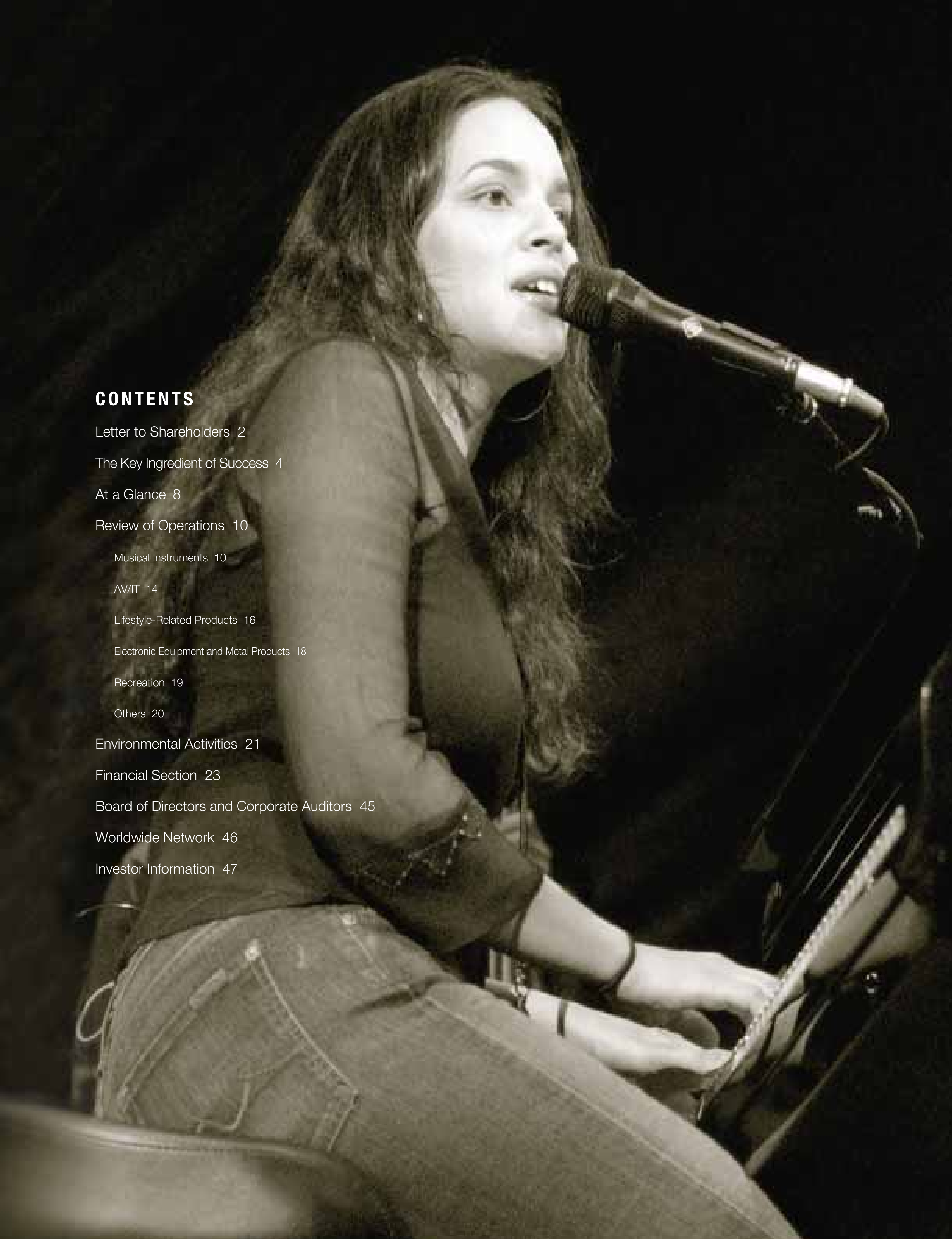
ANNUAL REPORT 2003

Year ended March 31, 2003

YAMAHA



CONTENTS

PROFILE

The forerunner of YAMAHA CORPORATION was founded in 1887 by Torakusu Yamaha. On October 12, 1897, Nippon Gakki Co., Ltd., was incorporated (the corporate name was changed to YAMAHA CORPORATION on occasion of its 100th anniversary), and YAMAHA celebrated its 100th year of manufacturing pianos in 2000.

YAMAHA is one of the world's leading manufacturers of pianos, digital musical instruments, and wind, string, and percussion instruments. At the same time, the Company has grown through a broad spectrum of business activities, including electronic devices and equipment, professional audio equipment, and audio-visual equipment. To continue growing in the 21st century, the YAMAHA Group will make a concerted effort to become a truly global enterprise that fulfills its corporate mission of contributing to enriching the quality of life of people worldwide.

Norah Jones

Norah Jones, who is under contract with Yamaha Corporation of America in the United States, was awarded eight Grammys at the 45th Grammy Awards.

Forward-looking statements

Statements contained in the *Annual Report 2003* regarding business results for fiscal 2003 represent judgements based on currently available information. It should be noted that there is a possibility that actual results could differ significantly from those anticipated due to such factors as exchange rate fluctuations.

Letter to Shareholders

LETTER TO SHAREHOLDERS

Performance

- Operating income and net income reached record highs.
- Net sales increased for the first time in five years, rising 4.0%. The main factor behind the increase was growth in sales of electronic equipment, particularly mobile phone sound chips.
- An extraordinary loss on the revaluation of investment securities was recorded (¥7.7 billion). This reflected the sharp drop in Japanese stock prices, particularly prices of bank stocks.
- An extraordinary loss was recorded due to structural reform-related expenses (¥2.3 billion).
- Inventories were reduced to close to optimal levels (down ¥4.2 billion during the year, to ¥80.1 billion at the end of fiscal 2003).

Operations

- Progress in Chinese market strategies
  - Local holding company began operating on schedule in April 2003
  - Piano/guitar factory will begin operating in April 2004
  - Yamaha Electronics (Suzhou) Ltd., an audio-visual plant in China, began production on schedule in March 2003
- Development of adult clientele in Japan
  - Opening of "MuseClub Sapporo," a music club for adults
  - Music schools for adults established in 52 locations (goal of 100 schools in three years)
- Growth in sales of mobile phone sound chips
- Restructuring measures
  - Withdrawal from CDR/RW drive business (March 31, 2003)
  - Closure of Sunza Villa resort (June 30, 2003)
  - Closure of Kiroro golf course (October 31, 2003)
- Comprehensive operational tie-up with Air Water Living Inc. (November 2002)
- Alliance with FANUC LTD. in the field of robots for finishing processes (December 2002)

Financial Highlights

YAMAHA CORPORATION and Consolidated Subsidiaries
At March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
For the year:			
Net sales	¥524,763	¥504,406	$4,365,749
Operating income	32,043	11,043	266,581
Net income (loss)	17,947	(10,274)	149,309
At year-end:			
Total assets	¥512,716	¥509,663	$4,265,524
Total shareholders' equity	214,471	201,965	1,784,285
	Yen		U.S. Dollars
Per share data:			
Net income per share	¥ 86.65	¥ (49.75)	$0.72
Shareholders' equity per share	1,040.06	978.15	8.65
Dividends per share	10.00	8.00	0.08
Number of employees at year-end	23,563	23,020	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20=U.S.$1.00, the approximate rate prevailing on March 31, 2003.
2. Number of employees at year-end includes 153 employees of newly consolidated companies.

Message from the President

In fiscal 2003, ended March 31, 2003, YAMAHA CORPORATION posted strong sales and income despite being faced with global economic stagnation. Fiscal 2004 is the third and final year of YAMAHA's medium-term management plan. Under the plan, the entire YAMAHA Group has worked hard to ensure healthy consolidated operating income, promote and strengthen global operations, and improve business ethics and compliance.

Against a background of rising economic uncertainty around the globe, YAMAHA is primarily concerned with securing operating income and pursuing the targets set forth in the medium-term management plan. To this end, we have established holding companies in Europe and China and are working to achieve growth in both of these regions. In particular, the Company is working to establish a framework for growth in the promising Chinese market.

YAMAHA has established a full-time advisory body, called the "Compliance Committee," and a specialist organization. The Company has distributed compliance guides, heightened awareness about the importance of adhering to the law, and provided instruction and guidance to employees at every level of operations. We have also launched a counseling hot line and are making every effort to preserve the YAMAHA brand and its traditions. In April 2003, the Compliance Committee and counseling hot line will begin operations at Group companies throughout Japan, and similar committees and services will be launched on a global basis throughout the entire Group as soon as possible.

At YAMAHA, we want our business to contribute to the richness of the world's culture. To help generate unique products and services, YAMAHA is drawing on the knowledge and creativity of its employees and striving to create a working environment in which individuals can turn their ideas into real businesses. As a result of these efforts, we have produced a number of hit products, including our "EZ-EG: electronic guitar with twelve lighted frets," and succeeded in making YAMAHA a more stimulating place to work. YAMAHA's primary strength lies in its technologies and its passion born of sound and music. We remain committed to producing innovative products and services while maintaining the value of the YAMAHA brand.

In this annual report, we will discuss our medium-term plan for reinforcing our core businesses and the progress we have made thus far. Please take the time to read this report and give YAMAHA your full support. Thank you.

Shuji Ito

President and Representative Director
Shuji Ito

The Key Ingredient of Success

Focus on Core Business

YAMAHA has continued to diversify its business operations, aware that demand for musical instruments will decline as the domestic market becomes saturated. Faced with persistent deflation and a business environment in which continuous growth has become difficult to achieve, YAMAHA is selectively allocating resources among its various businesses to ensure survival and enhance the value of its brand. Under the medium-term management plan, which covers the period from April 2001 through March 2004, we have divided our operations into three business groups based on common characteristics—Core Businesses, Lifestyle-Related and Leisure, and Electronic Parts and Materials—and have implemented growth strategies for each of these groups.

The Core Businesses group, centered on sound and music, includes our musical instruments, AV/IT, and semiconductor businesses. We believe that the seeds of growth lie in sound and music, our strongest business area, and are therefore working to cultivate new markets for this group.

In musical instruments, in addition to cultivating the market for adults in Japan and the fast-growing market in China, YAMAHA is aiming for stable sales growth and concentrating its resources with the medium-term goal of strengthening its professional audio business for the music production market. Moreover, against a background of increasing digitization and network connectivity, the Company is aiming for growth in media-related fields while capitalizing on synergies among its hardware, software, and content businesses.

