domain through operating alliances and M&A. Moreover, to increase its presence in music entertainment businesses, Yamaha established Yamaha Music Entertainment Holdings, Inc., and reorganized and integrated its activities in the music entertainment field.

In addition, to further enhance profitability, Yamaha streamlined its manufacturing, including the consolidation of its piano manufacturing bases, and improved supply chain management (SCM) systems and business processes.

In the "Diversification" business domain, Yamaha continued to further enhance profitability through selection and concentration. Following the sale of four resort facilities in the recreation segment, the Company also transferred its electronic metal products business at the end of November 2007. Meanwhile, Yamaha endeavored to strengthen individual product lines while improving the efficiency of operations.

In addition, to increase the comprehensive strength of the Yamaha Group, Yamaha reinforced its internal control system throughout the Group and improved its environmental measures.

As a result of pursuing such initiatives, net sales for the year ended March 2008 declined 0.3% year on year to ¥548.8 billion, while operating income recorded a second consecutive period of year-on-year increase at ¥32.8 billion (up 18.6%). Net income during the period under review was ¥39.6 billion (up 42.0%) primarily as a result of extraordinary income generated by the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd.

Net Sales

Net Sales by Business Segment

Net sales in fiscal 2008 decreased by ¥1,607 million, or 0.3% in year-on-year terms, to ¥548,754 million. Although sales in the musical instruments segment and the others segment, including golf products and magnesium parts, rose compared to the previous fiscal year, sales in the electronic equipment and metal products segment and the recreation segment fell as a result of the transfer of certain businesses. Sales in the AV/IT segment and the lifestyle-related products segment also decreased.

Musical Instruments

In fiscal 2008 sales in the musical instruments segment rose ¥14,032 million, or 4.3% year on year, to ¥340,021 million, which includes the ¥4.8 billion increase in sales deriving from currency exchange gain. Without this exchange gain, the effective increase was ¥9.2 billion, or 2.8%.

By product category, although sales of pianos declined year on year as a result of the general drop in demand in the Japanese market and worsening conditions in the North American market, performance was strong in European and Asian markets, including China. Worldwide, piano unit sales increased by 2,700 over the previous year to 95,300 units. Sales of digital musical instruments rose, led by digital pianos in overseas markets. Sales of professional audio equipment also rose, principally for digital mixers. Sales of wind instruments were generally smooth, and digital drums performed well, with the new DTXTREME™ III product earning a favorable reception. In music schools, child student enrollment numbers began to stop declining, while adult enrollment continued to increase steadily.

By region, sales in Japan fell year on year. Sales in North America also fell due to delays in the recovery of market conditions. In Europe, by contrast, sales of digital musical instruments and professional audio equipment performed well, marking a year-on-year increase. Sales also rose steadily in South Korea, Latin America and the Middle East. China once again saw double-digit growth due to increased piano production at Hangzhou Yamaha Musical Instruments Co., Ltd. (Hangzhou Yamaha).

AV/IT

In fiscal 2008, sales in the AV/IT segment slipped ¥2,009 million, or 2.8%, to ¥70,814 million. In AV equipment, although shipments of the Digital Sound Projector™ YSP series of front surround system products continued to record solid growth, sales of AV receivers in North America and Europe decreased. Sales from commercial online karaoke equipment produced on an OEM basis were also down significantly. Conferencing systems were sluggish due to delays in developing new sales channels.

Electronic Equipment and Metal Products

In fiscal 2008, sales in the electronic equipment and metal products segment declined ¥9,809 million, or 17.9%, to ¥45,000 million. Excluding the effects of transferring the electronic metal products business in the second half of the fiscal year under review, sales fell by ¥1.0 billion, or 1.8% compared to the previous year.

In the semiconductor business, sales of LSI sound chips for mobile phones were significantly lower than those of the previous fiscal year due to a drop in demand, especially overseas, caused by a continuing shift toward the adoption of sound-generation software. At the same time, shipments of LSI chips for digital amplifiers used in flat-panel TVs and mobile phones grew, as did shipments for audio and graphics LSIs used in amusement equipment.

Lifestyle-Related Products

In fiscal 2008, sales in the lifestyle-related products segment decreased ¥1,053 million, or 2.3%, to ¥45,520 million. This resulted partly from a drop in new construction demand accompanying delays in authorities' approval of construction applications following the June 2007 implementation of the revised Building Standards Law. System kitchens featuring artificial marble sinks posted continued favorable growth in sales, while system bathroom sales declined due to lower unit prices caused by increased competition. In order to strengthen the remodeling business, which is expected to grow further, Yamaha continued to work to upgrade showrooms and develop sales channels.

Recreation

In fiscal 2008, sales in the recreation segment fell by ¥6,447 million, or 36.2%, to ¥11,353 million. This decrease resulted from the transfer of four of Yamaha's six resort facilities in the second half of the fiscal year.

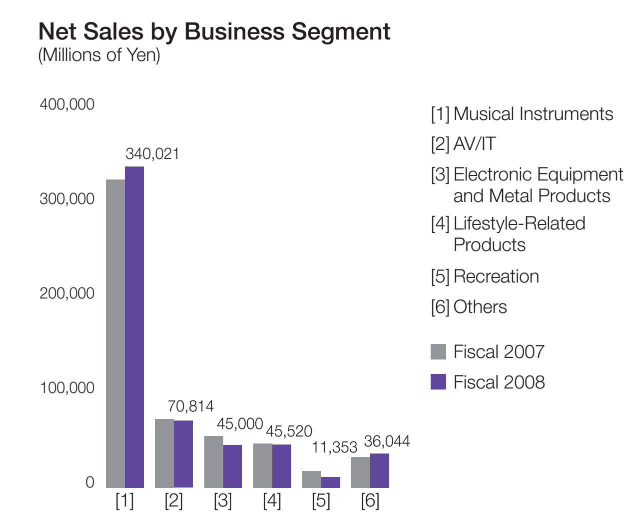
Others

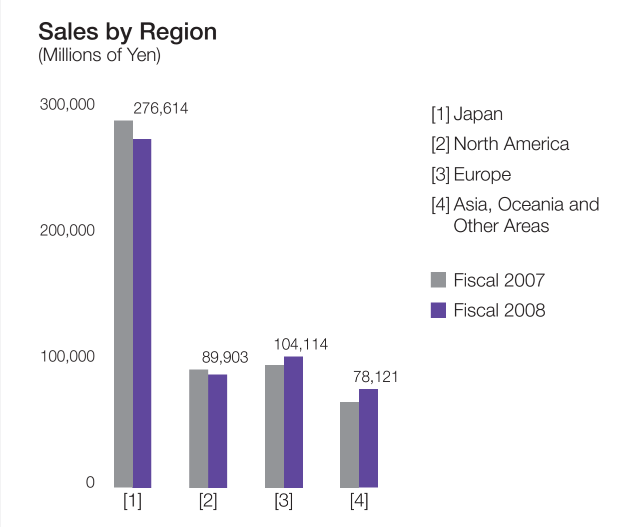
Sales in fiscal 2008 increased by ¥3,679 million to ¥36,044 million, up 11.4% compared to the previous fiscal year. Sales expanded with a major increase in production of magnesium parts for digital camera manufacturers as well as a favorable response in Japan and overseas to the inpres™ brand of golf products. Sales of automobile interior wood components for luxury cars were virtually at the same level as the previous fiscal year.

Sales by Region

In fiscal 2008, sales in Japan decreased on a year-on-year basis by ¥14,613 million, or 5.0%, to ¥276,614 million. The fall was due to decreases in sales following the transfer of the electronic metal products business and four resort facilities in the recreation segment, as well as decreased sales of musical instruments, semiconductors, commercial online karaoke equipment and lifestyle-related products. Businesses such as AV equipment, magnesium parts and golf products posted year-on-year increases.

Sales in overseas markets in fiscal 2008 climbed by ¥13,006 million, or 5.0% compared to the previous fiscal year, to ¥272,139 million. Although sales of AV equipment fell, the decrease was balanced by the increase due to depreciation of the yen and





year-on-year increases in sales of musical instruments and golf products. The ratio of overseas sales in the fiscal year under review was 49.6%, 2.5 points up from the fiscal 2007 figure of 47.1%.

By region, sales in North America decreased in year-on-year terms by ¥3,773 million, or 4.0%, to ¥89,903 million. Sales of pianos, portable keyboards and AV equipment fell as a result of the negative effect of the yen's appreciation and the slowdown in business conditions starting from the second half of the fiscal year. Excluding the exchange rate effect in North America, sales on a real basis decreased by ¥2.9 billion, or 3.1%.

Sales in Europe recorded a year-on-year increase of ¥6,815 million, or 7.0%, to ¥104,114 million as a result of appreciation of the euro and gains in musical instruments segment sales compared to the previous year. Musical instruments sales rose in Eastern Europe in particular. Excluding the exchange rate effect in Europe, the sales increase on a real basis was ¥100 million, or 0.1%.

In Asia, Oceania and other areas, sales rose in year-on-year terms by ¥9,964 million, or 14.6%, to ¥78,121 million. Sales in the musical instruments segment continued to climb, led by South Korea, Latin America, the Middle East and other parts of the world. In China, increased piano production at Hangzhou Yamaha contributed to another consecutive year of double-digit growth led by musical instruments.

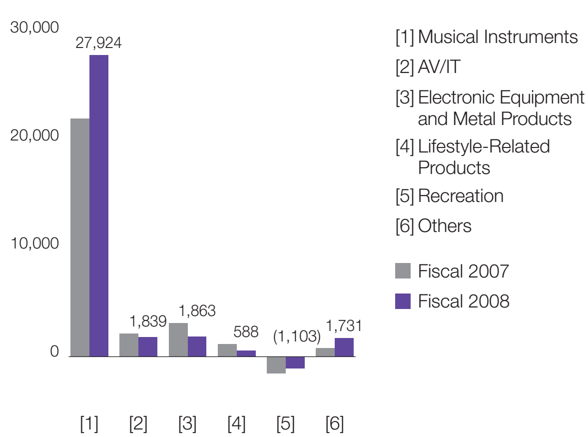
Cost of Sales and Selling, General and Administrative Expenses

The cost of sales in fiscal 2008 decreased by ¥8,696 million, or 2.5% compared to the previous fiscal year, to ¥343,686 million. Cost of sales rose due to increases in production and the price of raw materials. However, the transfer of the electronic metal products business and four resort facilities in the recreation segment (a decrease of ¥9.6 billion) coupled with reorganization of manufacturing bases resulted in a reduction in costs. The cost of sales ratio improved by 1.4 points compared to the previous fiscal year, from 64.0% to 62.6%.

Consequently, gross profit increased by ¥7,086 million, or 3.6% in year-on-year terms, to ¥205,066 million. The gross profit ratio increased by 1.4 points compared to the previous fiscal year, from 36.0% to 37.4%.

Operating Income (Loss) by Business Segment

(Millions of Yen)



Although selling, general and administrative (SG&A) expenses were ¥1,925 million higher than in the previous fiscal year, rising 1.1% to ¥172,220 million, excluding the exchange rate effect, the increase on a real basis was ¥100 million. Furthermore, taking into account the transfer of the electronic metal products business and four resort facilities in the recreation segment (¥5.1 billion), the increase on a real basis was ¥5.2 billion, or 3.1%. Personnel expenses were ¥67,487 million, a decrease of ¥724 million, or 1.1% from the fiscal 2007 figure of ¥68,211 million. Advertising expenses and sales promotion expenses were ¥2,645 million higher than in the previous year, increasing 10.0% from ¥26,388 million to ¥29,033 million. Transport expenses also increased, from ¥16,318 million to ¥17,359 million, an increase of ¥1,041 million or 6.4%. The ratio of SG&A expenses to net sales recorded an increase of 0.4 points year on year, rising from 31.0% to 31.4%.

Operating Income

Operating income for fiscal 2008 increased ¥5,160 million, or 18.6%, to ¥32,845 million, allowing Yamaha to achieve a second consecutive year of growth in operating income.

Operating Income by Business Segment

By segment, operating income in the musical instruments segment in fiscal 2008 was ¥27,924 million, ¥5,887 million, or 26.7%, higher than the fiscal 2007 figure of ¥22,037 million. This was due to an increased gross profit to net sales ratio brought about, despite increased costs due to rising raw material prices, by a growth in sales primarily in emerging markets, the exchange rate effect, cost reductions due to reorganization of manufacturing bases, and changes in sales composition.

Operating income in the AV/IT segment fell ¥298 million or 14.0%, from ¥2,137 million to ¥1,839 million. Although it decreased compared with the previous fiscal year, thanks to the exchange rate effect and a decrease in manufacturing costs, the decline was modest.

Operating income in the electronic equipment and metal products segment declined by ¥1,238 million, or 39.9%, from ¥3,101 million to ¥1,863 million, due to the transfer of electronic metal products operations as well as the continuing decline in sales of LSI sound chips for mobile phones caused by falling demand.

Operating income in the lifestyle-related products segment decreased to ¥588 million from ¥1,150 million in the previous year, a fall of ¥562 million, or 48.8%. This was mainly the result of the decline in sales from the decrease in new housing starts and an increase in cost of sales caused by rising raw material prices.

The recreation segment recorded an operating loss of ¥1,103 million, an improvement of ¥433 million over the ¥1,536 million loss recorded in the previous fiscal year. This was primarily due to the sale of unprofitable resort facilities in the second half of the year.

Operating income in the others segment rose by ¥937 million, or 118.0%, from ¥794 million in fiscal 2007 to ¥1,731 million. While golf products and automobile interior wood components for luxury cars saw a year-on-year increase in operating income, yield worsened in the metallic molds and components business, mainly in magnesium parts, resulting in an operating income decrease.

Non-Operating Income and Expenses

In fiscal 2008, non-operating income decreased ¥15,142 million year on year, from ¥21,334 million to ¥6,192 million. This mainly reflects a decline in equity in earnings of unconsolidated subsidiaries and affiliates of ¥17,619 million, from ¥17,764 million to ¥145 million, resulting from the exclusion of Yamaha Motor Co., Ltd. from the scope of consolidation under the equity method following the sale of a portion of Yamaha's equity holdings in the company. Interest and dividend income increased by ¥2,841 million to ¥3,924 million compared to ¥1,083 million the previous fiscal year. This primarily reflected ¥1.7 billion in dividend income received, eliminated in the consolidated financial statements up to and including fiscal 2007, following the exclusion of Yamaha Motor Co., Ltd. from the scope of consolidation under the equity method. Other non-operating income decreased by ¥365 million year on year, from ¥2,485 million to ¥2,120 million.