In AV/IT products, to reinforce our number one position in the home theater market, which promises even further growth, we are exerting considerable efforts to market and develop products that draw on the strengths of our “sound” technologies.

In semiconductors, focusing on its sound and network devices, YAMAHA is seeking to expand its business by enlarging its mobile phone sound chip business, developing new applications for sound chips, and increasing sales of semiconductors for communications and amusement devices.

In these ways, YAMAHA is capitalizing on the sound and music-related technologies and expertise that it has developed over many years to bolster the growth and earning power of its Core Businesses.

In the Lifestyle-Related and Leisure group, we are selectively allocating resources to strengthen our operating base and increase profitability.

In the Electronic Parts and Materials group, we are using the technologies developed in our Core Businesses group in an effort to achieve balanced growth.

Achieving a Genuine Profit Recovery

Restoring Profitability

Under our medium-term management plan, we set goals calling for net sales of ¥560 billion and operating income of ¥25 billion by March 31, 2004.

Here, we would like to discuss the progress we have made under the plan thus far.

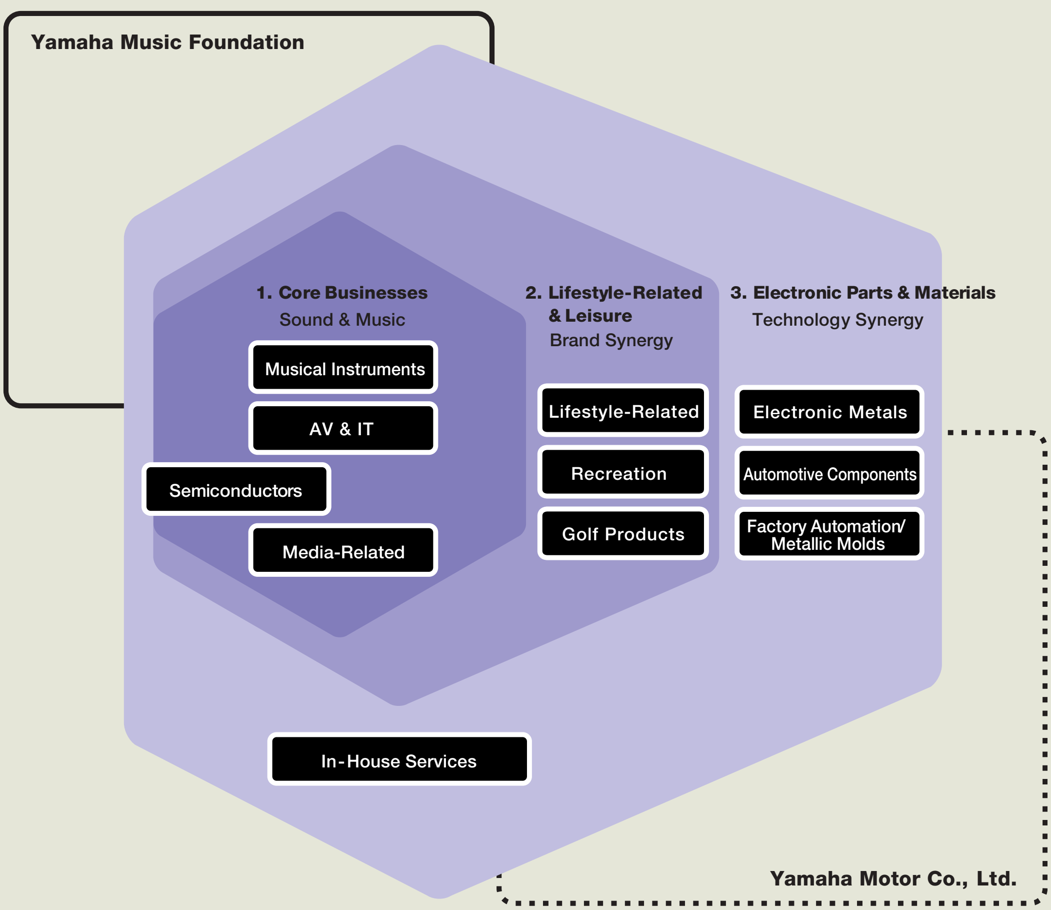
In musical instruments, part of our Core Businesses group, we remain committed to targeting the market for adults in Japan, cultivating the Chinese market, and expanding our business in the music production equipment market.

Domestic Music Market for Adults

Birthrates are continuing to fall, undermining demand for products and services targeting children, a segment that has traditionally comprised our primary market for music and musical instruments. To cover losses in this area, YAMAHA is working to cultivate the market for adults with the aim of reinvigorating its domestic musical instrument business.

In particular, we are developing products and services that target those in the "Beatles generation," many of whom love music and have time and money to spare.

To this end, in Sapporo, Japan, we have established the first "MuseClub" facilities where members can learn and perform music. And we have opened 52 music schools for adults, bringing the total to 100 over a three-year period. Furthermore, we have set up a musical instrument rental system, presently encompassing 550 outlets, to help promote the market for adults. Finally, we are continuing to focus on stimulating latent demand among adults by developing such new concept products as the "EZ-EG: electronic guitar with twelve lighted frets" and the "Sound Sketcher: MP3 recorder."



Chinese Market

In addition to serving as a major manufacturing region, China comprises a significant market of 1.3 billion people. Given the Company's traditional strengths in the area of musical instruments and the Chinese population's enthusiasm for education, YAMAHA has high expectations for this market. For the past 10 years, YAMAHA has been operating electronic keyboard schools in China and at present has 30,000 registered students. Building on this success, our goal is to broaden our music education offerings in China by exporting the music school system we have developed in Japan and drawing on the expertise we have acquired providing music education under that system.

To integrate our sales and marketing activities in China, we established Yamaha Music & Electronics (China) Co., Ltd., in Beijing in August 2002, and that company began full-scale operations in April 2003. Our audio-visual plant in Suzhou came on line in March 2003. A piano and guitar factory in Hangzhou is scheduled to start up next year. These moves have been undertaken in line with our goal of complementing our three preexisting Chinese factories and sales units with a comprehensive system that can handle everything from manufacturing to sales, thereby facilitating the greater market penetration of the YAMAHA brand.

Music Production Market

The market for music production equipment has strong growth prospects, particularly in the United States and Europe, and YAMAHA has achieved steady sales growth in this area by focusing its investment on digital mixers and synthesizers. In addition, the Company is working to expand its business through the establishment of a strong sales organization.

We are also making strong efforts to develop businesses in the promising media-related market.

Media-Related Business

Working to create new ways of enjoying sound and music in the broadband age, we are promoting a comprehensive media strategy that draws on synergies among our hardware, software, and content businesses.

In fiscal 2000, we launched "Music Front," which facilitates the discovery and promotion of new artists via the Internet and has already enabled four groups to make performance debuts. In the three full years since the launch of our ringing melody distribution service, the number of subscribers has reached 3.5 million in Japan.

During the year, we added two additional services to our ringing melody distribution site, "guitar-hatsu" (in May 2002) and "piano-hatsu" (in March 2003). Also, in March 2003, we launched a musical score printing service that allows users to purchase at convenience stores actual printed scores for ringing melodies ordered through the aforementioned distribution service.

In addition, in September 2002 we established MUSIC E-NET Inc., an Internet sales company that provides downloadable data and made-to-order musical instruments.

In our AV/IT and semiconductor businesses, we are striving to increase growth and profitability.

AV/IT

In AV/IT, with the global market for home theaters expanding, YAMAHA is providing total solutions, including visual products, and investing in competitive products that draw on the strengths of the Company's technologies to enable further sales growth. Furthermore, we are strengthening our capacity to provide home music network systems, which are expected to become much more common in the future.

In March 2003, responding to falling prices overall, the proliferation of DVDs, and the fact that CDR-RW drives are now standard built-in features in most personal computers and thus less profitable, YAMAHA decided to close down its CDR-RW drive business. The Company has made no forecast regarding the contribution such operations would have made to earnings if this decision had not been reached.

Semiconductors

In semiconductors, a sharp increase in shipments of mobile phone sound chips contributed substantially to our business performance during the year under review. This suggests that YAMAHA's strengths lie not only in sound chips but also in the provision of software (music data formats designed for mobile phones) and content (distribution business).

At present, most of these shipments are going to Japan, South Korea, and China; however, we expect the market for mobile phone polyphony sound chips to grow in the United States and Europe. YAMAHA will continue to focus on the development of sound and network-related devices.

Under the medium-term management plan, one of our major goals is to improve the profitability of businesses in the Lifestyle-Related and Leisure group and the Electronic Parts and Materials group. To this end, in addition to bolstering the profitability of each viable business, we are shutting down businesses with poor prospects for recovery.

Lifestyle-Related and Leisure Group

In the Lifestyle-Related and Leisure group, YAMAHA is selectively allocating resources to improve profitability. In our recreation business, we are aiming for profitability by establishing a management subsidiary for each YAMAHA resort facility. In addition to clarifying management responsibilities at each resort facility, this structure is designed to improve earnings by enabling a thorough reassessment of human resources—which, in turn, will reduce fixed expenses related to employee remuneration—and a reexamination of each resort's business operations. Moreover, YAMAHA has decided to close its struggling Sunza Villa resort in June 2003 and will terminate golf course operations at the Kiroro ski resort at the end of October 2003.

In lifestyle-related products, we are aiming to improve profits by tying up with other companies to cut manufacturing costs.

Electronic Parts and Materials Group

In the Electronic Parts and Materials group, in addition to aiming for steady profits in the strong growth potential magnesium mold business, we are working to achieve stable earnings in automobile interior components and fittings by attracting new customers and reducing manufacturing costs. In line with this policy, we have decided to halt the production and sale of invar materials for shadow masks used in cathode-ray tubes, a segment of our electronic metals business for which no profit recovery is expected.

In these ways, YAMAHA is steadily working to achieve the goals set forth in the Company's medium-term management plan.