Non-operating expenses increased by ¥60 million year on year, from ¥6,393 million to ¥6,453 million. Interest expense increased ¥96 million year on year, from ¥972 million to ¥1,068 million. Cash discounts due to early payment declined from ¥4,371 million to ¥4,105 million, a decrease of ¥266 million in year-on-year terms. Other non-operating expenses rose from ¥1,048 million to ¥1,278 million, a ¥230 million increase.

Extraordinary Income and Losses

Extraordinary income for fiscal 2008 was ¥32,725 million, up by ¥32,119 million from ¥606 million the previous fiscal year. This primarily reflects ¥29,756 million posted as gain on sales of investments in subsidiaries and affiliates from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd. Net gain on sales or disposal of property, plant and equipment and sales of investment securities also increased year on year.

Extraordinary losses were down by ¥7,331 million year on year, to ¥2,799 million from ¥10,130 million. This resulted from the absence of the loss on impairment of fixed assets (¥4,728 million) and structural reform expenses (¥3,146 million) posted in the previous fiscal year.

Income Before Income Taxes and Minority Interests

As a result of the significant increase in operating income and extraordinary income in fiscal 2008, income before income taxes and minority interests increased by ¥29,409 million, from ¥33,101 million to ¥62,510 million year on year. The ratio of income before income taxes and minority interests to net sales climbed from 6.0% to 11.4%, a year-on-year increase of 5.4 points.

Current Income Taxes and Deferred Income Taxes

Current and deferred income taxes, comprising corporation tax, inhabitants' taxes and enterprise tax, rose by ¥17,522 million on a year-on-year basis, increasing to ¥22,263 million from ¥4,741 million the previous year due to the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd. Until fiscal 2007, the income tax burden ratio had been low, in part because income before income taxes and minority interests included equity in earnings of unconsolidated subsidiaries and affiliates not subject to taxation. In fiscal 2008, the actual effective tax rate rose to 35.6%, due to the exclusion of Yamaha Motor Co., Ltd. from the scope of consolidation under the equity method, among other factors.

Minority Interests

Minority interests in fiscal 2008 were ¥689 million, an increase of ¥196 million compared to the ¥493 million recorded in the previous year.

Net Income

As a result of the foregoing, net income for the year ended March 31, 2008 increased by ¥11,692 million, climbing from ¥27,866 million to ¥39,558 million. The ratio of net income to net sales rose to 7.2%, up 2.1 points from 5.1% in the previous year. Net income per share equaled ¥191.76, compared with ¥135.19 in fiscal 2007.

Fluctuation in Foreign Exchange Rates and Risk Hedging

Sales at overseas consolidated subsidiaries are calculated using the average exchange rates recorded during the year. On this basis, in fiscal 2008, the yen rose by ¥3 against the U.S. dollar compared with the previous year, to ¥114 per U.S.$1. The year-on-year effect of this change was a decrease of ¥2.1 billion in sales at overseas consolidated subsidiaries. The yen depreciated by ¥12 against the euro year on year for an average exchange rate of ¥162 to €1, resulting in a gain of ¥5.6 billion in sales. Overall, the net effect on sales of foreign exchange rate movements, including fluctuations of the yen against such other currencies as the Australian and Canadian dollars, was a gain of ¥6.8 billion compared with fiscal 2007.

In operating income, the average yen settlement rate against the U.S. dollar during the year under review was ¥116 to U.S.$1, representing an appreciation of ¥1 relative to the previous year and a loss of ¥100 million. The average settlement rate against the euro was ¥159 to €1, a depreciation of ¥15. The effect of this on operating income was a gain of ¥6.2 billion. Including the effects of other currencies, the net effect on operating income of exchange rate movements was a gain of ¥6.7 billion compared with the previous fiscal year.

Yamaha undertakes most of its hedging operations against currency risks in Japan. U.S.-dollar-related currency fluctuation risks are hedged by marrying risk associated with dollar receipts from exports with risk associated with dollar payments for imported products. The Company hedges the value of risks associated with the euro and the Australian and Canadian dollars by projecting related export revenues and purchasing relevant three-month currency forwards.

Dividends

Total dividends per share in fiscal 2008 equaled ¥50. Regular dividends per share were ¥30, an increase of ¥7.5 compared to the previous year. In addition, as a special dividend resulting from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd., Yamaha has decided to issue dividends of ¥20 per share for the three years from fiscal 2008 to fiscal 2010. The consolidated dividend payout ratio increased by 9.5 points year on year, from 16.6% to 26.1%.

Financing Policy

Reflecting the relatively non-capital-intensive nature of the business, Yamaha finances its capital needs 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.

Management commissions long-term senior debt rating assessments from credit rating agencies each year to gain an independent external evaluation of the Company's finances. The latest published ratings are shown below.

Ratings

Rating Agency	Long-term senior debt rating
Rating and Investment Information, Inc. (R&I)	A (stable)
Japan Credit Rating Agency, Ltd. (JCR)	AA- (stable)

Assets, Liabilities and Net Assets

Assets

Total assets at March 31, 2008 amounted to ¥540,347 million, a decrease of ¥18,684 million, or 3.3% from ¥559,031 million at the end of the previous fiscal year. Of these, current assets increased by ¥44,721 million, or 19.4% year on year, from ¥231,033 million to ¥275,754 million. Net property, plant and equipment, and investments and other assets together totaled ¥264,592 million, down ¥63,406 million or 19.3% from the previous year-end figure of ¥327,998 million.

Current Assets

Current assets at March 31, 2008 totaled ¥275,754 million, ¥44,721 million, or 19.4%, higher than at the end of the previous fiscal year. Contributing factors include an increase in cash and bank deposits and marketable securities (negotiable deposits) resulting from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd., formerly an equity-method affiliate.

Cash and bank deposits rose ¥26,917 million, or 57.6% year on year to ¥73,619 million. Marketable securities amounted to ¥31,200 million, up ¥30,781 million. Notes and accounts receivable (after allowance for doubtful accounts) declined by ¥11,483 million, or 15.0%, to ¥65,126 million, reflecting such factors as the transfer of the electronic metal products business. Inventories amounted to ¥76,304 million, a year-on-year decline of ¥5,910 million or 7.2%. This figure includes decrease in inventory of ¥4.5 billion due to currency translation effects and ¥3.8 billion due to the transfer of the electronic metal products business. Excluding these factors, the increase in inventory on a real basis was ¥2.4 billion, or 2.9%. Other current assets, including deferred income taxes, rose by ¥4,417 million, or 17.6%, to ¥29,503 million, primarily due to loans to affiliates.

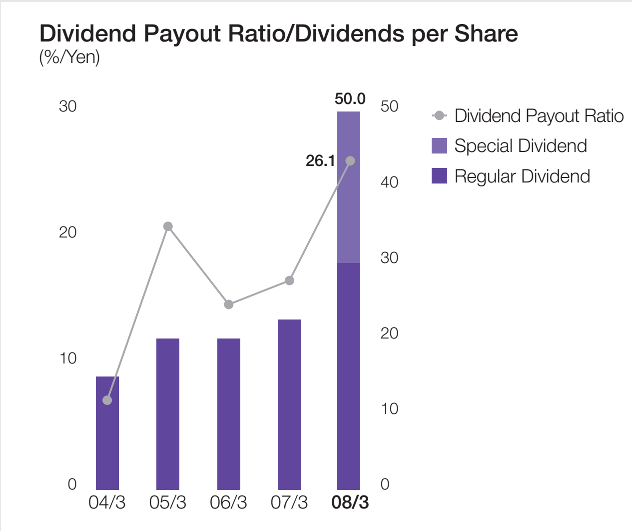
The current ratio at the fiscal 2008 year-end was 229%, representing an increase of 60 points compared with the figure of 169% from a year earlier, sustaining liquidity at a high level during fiscal 2008.

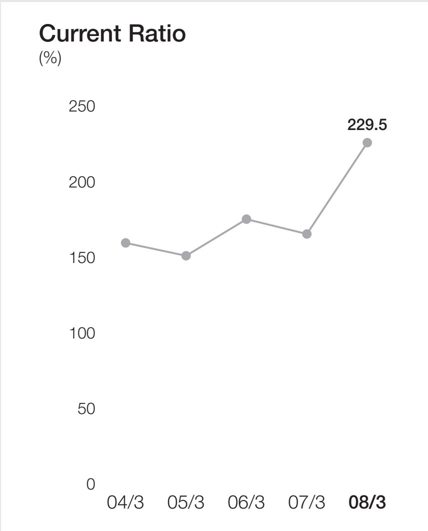
Net Property, Plant and Equipment

Net property, plant and equipment as of March 31, 2008 was ¥139,575 million, down ¥10,297 million or 6.9% compared to the end of the previous fiscal year. The primary contributor to the decline was the decrease in property, plant and equipment that accompanied the transfer of certain businesses.

Investments and Other Assets

Investments and other assets excluding intangible assets as of March 31, 2008 amounted to ¥122,544 million, a year-on-year decrease of ¥52,630 million or 30.0%. This primarily reflects a decrease in investment securities and deferred income taxes compared with the previous fiscal year.





Investment securities decreased by ¥40,426 million, or 26.9%, year on year to ¥109,943 million. Key factors were the decrease resulting from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd., the exclusion of Yamaha Motor from the scope of consolidation under the equity method and the consequent increase in its share price due to market revaluation, and the decrease in the value of other listed stocks held. Deferred income taxes decreased ¥14,725 million, or 87.7%, to ¥2,065 million, primarily due to the reversal of deferred income taxes accompanying the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd.

As for intangible assets, goodwill and other intangible assets decreased ¥480 million, or 16.3%, year on year to ¥2,471 million as a result of the amortization of goodwill.

Liabilities

Total liabilities as of March 31, 2008 amounted to ¥197,318 million, a decrease of ¥10,315 million, or 5.0%, from the previous year-end figure of ¥207,633 million. Current liabilities decreased by ¥16,482 million, or 12.1% to ¥120,174 million compared to ¥136,656 million at the end of fiscal 2007. Long-term liabilities increased by ¥6,167 million, or 8.7% to ¥77,144 million from ¥70,977 million.

Current Liabilities

Current liabilities as of March 31, 2008 were ¥120,174 million, a decrease of ¥16,482 million, or 12.1%, compared to the figure at the end of the previous fiscal year. A major contributor to this decrease was a decline in accrued expenses. Notes and accounts payable were ¥35,017 million, ¥8,148 million, or 18.9%, less than at the end of the previous fiscal year as the result of the transfer of the electronic metal products business. Moreover, short-term loans and the current portion of long-term debt decreased by ¥528 million to ¥18,891 million, down 2.7% compared to the end of fiscal 2007. Total accrued expenses amounted to ¥41,443 million, down by ¥12,972 million, or 23.8%, year on year, primarily due to the refunding of resort membership deposits (¥9.1 billion) accompanying the transfer of four resort facilities in the recreation segment. Income taxes payable totaled ¥14,916 million, an increase of ¥8,904 million, or 148.1% due to gain on sales of investments in subsidiaries and affiliates following the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd.

Long-Term Liabilities

Long-term liabilities as of March 31, 2008 amounted to ¥77,144 million, up ¥6,167 million, or 8.7% compared to the end of the previous fiscal year, primarily as a result of the increase in long-term deferred income taxes accompanying the market valuation of Yamaha Motor Co., Ltd. shares.

Long-term debt fell ¥3,987 million to ¥2,145 million, representing a year-on-year decrease of 65.0%.

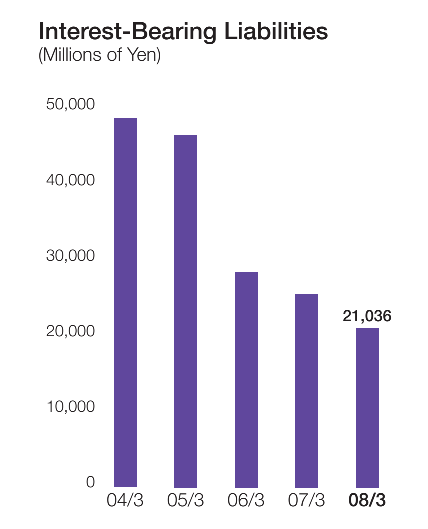
Net Interest-Bearing Liabilities

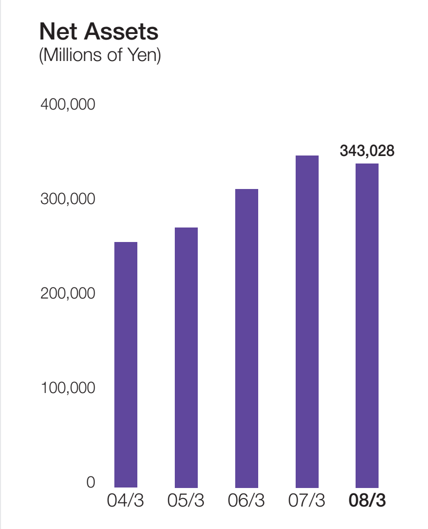
In terms of interest-bearing liabilities as of March 31, 2008, short-term loans and long-term debt totaled ¥21,036 million. Cash and bank deposits were ¥73,619 million, and negotiable deposits came to ¥30.4 billion, resulting in cash and cash equivalents, net of ¥82,983 million. Yamaha intends to use this capital for payment of taxes associated with the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd., as well as for shareholder returns and investment for business growth.

Net Assets

Net assets as of March 31, 2008 totaled ¥343,028 million, a decrease of ¥8,369 million, or 2.4%, compared to the figure of ¥351,398 million at the end of fiscal 2007. Although net income totaled ¥39,558 million, retained earnings declined by ¥31,247 million, or 12.0% compared to ¥229,307 million in the previous fiscal year, reflecting the exclusion of Yamaha Motor Co., Ltd. from the scope of consolidation under the equity method. Appreciation of the yen resulted in a year-on-year decrease in translation adjustments of ¥8,175 million, amounting to ¥21,940 million. In contrast, net unrealized holding gain on other securities rose by ¥35,227 million to ¥48,945 million, representing an increase of 256.8%. This was due to an increase brought about by market valuation of shares held in Yamaha Motor Co., Ltd. and other listed companies.

The equity ratio was 62.9% at March 31, 2008, an increase of 0.9 percentage points from 62.0% at the previous year-end. Return on equity (ROE) was 11.5%.





Cash Flows

Net cash provided by operating activities in fiscal 2008 was ¥37,225 million, a decline of ¥2,507 million from ¥39,732 million in fiscal 2007, This was due mainly to an increase in income tax and other tax payments.

Net cash provided by investing activities was ¥41,999 million. In fiscal 2007, the Company used ¥22,427 million, but during the year under review recorded a gain of ¥67,778 million as a result of the sale of investments in subsidiaries and affiliates, including the sale of a portion of Yamaha's equity holdings in Yamaha Motor Co., Ltd.