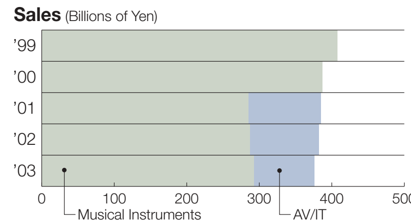
At a Glance

AT A GLANCE

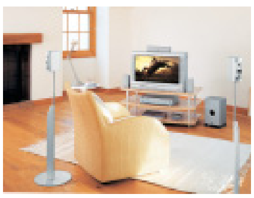
Segment	Business Areas	Sales

Musical Instruments

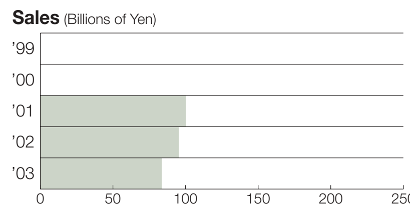
YAMAHA, which began as a piano manufacturer, has secured an unassailable market position as the number one maker of musical instruments in the world. In recent years, the Company has made efforts to enhance its line of silent musical instruments and other products. The Company has a global network of music schools that helps create demand for musical instruments.



AV/IT

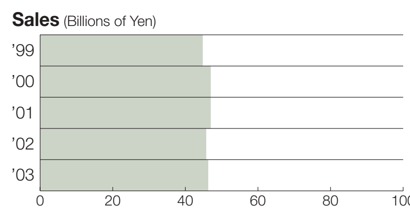


YAMAHA's home theaters draw on the Company's original cinema DSP technology to provide extraordinarily realistic sound quality comparable to that of a movie theater. Recently, YAMAHA has begun employing visual technologies to provide total audio-visual solutions.



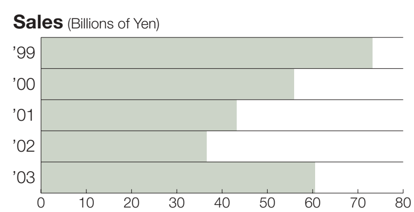
Lifestyle-Related Products

Drawing on existing wood processing and FRP technologies developed for the production of musical instruments and sporting goods, the Lifestyle-Related Products business is providing comfortable, luxurious living spaces through the sale of system bathrooms, system kitchens, and other residential facilities and equipment.



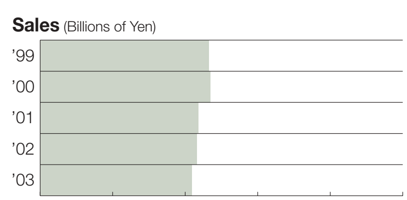
Electronic Equipment and Metal Products

Initially, YAMAHA manufactured semiconductors for use in its digital musical instruments. At present, the Company is developing semiconductors for use in sound chips and networks. Also, the Company manufactures electronic metal materials, such as LSI lead frame materials and mobile phone parts.

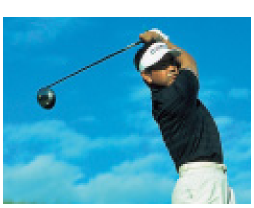


Recreation

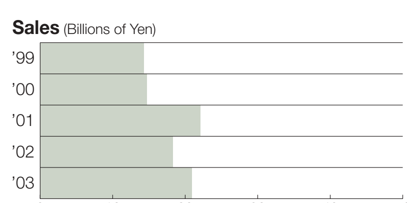
Customers can enjoy themselves at the Company's six resorts, which are located throughout Japan and include ski, golf, and marine recreation facilities as well as hotels.



Others

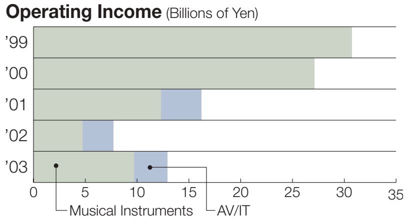


In this segment we employ a range of technologies developed in our various operations to produce automobile interior components and fittings, magnesium parts for information terminals, FA products and metallic molds, and golf products.



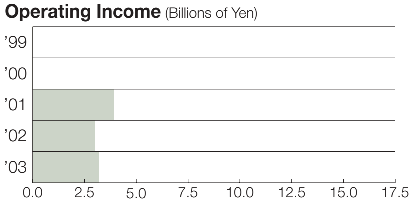
Operating Income (Loss)	Major Products & Services

Operating Income (Billions of Yen)



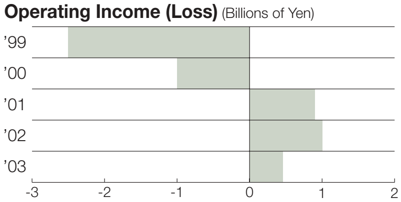
- Pianos
  (upright pianos, grand pianos, etc.)
- Digital musical instruments
  (Clavinovas™, Electones™, portable keyboards, synthesizers)
- Wind instruments
  (trumpets, flutes, saxophones, etc.)
- String instruments
  (guitars, violins)
- Percussion instruments
  (drums, vibraphones, etc.)
- Educational musical instruments
  (recorders, Pianicas™, etc.)
- Professional audio equipment
  (digital mixers, powered speakers)
- Soundproof rooms: Avitecs™
- Music schools, English schools
- Ringing melody distribution service

Operating Income (Billions of Yen)



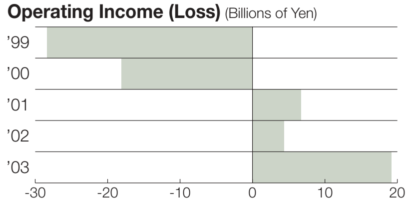
- Audio products
  (AV amplifiers and receivers, speaker systems, on-line karaoke, etc.)
- Visual products
  (digital cinema projectors)
- Routers

Operating Income (Loss) (Billions of Yen)



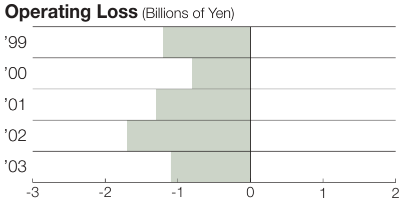
- System bathrooms, system kitchens, washstands, parts for housing facilities, wooden doors

Operating Income (Loss) (Billions of Yen)



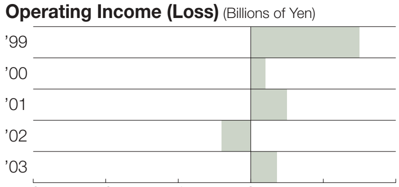
- Semiconductors
  (sound chips, etc.)
- Specialty metals
  (lead frame materials, mobile phone parts)

Operating Loss (Billions of Yen)



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

Operating Income (Loss) (Billions of Yen)



- Golf products
- Automobile interior components and fittings
- Industrial robots
- Molds and magnesium parts

Review of Operations

Musical Instruments

In the Musical Instruments Segment, sales amounted to ¥292.6 billion, a 2.0% increase compared with the previous term, while operating income totaled ¥9.8 billion, a 106.7% increase.

Despite being unable to halt the gradual decline in domestic sales, which were down from the previous term, sales of musical instruments increased compared with the previous term, reflecting the beneficial effects of the strong euro and steady sales in the United States and Europe.

Piano sales decreased in Japan but remained strong overseas. Digital musical instruments, including professional audio equipment and portable keyboards and synthesizers, saw sales increases in the United States and Europe, but Electone™ sales declined in Japan, their primary market. Sales of wind instruments remained unchanged from the previous term despite faltering sales in the United States. Sales of guitars and drums were steady, especially overseas.

Although YAMAHA increased the number of adult students by establishing the music club for adults "MuseClub Sapporo," intensifying its student recruitment activities, and launching music schools for adults, low birthrates continued to place downward pressure on the number of children enrolled in music classes, resulting in an overall decrease in income from music schools.

Reflecting strong enthusiasm for English-language education in Japan, sales recorded by the English language schools rose steadily owing to growth in the number of students and income from the sale of homework videos for students.

Sales from the ringing melody distribution service were down from the previous fiscal year, reflecting fierce domestic competition that put downward pressure on unit prices and the rate of growth in the number of new subscribers. Overseas, sales remained insignificant, as mobile phone terminals with polyphony sound chips have yet to achieve substantial market penetration.

Operating income doubled compared with the previous term due to higher sales, gains on currency exchange, and the adjustment of inventories. At the end of the term under review, inventories had fallen to nearly optimal levels.

Strategies and Forecasts

In fiscal 2004, amid rising economic uncertainty worldwide, YAMAHA will strive to boost growth by achieving steady growth in the North American and European markets and broadening its PA business in the expanding market for music production equipment.

In Asia, the Company expects to see substantial sales growth in South Korea, where it established a subsidiary last year, and increased sales in Taiwan, where it has completed an inventory adjustment. In China, which

C1ME ▶ Limited model of our stylish and compact grand piano marking our 100th anniversary of manufacturing grand pianos

TYROS ▶ Advanced portable keyboard with a new dimension in sound for the professional musician

MOTIF 8 ▶ Next-generation synthesizer that meets the needs of professionals through enhanced flexibility and functionality

DM2000 ▶ Based on the latest digital technologies, this digital production console is used for music and sound production.

Musical Instruments

Music Schools ▶ A children's group lesson at a YAMAHA music school

Tianjin Yamaha Electronic Musical Instruments ▶ Production of portable keyboards

has strong growth prospects, Yamaha Music & Electronics (China) Co., Ltd., a holding company established last year, has begun full-scale operations, enabling YAMAHA to integrate its Chinese manufacturing strategies, marketing, R&D, and other business activities. To complement such existing manufacturing facilities as Tianjin Yamaha Electronic Musical Instruments, Inc., a portable keyboard factory; Guangzhou Yamaha-Pearl River Piano Inc., a piano factory; and Xiaoshan Yamaha Musical Instruments Co., Ltd., a piano parts factory; the Company has decided to establish Hangzhou Yamaha Musical Instruments Co., Ltd., which will begin manufacturing pianos and guitars in April 2004. In Japan, although market conditions are expected to remain harsh, the Company is making strong efforts to develop value-added products, expand the number of music schools for adults, establish a musical instrument rental business, and strengthen sales activities targeting the market for adults.

In its ringing melody distribution service business, YAMAHA will strengthen its advertising campaign designed to boost its share of the Japanese market and continue advancing into the U.S. and European markets. In its media-related businesses, YAMAHA will enhance its music portals, strengthen its Internet businesses, which include e-businesses, and focus additional efforts on the production of digital content.