Net cash used in financing activities totaled ¥19,314 million, representing an increase of ¥11,068 million from the fiscal 2007 figure of ¥8,246 million. This primarily reflected an increase in refunds of resort membership deposits related to the recreation segment and an increase in cash dividends paid.

As a result of the above, the fiscal 2008 year-end balance of cash and cash equivalents amounted to ¥103,371 million, including the net effect of exchange rate changes and changes in the scope of consolidation, representing a year-on-year increase of ¥57,445 million.

Capital Expenditures and Depreciation

Capital expenditures in fiscal 2008 declined to ¥24,394 million from ¥25,152 million, a decrease of ¥758 million, or 3.0% year on year. The musical instruments segment posted a year-on-year increase of ¥1,655 million, to ¥16,472 million from ¥14,817 million in fiscal 2007. This reflects investment in molds for new products, investments to increase production capacity at Hangzhou Yamaha and PT. Yamaha Indonesia, and increased capital spending associated with consolidation of piano production plants in Japan.

Capital expenditures in the electronic equipment and metal products segment were ¥2,435 million, down ¥1,960 million from ¥4,395 million in the previous fiscal year. This decline reflected the decline in investment by Yamaha Kagoshima Semiconductor Inc. following the completion of miniaturization as well as the decrease in investment resulting from the transfer of the electronic metal products business. In the recreation segment, capital expenditures decreased ¥864 million, to ¥600 million from ¥1,464 million in the previous fiscal year, due to the transfer of four resort facilities.

Total depreciation and amortization expense amounted to ¥20,289 million, increasing by ¥333 million from the fiscal 2007 figure of ¥19,956 million. Of this, ¥1.5 billion comprised an increase in depreciable assets resulting from the application of a 250% declining-balance method for assets acquired on or after April 1, 2007 under a revision of the Corporate Tax Law of Japan and the five-year amortization based on the straight-line method of the residual values of assets fully depreciated to the allowable limit.

R&D Expenses

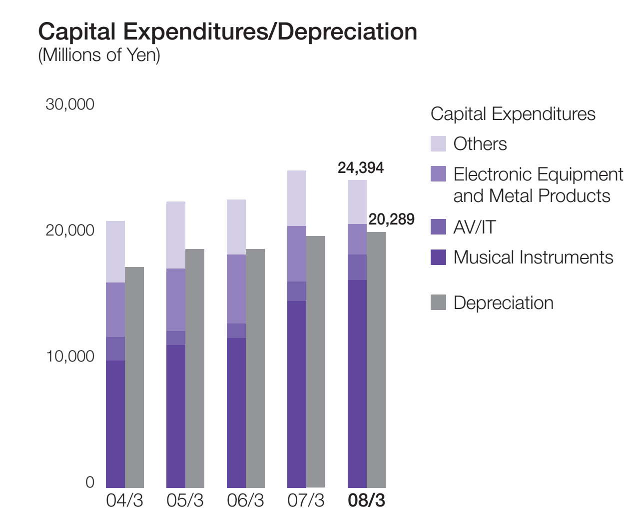
R&D expenses in fiscal 2008 increased by ¥645 million, or 2.7% year on year, from ¥24,220 million to ¥24,865 million. The ratio of R&D expenses to net sales was 0.1 points higher than in fiscal 2007, rising from 4.4% to 4.5%.

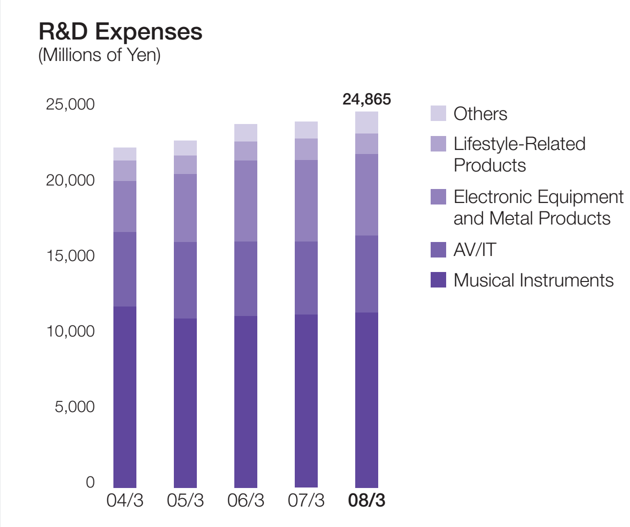
Most of this spending was directed at product development in digital musical instruments, and in the AV/IT and semiconductor businesses. Specifically, the spending supported research and product development of hybrid pianos that blend acoustic and digital technologies, as laid out in the medium-term management plan; development of digital products leveraging digital network technology; and development of high-value-added semiconductors, including silicon microphones that integrate MEMS* technology with analog and digital technologies.

R&D budgets also funded programs to develop basic sound-related technologies in areas such as speakers, sound field control, voice synthesis, sound sources, and DSP**; MEMS*; materials for audio equipment; and technologies related to the environment.

* Micro Electro Mechanical Systems (MEMS) are devices in which components such as sensors, actuators and electronic circuitry are integrated on a single silicon substrata. Specific examples include silicon microphones, sensors, etc.

** Digital Signal Processor/Processing (DSP) is a general term for the digital signal-processing technologies used to process and generate sounds and music. This includes many unique technologies developed by Yamaha. Practical applications include the sound controls in AV equipment, effects used in professional mixing consoles, sound-generating chips in mobile phones and 3D sound technologies.





Sale of a Portion of Yamaha's Equity Holdings in Yamaha Motor Co., Ltd.

Yamaha sold a portion of its equity holdings in Yamaha Motor Co., Ltd. to eliminate the risk of fluctuations in the performance of Yamaha Motor, which has different core businesses, affecting Yamaha's own performance, thus leading to greater transparency in Yamaha's performance. Accordingly, Yamaha Motor Co., Ltd. was excluded from the scope of consolidation under the equity method, resulting in elimination of ¥17.8 billion in equity in earnings of unconsolidated subsidiaries and affiliates recorded in fiscal 2007. However, gain on sales of stock generated extraordinary income, resulting in consolidated net income of ¥39.6 billion, an increase of ¥11.7 billion over last year's figure of ¥27.9 billion. Yamaha's equity holdings in Yamaha Motor Co., Ltd. decreased by 7.8 percentage points, from 22.7% to 14.9%.

Performance Forecasts

The year ending March 31, 2009 is the second year of Yamaha's medium-term management plan "Yamaha Growth Plan 2010 (YGP2010)." By pursuing steady progress through a number of measures, Yamaha aims to achieve growth in "The Sound Company" business domain, centered on musical instruments.

For fiscal 2009, Yamaha forecasts consolidated net sales of ¥540.0 billion, a decrease of ¥8.8 billion, or 1.6%, from fiscal 2008. Taking into account the effect of transferring the electronic metal products business and four resort facilities from the recreation segment (¥14.4 billion in aggregate) and currency-related effects (¥19.4 billion) in fiscal 2008, this effectively represents year-on-year sales growth of ¥25.0 billion, or 4.7%. Yamaha forecasts consolidated operating income of ¥35.0 billion, an increase of ¥2.2 billion, or 6.6%, over fiscal 2008, with increases in sales and improvements in profitability offsetting the adverse effect of currency exchange rates (¥5.1 billion) and an anticipated ¥2.0 billion amortization due to a shortfall in retirement benefits provision. Yamaha forecasts a net income of ¥20.5 billion, which is ¥19.1 billion, or 48.2%, lower than in fiscal 2008. This reflects a decrease in extraordinary income generated by the gain on sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd. posted in fiscal 2008.

These forecasts assume exchange rates of ¥100 per U.S.$1, ¥155 per €1, ¥90 per AUD1, ¥100 per CAD1, and U.S.$7.11 per CNY1.

Performance Forecasts by Business Segment

Musical Instruments

Yamaha continues striving to establish a highly profitable structure for the musical instruments segment, which forms the core of "The Sound Company" business domain. Amid polarization of the musical instruments business between high-value-added products and inexpensive products, and an ongoing reorganization of the distribution sector in which large retailers and mass merchandisers continue to gain market share, Yamaha plans to focus on expanding and upgrading its customer-oriented lineup of products while reinforcing cost competitiveness at manufacturing bases in China, among other measures. Yamaha also plans to target higher sales in fast-growing markets such as China, Russia, Eastern Europe and Latin America.

Management forecasts fiscal 2009 segment sales at ¥342.5 billion, up ¥2.5 billion or 0.7% relative to the fiscal 2008 figure of ¥340.0 billion. Segment operating income is forecast at ¥28.5 billion, an increase of ¥600 million or 2.1% from ¥27.9 billion in fiscal 2008. Excluding currency effects, this represents a gain in sales on a real basis of ¥16.9 billion, or 5.0%, and a ¥5.5 billion, or 19.5%, gain in operating income compared to fiscal 2008.

AV/IT

Yamaha is working to build up the AV equipment business in line with market changes. In the AV equipment business, besides reinforcing established business areas, plans call for expanding the range of surround sound system products and expanding the range of HiFi products, particularly in the medium to high-end range. Yamaha is also actively engaged in developing products to position itself in new genres. The Company aims to strengthen and improve the efficiency of router sales capability by consolidating sales channels, and to place the conferencing systems business, where market introduction has been delayed, on a sound footing.

Management forecasts fiscal 2009 segment sales at ¥70.0 billion, down ¥800 million, or 1.1%, relative to the fiscal 2008 figure of ¥70.8 billion. Segment operating income is forecast at ¥1.5 billion, a decline of ¥300 million, or 18.5%, from ¥1.8 billion in fiscal 2008. Excluding currency effects, this represents a year-on-year gain in sales on a real basis of ¥4.1 billion, or 5.7%, and a ¥200 million, or 12.6%, gain in operating income.

Electronic Devices

Starting in fiscal 2009, the name of the former electronic equipment and metal products segment has changed to the electronic devices segment accompanying the transfer of the electronic metal products business. In the semiconductor business, Yamaha will work to sustain the business for LSI sound chips for mobile phones by providing added value to mobile phone manufacturers. The Company is also actively proceeding with expansion of sales of digital amplifiers as well as sound-source and graphics LSIs. Product development and enhancement of production systems are also proceeding for silicon microphones, for which growth in sales is expected.

Management forecasts fiscal 2009 segment sales at ¥37.0 billion, down ¥8.0 billion, or 17.8%, relative to the fiscal 2008 figure of ¥45.0 billion. Segment operating income is forecast at ¥1.5 billion, a decline of ¥400 million, or 19.5%, from ¥1.9 billion in fiscal 2008. Taking into consideration the transfer of the electronic metal products business, management is planning for an increase of 3.4%, or ¥1.2 billion, in sales from the fiscal 2008 figure of ¥35.8 billion, and a ¥200 million, or 15.4%, gain in operating income from ¥1.3 billion in fiscal 2008.

Lifestyle-Related Products

Yamaha plans to continue pursuing a growth strategy focused on system kitchens. In the system bathroom business, where competition continues to intensify, Yamaha is targeting growth through a differentiation strategy involving products such as bathtubs made from artificial marble. Yamaha also aims to make steady progress in marketing activities including developing sales channels and showrooms with the aim of establishing a presence in the home remodeling sector, where demand is expected to grow.

Management forecasts fiscal 2009 segment sales at ¥48.0 billion, up ¥2.5 billion, or 5.4%, relative to the fiscal 2008 figure of ¥45.5 billion. Segment operating income is forecast at ¥1.5 billion, up ¥900 million, or 154.8%, from ¥600 million in fiscal 2008.

Others

Starting in fiscal 2009, the recreation segment has been reclassified to the others segment due to the decrease in sales resulting from the transfer of certain resort facilities. Yamaha aims to raise profits by boosting production yields and by developing production systems to enable a more flexible response capability to changes in customer orders, both in magnesium parts and in other areas of the metallic molds and components business, as well as in the automobile interior wood components business. In the recreation business, Yamaha aims to restore profitability by attracting guests and further improving operating efficiency. In the golf products business, the Company aims to raise sales by improving inpres™ brand recognition through implementing advertisement and other sales promotion activities.

Management forecasts fiscal 2009 segment sales at ¥42.5 billion, down ¥4.9 billion, or 10.3%, relative to the fiscal 2008 figure of ¥47.4 billion. Taking into account the change resulting from the transfer of four resort facilities, this represents sales growth of ¥300 million, or 0.7%. Segment operating income is forecast at ¥2.0 billion, up ¥1.4 billion, or 218.4%, from ¥600 million in fiscal 2008. This reflects the reduction in unprofitable facilities in the recreation business and gain in income in the metallic molds and components business.

Capital Expenditure Forecast

Management expects total capital expenditures of ¥32.0 billion in fiscal 2009, up ¥7.6 billion, or 31.2%, from the fiscal 2008 figure of ¥24.4 billion.

Major items contributing to an increase in capital spending will be regular investment in molds for production of new products, investment for facility refurbishment, investment in marketing operations policy, R&D investment, and rationalization-related expenses, as well as investment in semiconductor equipment for the production of silicon microphones (¥2.0 billion), investment for production of magnesium casings in China (¥2.0 billion) and investment for increased piano production at Hangzhou Yamaha.

Depreciation and amortization expense is forecast to increase by ¥700 million in fiscal 2009 to ¥21.0 billion, compared with ¥20.3 billion in fiscal 2008.

Medium-Term Management Plan

Yamaha has formulated a medium-term management plan "Yamaha Growth Plan 2010 (YGP2010)," which covers the three-year period from fiscal 2008 to fiscal 2010.

Under the medium-term management plan, the current business areas have been redefined into two major areas, "The Sound Company" and the "Diversification" business domains. Yamaha has defined "The Sound Company" business domain as a growth area and will actively invest management resources in this domain with the aims of further strengthening the core musical instrument business and targeting expansion of the sound, audio and network domains. At the same time, the businesses in the "Diversification" business domain will work to establish firm industry positions and to substantially increase earnings power with the aim of contributing to the corporate value of the Yamaha Group through sound business management.

For fiscal 2010, the final year of the plan, Yamaha has established consolidated performance targets of ¥590.0 billion in net sales and ¥45.0 billion in operating income.

Profit Distribution Policy (Dividend Forecast)

Based on the aim of boosting consolidated return on equity (ROE), Yamaha's basic policy is to distribute profits more in line with consolidated performance than previously, while, based on prospective levels of medium-term consolidated earnings, also setting aside an appropriate amount of retained earnings to strengthen the Company's management position through investments in R&D and capital expenditure to drive corporate growth. Specifically, Yamaha will endeavor to sustain consistent and stable dividend payments and has set a goal of 40% for its consolidated dividend payout ratio. Based on this policy, Yamaha plans to pay a dividend of ¥55 per share for the full fiscal year of 2009, comprising a regular dividend per share of ¥35, as well as a special dividend of ¥20, and including an interim dividend payment of ¥27.5 per share.

In addition, in June 2008, Yamaha completed an acquisition of its own shares in the amount of ¥18.0 billion from the standpoint of enhancing shareholders' equity.

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.

Under its medium-term management plan, "Yamaha Growth Plan 2010 (YGP2010)," the Yamaha Group positions its business activities in "The Sound Company" business domain as its engine for growth and will actively invest management resources in this domain. "The Sound Company" encompasses "musical instruments, audio, music entertainment, AV/IT and semiconductors," underpinned by sound, music and network technologies. However, in the event that sales and earnings do not increase as planned due to the types of risk described below, such circumstances may have an adverse effect on the Group's performance and financial position.

In addition, the Group has defined a "Diversification" business domain that encompasses its lifestyle-related products, recreation, and others segments and it is working to build strong positions in the respective industries. In this business domain likewise, businesses may not develop according to plan, owing to business risks.

1. Risks Related to Economic Conditions

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

2. Risks Related to Price Competition

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

Also, in the AV/IT segment, products manufactured in China are gaining a stronger presence in the market, as are competitors, leading to heightened price competition. Depending on reforms in distribution and trends in new technology, this business may be exposed to even more intense price competition, which could have an adverse effect on the Group's current strong position in this area.

3. Risks Related to Development of New Technologies

The Yamaha Group is focusing management resources on "The Sound Company" business domain and endeavors to create an unassailably strong position as the world's leading full-line musical instrument manufacturer. Meanwhile, the Group also operates an AV/IT segment, focusing mainly on HiFi AV products, and an electronic devices segment, concentrating on the semiconductor business centered on LSI sound chips.

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

4. Risks Related to Business Investment

The Yamaha Group makes investments in its businesses to promote their expansion. In making such investment decisions the Group understands the potential risks and returns qualitatively and quantitatively and makes careful, considered judgments. Nonetheless, under certain circumstances, the Group may be unable to recover a portion or the full amount of its investments or may decide to withdraw from the business. In such cases, the value of assets invested in such businesses may have to be written down.

5. Risks Related to Business Alliances

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

6. Risks Related to Reliance on Customers in Selling Materials and Parts

The Yamaha Group's manufacturing and sale of its products—including semiconductors, lifestyle-related products such as system kitchens, automobile interior wood components, and materials and parts including magnesium parts—are dependent on the performance of its customers. When the bonds of trust between such customers and Group companies are impaired by disagreement over delivery schedules, quality, or other issues, this could have an adverse impact on future orders. Moreover, Group companies may be requested by customers to pay compensation in the event of quality problems or other defects.

7. Risks Related to Expansion of Business Operations Into International Markets

The Yamaha Group has established manufacturing and marketing bases in various parts of the world and operates its businesses globally. Of the Group's 87 consolidated subsidiaries, 48 are foreign corporations, and of this total, 14 companies are manufacturers. Principal manufacturing bases are concentrated in China, Indonesia and Malaysia, and 49.6% of the Group's net sales are generated overseas.

There are a number of risks inherent in these overseas operations. If such risks should materialize, the difficulties of having manufacturing facilities concentrated in certain regions could mean that the Group may not be able to continue providing products in a stable manner. Such risks include:

(a) Political and economic turmoil, terrorism and war
(b) The introduction of disadvantageous government policies, new regulations or changes in existing regulations
(c) Unexpected changes in laws and 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) Logistics problems due to harbor strikes, etc.

8. Risks Related to Increases in Raw Material Prices, Adequacy of Raw Material Supplies and Rising Logistics Costs

The Yamaha Group makes use of raw materials in manufacturing its products, including lumber, metals such as copper, and plastics for parts. Increases in the prices of these materials can cause increases in manufacturing costs. In addition, certain kinds of material are obtained from specified suppliers. Unfavorable supply conditions for such materials may have an adverse effect on the Group's manufacturing activities.

Moreover, if logistics costs rise as a result of the increase in crude oil prices, this may cause increases in manufacturing costs and the cost of sales.

9. Risks Related to Effects of Declining Birthrate

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

10. Risks Related to Recruitment and Training of Personnel

The average age of the Yamaha Group's workforce is relatively high, with a significant number of workers in the upper age brackets and a great number of employees approaching the official retirement age.

The Group therefore faces some important issues: transferring skills in manufacturing musical instruments and other products to the next generation; recruiting and training the next generation of employees; and dealing with changes in the Group's employment structure. If the Group is unable to respond sufficiently to changes in its employment structure, the future growth of its business activities may be impeded.

11. Risks Related to Protection and Use of Intellectual Property

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

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

12. Risks Related to Defects in Products and Services

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

Furthermore, the Group pays careful attention to safety and sanitation at the retail stores, music schools, recreation establishments and other facilities that it operates. In the unlikely event that an accident should occur, the Group anticipates that temporary cessation of operations at the store, music school, or facility in question could be required, and the reputation of the Group in society could be damaged, resulting in a decline in sales.

13. Risks Related to Legal Regulations

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

14. Risks Related to Environmental Regulations

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

15. Risks Related to Information Leakage

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

16. Risks Related to Fluctuations in Foreign Currency Exchange Rates

The Yamaha Group conducts manufacturing and sales activities in many parts of the world, and Group company transactions denominated in foreign currencies may be affected by fluctuations in currency rates. The Group makes use of forward currency hedge transactions to minimize the impact of foreign exchange rate fluctuations in the short term. However, there may be instances where the Group cannot achieve its initial business plans due to exchange rate fluctuations. Especially in the case of profit and loss, the euro-yen exchange rate has a strong influence: a one-yen change will have an impact on profitability of about ¥400 million.

17. Risks Related to Effects of Earthquakes and Other Natural Disasters

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

18. Risks Related to Changes in Financial Position

a. Valuation of Investment Securities

The companies of the Yamaha Group hold stock and other securities issued by their corporate customers and other companies that have quoted market values (representing acquisition costs of ¥17.2 billion and recorded on the consolidated balance sheets as ¥98.2 billion as of March 31, 2008). Since other securities with quoted market values are revalued at each balance sheet date based on the mark-to-market valuation method, there is a possibility that the value of such securities may fluctuate from period to period. As a result, this may have an impact on the Company's net assets. Moreover, in cases where the market value of these securities falls markedly in comparison to their acquisition cost, the value of such securities may have to be written down.

b. Unrecognized Losses on Land Valuation

At the end of the fiscal year under review, the market value of the Group's land, revalued in accordance with relevant legal regulations, including the Law Concerning Reevaluation of Land, was ¥13.2 billion below the carrying value of such land on the Group's balance sheets. In the event of the sale, or other disposal, of such land, this unrealized loss will be recognized and this may have an adverse effect on the Yamaha Group's business results and financial position.

c. Retirement Benefit Obligation and Related Expenses

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

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

Consolidated Balance Sheets

Yamaha Corporation and Consolidated Subsidiaries
At March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and bank deposits (Note 15)	¥ 73,619	¥ 46,702	$ 734,794
Notes and accounts receivable — trade	68,680	78,669	685,498
Marketable securities (Notes 6 and 21)	31,200	419	311,408
Inventories	76,304	82,214	761,593
Deferred income taxes (Note 13)	17,642	17,724	176,085
Other current assets	11,861	7,362	118,385
Less: Allowance for doubtful accounts	(3,554)	(2,060)	(35,473)
Total current assets	275,754	231,033	2,752,311
Property, plant and equipment, net of accumulated depreciation (Notes 2, 5, 6 and 8):			
Buildings and structures	42,602	46,179	425,212
Machinery and equipment	31,710	38,373	316,499
Land (Note 7)	61,134	63,495	610,181
Construction in progress	4,129	1,824	41,212
Property, plant and equipment, net of accumulated depreciation	139,575	149,872	1,393,103
Investments and other assets:			
Investment securities (Notes 4, 6 and 21)	109,943	150,369	1,097,345
Long-term loans receivable	265	524	2,645
Lease deposits	6,264	5,986	62,521
Deferred income taxes (Note 13)	2,065	16,790	20,611
Goodwill	1,304	1,521	13,015
Other assets	5,172	2,933	51,622
Total investments and other assets	125,016	178,125	1,247,789
Total assets	¥540,347	¥559,031	$5,393,223

LIABILITIES	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 3) 2008
Current liabilities:			
Notes and accounts payable — trade	¥ 35,017	¥ 43,165	$ 349,506
Short-term loans (Note 6)	14,419	15,118	143,917
Current portion of long-term debt (Note 6)	4,472	4,301	44,635
Accrued expenses	41,443	54,415	413,644
Income taxes payable	14,916	6,012	148,877
Advances received	1,840	2,273	18,365
Deferred income taxes (Note 13)	7	22	70
Reserve for directors' bonuses (Note 2)	120	100	1,198
Product warranty reserve	3,755	4,266	37,479
Reserve for structural reform expenses (Note 10)	—	1,488	—
Other current liabilities	4,181	5,491	41,731
Total current liabilities	120,174	136,656	1,199,461
Long-term liabilities:			
Long-term debt (Note 6)	2,145	6,132	21,409
Deferred income taxes (Note 13)	13,999	239	139,725
Deferred income taxes on land revaluation (Note 7)	16,811	17,735	167,791
Accrued employees' retirement benefits (Note 17)	25,311	27,140	252,630
Long-term deposits received	17,040	17,424	170,077
Other long-term liabilities	1,836	2,303	18,325
Total long-term liabilities	77,144	70,977	769,977
Contingent liabilities (Note 18)			
NET ASSETS (Note 2)			
Shareholders' equity (Note 16):			
Common stock:			
Authorized — 700,000,000 shares;			
Issued 2008 — 206,524,626 shares			
2007 — 206,524,626 shares	28,534	28,534	284,799
Capital surplus	40,054	40,054	399,780
Retained earnings	229,307	260,555	2,288,721
Treasury stock, at cost	(326)	(339)	(3,254)
Total shareholders' equity	297,570	328,804	2,970,057
Valuation and translation adjustments:			
Net unrealized holding gain on other securities	48,945	13,718	488,522
Gain (loss) on deferred hedges	207	(406)	2,066
Land revaluation difference (Note 7)	14,861	18,116	148,328
Translation adjustments	(21,940)	(13,765)	(218,984)
Total valuation and translation adjustments	42,074	17,662	419,942
Minority interests	3,383	4,931	33,766
Total net assets	343,028	351,398	3,423,775
Total liabilities and net assets	¥540,347	¥559,031	$5,393,223

See notes to consolidated financial statements.

Consolidated Statements of Income

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Net sales	¥548,754	¥550,361	$5,477,133
Cost of sales (Note 9)	343,688	352,381	3,430,362
Gross profit	205,066	197,980	2,046,771
Selling, general and administrative expenses (Note 9)	172,220	170,295	1,718,934
Operating income	32,845	27,685	327,827
Other income (expenses):			
Interest and dividend income	3,925	1,084	39,176
Equity in earnings of unconsolidated subsidiaries and affiliates	145	17,764	1,447
Interest expense	(1,068)	(972)	(10,660)
Cash discounts	(4,105)	(4,371)	(40,972)
Gain (loss) on sales or disposal of property, plant and equipment, net	786	(1,063)	7,845
Gain on sales of investment securities	763	31	7,616
Gain on sales of investments in subsidiaries and affiliates, net	29,057	—	290,019
Special retirement payments (Note 11)	(814)	(728)	(8,125)
Loss on impairment of fixed assets (Note 8)	—	(4,728)	—
Structural reform expenses (Note 10)	—	(3,146)	—
Other, net (Note 12)	975	1,547	9,732
	29,665	5,416	296,087
Income before income taxes and minority interests	62,510	33,101	623,915
Income taxes (Note 13):			
Current	17,552	7,010	175,187
Deferred	4,710	(2,268)	47,011
	22,263	4,741	222,208
Income before minority interests	40,247	28,359	401,707
Minority interests	689	493	6,877
Net income	¥ 39,558	¥ 27,866	$ 394,830

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

Millions of Yen

	Shareholders' Equity					Valuation and Translation Ajustments						
	Common stock (Note 14)	Capital surplus	Retained earnings (Note 14)	Treasury stock, at cost (Note 14)	Total shareholders' equity	Net unrealized holding gain on other securities	Gain (loss) on deferred hedges	Land revaluation difference	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	¥28,534	¥40,054	¥236,913	¥(302)	¥305,199	¥15,470	¥ —	¥18,426	¥(23,091)	¥10,805	¥ 4,472	¥320,477
Changes during the year:												
Dividends from retained earnings			(4,126)		(4,126)							(4,126)
Net income for the year			27,866		27,866							27,866
Changes in the scope of consolidation			(0)		(0)							(0)
Changes in interests in subsidiaries			(138)	0	(138)							(138)
Reversal of reserve for land revaluation difference			121		121							121
Bonuses to directors and corporate auditors			(80)		(80)							(80)
Purchases of treasury stock				(37)	(37)							(37)
Changes in items other than shareholders' equity, net						(1,752)	(406)	(309)	9,325	6,857	458	7,315
Total changes during the year	—	—	23,642	(37)	23,604	(1,752)	(406)	(309)	9,325	6,857	458	30,920
Balance at March 31, 2007	¥28,534	¥40,054	¥260,555	¥(339)	¥328,804	¥13,718	¥(406)	¥18,116	¥(13,765)	¥17,662	¥ 4,931	¥351,398
Changes during the year:												
Dividends from retained earnings			(7,736)		(7,736)							(7,736)
Net income for the year			39,558		39,558							39,558
Changes in the scope of consolidation			(656)		(656)							(656)
Changes in the scope of application of the equity method			(60,275)	43	(60,232)							(60,232)
Reversal of reserve for land revaluation difference			(2,137)		(2,137)							(2,137)
Purchases of treasury stock				(29)	(29)							(29)
Changes in items other than shareholders' equity, net						35,227	614	(3,254)	(8,175)	24,411	(1,547)	22,864
Total changes during the year	—	—	(31,247)	13	(31,234)	35,227	614	(3,254)	(8,175)	24,411	(1,547)	(8,369)
Balance at March 31, 2008	¥28,534	¥40,054	¥229,307	¥(326)	¥297,570	¥48,945	¥ 207	¥14,861	¥(21,940)	¥42,074	¥ 3,383	¥343,028

Thousands of U.S. Dollars (Note 3)