In addition to boosting sales, YAMAHA is working to increase income by taking advantage of currency exchange gains arising from the strong euro and reducing the size of its workforce in Japan, which will help reduce personnel and fixed expenses.

YU50MhC ▶ Upright piano featuring a beautifully grained wood that complements home interiors

YAS-82Z ▶ Customized alto saxophone with a tone that is both highly flexible and expressive

SLG-100S ▶ Compared with a normal folk guitar, the Silent Guitar acoustically produces only 1/10th the volume of sound (tested in-house).

CVP-209▶ Clavinova™ digital piano featuring built-in tone and rhythm options as well as automatic accompaniment and multiple part composition recording functions

DTEXPRESS II ▶ Silent Session Drum with rich, expressive sound and a PC connection

Ringing Melody Distribution Service ▶ On-screen displays of mobile phones

AV/IT

In fiscal 2003, sales in the AV/IT Segment amounted to ¥83.7 billion, a decrease of 12.1% compared with the previous term, and operating income totaled ¥3.2 billion, a 7.0% increase.

Driven by an expanding market, sales of home theaters grew slightly from the previous term. However, in AV amplifiers and receivers, although YAMAHA has a large share of the market, competition continues to intensify, especially in the United States, as falling unit prices, the increased availability of products with built-in DVDs, and other factors continue to reshape the market. With these changes taking place, the Company is adapting products to market needs in an effort to achieve growth in the market for home theaters. In CDR-RW drives, sales decreased dramatically from the previous term, reflecting not only a drop in sales volume, but also a fall in the price per unit sold due to fierce competition. In routers, sales were consistent with those of the previous term, thanks to the implementation of a new business model calling for products designed to accommodate the needs of corporations as well as small offices and home offices (SOHO).

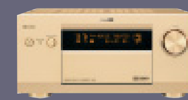
Income increased from the previous term due to currency exchange gains and other factors.

Due to the factors mentioned above, YAMAHA decided to close its CDR-RW drive business at the end of March 2003, recognizing that achieving sales growth would be difficult in the face of falling unit prices, the proliferation of DVD equipment, and the increasing availability of personal computers with built-in CDR-RW drives.

Strategies and Forecasts

In fiscal 2004, in our home theater business, we will strive to boost sales of AV amplifiers and receivers, two of our strongest product lines; achieve sales growth in line with our "strategy to be number one in home theaters," which calls for introducing home music network systems; enhancing visual products; and developing inexpensive system products tailored to customer needs. In routers, we plan to expand sales of our competitive commercial-use products for system integrators and SOHO.

In China, where substantial growth is expected, Yamaha Electronics (Suzhou) Co., Ltd., launched manufacturing operations in March 2003 and plans to spearhead the YAMAHA Group's penetration of the Chinese market, thus contributing to further growth.



RX-Z1 ▶ Top-of-the-line digital home theater receiver with a high-quality eight-channel amplifier and latest surround decoder

AVX-S80, DVD-S80 ▶ "Cinema Station" home theater for easy, enjoyable household use packaged together with 5.1 channel speakers and a DVD player

MCII Series ▶ High-end speaker system with multichannel capabilities and high-quality sound

DPX-1000 ▶ Digital cinema projector that enables high-quality home theaters with newly developed, built-in, high-performance optical engines using DLP™

RT56v ▶ All-in-one broadband router for general household, SOHO, and other small-scale network use

Lifestyle-Related Products

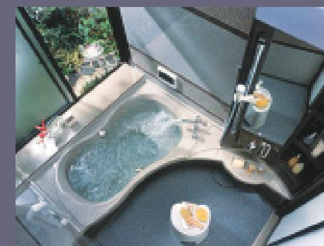
Sales in the Lifestyle-Related Products Segment amounted to ¥46.0 billion, a 0.7% increase compared with the previous term, and operating income totaled ¥0.5 billion, a 55.9% decrease.

With the number of new housing starts in decline, we made efforts to differentiate our products from those of our competitors and succeeded in generating sales consistent with those of the previous term.

Income for the term fell due to slow progress in trimming manufacturing costs, intensified competition that drove down profit margins, and other factors. In November 2002, Yamaha Livingtec Corporation reached agreement on a comprehensive business tie-up with Air Water Living Inc., and plans are on track to boost growth and reduce costs by working together in the production, sale, distribution, and installation of system bathrooms.

Strategies and Forecasts

With the number of housing starts expected to decline further, we will work to enhance the appeal of the YAMAHA brand, drawing on our technological strengths to develop new materials for a differentiated line of system kitchens and bathrooms and lowering the breakeven point for income by reviewing progress made in working with Air Water Living to reduce costs associated with packaging materials, distribution, and procurement. In the medium term, with the downward trend in new housing starts expected to persist, YAMAHA is focusing on developing products and showroom displays for the remodeling market, which is expected to grow steadily.

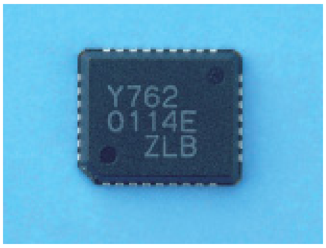


System Bathroom BUAUT J ▶ YAMAHA's system bathrooms turn an ordinary bathroom into a soothing, yet exuberant, space.

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

Door REGARD ▶ Real wood front doors developed using our leading-edge scientific data gathering and analysis capabilities as well as our high-precision wood processing and coating technologies

Electronic Equipment and Metal Products



Mobile Phone Sound Chip YMU 762 ▶ These 40-note polyphony sound chips include built-in ADPCM (Adaptive Differential Pulse Code Modulation) sound generators that can play back human voices and other recorded sounds.

Sales in this segment amounted to ¥60.6 billion, a 65.3% increase compared with the previous term, while operating income totaled ¥19.3 billion, a substantial 343.1% increase.

In semiconductors, sales of mobile phone sound chips increased dramatically. In Japan, as 40-note polyphony sound chips have become widespread and demand for mobile phones is largely restricted to replacement due to market saturation, growth in sales of mobile phones was negligible compared with the previous term. However, shipments to China and South Korea increased dramatically. To meet this demand, during the second half of fiscal 2003 YAMAHA invested in its own facilities and began consignment production at nonaffiliated plants, thereby significantly raising its supply capacity. In addition, buoyed by favorable sales of LSI communication chips for ISDN devices and LSI chips for amusement devices, the segment recorded significant increases in sales and income compared with the previous term.

In electronic metals, sales increased compared with the previous term, benefiting from a partial recovery in the market for semiconductors and mobile phones, which led to the increased production of spring materials and materials for use in semiconductor lead frames. However, during the term under review, we had some quality problems with the invar materials now being manufactured for large-screen desktop-computer shadow masks and, therefore, sales, although virtually unchanged from the previous term, were lower than projected. Furthermore, we decided to withdraw from our invar materials business in July 2003, as prospects for the restoration of profitability remain dim.

Lead Frames ▶ Lead frames for semiconductors

Strategies and Forecasts

In fiscal 2004, with sound-chip supply capacity in place, we expect to increase sales in China, where mobile phones are becoming more widespread. In addition, sales are expected to grow in Europe and the United States, where demand for terminals with built-in polyphony sound chips is projected to increase. In electronic metals, as part of our efforts to increase sales and improve profitability, we are increasing the production of copper lead frames and mobile phone parts.

Recreation

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

Haimurubushi ▶ In the restaurant, you can enjoy original cuisine made from fresh, local seafood and vegetables.

Sales in this segment amounted to ¥20.9 billion, a 3.2% decrease compared with the previous term, while operating loss totaled ¥1.1 billion, compared with an operating loss of ¥1.7 billion in the previous term.

YAMAHA has worked to improve sales by creating seven management subsidiaries, each charged with the comprehensive management of a specific resort facility.

Sales from the Katsuragi Kitanomaru resort increased dramatically as it provided accommodations for Japan's national soccer team during the 2002 FIFA World Cup™. In addition, strong marketing efforts succeeded in attracting a higher number of guests to YAMAHA resorts as a whole. However, the absence of a full economic recovery in Japan resulted in decreased segment sales, as the number of daytime visitors fell, and we were unable to halt the slide in returns per guest.

Although no income for the segment was recorded during the year under review, we did succeed in reducing net loss thanks to the implementation of cost-cutting measures during the previous term.

YAMAHA has decided to close its Sunza Villa resort at the end of June 2003, having concluded that there is little chance of restoring profitability and positive cash flows from operating activities. On a similar note, we have decided to shut down the Kiroro golf course at the Kiroro ski resort at the end of October 2003, in light of the resort's poor business prospects.

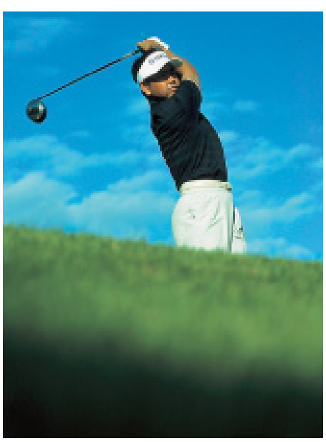
Kiroro ▶ Deep in the pristine wilderness of Hokkaido, this ski resort offers comfortable accomodations and spa facilities.

Strategies and Forecasts

In fiscal 2004, given that prospects for a domestic economic recovery remain poor, our goal is to maintain a steady volume of customers and high quality of service, pay full attention to safety, improve the efficiency of our operations, and implement comprehensive cost-cutting measures to lower the breakeven point for profits, thereby helping return the segment to profitability.

In addition, we plan to selectively allocate resources based on the regular inspection of operations at each resort facility.

Others



Hiroyuki Fujita ▶ Contracted YAMAHA professional golfer

InpresV ▶ Flagship model YAMAHA golf club. Even professional golfers are satisfied with this club's high-quality shape and performance.

Despite faltering sales of FA products and metallic molds as well as automobile interior components and fittings, sales in the Others Segment increased 14.3%, to ¥21.0 billion, thanks to a rise in income from the sale of magnesium parts and golf clubs. The segment recorded operating income of ¥0.4 billion, compared with an operating loss of ¥0.4 billion in the previous term, thus bringing the segment into the black.

As few of our most important clients made substantial model changes, sales of automobile interior components and fittings decreased. In addition, with manufacturers of completed products demanding ever-lower prices, our profit margin fell, resulting in decreased income. In FA products and metallic molds, sales fell as companies scaled back investments in plant and equipment.