	Shareholders' Equity					Valuation and Translation Adjustments						
	Common stock (Note 14)	Capital surplus	Retained earnings (Note 14)	Treasury stock, at cost (Note 14)	Total shareholders' equity	Net unrealized holding gain on other securities	Gain (loss) on deferred hedges	Land revaluation difference	Translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	$284,799	$399,780	$2,600,609	$(3,384)	$3,281,805	$136,920	$(4,052)	$180,816	$(137,389)	$176,285	$ 49,216	$3,507,316
Changes during the year:												
Dividends from retained earnings			(77,213)		(77,213)							(77,213)
Net income for the year			394,830		394,830							394,830
Changes in the scope of consolidation			(6,548)		(6,548)							(6,548)
Changes in the scope of application of the equity method			(601,607)	429	(601,178)							(601,178)
Reversal of reserve for land revaluation difference			(21,329)		(21,329)							(21,329)
Purchases of treasury stock				(289)	(289)							(289)
Changes in items other than shareholders' equity, net						351,602	6,128	(32,478)	(81,595)	243,647	(15,441)	228,206
Total changes during the year	—	—	(311,877)	130	(311,748)	351,602	6,128	(32,478)	(81,595)	243,647	(15,441)	(83,531)
Balance at March 31, 2008	$284,799	$399,780	$2,288,721	$(3,254)	$2,970,057	$488,522	$ 2,066	$148,328	$(218,984)	$419,942	$ 33,766	$3,423,775

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 62,510	¥ 33,101	$ 623,915
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	20,289	19,956	202,505
Loss on impairment of fixed assets	—	4,728	—
Amortization of goodwill	539	507	5,380
Changes in allowance for doubtful accounts	(366)	(167)	(3,653)
Loss on sales of equity investments in subsidiaries	21	—	210
Loss on revaluation of investments in subsidiaries and affiliates	63	119	629
Loss on revaluation of equity investments in subsidiaries and affiliates	66	—	659
Loss on revaluation of investment securities	263	14	2,625
Changes in employees' retirement benefits	(1,276)	(858)	(12,736)
Interest and dividend income	(3,925)	(1,084)	(39,176)
Interest expense	1,068	972	10,660
Foreign exchange loss	393	49	3,923
Equity in earnings of unconsolidated subsidiaries and affiliates	(145)	(17,764)	(1,447)
Gain on sales of investment securities	(763)	(31)	(7,616)
Gain on sales of investments in subsidiaries and affiliates, net	(29,057)	—	(290,019)
(Gain) loss on sales or disposal of property, plant and equipment, net	(786)	1,063	(7,845)
Structural reform expenses	—	3,146	—
Special retirement payments	814	728	8,125
Changes in operating assets and liabilities:			
Notes and accounts receivable — trade	3,093	(4,537)	30,871
Inventories	(3,844)	(2,262)	(38,367)
Notes and accounts payable — trade	(1,800)	5,272	(17,966)
Other, net	(4,040)	(1,709)	(40,323)
Subtotal	43,118	41,245	430,362
Interest and dividends received	3,912	3,437	39,046
Interest paid	(1,079)	(971)	(10,770)
Income taxes paid	(8,725)	(3,978)	(87,085)
Net cash provided by operating activities	37,225	39,732	371,544
Cash flows from investing activities:			
Net (increase) decrease in time deposits	(298)	254	(2,974)
Purchases of property, plant and equipment	(25,364)	(22,863)	(253,159)
Proceeds from sales of property, plant and equipment	6,316	1,094	63,040
Purchases of investment securities	(84)	(1,163)	(838)
Proceeds from sales and redemption of investment securities	811	77	8,095
Payments for acquisition of investments in subsidiaries	(2,268)	—	(22,637)
Proceeds from sales of investments in subsidiaries and affiliates	67,778	—	676,495
Payments for equity investments in subsidiaries	(3,020)	—	(30,143)
Decrease due to exclusion of subsidiaries from consolidation resulting from sales of equity investments	(3)	—	(30)
Other, net	(1,866)	173	(18,625)
Net cash provided by (used in) investing activities	41,999	(22,427)	419,194
Cash flows from financing activities:			
Increase (decrease) in short-term loans	190	(1,961)	1,896
Proceeds from long-term debt	2,212	4,235	22,078
Repayment of long-term debt	(4,256)	(5,151)	(42,479)
Resort membership deposits received	13	12	130
Refund of resort membership deposits	(9,483)	(969)	(94,650)
Purchases of treasury stock	(29)	(37)	(289)
Cash dividends paid	(7,736)	(4,126)	(77,213)
Cash dividends paid to minority shareholders	(224)	(248)	(2,236)
Net cash used in financing activities	(19,314)	(8,246)	(192,774)
Effect of exchange rate changes on cash and cash equivalents	(2,398)	1,464	(23,935)
Net increase in cash and cash equivalents	57,512	10,523	574,029
Cash and cash equivalents at beginning of the year	45,926	35,434	458,389
Increase due to inclusion of subsidiaries in consolidation	41	—	409
Decrease due to exclusion of subsidiaries from consolidation	(108)	(31)	(1,078)
Cash and cash equivalents at end of the year (Note 15)	¥103,371	¥ 45,926	$1,031,750

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamaha Corporation and Consolidated Subsidiaries
March 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Yamaha Corporation (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. The Company and all consolidated subsidiaries are referred to herein as the "Yamaha Group." The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

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

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

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. As a result, the accompanying consolidated financial statements include the accounts of the Company and 87 consolidated subsidiaries for the year ended March 31, 2008 and 93 consolidated subsidiaries for the year ended March 31, 2007.

All significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their own operations are significantly affected in various ways by the Yamaha Group are accounted for by the equity method. During the year ended March 31, 2008, two affiliates, formerly accounted for by the equity method (Yamaha Motor Co., Ltd. and Korg Inc.), have been excluded from consolidation. Consequently, investments in one affiliate were accounted for by the equity method for the year ended March 31, 2008, and three affiliates (Yamaha Motor Co., Ltd., Korg Inc. and one other affiliate) were accounted for by the equity method for the year ended March 31, 2007.

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

Certain overseas subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company; however, all necessary adjustments between the fiscal year end of these overseas subsidiaries and that of the Company have been made, thus enabling them to report financial results equivalent to those as of and for the Company's fiscal year end.

All assets and liabilities of subsidiaries are revalued at fair value on acquisition and, if applicable, the excess of cost over the underlying net assets at the respective dates of acquisition is presented as goodwill and amortized over a period of five years on a straight-line basis.

(c) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date if not hedged by forward foreign exchange contracts, or at the contracted rates of exchange when hedged by forward foreign exchange contracts. The resulting exchange gain or loss is recognized as other income or expense.

Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from translation are presented as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(d) Cash and cash equivalents

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

(e) Securities

Securities owned by the Yamaha Group have been classified into two categories, held-to-maturity and other, 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 other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. If the market value of marketable securities classified as other securities declines significantly, such securities are written down to their respective fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as an impairment loss unless the fair value is deemed recoverable. The Company has established a policy for the recognition of impairment loss if the market value at the year end has declined more than 30% and a recovery to fair value is not anticipated.

Cost of securities sold is determined by the weighted-average method.

(f) Inventories

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

(g) Depreciation

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

Estimated useful lives:

Buildings:	31 - 50 years (structures attached to buildings: 15 years)
Structures:	10 - 30
Machinery and equipment:	4 - 11
Tools, furniture and fixtures:	5 - 6 (molds: 2 years)

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on the historical experience with write-offs plus an estimate of specific probable doubtful accounts determined by a review of the collectibility of individual receivables.

(i) Reserve for directors' bonuses

To provide for the payment of bonuses to directors, the projected amount of such bonuses is set aside as a reserve.

(j) Product warranty reserve

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

(k) Reserve for structural reform expenses

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

(l) Accrued retirement benefits

Accrued employees' retirement benefits: Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the pension fund assets.

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

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

Accrued directors' retirement benefits: Effective the end of the Annual General Meeting of Shareholders held on June 27, 2006, the Company abolished its retirement allowance system for directors. Note that the reserve for directors' retirement allowances, which was recorded as "Directors' retirement benefits" until the end of the above-mentioned shareholders' meeting held on June 27, 2006, has now been included in "Other long-term liabilities" under "Long-term liabilities."

(m) Leases

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

(n) Income taxes

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

(o) Derivative financial instruments

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which the unrealized gain or loss is deferred as an asset or a liability. Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which is utilized to hedge against risk arising from fluctuation in foreign exchange rates.

The Yamaha Group does not conduct an assessment of the effectiveness of its hedging activities because the relationship between the anticipated cash flows fixed by the hedging activities and the avoidance of market risk is so clear that there is no need to evaluate the performance of each hedge against that of the underlying hedged item.

2. CHANGES IN METHODS OF ACCOUNTING

(1) Change in method of depreciation

Pursuant to the revision of the Corporate Tax Law of Japan (the “Tax Law”) which went into effect on April 1, 2007, the Company and its domestic consolidated subsidiaries have adopted the declining-balance method for calculating depreciation of tangible fixed assets acquired on or after April 1, 2007, using a rate that is 2.5 times that which would have been used if the straight-line method had been applied.

As a result of this change, for the year ended March 31, 2008, operating income, and income before income taxes and minority interests both decreased by ¥529 million ($5,280 thousand) and net income decreased by ¥349 million ($3,483 thousand) from the corresponding amounts which would have been recorded under the previous method.

The effect of this change on segment information is disclosed in Note 23.

In addition, pursuant to the revision of the Tax Law which went into effect on April 1, 2007, effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or before March 31, 2007 to depreciating the residual value of such assets which have been fully depreciated to their respective depreciable limits under the Tax Law to nominal value over a period of five years based on the straight-line method.

As a result of this change, for the year ended March 31, 2008, operating income, and income before income taxes and minority interests both decreased by ¥927 million ($9,252 thousand) and net income decreased by ¥588 million ($5,869 thousand) from the corresponding amounts which would have been recorded under the previous method.

The effect of this change on segment information is disclosed in Note 23.

(2) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective the previous fiscal year, the Company adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8 issued on December 9, 2005).

Total shareholders’ equity under the previous method of presentation was equivalent to ¥346,873 million at March 31, 2007.

(3) Accounting Standard for Directors’ Bonuses

Effective the previous fiscal year, the Company adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4 issued on November 29, 2005).

As a result, operating income, and income before income taxes and minority interests both decreased by ¥100 million from the corresponding amounts which would have been recorded under the previous accounting standard.

3. U.S. DOLLAR AMOUNTS

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2008 have been presented in U.S. dollars by translating all yen amounts at ¥100.19 = U.S.$1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

4. INVESTMENT SECURITIES

Investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Investments in and advances to unconsolidated subsidiaries and affiliates	¥ 2,573	¥110,580	$ 25,681
Other	107,370	39,789	1,071,664
Investment securities	¥109,943	¥150,369	$1,097,345

5. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2008 and 2007 amounted to ¥215,202 million ($2,147,939 thousand) and ¥250,745 million, respectively.

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans consisted of unsecured loans payable to banks at weighted-average interest rates of 2.7% and 2.5% per annum at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Long-term debt from banks at average interest rates of 2.9% and 3.3% for the current and noncurrent portions, respectively	¥6,618	¥10,434	$66,054
Total long-term debt	6,618	10,434	66,054
Less: Current portion	4,472	4,301	44,635
	¥2,145	¥ 6,132	$21,409

The assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Marketable securities	¥ 600	¥ 399	$ 5,989
Property, plant and equipment, net of accumulated depreciation	207	207	2,066
Investment securities	695	1,059	6,937
	¥1,503	¥1,666	$15,001

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2009	¥4,472	$44,635
2010	1,298	12,955
2011	755	7,536
2012	55	549
2013 and thereafter	36	359
	¥6,618	$66,054

7. LAND REVALUATION

For the year ended March 31, 2008, the Company and one consolidated subsidiary have carried over the revaluation of their landholdings at the following dates in accordance with the “Law Concerning the Revaluation of Land” (Law No. 34 published on March 31, 1998):

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

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

For the year ended March 31, 2007, the Company, two consolidated subsidiaries and an affiliate carried over the revaluation of their landholdings at the following dates in accordance with the “Law Concerning the Revaluation of Land” (Law No.34 published on March 31, 1998):

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

The Company and two consolidated subsidiaries determined the value of their land based on the respective value registered in the land tax list or the supplementary land tax list as specified in No.10 or No.11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the “Law Concerning the Revaluation of Land” (Cabinet Order No.119 published on March 31, 1998). An affiliate determined the value of its land based on a reasonable adjustment to its value as determined by a method that the Commissioner of the National Tax Administration established and published in order to standardize the determination of land value. Land value is the underlying basis for the assessment of land tax as specified in Article 16 of the Local Tax Law that is governed by Item 4 of Article 2 of the Enforcement Order for the “Law Concerning the Revaluation of Land.”

The excess of the revalued carrying amount of such land over its market value at March 31, 2008 and 2007 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	**2008**
Excess of revalued carrying amount of land over market value	**¥(13,246)**	¥(18,954)	**$(132,209)**

8. LOSS ON IMPAIRMENT OF FIXED ASSETS

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2007:

Group of Fixed Assets	Location	Impaired Assets	Millions of Yen 2007
Assets in recreation business	Four recreation facilities (Kiroro, Haimurubushi, Toba Hotel International, Nemunosato) in Akaigawamura, Yoichi-gun in Hokkaido and other locations	Buildings and structures	¥4,316
		Land	412
		Total	¥4,728

Method of grouping assets

The Yamaha Group classifies the assets of the recreation segment with individual recreation facilities as the basic unit as these are the minimum cash flow generating units.

Background for recognition of impairment losses

The Yamaha Group concluded a basic agreement with Mitsui Fudosan Co., Ltd., on March 23, 2007, for the sale of commercial real estate of four recreation properties. Among its operating assets in the recreation segment, the Company recognized impairment losses on those assets of the four properties to be sold that were appraised at values below book value.

Method for computing the recoverable amount

The recoverable amount of assets in the recreation business was computed based on the estimated transfer price of the assets which were transferred to Mitsui Fudosan Co., Ltd.

9. R&D EXPENSES

R&D expenses, included in selling, general and administrative expenses and cost of sales, for the years ended March 31, 2008 and 2007 amounted to ¥24,865 million ($248,178 thousand) and ¥24,220 million, respectively.

10. STRUCTURAL REFORM EXPENSES

Expenses were incurred in connection with the determination to dissolve the following overseas manufacturing subsidiaries: Kaohsiung Yamaha Co., Ltd., Yamaha Music Manufacturing, Inc., and Yamaha Musical Products, Inc.

11. SPECIAL RETIREMENT PAYMENTS

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

12. OTHER INCOME (EXPENSES)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Reversal of reserve for structural reform expenses	¥ 260	¥ —	$ 2,595
Loss on revaluation of investment securities	(263)	(14)	(2,625)
Loss on sales of equity investments in subsidiaries	(21)	—	(210)
Loss on revaluation of investments in subsidiaries and affiliates	(63)	(119)	(629)
Loss on revaluation of equity investments in subsidiaries and affiliates	(66)	—	(659)
Other, net	1,130	1,681	11,279
	¥ 975	¥1,547	$ 9,732

13. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 39.5% for the years ended March 31, 2008 and 2007. 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, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Deferred tax assets:			
Write-downs of inventories	¥ 1,868	¥ 2,096	$ 18,645
Unrealized gain on inventories and property, plant and equipment	4,007	3,896	39,994
Allowance for doubtful accounts	1,495	899	14,922
Depreciation	9,492	11,722	94,740
Loss on impairment of fixed assets	8,479	17,908	84,629
Unrealized loss on investment securities	3,113	2,056	31,071
Accrued employees' bonuses	3,655	3,732	36,481
Product warranty reserve	1,186	1,349	11,838
Accrued employees' retirement benefits	9,571	10,130	95,528
Tax loss carryforwards	1,540	4,162	15,371
Accumulated losses of subsidiaries	—	3,471	—
Other	8,779	10,255	87,624
Gross deferred tax assets	53,191	71,682	530,901
Valuation allowance	(12,858)	(26,121)	(128,336)
Total deferred tax assets	40,332	45,560	402,555
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	(1,640)	(1,853)	(16,369)
Reserve for special depreciation	(217)	(321)	(2,166)
Net unrealized holding gain on other securities	(32,031)	(8,136)	(319,703)
Other	(742)	(997)	(7,406)
Total deferred tax liabilities	(34,631)	(11,308)	(345,653)
Net deferred tax assets	¥ 5,701	¥ 34,252	$ 56,902

A reconciliation between the statutory tax rate and the effective tax rates for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Statutory tax rate	39.5%	39.5%
Equity in earnings of unconsolidated subsidiaries and affiliates and non-temporary differences not deductible for tax purposes	—	(20.4)
Non-temporary differences not deductible for tax purposes	(0.5)	—
Per capita inhabitants' taxes and other	0.3	0.6
R&D expenses not deductible for tax purposes and other	(2.0)	(1.7)
Allowance for changes in valuation	(21.2)	4.0
Accumulated losses of subsidiaries	—	(8.0)
Recognition of equity in earnings of subsidiaries and affiliates	20.0	—
Differences in tax rates of overseas subsidiaries and other	(0.5)	0.3
Effective tax rates	35.6%	14.3%

14. INFORMATION FOR CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The following tables present information related to the accompanying consolidated statements of changes in net assets for the years ended March 31, 2008 and 2007:

a) Common stock

	2008	2007
Beginning of the year	206,524,626	206,524,626
Increase	—	—
Decrease	—	—
End of the year	206,524,626	206,524,626

(b) Treasury stock

	2008	2007
Beginning of the year	406,347	390,902
Increase	11,697 *1	15,775 *1
Decrease	183,463 *2	330 *3
End of the year	234,581	406,347

*1 Increase owing to purchases of outstanding fractional shares of less than one trading unit: 11,697 shares and 15,775 shares for the years ended March 31, 2008 and 2007, respectively.
*2 Decrease owing to exclusion of affiliates from application of equity method: 183,463 shares
*3 Decrease owing to changes in the number of shares of common stock held in treasury held by companies accounted for under the equity method: 330 shares

(c) Bonds with rights to purchase new shares

None issued

(d) Cash dividends

(1) Amount of dividend payments

2008

Date of approval	Type of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars) (Note 3)	Dividends per share (Yen)	Dividends per share (U.S. Dollars) (Note 3)	Record date	Effective date
Jun. 26, 2007 (Annual General Meeting of Shareholders)	Common stock	**¥ 2,578**	**$ 25,731**	**¥ 12.50**	**$ 0.12**	Mar. 31, 2007	Jun. 27, 2007
Oct. 31, 2007 (Board of Directors)	Common stock	**¥ 5,157**	**$ 51,472**	**¥ 25.00**	**$ 0.25**	Sep. 30, 2007	Dec. 10, 2007

Note: Dividends per share of ¥25.00 ($0.25) approved on October 31, 2007 consisted of regular dividends of ¥15.00 ($0.15) and special dividends of ¥10.00 ($0.10).

2007

Date of approval	Type of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 27, 2006 (Annual General Meeting of Shareholders)	Common stock	¥ 2,063	¥ 10.00	Mar. 31, 2006	Jun. 28, 2006
Oct. 31, 2006 (Board of Directors)	Common stock	¥ 2,063	¥ 10.00	Sep. 30, 2006	Dec. 11, 2006

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

2008

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars) (Note 3)	Dividends per share (Yen)	Dividends per share (U.S. Dollars) (Note 3)	Record date	Effective date
Jun. 25, 2008 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	**¥ 5,157**	**$ 51,472**	**¥ 25.00**	**$ 0.25**	Mar. 31, 2008	Jun. 26, 2008

Note: Dividends per share of ¥25.00 ($0.25) approved on June 25, 2008 consisted of regular dividends of ¥15.00 ($0.15) and special dividends of ¥10.00 ($0.10).

2007

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 26, 2007 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥ 2,578	¥ 12.50	Mar. 31, 2007	Jun. 27, 2007

15. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of cash and bank deposits and cash and cash equivalents at March 31, 2008 and 2007:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	**2008**
Cash and bank deposits	**¥ 73,619**	¥46,702	**$ 734,794**
Time deposits with maturities of more than three months	**(648)**	(776)	**(6,468)**
Short-term (securities) investments with maturities of three months or less when purchased	**30,400**	—	**303,423**
Cash and cash equivalents	**¥103,371**	¥45,926	**$1,031,750**

16. 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.

17. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., the Welfare Pension Fund Plan (WPFP), tax-qualified pension plans and lump-sum payment plans, which substantially cover all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain employees may be entitled to additional special retirement benefits which have not been provided for based on the conditions under which termination occurs. In addition, certain overseas consolidated subsidiaries have defined benefit and contribution pension plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Retirement benefit obligation	¥(150,685)	¥(162,791)	$(1,503,992)
Plan assets at fair value	102,705	122,430	1,025,102
Unfunded retirement benefit obligation	(47,980)	(40,360)	(478,890)
Unrecognized actuarial gain or loss	25,783	12,663	257,341
Unrecognized prior service cost	(2,601)	1,458	(25,961)
Net retirement benefit obligation at transition	(24,798)	(26,238)	(247,510)
Prepaid pension expenses	512	902	5,110
Accrued retirement benefits	¥ (25,311)	¥ (27,140)	$ (252,630)

Note that the Company and one domestic consolidated subsidiary discontinued their approved retirement annuity system on April 1, 2007, and are making the transition to a corporate pension plan and lump-sum retirement payment plan.

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2008	2007	2008
Service cost	¥ 5,318	¥ 5,535	$ 53,079
Interest cost	2,997	3,134	29,913
Expected return on plan assets	(4,696)	(4,696)	(46,871)
Amortization of prior service cost	(157)	264	(1,567)
Amortization of actuarial gain or loss	3,218	3,088	32,119
Additional retirement benefit expenses	1,407	3,551	14,043
Total	¥ 8,089	¥10,876	$ 80,737

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

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**4.0%**	4.0%
Amortization of prior service cost	**10 years (straight-line method)**	10 years (straight-line method)
Amortization of actuarial gain or loss	**10 years (straight-line method)**	10 years (straight-line method)

18. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2008:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Export bills discounted with banks	¥1,040	$10,380
Guarantees of indebtedness of others	823	8,214

19. AMOUNTS PER SHARE

	Yen		U.S. Dollars (Note 3)
Years ended March 31	**2008**	2007	**2008**
Net income:			
Basic	**¥ 191.76**	¥ 135.19	**$ 1.91**
Diluted	**—**	135.11	**—**

	Yen		U.S. Dollars (Note 3)
At March 31	**2008**	2007	**2008**
Net assets	**¥1,646.44**	¥1,680.91	**$16.43**

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued. Diluted net income per share for the year ended March 31, 2008 has not been presented because there were no potentially dilutive securities at March 31, 2008.

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 per share and diluted net income per share was determined as follows:

Years ended March 31	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 3) 2008
Basic net income per share:			
Net income	¥ 39,558	¥ 27,866	$394,830
Amounts not attributable to shareholders of common stock	—	—	—
Amounts attributable to shareholders of common stock	39,558	27,866	394,830
Weighted-average number of shares outstanding (thousands of shares)	206,295	206,126	
Diluted net income per share:			
Adjustments arising from dilution:			
Equity in earnings of unconsolidated subsidiaries and affiliates	¥ —	¥ (17)	$ —
Increase in number of shares outstanding	—	—	—
Dilution arising from potential shares of common stock to be issued	—	—	—

20. LEASES

Lessees' accounting

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets at March 31, 2008 and 2007 if the finance leases currently accounted for as operating leases had been capitalized:

	Millions of Yen			Thousands of U.S. Dollars (Note 3)		
As of March 31, 2008	Tools and equipment	Other	Total	Tools and equipment	Other	Total
Acquisition costs	¥1,558	¥144	¥1,703	$15,550	$1,437	$16,998
Accumulated depreciation	854	81	935	8,524	808	9,332
Net book value	¥ 704	¥ 63	¥ 767	$ 7,027	$ 629	$ 7,655

	Millions of Yen		
As of March 31, 2007	Tools and equipment	Other	Total
Acquisition costs	¥1,782	¥467	¥2,249
Accumulated depreciation	975	261	1,237
Net book value	¥ 806	¥205	¥1,012

Lease expenses relating to finance leases accounted for as operating leases amounted to ¥498 million ($4,971 thousand) and ¥699 million for the years ended March 31, 2008 and 2007, respectively.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms and the interest portion is included in the lease payments.

Future minimum lease payments subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2009	¥371	$3,703
2010 and thereafter	396	3,952
Total	¥767	$7,655

Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets relating to finance leases accounted for as operating leases at March 31, 2008 and 2007:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
As of March 31	**2008**	2007	**2008**
Acquisition costs	**¥5,060**	¥5,297	**$50,504**
Accumulated depreciation	**3,673**	3,685	**36,660**
Net book value	**¥1,386**	¥1,611	**$13,834**

Lease income and depreciation expense relating to finance leases accounted for as operating leases amounted to ¥874 million ($8,723 thousand) and ¥552 million ($5,510 thousand), respectively, for the year ended March 31, 2008, and ¥993 million and ¥573 million, respectively, for the year ended March 31, 2007.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms and the interest portion is included in lease income.

Future minimum lease income subsequent to March 31, 2008 for finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2009	¥ 714	$ 7,126
2010 and thereafter	1,370	13,674
Total	¥2,084	$20,800

21. SECURITIES

(a) Held-to-maturity debt securities

As of March 31, 2008	Millions of Yen			Thousands of U.S. Dollars (Note 3)		
	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	¥ 300	¥ 300	¥ 0	$ 2,994	$ 2,994	$ 0
Other	299	300	0	2,984	2,994	0
	600	601	1	5,989	5,999	10
Securities whose estimated fair value does not exceed their carrying value:						
Government and municipal bonds	399	398	(1)	3,982	3,972	(10)
Corporate bonds	399	398	(1)	3,982	3,972	(10)
Other	699	698	(1)	6,977	6,967	(10)
	1,499	1,496	(3)	14,962	14,932	(30)
Total	¥2,099	¥2,097	¥ (2)	$20,950	$20,930	$(20)

As of March 31, 2007	Millions of Yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 100	¥ 100	¥ 0
Other	299	300	0
	399	400	0
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	500	495	(4)
Corporate bonds	419	416	(3)
Other	1,099	1,093	(6)
	2,019	2,004	(15)
Total	¥2,419	¥2,404	¥(15)

(b) Other securities with determinable market value

As of March 31, 2008	Millions of Yen			Thousands of U.S. Dollars (Note 3)		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥16,491	¥97,568	¥81,076	$164,597	$973,830	$809,222
Other	—	—	—	—	—	—
	16,491	97,568	81,076	164,597	973,830	809,222
Securities whose carrying value does not exceed their acquisition costs:						
Stock	689	628	(61)	6,877	6,268	(609)
Other	68	57	(10)	679	569	(100)
	757	685	(72)	7,556	6,837	(719)
Total	¥17,248	¥98,253	¥81,004	$172,153	$980,667	$808,504

As of March 31, 2007	Millions of Yen Acquisition costs	 Carrying value	 Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥ 9,175	¥29,790	¥20,614
Other	65	78	12
	9,240	29,868	20,627
Securities whose carrying value does not exceed their acquisition costs:			
Stock	688	632	(56)
	688	632	(56)
Total	¥ 9,929	¥30,500	¥20,570

(c) Other securities sold during the years ended March 31, 2008 and 2007

	Millions of Yen 2008	 2007	Thousands of U.S. Dollars (Note 3) 2008
Sales of other securities	¥805	¥41	$8,035
Gain on sales	763	31	7,616

(d) Securities without determinable value

	Millions of Yen 2008	 2007	Thousands of U.S. Dollars (Note 3) 2008
Other securities:			
Unlisted securities	¥ 7,600	¥7,010	$ 75,856
Negotiable deposits	30,400	—	303,423

(e) Schedule for redemption of other securities with maturities and held-to-maturity debt securities at March 31, 2008 and 2007

As of March 31, 2008	Millions of Yen Due in one year or less	 Due after one year through five years	Thousands of U.S. Dollars (Note 3) Due in one year or less	 Due after one year through five years
Bonds:				
Government and municipal bonds	¥300	¥ 399	$2,994	$ 3,982
Corporate bonds	—	399	—	3,982
Other	499	499	4,981	4,981
Total	¥800	¥1,299	$7,985	$12,965

As of March 31, 2007	Millions of Yen Due in one year or less	 Due after one year through five years
Bonds:		
Government and municipal bonds	¥ —	¥ 600
Corporate bonds	20	399
Other	399	999
Total	¥419	¥1,999

22. DERIVATIVES AND HEDGING ACTIVITIES

The Yamaha Group utilizes derivative financial instruments such as forward foreign exchange contracts and foreign currency options for the purpose of hedging its exposure to adverse fluctuation in foreign currency exchange rates, but does not enter into such transactions for speculative or trading purposes.

The Yamaha Group may, from time to time, enter into foreign forward exchange agreements in order to manage the risk arising from adverse fluctuation in foreign exchange transactions. The Yamaha Group has implemented internal regulations under which any significant foreign exchange risk will be hedged.