Sales of magnesium parts, mainly for mobile phones, increased dramatically. In golf clubs, sales and income increased thanks to the introduction of popular new products and cost reductions due to the outsourcing of manufacturing.

In December 2002, YAMAHA announced its intent to enter into a business tie-up with FANUC LTD., the largest manufacturer of robots for finishing processes.

Magnesium parts used in mobile phones

TR057AC ▶ Tool grip deburring equipment priced to encourage rapid market penetration. These standard finishing process systems for robots are the first products made through our tie-up with FANUC.

Strategies and Forecasts

In fiscal 2004, to boost sales and income, YAMAHA plans to cut costs through the implementation of improved manufacturing methods for automobile interior parts and fittings, a business tie-up with FANUC, and the realization of higher production yields for magnesium parts used in mobile phones and digital cameras, of which production is expected to rise significantly.

Environmental Activities

Under the YAMAHA Global Environmental Policy established in 1994, YAMAHA identified environmental protection as one of its most important tasks and continues to pursue a broad range of environmental activities.

In the "Promise to Society" section of its new corporate principles established in February 2001, YAMAHA reaffirmed its commitment to global environmental protection and the aggressive implementation of environmental initiatives.

1. ISO 14001 Certification

By acquiring ISO 14001 management-system certification, the YAMAHA Group has continued to work toward reducing the environmental impact of its business activities.

In March 2003, YAMAHA had obtained ISO 14001 certification for all factories belonging to affiliated companies, both in Japan and abroad. In addition, the Company has already received certification for five of its six Japanese resort facilities.

2. Environment-Friendly Products

YAMAHA has developed a broad range of products—including musical instruments, audio equipment, electronic devices, and automobile interior components and fittings—and employs a product assessment program that reflects the distinctive characteristics of each product type.

Green Procurement

To minimize the negative effects that YAMAHA's goods have on the environment, there is a need to measure and reduce the impact of the parts and materials procured from suppliers. To this end, YAMAHA issued the *Green Procurement Standard Report* in fiscal 2002 and continues to hold Green Procurement Information Sessions in an effort to encourage cooperation between YAMAHA and its primary suppliers.

Energy Conservation

Measures are being taken to improve the energy efficiency of power amplifiers and reduce the energy used by home theater systems when they are in standby mode.

Resource Conservation

Measures are being taken to reduce the amount of paint applied to acoustic guitars.

In addition, YAMAHA has decreased the weight of the materials used in soundproof rooms, switching from particleboard to paulownia wood.

Toxic Materials

YAMAHA is actively working to use lead-free solder and has implemented a system to provide lead-free versions of LSI chips and lead frames. In addition, we have eliminated the use of chromium oxide in pre-paint processes for wind instruments.

Improved Recycling

We are promoting recycling through the elimination of grease used in portable keyboards and are using fewer screws in the assembly of routers to reduce dismantling time.

3. Environment-Friendly Production

Preventing Global Warming

YAMAHA's CO_2 emissions per unit of sales have been reduced 5.3%, to 49,276 tons (compared with fiscal 2002).

Protection of Ozone Layer

YAMAHA discontinued the use of specified CFCs by the end of 1993 and efforts are now under way to reduce the use of substitute CFCs. As a result of these efforts, the use of substitute CFCs in fiscal 2002 was 89% below the fiscal 1996 level.

Waste Materials

Compared with fiscal 1995, we have achieved a 56% reduction in factory waste, with 72% of resources recycled, including as road surfacing materials, cement, ceramics, and compost.

4. Social Contribution

The Environment Ministry has designated June Environment Month, and each year over 1,000 YAMAHA employees team up to help clean lakes in the region near the Company's head office as well as the areas surrounding each YAMAHA factory.

Moreover, YAMAHA provides educational institutions and workshops with materials that would otherwise be discarded by its factories for use in handicrafts and art projects and donates used instruments to children in countries around the world.

For more detailed information, please refer to the *YAMAHA Environmental Report 2002* at http://www.yamaha.co.jp/english/yamaha/environment2002.pdf. Printed copies are also available.

The Six Principles of YAMAHA's Corporate Environmental Activities

(1) Make efforts to develop technology and provide products that will be as sensitive as possible to the earth's animals, plants, and environment.

(2) Promote energy-saving activities and make effective use of resources in the areas of R&D, production, distribution, sales, and service.

(3) Minimize and recycle waste products and simplify waste disposal procedures at each stage of production and distribution as well as during and after use.

(4) Strictly follow environment rules and regulations, encourage environmental protection activities, and ensure the well-being of employees and citizens by practicing sound environmental management.

(5) In developing operations overseas, make environmental protection a priority through investigation and understanding of the environmental standards of the host country.

(6) Actively distribute information, contribute to the community, and carry out educational activities concerning environmental preservation.

Recorders were donated to Croatian orphanages and youth centers as part of donations of musical instruments to the Kids Earth Fund.

YAMAHA has been chosen for the 2003 Dow Jones Sustainability World Index, a list of global corporations demonstrating excellent leadership not only in economic performance but also in environmental and social responsibility (business ethics and human rights).

In addition, since March 2002 YAMAHA has been included in the FTSE4Good Global Index, one of the world's primary socially responsible investment indices.

As always, the Company intends to give first priority to safety and the environment; YAMAHA will be a good corporate citizen and observe laws and work ethically, developing the economy and contributing to local and global culture.

03 Member of Dow Jones Sustainability Indexes

FTSE4Good Index Series

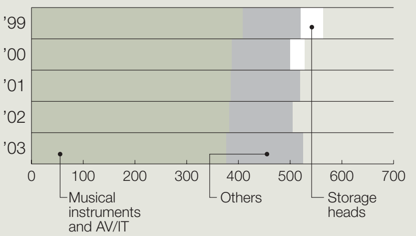
SIX-YEAR SUMMARY

YAMAHA CORPORATION and Consolidated Subsidiaries
At March 31

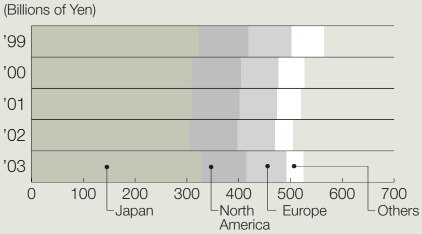
	Millions of Yen					
	2003	2002	2001	2000	1999	1998
For the year:						
Net sales	¥524,763	¥504,406	¥519,104	¥527,897	¥563,751	¥608,990
Cost of sales	338,307	340,411	346,200	371,758	402,239	416,435
Gross profit	186,456	163,994	172,904	156,140	161,511	192,556
Selling, general and administrative expenses	154,413	152,951	149,902	148,057	161,608	168,452
Operating income (loss)	32,043	11,043	23,001	8,082	(97)	24,103
Income (loss) before income taxes and minority interests	22,612	(5,784)	23,491	(47,601)	(6,532)	18,995
Net income (loss)	17,947	(10,274)	13,320	(40,777)	(15,879)	13,475
At year-end:						
Total assets	¥512,716	¥509,663	¥522,486	¥543,088	¥532,852	¥544,465
Total shareholders' equity, net	214,471	201,965	196,733	221,750	214,896	231,940
Total current assets	221,089	211,140	231,872	205,979	212,911	217,408
Total current liabilities	158,148	144,498	175,371	178,281	189,386	181,409
	Yen					
Amounts per share:						
Net income (loss):						
Primary	¥ 86.65	¥ (49.75)	¥ 64.50	¥ (197.45)	¥ (76.89)	¥ 65.25
After full dilution	77.32	—	61.84	—	—	62.86
Shareholders' equity	1,040.06	978.15	952.62	1,073.75	1,040.56	1,123.09
	%					
Ratios:						
Current ratio	139.8%	146.1%	132.2%	115.5%	112.4%	119.8%
Shareholders' equity ratio	41.8	39.6	37.7	40.8	40.3	42.6
Return on assets	3.5	(2.0)	2.5	(7.6)	(2.9)	2.5
Return on equity	8.6	(5.2)	6.4	(18.7)	(7.1)	6.0

Notes: 1. Figures for net sales do not include national consumption tax.
2. Net income per share after full dilution (yen) for the fiscal years ended March 31, 2002, 2000 and 1999 is not presented because net losses for the years then ended were recorded.

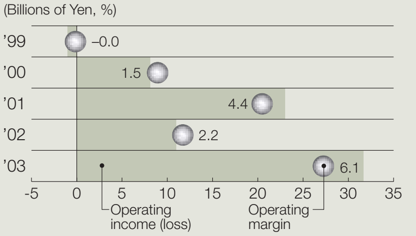
Net Sales by Business Segment
(Billions of Yen)



Net Sales by Geographical Segment
(Billions of Yen)



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



INCOME ANALYSIS

Net Sales

In fiscal 2003, net sales grew 4.0% from the previous year, to ¥524.8 billion, the first increase since fiscal 1998, when net sales reached a record ¥609.0 billion. This was largely due to a sizeable increase in the sale of semiconductors, particularly sound chips for mobile phones, which grew 88.0%, to ¥21.5 billion. Excluding currency exchange gains, semiconductor sales increased 3.1%, to ¥15.8 billion.

Domestic sales amounted to ¥312.1 billion, a 7.6%, or ¥22.2 billion, increase compared with the previous year. In addition to semiconductors, sales of electronic metals, golf clubs, magnesium parts, and other products increased. However, due to the decline in sales of pianos, Electones™, and digital musical instruments, overall sales of musical instruments fell 2.0% compared with the previous year. In addition, sales from the ringing melody distribution service decreased, reflecting intensified competition and faltering growth in the number of new subscribers to this service in Japan.

Overseas, increased musical instrument sales were offset by a drop in sales of CDR/RW drives, resulting in overall sales overseas of ¥212.6 billion, a 0.8%, or ¥1.8 billion, decrease from the previous year. Overseas sales excluding currency exchange gains fell 2.9%, or ¥6.3 billion, to ¥208.1 billion. Calculated based on local currencies, sales of musical instruments, particularly digital keyboards, rose 7.0% in North America and approximately 5.0% in Europe.

Sales in other regions increased only slightly despite considerable rises in China and South Korea. Sales of AV/IT products were lower than anticipated due to decreased sales of CDR/RW drives and intensified competition in the U.S. market for home theater-related products.