No specific disclosure for derivatives has been made as the Yamaha Group, as a matter of principle, holds only derivatives positions which meet the criteria for deferral hedge accounting.

23. SEGMENT INFORMATION

The business and geographical segments and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 are outlined as follows:

Business Segments

	Millions of Yen								
Year ended March 31, 2008	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)									
Sales to external customers	¥ 340,021	¥ 70,814	¥ 45,000	¥ 45,520	¥ 11,353	¥ 36,044	¥ 548,754	¥ —	¥ 548,754
Intersegment sales or transfers			1,316				1,316	(1,316)	—
Total	340,021	70,814	46,316	45,520	11,353	36,044	550,070	(1,316)	548,754
Operating expenses	312,096	68,974	44,452	44,931	12,456	34,313	517,225	(1,316)	515,908
Operating income (loss)	¥ 27,924	¥ 1,839	¥ 1,863	¥ 588	¥ (1,103)	¥ 1,731	¥ 32,845	¥ —	¥ 32,845
II. Total assets, depreciation and amortization and capital expenditures									
Total assets	¥ 311,642	¥ 43,861	¥ 33,086	¥ 21,585	¥ 8,062	¥ 122,109	¥ 540,347	¥ —	¥ 540,347
Depreciation and amortization	10,156	1,794	4,618	1,063	926	1,730	20,289		20,289
Capital expenditures	16,472	2,009	2,435	647	600	2,228	24,394		24,394

	Millions of Yen								
Year ended March 31, 2007	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)									
Sales to external customers	¥ 325,989	¥ 72,823	¥ 54,809	¥ 46,573	¥ 17,800	¥ 32,365	¥ 550,361	¥ —	¥ 550,361
Intersegment sales or transfers			1,714				1,714	(1,714)	—
Total	325,989	72,823	56,524	46,573	17,800	32,365	552,076	(1,714)	550,361
Operating expenses	303,951	70,685	53,423	45,422	19,337	31,570	524,391	(1,714)	522,676
Operating income (loss)	¥ 22,037	¥ 2,137	¥ 3,101	¥ 1,150	¥ (1,536)	¥ 794	¥ 27,685	¥ —	¥ 27,685
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures									
Total assets	¥ 283,605	¥ 41,807	¥ 48,759	¥ 22,814	¥ 13,454	¥ 148,589	¥ 559,031	¥ —	¥ 559,031
Depreciation and amortization	9,242	1,610	4,676	1,007	1,452	1,967	19,956		19,956
Loss on impairment of fixed assets					4,728		4,728		4,728
Capital expenditures	14,817	1,539	4,395	1,303	1,464	1,631	25,152		25,152

Year ended March 31, 2008	Thousands of U.S. Dollars (Note 3)								
	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)									
Sales to external customers	$3,393,762	$706,797	$449,147	$454,337	$113,315	$ 359,756	$5,477,133	$ —	$5,477,133
Intersegment sales or transfers			13,135				13,135	(13,135)	—
Total	3,393,762	706,797	462,282	454,337	113,315	359,756	5,490,268	(13,135)	5,477,133
Operating expenses	3,115,041	688,432	443,677	448,458	124,324	342,479	5,162,441	(13,135)	5,149,296
Operating income (loss)	$ 278,710	$ 18,355	$ 18,595	$ 5,869	$ (11,009)	$ 17,277	$ 327,827	$ —	$ 327,827
II. Total assets, depreciation and amortization and capital expenditures									
Total assets	$3,110,510	$437,778	$330,233	$215,441	$ 80,467	$1,218,774	$5,393,223	$ —	$5,393,223
Depreciation and amortization	101,367	17,906	46,092	10,610	9,242	17,267	202,505		202,505
Capital expenditures	164,408	20,052	24,304	6,458	5,989	22,238	243,477		243,477

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

(2) Major products in each business segment:

Business segment	Major products and services
Musical instruments	Pianos, digital musical instruments, wind instruments, string instruments, percussion instruments, educational musical instruments, professional audio equipment, soundproof rooms, music schools, English language schools, ring tone distribution service, piano tuning
AV/IT	Audio products, IT equipment
Electronic equipment and metal products	Semiconductors, specialty metals
Lifestyle-related products	System bathrooms, system kitchens, washstands
Recreation	Sightseeing and accommodation facilities, ski resort, golf courses
Others	Golf products, automobile interior wood components, factory automation (FA) equipment, metallic molds and components

The major products are described in the accompanying “Review of Operations.”

(3) Total assets of Yamaha Motor Co., Ltd. included in the Others segment were as follows:

2008 ¥ 78,206 million ($780,577 thousand)
2007 ¥105,083 million

(4) Changes in Methods of Accounting

Pursuant to the changes in method of accounting described in “2. Changes in Methods of Accounting, (1) Change in method of depreciation,” the Company and its domestic consolidated subsidiaries have adopted the declining-balance method for calculating depreciation of tangible fixed assets acquired on or after April 1, 2007, using a rate that is 2.5 times that which would have been used if the straight-line method had been applied. As a result of this change, for the year ended March 31, 2008, operating expenses increased and operating income decreased as compared to the corresponding amounts which would have been recorded under the previous method. Specifically, by segment, operating expenses increased for musical instruments by ¥213 million ($2,126 thousand), for AV/IT by ¥55 million ($549 thousand), for electronic equipment and metal products by ¥162 million ($1,617 thousand), for lifestyle-related products by ¥35 million ($349 thousand), for recreation by ¥9 million ($90 thousand), and for others by ¥52 million ($519 thousand) over the corresponding amounts which would have been recorded under the previous method. At the same time, operating income (loss) for each segment decreased (increased) by the same amount as that of the corresponding increase in operating expenses as a result of this change from the amount which would have been recorded under the previous method.

In addition, pursuant to the changes in method of accounting described in “2. Changes in Methods of Accounting, (1) Change in method of depreciation,” effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or before March 31, 2007 to depreciating the residual value of such assets which have been fully depreciated to their respective depreciable limits under the Corporate Tax Law to nominal value over a period of five years based on the straight-line method. As a result of this change, operating expenses increased and operating income decreased as compared to the corresponding amounts which would have been recorded under the previous method. Specifically, by segment, operating expenses increased for musical instruments by ¥457 million ($4,561 thousand), for AV/IT by ¥37 million ($369 thousand), for electronic equipment and metal products by ¥319 million ($3,184 thousand), for lifestyle-related products by ¥49 million ($489 thousand), for recreation by ¥31 million ($309 thousand), and for others by ¥33 million ($329 thousand) over the corresponding amounts which would have been recorded under the previous method. At the same time, operating income (loss) for each segment decreased (increased) by the same amount as that of the corresponding increase in operating expenses as a result of this change from the amount which would have been recorded under the previous method.

Geographical Segments

Year ended March 31, 2008	Japan	North America	Europe	Asia, Oceania and Other Areas	Total	Eliminations or Unallocated Amounts	Consolidated
	Millions of Yen						
Sales and operating income							
Sales to external customers	¥ 293,384	¥ 89,828	¥ 102,156	¥ 63,384	¥ 548,754	¥ —	¥ 548,754
Intersegment sales or transfers	165,336	1,729	1,134	75,318	243,519	(243,519)	—
Total	458,721	91,558	103,290	138,702	792,273	(243,519)	548,754
Operating expenses	444,150	86,664	97,484	130,743	759,042	(243,134)	515,908
Operating income	¥ 14,571	¥ 4,893	¥ 5,806	¥ 7,959	¥ 33,230	¥ (385)	¥ 32,845
Total assets	¥ 421,207	¥ 31,368	¥ 44,801	¥ 62,638	¥ 560,015	¥ (19,668)	¥ 540,347

Year ended March 31, 2007	Japan	North America	Europe	Asia, Oceania and Other Areas	Total	Eliminations or Unallocated Amounts	Consolidated
	Millions of Yen						
Sales and operating income							
Sales to external customers	¥ 307,486	¥ 93,131	¥ 95,326	¥ 54,418	¥ 550,361	¥ —	¥ 550,361
Intersegment sales or transfers	155,991	2,075	1,238	69,068	228,374	(228,374)	—
Total	463,477	95,206	96,565	123,486	778,736	(228,374)	550,361
Operating expenses	447,406	91,668	92,164	118,380	749,620	(226,944)	522,676
Operating income	¥ 16,071	¥ 3,538	¥ 4,400	¥ 5,105	¥ 29,115	¥ (1,430)	¥ 27,685
Total assets	¥ 437,839	¥ 37,618	¥ 44,039	¥ 64,242	¥ 583,740	¥ (24,708)	¥ 559,031

Year ended March 31, 2008	Japan	North America	Europe	Asia, Oceania and Other Areas	Total	Eliminations or Unallocated Amounts	Consolidated
	Thousands of U.S. Dollars (Note 3)						
Sales and operating income							
Sales to external customers	$2,928,276	$896,577	$1,019,623	$ 632,638	$5,477,133	$ —	$5,477,133
Intersegment sales or transfers	1,650,225	17,257	11,318	751,752	2,430,572	(2,430,572)	—
Total	4,578,511	913,844	1,030,941	1,384,390	7,907,705	(2,430,572)	5,477,133
Operating expenses	4,433,077	864,997	972,991	1,304,951	7,576,026	(2,426,729)	5,149,296
Operating income	$ 145,434	$ 48,837	$ 57,950	$ 79,439	$ 331,670	$ (3,843)	$ 327,827
Total assets	$4,204,082	$313,085	$ 447,160	$ 625,192	$5,589,530	$ (196,307)	$5,393,223

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

Overseas Sales

	Millions of Yen			
Year ended March 31, 2008	North America	Europe	Asia, Oceania and Other Areas	Total
Overseas sales	¥ 89,903	¥ 104,114	¥ 78,121	¥ 272,139
Consolidated net sales				548,754
Overseas sales as a percentage of consolidated net sales	16.4%	19.0%	14.2%	49.6%

	Millions of Yen			
Year ended March 31, 2007	North America	Europe	Asia, Oceania and Other Areas	Total
Overseas sales	¥ 93,676	¥ 97,299	¥ 68,157	¥ 259,133
Consolidated net sales				550,361
Overseas sales as a percentage of consolidated net sales	17.0%	17.7%	12.4%	47.1%

	Thousands of U.S. Dollars (Note 3)			
Year ended March 31, 2008	North America	Europe	Asia, Oceania and Other Areas	Total
Overseas sales	$897,325	$1,039,166	$779,729	$2,716,229
Consolidated net sales				5,477,133
Overseas sales as a percentage of consolidated net sales	16.4%	19.0%	14.2%	49.6%

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

24. SUBSEQUENT EVENTS

The Board of Directors, at a meeting held on April 30, 2008, approved a resolution for the acquisition of the Company's own shares pursuant to Articles 156 and 165-3 of the Corporation Law of Japan. The details of this resolution are summarized as follows:

(1) Purpose of the acquisition of the Company's shares

The acquisition of the Company's own shares is to be conducted to enhance the return to shareholders of the Company in connection with a sale of a portion of the Company's holdings in Yamaha Motor Co., Ltd. which was conducted in May 2007.

(2) Details of the acquisition

(a) Type of shares to be acquired: Shares of common stock

(b) Total number of shares to be acquired: 10 million (maximum)

This represents 4.8% of the aggregate number of shares of common stock in issue (excluding treasury stock).

(c) Total amount of shares to be acquired: ¥18.0 billion ($179,659 thousand) (maximum)

(d) Period for the share acquisition: From May 1, 2008 through September 30, 2008

(3) Other

All of the shares acquired will be retired.

(Reference)

Shares of common stock held in treasury by the Company as of March 31, 2008

Aggregate number of shares of common stock in issue (excluding treasury stock): 206,290,045 shares

Number of shares of common stock held in treasury stock: 234,581 shares

The Board of Directors, at a meeting held on June 19, 2008, approved a resolution for the cancellation of shares of treasury stock as follows, pursuant to Article 178 of the Corporation Law of Japan:

(1) Purpose of the cancellation of treasury stock

The cancellation of treasury stock is to be conducted to enhance the return to shareholders of the Company in connection with the sale of a portion of the Company's holdings in Yamaha Motor Co., Ltd. which was conducted in May 2007.

(2) Details of the cancellation

(a) Type of treasury stock to be cancelled: Common stock

(b) Total number of shares of treasury stock to be cancelled: 9,269,601

This represents 4.5% of the aggregate number of shares of common stock in issue.

(c) Date of cancellation: June 30, 2008

(Reference)

Number of the Company's shares of common stock in issue and outstanding following this cancellation of treasury stock: 197,255,025 shares

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As disclosed in Note 24, The Board of Directors, at a meeting held on April 30, 2008, approved a resolution for the acquisition of the Company's own shares, and the Board of Directors, at a meeting held on June 19, 2008, approved a resolution for the cancellation of shares of treasury stock.

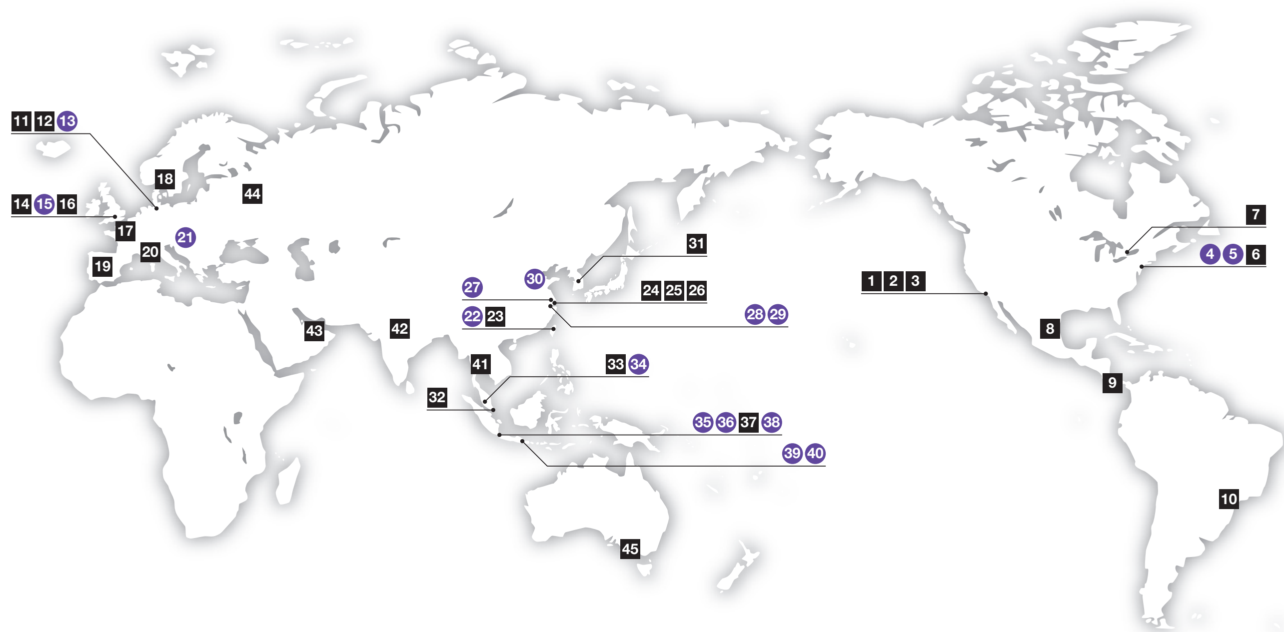
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 25, 2008

Ernst & Young Shin Nihon

Main Networks

Overseas Network



● Manufacturing/production companies, etc.
■ Sales companies, etc.