Cost of Sales and Other Expenses

While net sales increased, the cost of sales decreased ¥2.1 billion, to ¥338.3 billion. As a result, the cost of sales ratio improved 3.0 percentage points compared with the previous year, to 64.5%. The improvement is attributable to the fall in the cost of sales being countered by the increase in sales of semiconductors, which have a high marginal profit ratio.

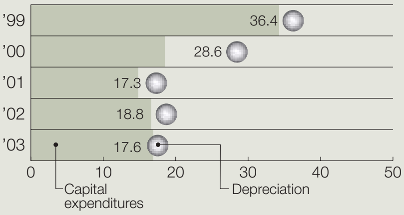
Depreciation expenses as a portion of cost of sales decreased ¥0.8 billion from the previous year. In addition, personnel expenses increased only ¥1.9 billion, despite a ¥1.5 billion increase in expenses associated with pension obligations, reflecting a decrease in the discount rate, from 3.5% to 2.5%, and a fall in the burden of depreciation for differential losses on annual interest.

Selling, general, and administrative (SG&A) expenses increased ¥1.5 billion from the previous year, to ¥154.4 billion. This was mainly due to the aforementioned increase in expenses associated with pension obligations. The ratio of SG&A expenses to net sales edged down 0.9 percentage point, to 29.4%. The cost of sales and SG&A expenses associated with currency exchange, particularly with regard to the weakness of the yen against the euro, decreased approximately ¥4.9 billion compared with the previous year.

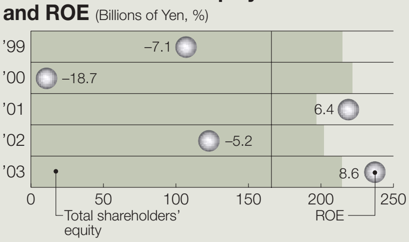
Operating Income and Net Income

Both operating income and net income broke records set in fiscal 1997. Operating income amounted to ¥32.0 billion, reflecting not only higher semiconductor sales and income, but also higher income from the sale of musical instruments.

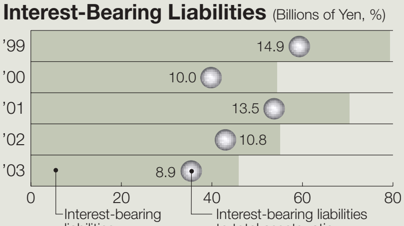
Capital Expenditures and Depreciation (Billions of Yen)



Total Shareholders' Equity and ROE (Billions of Yen, %)



Interest-Bearing Liabilities (Billions of Yen, %)



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

Despite the Company recording a sizeable extraordinary loss, net income amounted to ¥17.9 billion, reflecting income from equity in earnings of unconsolidated subsidiaries and affiliates. The extraordinary loss of ¥11.6 billion included a ¥7.7 billion devaluation loss on the Company's holdings in banks and other companies and ¥2.3 billion in expenses incurred in the restructuring of the recreation and CDR/RW businesses.

FINANCIAL POSITION

Thanks to YAMAHA's strong inventory reduction efforts throughout the year, overall inventories, which were larger than desired at the beginning of the year, fell ¥4.1 billion, to ¥80.1 billion, which is close to optimal size.

Although we reduced inventories and holdings of investment securities in banks and other companies compared with the previous year-end, total assets were up ¥3.1 billion, to ¥512.7 billion, due to gains on the revaluation of investment securities held in equity-method affiliates as well as increased accounts receivable thanks to higher sales of semiconductors to corporate clients.

Despite a rise in notes and accounts payable, total liabilities were down ¥8.7 billion, to ¥294.3 billion, owing to decreased pension obligations and reduced borrowings due to a fall in working capital. Current assets grew ¥9.9 billion, to ¥221.1 billion, while current liabilities amounted to ¥158.1 billion, up ¥13.6 billion from the previous year-end. As a result, working capital declined ¥3.7 billion, to ¥62.9 billion. The liquidity ratio was 139.8%, down 6.3 percentage points from the previous year-end. Buoyed by higher earnings, total shareholders' equity increased ¥12.5 billion, to ¥214.5 billion.

CASH FLOWS

Cash and cash equivalents at the end of year were up ¥2.4 billion, to ¥43.0 billion. Net cash provided by operating activities was ¥33.0 billion, reflecting increased income and reduced inventories. Net cash used in investing activities, reflecting the acquisition of investment securities and capital investment, amounted to ¥21.6 billion, while free cash flow totaled ¥11.4 billion.

INTEREST-BEARING LIABILITIES

The balance of interest-bearing liabilities, after the deduction of cash and bank deposits, improved ¥9.1 billion compared with the previous year-end, to ¥46.0 billion, reflecting increased income and reduced inventories.

In addition, the debt-to-equity ratio was 0.42 times.

EXCHANGE RATES

Calculated using the average exchange rate prevailing during the term, the yen increased ¥3 against the U.S. dollar and weakened ¥11 against the euro, causing a ¥4.5 billion rise in net sales.

The Company recorded ¥4.9 billion in foreign currency exchange gains thanks to the strong euro and other factors.

Sales conversion rates and settlement rates were as follows:

Sales conversion rates:	US$1=¥121.97 (¥124.97 in fiscal 2002)
	Euro 1=¥120.88 (¥110.44 in fiscal 2002)
Settlement rates:	US$1=¥121.87 (¥123.74 in fiscal 2002)
	Euro 1=¥116.54 (¥106.82 in fiscal 2002)

CONSOLIDATED BALANCE SHEETS

YAMAHA CORPORATION and Consolidated Subsidiaries
At March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
ASSETS	**2003**	2002	**2003**
Current assets:			
Cash and bank deposits (Notes 5 and 17)	¥ 44,485	¥ 41,074	$ 370,092
Marketable securities (Notes 5 and 16)	1,370	356	11,398
Notes and accounts receivable	81,755	74,519	680,158
Less: Allowance for doubtful accounts	(2,625)	(2,675)	(21,839)
Inventories	80,144	84,264	666,755
Deferred income taxes (Note 10)	10,489	9,332	87,263
Prepaid expenses and other current assets (Note 6)	5,469	4,267	45,499
Total current assets	221,089	211,140	1,839,343
Property, plant and equipment, net of accumulated depreciation (Notes 4 and 5):			
Land	76,835	78,069	639,226
Buildings and structures	67,166	70,745	558,785
Machinery and equipment	33,639	35,440	279,859
Construction in progress	1,082	1,003	9,002
Property, plant and equipment, net of accumulated depreciation	178,724	185,261	1,486,889
Investments and other assets:			
Investment securities (Notes 3, 5 and 16)	77,622	76,307	645,774
Long-term loans receivable	694	1,733	5,774
Lease deposits	5,013	5,087	41,705
Deferred income taxes (Note 10)	24,663	26,384	205,183
Excess of cost over net assets acquired	107	173	890
Other assets	4,800	3,573	39,933
Total investments and other assets	112,902	113,260	939,285
Total assets	¥512,716	¥509,663	$4,265,524

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	2002	Thousands of U.S. Dollars (Note 2) 2003
Current liabilities:			
Short-term loans (Note 5)	¥ 27,078	¥ 47,871	$ 225,275
Convertible bonds scheduled for redemption within one year	24,317	—	202,304
Current portion of long-term debt (Note 5)	10,090	4,363	83,943
Notes and accounts payable	39,462	36,880	328,303
Accrued expenses	42,501	41,987	353,586
Income taxes payable	3,101	1,224	25,799
Advances received	3,428	3,742	28,519
Deferred income taxes (Note 10)	92	65	765
Other current liabilities	8,074	8,360	67,171
Total current liabilities	158,148	144,498	1,315,707
Long-term liabilities:			
Long-term debt (Note 5)	28,951	43,932	240,857
Deferred income taxes (Note 10)	266	316	2,213
Deferred income taxes on land revaluation (Note 1 (p))	13,577	14,638	112,953
Accrued employees' retirement benefits (Note 12)	53,988	59,074	449,151
Directors' retirement benefits	965	859	8,028
Long-term deposits received	36,848	38,472	306,556
Other long-term liabilities	1,572	1,191	13,078
Total long-term liabilities	136,171	158,486	1,132,870
Minority interests	3,925	4,712	32,654
Contingent liabilities (Note 13)			
Shareholders' equity (Note 11):			
Common stock:			
Authorized—700,000,000 shares;			
Issued —206,523,263 shares	28,533	28,533	237,379
Capital surplus	40,052	26,924	333,211
Earned surplus	162,344	157,589	1,350,616
Reserve for land revaluation (Note 1 (p))	16,152	16,482	134,376
Net unrealized holding gain on other securities	378	766	3,145
Translation adjustments	(32,753)	(28,280)	(272,488)
Treasury stock, at cost	(236)	(49)	(1,963)
Total shareholders' equity, net	214,471	201,965	1,784,285
Total liabilities and shareholders' equity	¥512,716	¥509,663	$4,265,524

CONSOLIDATED STATEMENTS OF OPERATIONS

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	**2003**
Net sales	¥524,763	¥504,406	$4,365,749
Cost of sales (Note 7)	338,307	340,411	2,814,534
Gross profit	186,456	163,994	1,551,215
Selling, general and administrative expenses (Note 7)	154,413	152,951	1,284,634
Operating income	32,043	11,043	266,581
Other income (expenses):			
Interest and dividend income	582	736	4,842
Interest expense	(2,015)	(2,911)	(16,764)
Sales rebates	(4,347)	(4,477)	(36,165)
Gain on sale of marketable and investment securities	—	3,694	—
Loss on revaluation of investment securities	(7,746)	(14,857)	(64,443)
Loss on sale or disposal of properties, net	(974)	(1,672)	(8,103)
Equity in earnings of unconsolidated subsidiaries and affiliates	7,608	2,993	63,295
Structural reform expenses (Note 8)	(2,271)	—	(18,894)
Other, net (Note 9)	(266)	(334)	(2,213)
	(9,429)	(16,829)	(78,444)
Income (loss) before income taxes and minority interests	22,612	(5,784)	188,120
Income taxes (Note 10):			
Current	3,962	1,507	32,962
Deferred	65	2,429	541
	4,027	3,936	33,502
Income (loss) before minority interests	18,585	(9,720)	154,617
Minority interests	636	551	5,291
Net income (loss)	¥ 17,947	¥ (10,274)	$ 149,309

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	**2003**
Common stock:			
Balance at beginning of year (2003 and 2002—206,523,263 shares)	¥ 28,533	¥ 28,533	$ 237,379
Balance at end of year (2003 and 2002—206,523,263 shares)	¥ 28,533	¥ 28,533	$ 237,379
Capital surplus:			
Balance at beginning of year	¥ 26,924	¥ 26,924	$ 223,993
Add:			
Capital surplus arising from mergers	13,127	—	109,210
Balance at end of year	¥ 40,052	¥ 26,924	$ 333,211
Earned surplus:			
Balance at beginning of year	¥157,589	¥170,496	$1,311,057
Add:			
Effect of changes in scope of consolidation	849	474	7,063
Effect of changes in interests in subsidiaries	—	15	—
Reversal of reserve for land revaluation	869	0	7,230
Reversal of reserve for land revaluation arising from change in interest in a consolidated subsidiary	88	82	732
Net income (loss)	17,947	(10,274)	149,309
Deduct:			
Effect of changes in scope of consolidation	—	(607)	—
Effect of changes in interests in subsidiaries	13	(945)	108
Cash dividends paid	1,857	(1,652)	15,449
Bonuses to directors and statutory auditors	0	(1)	0
Decrease due to merger	13,127	—	109,210
Balance at end of year	¥162,344	¥157,589	$1,350,616
Reserve for land revaluation:			
Balance at beginning of year	¥ 16,482	¥ 8,269	$ 137,121
Add:			
Gain on land revaluation	—	8,295	—
Gain on land revaluation resulting from effect of change in statutory tax rate	627	—	5,216
Deduct:			
Reversal of reserve for land revaluation	(869)	0	(7,230)
Reversal of reserve for land revaluation resulting from change in interest in a consolidated subsidiary	(88)	(82)	(732)
Balance at end of year	¥ 16,152	¥ 16,482	$ 134,376
Unrealized holding gains on other securities:			
Balance at beginning of year	¥ 766	¥ 308	$ 6,373
Net change during the year	(388)	458	(3,228)
Balance at end of year	¥ 378	¥ 766	$ 3,145
Translation adjustments:			
Balance at beginning of year	¥ (28,280)	¥ (37,794)	$ (235,275)
Net change during the year	(4,473)	9,514	(37,213)
Balance at end of year	¥ (32,753)	¥ (28,280)	$ (272,488)
Treasury stock, at cost:			
Balance at beginning of year (2003—46,038 shares; 2002—5,136 shares)	¥ (49)	¥ (5)	$ (408)
Net change during the year	(187)	(44)	(1,556)
Balance at end of year (2003—391,160 shares; 2002—46,038 shares)	¥ (236)	¥ (49)	$ (1,963)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2003	2002	**2003**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥22,612	¥ (5,784)	$188,120
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	17,699	18,919	147,246
Allowance for doubtful accounts	395	(507)	3,286
Loss on revaluation of investment securities	7,746	14,857	64,443
Employees' retirement benefits, net of payments	(5,150)	(8,210)	(42,845)
Interest and dividend income	(583)	(736)	(4,850)
Interest expense	2,015	2,911	16,764
Equity in earnings of unconsolidated subsidiaries and affiliates	(7,608)	(2,993)	(63,295)
Gain on sale of marketable and investment securities	—	(3,694)	—
Loss on sale or disposal of properties, net	974	1,672	8,103
Loss on foreign exchange, net	242	63	2,013
Structural reform expenses	1,509	—	12,554
Changes in operating assets and liabilities:			
Accounts and notes receivable—trade	(8,509)	18,794	(70,790)
Inventories	3,233	18,532	26,897
Accounts and notes payable—trade	2,894	(15,715)	24,077
Other, net	(1,413)	(4,748)	(11,755)
Subtotal	36,061	33,360	300,008
Interest and dividends received	1,181	746	9,825
Interest paid	(2,067)	(2,918)	(17,196)
Income taxes, net of payments	(2,123)	(2,171)	(17,662)
Net cash provided by operating activities	33,052	29,016	274,975
Cash flows from investing activities:			
Purchases of time deposits, net	(1,125)	—	(9,359)
Purchases of property	(15,730)	(14,876)	(130,865)
Proceeds from sale of property	2,674	888	22,246
Purchases of investment securities	(6,541)	(858)	(54,418)
Proceeds from sale of investment securities	187	4,074	1,556
Other, net	(1,110)	336	(9,235)
Net cash used in investing activities	(21,645)	(10,437)	(180,075)
Cash flows from financing activities:			
Decrease in short-term loans	(20,887)	(13,241)	(173,769)
Proceeds from long-term debt	18,908	8,178	157,304
Repayment of long-term debt	(3,065)	(5,665)	(25,499)
Cash dividends paid	(1,857)	(1,652)	(15,449)
Repayment of resort membership deposits	(1,297)	—	(10,790)
Cash dividends paid to minority shareholders	(268)	(468)	(2,230)
Other, net	(114)	(31)	(948)
Net cash used in financing activities	(8,582)	(12,880)	(71,398)
Effect of exchange rate changes on cash and cash equivalents	(504)	1,122	(4,193)
Net increase in cash and cash equivalents	2,319	6,821	19,293
Cash and cash equivalents at beginning of year	40,571	32,725	337,529
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	85	1,025	707
Cash and cash equivalents at end of year (Note 17)	¥42,976	¥40,571	$357,537

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YAMAHA CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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

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

The consolidated financial statements include the accounts of the parent company and all its subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. As a result, the accompanying consolidated financial statements include the accounts of the Company and 84 and 82 consolidated subsidiaries for the years ended March 31, 2003 and 2002, respectively.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their own operations is significantly affected by the Group in various ways are accounted for by the equity method. Investments in two and three affiliates have been accounted for by the equity method for the years ended March 31, 2003 and 2002, respectively.

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

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

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

Change in Method of Accounting

Effective April 1, 2002, Yamaha Motor Co., Ltd. ("Yamaha Motor"), an affiliate of the Company, changed its method of amortization of the excess of cost over net assets acquired for its subsidiaries from amortizing it over a 20-year period by the straight-line method to charging it to income as incurred. This change was made in order to facilitate Yamaha Motors' implementation of its new three-year medium-term management plan (from April 2002 to March 2005), which focuses on such management issues as "improving the profitability of existing businesses" and "solidifying the foundation of businesses in Asian countries." Furthermore, this change corresponds with similar changes in its market structure in response to the intensifying global competition in the motorcycle business and other businesses and to avoid any future risk arising from fluctuations in the investment market, particularly in strategically targeted areas. In this way, Yamaha Motor aims to further strengthen its financial position.

The effect of this change was to decrease equity in earnings of unconsolidated subsidiaries and affiliates, income before income taxes and minority interests and net income by ¥2,360 million ($19,634 thousand) from the corresponding amounts which would have been recorded if the method applied in the previous year had been followed.

(c) Foreign currency translation

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

Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each balance sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as a component of shareholders' equity in the accompanying consolidated financial statements.

(d) Cash and cash equivalents

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

(e) Securities

Securities owned by the Group have been classified into two categories, held-to-maturity and other, in accordance with the accounting standard for financial instruments which was announced by the Business Accounting Deliberation Council on January 22, 1999 and adopted by the Group effective the year ended March 31, 2002. Under this standard, held-to-maturity debt securities are either amortized or accumulated to face value on a straight-line basis. 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 shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Under this accounting standard, if the fair value of the marketable securities classified as other securities has declined significantly, such securities are written down to 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 to be recoverable. The Company has established a policy for the recognition of an impairment loss if the total declines more than 30% unless the fair value is deemed to be recoverable.

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 foreign consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method.

(g) Depreciation and amortization

Depreciation of property, plant and equipment is calculated mainly by the declining-balance method (except that certain of the Company's facilities related to its recreation business and 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	(Leasehold improvements: 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. For the Yamaha Group, the amount of the allowance is determined based on the historical experience with write-offs plus an estimate of specific probable doubtful accounts based on a review of the collectibility of the individual receivables.

(i) Retirement benefits

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

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

Directors' and statutory auditors' retirement benefits: The Company's directors and statutory auditors are customarily entitled to receive lump-sum retirement payments based on the Company's internal rules. The Company provides a 100% allowance for retirement benefits for its directors and statutory auditors under its own internal regulations.

(j) Warranty reserve

A 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 and after considering historical experience with repairs of products under warranty.

(k) 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.

(l) Income taxes

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

(m) Derivative financial instruments

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, 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 that meet certain criteria are accounted for by the allocation method, which is utilized to hedge against risk arising from fluctuations in foreign exchange rates.

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

(n) Accounting standard for treasury stock and reduction of legal reserve

Effective the year ended March 31, 2003, the Company and consolidated subsidiaries adopted a new accounting standard for treasury stock and the reduction of legal reserve (Accounting Standard No. 1 issued by the Accounting Standards Board of Japan; "ASBJ") which took effect on April 1, 2002. The effect of the adoption of this new standard was immaterial.

(o) Appropriation of retained earnings

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

(p) Land revaluation

Pursuant to the "Law Concerning the Revaluation of Land," land used for the business operations of the Company, two consolidated subsidiaries and an affiliate was revalued. The excess of the revalued carrying amount over the book value before revaluation which has been included in shareholders' equity amounted to ¥16,152 million ($134,376 thousand) and ¥16,482 million as a reserve for land revaluation, net of the related tax effect, at March 31, 2003 and 2002, respectively.

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

2. U.S. DOLLAR AMOUNTS

For the convenience of the reader, the accompanying financial statements with respect to the year ended March 31, 2003 have been presented in U.S. dollars by translating all yen amounts at ¥120.20=U.S.$1.00, the exchange rate prevailing on March 31, 2003. This translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Investments in and advances to unconsolidated subsidiaries and affiliates	¥55,563	¥51,026	$462,255
Others	22,059	25,281	183,519
Investment securities	¥77,622	¥76,307	$645,774

4. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2003 and 2002 amounted to ¥221,380 million ($1,841,764 thousand) and ¥226,483 million, respectively.