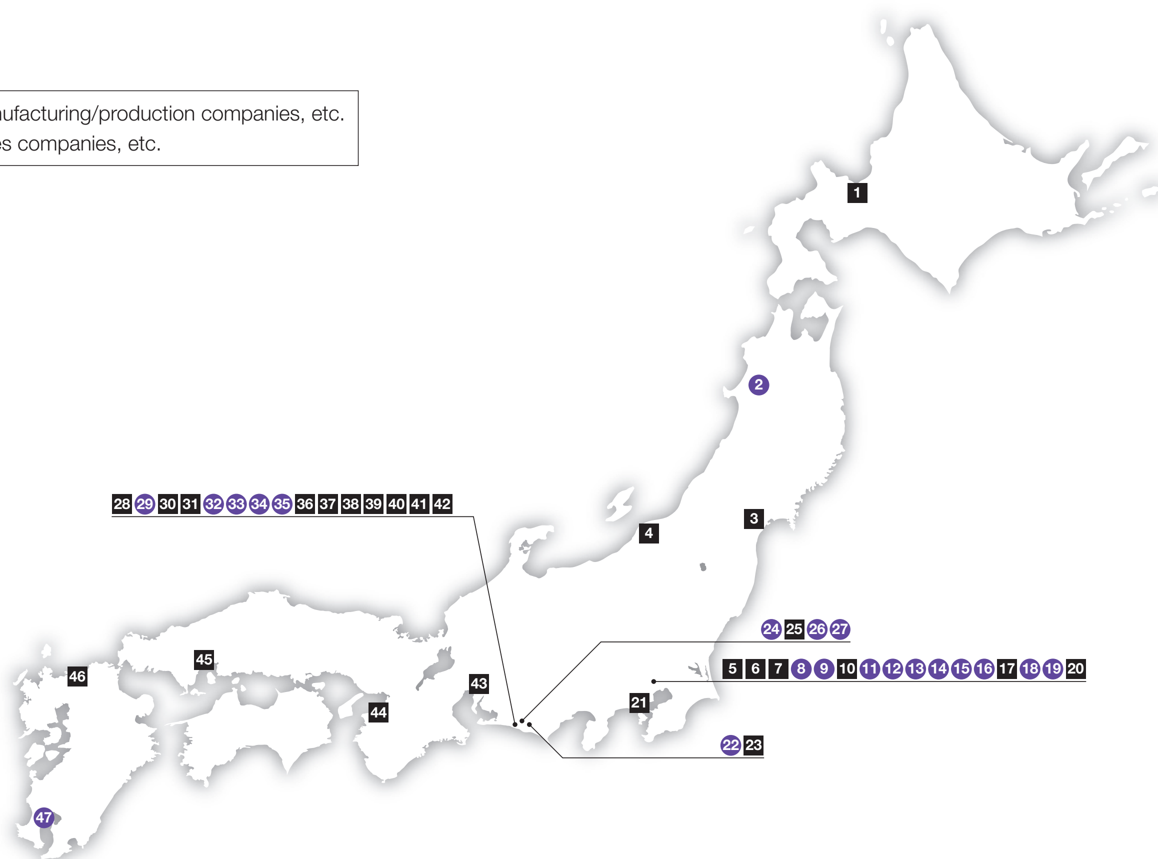
	Company Name	Location
1	Yamaha Corporation of America	Buena Park, California, U.S.A.
2	Yamaha Electronics Corporation, USA	Buena Park, California, U.S.A.
3	Yamaha Commercial Audio Systems, Inc.	Buena Park, California, U.S.A.
4	Yamaha Music InterActive, Inc.	New York, U.S.A.
5	YMH Digital Music Publishing, LLC*1	New York, U.S.A.
6	Yamaha Artist Services, Inc.	New York, U.S.A.
7	Yamaha Canada Music Ltd.	Toronto, Canada
8	Yamaha de México, S.A. de C.V.	Mexico City, Mexico
9	Yamaha Music Latin America, S.A.	Panama City, Panama
10	Yamaha Musical do Brasil Ltda.*3	Sao Paulo, Brazil
11	Yamaha Music Holding Europe GmbH	Rellingen, Germany
12	Yamaha Music Central Europe GmbH	Rellingen, Germany
13	Steinberg Media Technologies GmbH	Hamburg, Germany
14	Yamaha Music UK Ltd.	Milton Keynes, U.K.
15	Kemble & Company Ltd.	Milton Keynes, U.K.
16	Kemble Music Ltd.	London, U.K.
17	Yamaha Musique France	Croissy-Beaubourg, France
18	Yamaha Scandinavia AB	Gothenburg, Sweden
19	Yamaha Música Ibérica, S.A. Unipersonal	Madrid, Spain
20	Yamaha Musica Italia S.p.A.	Milan, Italy
21	L. Bösendorfer Klavierfabrik GmbH*2	Vienna, Austria
22	Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd.	Taoyuan, Taiwan
23	Yamaha KHS Music Co., Ltd.	Taipei, Taiwan

*1 Equity-method affiliates
*2 Non-consolidated subsidiaries and affiliates
*3 Consolidated from fiscal 2009

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

Domestic Network

● Manufacturing/production companies, etc.
■ Sales companies, etc.



Company Name	Location
1 Yamaha Music Hokkaido Co., Ltd.	Sapporo, Hokkaido, Japan
2 Sakuraba Mokuzai Co., Ltd.	Kita-Akita, Akita, Japan
3 Yamaha Music Tohoku Co., Ltd.	Sendai, Miyagi, Japan
4 Yamaha Music Kanto Co., Ltd.	Niigata, Japan
5 Yamaha Music Tokyo Co., Ltd.	Chuo-ku, Tokyo, Japan
6 Yamaha Hall Co., Ltd.	Chuo-ku, Tokyo, Japan
7 Yamaha Music Trading Corporation	Chuo-ku, Tokyo, Japan
8 Yamaha Sound Technologies Inc.	Chuo-ku, Tokyo, Japan
9 Fuji Sound Co., Ltd.*2	Chiyoda-ku, Tokyo, Japan
10 Yamaha Electronics Marketing Corporation	Minato-ku, Tokyo, Japan
11 Yamaha Music Entertainment Holdings, Inc.	Shibuya-ku, Tokyo, Japan
12 Yamaha Music Communications Co., Ltd.	Shibuya-ku, Tokyo, Japan
13 Yamaha A&R, Inc.*3	Shibuya-ku, Tokyo, Japan
14 Yamaha Music Artist, Inc.*3	Shibuya-ku, Tokyo, Japan
15 Yamaha Music Publishing, Inc.*3	Shibuya-ku, Tokyo, Japan
16 Yamaha Atoss Music and Visuals, Inc. *2	Shibuya-ku, Tokyo, Japan
17 Yamaha Music Nishi-Tokyo Co., Ltd.	Toshima-ku, Tokyo, Japan
18 Yamaha Music Media Corporation	Toshima-ku, Tokyo, Japan
19 Epicurus Corporation*2	Toshima-ku, Tokyo, Japan
20 Bösendorfer Japan Co., Ltd.*2	Nakano-ku, Tokyo, Japan
21 Yamaha Music Yokohama Co., Ltd.	Yokohama, Kanagawa, Japan
22 Yamanashi Kogei Co., Ltd.	Kakegawa, Shizuoka, Japan
23 Tsumagoi Co., Ltd.	Kakegawa, Shizuoka, Japan
24 D.S. Corporation	Fukuroi, Shizuoka, Japan
25 Katsuragi Co., Ltd.	Fukuroi, Shizuoka, Japan

Company Name	Location
26 YP Winds Corporation	Iwata, Shizuoka, Japan
27 Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
28 Yamaha Piano Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
29 Yamaha Music Craft Corporation	Hamamatsu, Shizuoka, Japan
30 Yamaha Credit Corporation	Hamamatsu, Shizuoka, Japan
31 Yamaha Music Lease Corporation	Hamamatsu, Shizuoka, Japan
32 Yamaha Livingtec Corporation	Hamamatsu, Shizuoka, Japan
33 Yamaha Living Products Corporation	Hamamatsu, Shizuoka, Japan
34 Joywell Home Corporation	Hamamatsu, Shizuoka, Japan
35 Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
36 YP Video Corporation	Hamamatsu, Shizuoka, Japan
37 YP Business Service Corporation*2	Hamamatsu, Shizuoka, Japan
38 Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
39 Yamaha Insurance Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
40 Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
41 YP Engineering Co., Ltd.	Hamamatsu, Shizuoka, Japan
42 Nihon Jimu Center Co., Ltd.	Hamamatsu, Shizuoka, Japan
43 Yamaha Music Tokai Co., Ltd.	Nagoya, Aichi, Japan
44 Yamaha Music Osaka Co., Ltd.	Osaka, Japan
45 Yamaha Music Setouchi Co., Ltd.	Hiroshima, Japan
46 Yamaha Music Kyushu Co., Ltd.	Fukuoka, Japan
47 Yamaha Kagoshima Semiconductor Inc.	Aira-gun, Kagoshima, Japan

(As of July 1, 2008)

Organization Chart

- Board of Directors
  - Chairman
    - President
      - Corporate Committees
      - Managing Council
- Board of Auditors
  - Corporate Auditors' Office

- Musical Instruments Business Group
  - Piano Division
  - Wind, String & Percussion Instruments Division
  - Sound Proofing Division
  - Pro Audio & Digital Musical Instruments Division
- Sound and IT Business Group
  - AV Products Division
  - Sound Network Division
  - Semiconductor Division
- Domestic Sales & Marketing Division
- Asia–Pacific Sales & Marketing Group
- Yamaha Corporation of America
- Yamaha Music Holding Europe GmbH
- Yamaha Music & Electronics (China) Co., Ltd.
- Yamaha Music Entertainment Holdings, Inc.
- Productive Technology Business Group
  - Productive Technology Business Development Division
  - Yamaha Fine Technologies Co., Ltd.
- Golf Products Division
- Finance and Administration Group
  - Corporate Planning Division
  - Business Planning Division
  - Internal Auditing Division
  - Public Relations Division
  - General Administration Division
  - Human Resources Division
  - Accounting & Finance Division
  - Legal & Intellectual Property Division
  - Yamaha Insurance Service Co., Ltd.
  - Yamaha Travel Service Co., Ltd.
- Process Management Group
  - Quality & Engineering Planning Division
  - Purchasing & Logistics Division
  - Information Systems Division
- Research and Development Group
  - Innovative Technology Division
  - INFO-Sound Division
  - Product Design Laboratory
  - Technology Planning Division
  - eYamaha Division
- Yamaha Livingtec Corporation
- Katsuragi Co., Ltd.
- Tsumagoi Co., Ltd.

(As of July 1, 2008)

Investor Information

(As of March 31, 2008)

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)
26,517
(Includes average number of temporary employees: 6,732)

Number of Consolidated Subsidiaries
87

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: 206,524,626*

Stock Exchange Listings
Tokyo
First Section, Code No. 7951

Administrator of Shareholders' Registry
The Chuo Mitsui Trust and Banking Co., Ltd.
Nagoya Branch
Stock Transfer Agency Department
3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan
TEL: +81 52 262 1520

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

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

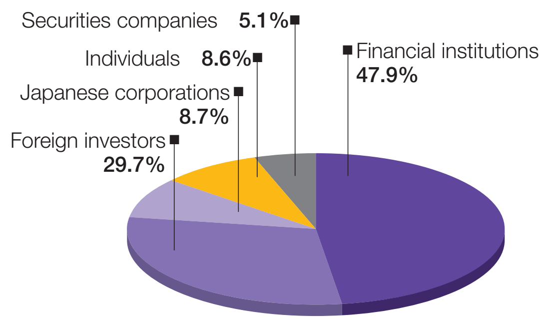
Ordinary General Shareholders' Meeting
June

* Yamaha Corporation conducted acquisition and cancellation of its own shares between March 31 and June 30, 2008. The number of shares of common stock issued at June 30, 2008 totaled 197,255,025.

Accounting Auditors
Ernst & Young ShinNihon

Number of Shareholders
17,113

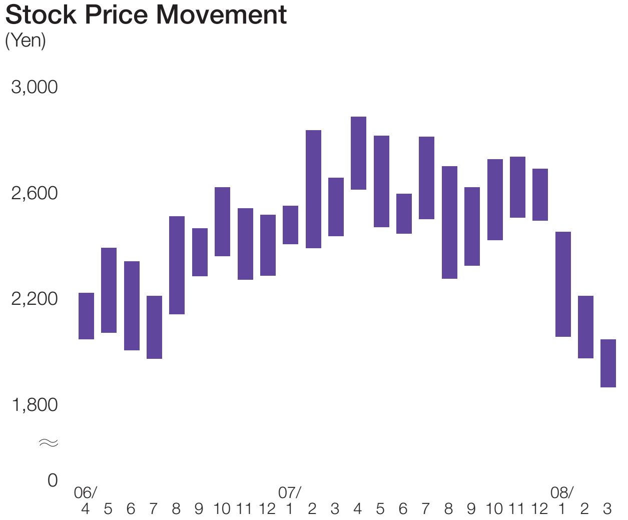
Shareholder Composition (Number of shares)



Main Shareholders

The Master Trust Bank of Japan, Ltd. (trust a/c)	7.11%
Yamaha Motor Co., Ltd.	4.95%
JPMorgan Chase Bank, N.A.	4.75%
State Street Bank and Trust Company	4.43%
Mitsui Sumitomo Insurance Co., Ltd.	4.32%
Mizuho Bank, Ltd.	4.25%
Japan Trustee Services Bank, Ltd. (trust a/c)	4.13%
The Shizuoka Bank, Ltd.	4.04%
Sumitomo Life Insurance Company	3.53%
Deutsche Securities Inc.	3.25%

Stock Price Movement



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

YAMAHA

CREATING 'KANDO' TOGETHER

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

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