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans consisted of unsecured loans payable to banks at weighted average interest rates of 1.5% and 1.8% per annum at March 31, 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Loans from banks, due through 2018 at average rates of 2.5% and 1.4% for the current and noncurrent portions, respectively	¥39,041	¥23,978	$324,800
1.9% unsecured convertible bonds, due 2004	24,317	24,317	202,304
Total long-term debt	63,358	48,295	527,105
Less: Current portion and convertible bonds scheduled for redemption	34,407	4,363	286,248
	¥28,951	¥43,932	$240,857

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

The assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31,	**2003**	2002	**2003**
Bank deposits	¥ 30	¥ 30	$ 250
Marketable securities	1,112	60	9,251
Property, plant and equipment, net of accumulated depreciation	2,440	13,651	20,300
Investment securities	1,315	2,423	10,940
	¥4,898	¥16,165	$40,749

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥34,407	$286,248
2005	3,616	30,083
2006	19,168	159,468
2007	707	5,882
2008 and thereafter	5,460	45,424
	¥63,358	$527,105

6. DEFERRED GAIN OR LOSS ON HEDGES

Deferred gain or loss on hedges at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred gain on hedges	¥ 16	¥ 1	$ 133
Deferred loss on hedges	(649)	(100)	(5,399)
Deferred loss on hedges, net	¥(632)	¥ (99)	$(5,258)

7. R&D EXPENSES

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2003 and 2002 amounted to ¥22,441 million ($186,697 thousand) and ¥22,539 million, respectively.

8. STRUCTURAL REFORM EXPENSES

Structural reform expenses for the year ended March 31, 2003 consisted of losses on disposition of inventories of ¥734 million ($6,106 million) resulting from the discontinuation of the CD-R/RW drive business and of ¥1,537 million ($12,787 million) from the termination of operations at the Sunza Villa and Kiroro golf course.

9. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Loss on sale of shares of common stock of affiliates	¥(222)	¥ —	$(1,847)
Loss on revaluation of capital invested in subsidiaries	(242)	—	(2,013)
Loss on foreign exchange	—	(352)	—
Additional retirement benefits paid	—	(1,061)	—
Other, net	198	1,079	1,647
	¥(266)	¥ (334)	$(2,213)

10. 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% and 40.9% for the years ended March 31, 2003 and 2002, respectively. The effect of this change in the tax rate was to decrease deferred tax assets, net of deferred tax liabilities, by ¥792 million at March 31, 2003 and to increase income taxes by ¥802 million over the amount which would have been recorded if the tax rate of the previous year had been applied in the current year. The increase in income taxes referred to above was computed by multiplying the total balance of temporary differences at March 31, 2003 by the difference between the new and the former tax rates.

Income taxes of the foreign consolidated subsidiaries are, in general, based on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Write-downs of inventories	¥ 2,357	¥ 1,880	$ 19,609
Allowance for doubtful receivables	1,244	1,188	10,349
Depreciation	9,215	9,336	76,664
Unrealized loss on investment securities	7,289	7,447	60,641
Accrued employees' bonuses	3,609	2,629	30,025
Warranty reserve	827	971	6,880
Retirement benefits and long-term accounts payable—other	18,686	20,569	155,458
Tax loss carried forward	21,387	19,667	177,928
Other	8,465	8,808	70,424
	73,084	72,499	608,020
Valuation allowance	(35,499)	(33,682)	(295,333)
Total deferred tax assets	37,584	38,816	312,679
Deferred tax liabilities:			
Reserve for deferred gain on properties	(1,460)	(1,693)	(12,146)
Reserve for asset replacement	(283)	—	(2,354)
Reserve for special depreciation	(85)	—	(707)
Unrealized gain on securities	(299)	(589)	(2,488)
Other	(663)	(1,199)	(5,516)
Total deferred tax liabilities	(2,790)	(3,481)	(23,211)
Net deferred tax assets	¥34,793	¥35,335	$289,459

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2003 is as follows:

	Year ended March 31, 2003
Statutory tax rate	40.9%
Equity in earnings and loss of unconsolidated subsidiaries and affiliates and non-temporary differences not deductible for tax purposes	(11.7)
Inhabitants' per capita taxes and other	0.9
Effect of change in statutory tax rate	3.5
Change in valuation allowance	(13.3)
Tax-rate variances of overseas subsidiaries and other	(2.5)
Effective tax rate	17.8%

11. LEGAL RESERVE AND ADDITIONAL PAID-IN CAPITAL

The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until such reserve and the amount of additional paid-in capital equals 25% of the common stock account. The Code also provides that, to the extent that the sum of additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriations by resolution of the shareholders.

12. RETIREMENT BENEFITS

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

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2003 and 2002 for the Company's and consolidated subsidiaries' defined benefit plans:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Retirement benefit obligation	¥(194,003)	¥(186,269)	$(1,614,002)
Plan assets at fair value	91,778	89,012	763,544
Unfunded retirement benefit obligation	(102,225)	(97,257)	(850,458)
Unrecognized actuarial gain or loss	47,055	39,717	391,473
Unrecognized past service cost (2)	1,181	(1,534)	9,825
Net retirement obligation	¥ (53,988)	¥ (59,074)	$ (449,151)
Accrued retirement benefits	¥ (53,988)	¥ (59,074)	$ (449,141)

Notes: (1) The government-sponsored portion of the benefits under the welfare pension fund plan has been included in the amounts shown in the above table.

(2) Effective the year ended March 31, 2003, the Company and certain domestic subsidiaries amended the basis of calculation of their employees' retirement benefits from basing these on basic salary level and years of service, to adopting a system under which points are awarded based on an assessment of each employee's performance. As a result, additional past service cost was incurred and the related liability increased.

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	¥ 7,900	¥ 6,380	$ 65,724
Interest cost	4,595	5,446	38,228
Expected return on plan assets	(3,540)	(3,299)	(29,451)
Amortization of past service cost	(45)	(175)	(374)
Amortization of actuarial gain or loss	4,110	1,086	34,193
Additional retirement benefit expenses	1,311	2,234	10,907
Total	¥14,332	¥11,673	$119,235

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

	2003	2002
Discount rates	2.5%	2.5%
Expected return on plan assets	4.0%	4.0%
Amortization of past 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)

13. CONTINGENT LIABILITIES

The Company had the following contingent liabilities at March 31, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Export bills discounted with banks	¥1,483	$12,338
As guarantors of indebtedness of others	131	1,090

14. AMOUNTS PER SHARE

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

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

	Yen		U.S. Dollars
Years ended March 31	**2003**	2002	**2003**
Net income (loss):			
Basic	¥86.65	¥(49.75)	$0.72
Diluted	77.32	—	0.64

	Yen		U.S. Dollars
March 31	**2003**	2002	**2003**
Net assets	¥1,040.06	¥978.15	$8.65

Diluted net loss per share for the year ended March 31, 2002 has not been presented because the effect of the conversion of the convertible bonds would have resulted in an anti-dilutive effect on the computation of net loss per share.

Effective the year ended March 31, 2003, the Company and its consolidated subsidiaries have adopted a new accounting standard for earnings per share (Accounting Standard No. 2 announced by the ASBJ) as well as an accounting implementation guidance on a revised accounting standard for earnings per share (Accounting Standard Implementation Guidance No. 4 issued by the ASBJ) which took effect on April 1, 2002. If the previous standards had been applied for the year ended March 31, 2003, the amounts per share would have been presented as follows:

	Yen	Dollars
Net assets per share	¥1,040.45	$8.66
Net income:		
Basic	87.04	0.72
Diluted	77.68	0.65

Note: Basis for calculation of basic net income per share and diluted net income per share

Year ended March 31, 2003				
Basic net income per share:				
Net income	¥17,947	million	$149,309	thousand
Amounts not attributable to shareholders of common stock	82		682,196	
Directors' bonuses by appropriation of retained earnings	82		682,196	
Amounts attributable to shareholders of common stock	17,864		148,618	
Weighted average number of shares outstanding	206,177	thousand shares		
Diluted net income per share:				
Adjustments arising from dilution	¥(1,069)	million	$ (8,894)	thousand
Interest on corporate bonds, net of tax	273		2,271	
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,342)		(11,164)	
Increase in number of shares outstanding	11,053	thousand shares		
Dilution arising from conversion of convertible bonds	11,053			
Diluted shares resulting in an anti-dilutive effect	—		—	

15. LEASES

Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2003 and 2002 which would have been reflected in the balance sheets if finance leases currently accounted for as operating leases had been capitalized.

	Millions of Yen			Thousands of U.S. Dollars		
Year ended March 31, 2003	Tools and equipment	Other	Total	Tools and equipment	Other	Total
Acquisition costs	¥2,801	¥1,261	¥4,062	$23,303	$10,491	$33,794
Accumulated depreciation	1,478	815	2,293	12,296	6,780	19,077
Net book value	¥1,322	¥ 446	¥1,768	$10,998	$ 3,710	$14,709

	Millions of Yen		
Year ended March 31, 2002	Tools and equipment	Other	Total
Acquisition costs	¥4,195	¥1,159	¥5,355
Accumulated depreciation	2,620	776	3,397
Net book value	¥1,574	¥ 382	¥1,957

Lease expenses relating to finance leases accounted for as operating leases amounted to ¥959 million ($7,978 thousand) and ¥1,124 million for the years ended March 31, 2003 and 2002, respectively.

Depreciation of the 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, 2003 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥455	$3,785
2005 and thereafter	511	4,251
Total	¥966	$8,037

Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and the net book value of the leased assets relating to finance leases accounted for as operating leases as of March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
Years ending March 31,	**2003**	2002	**2003**
Acquisition costs	¥5,328	¥5,127	$44,326
Accumulated depreciation	3,643	3,469	30,308
Net book value	¥1,685	¥1,657	$14,018

Lease income and depreciation expenses relating to finance leases accounted for as operating leases amounted to ¥1,136 million ($9,451 thousand) and ¥612 million ($5,092 thousand), respectively, and ¥1,173 million and ¥606 million, respectively, for the years ended March 31, 2003 and 2002.

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

Future minimum lease income subsequent to March 31, 2003 for finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 932	$ 7,754
2005 and thereafter	1,779	14,800
Total	¥2,711	$22,554

16. SECURITIES

(a) Held-to-maturity debt securities with determinable market value

	Millions of Yen			Thousands of U.S. Dollars		
Year ended March 31, 2003	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Securities whose fair value exceeds their carrying value:						
Government and municipal bonds	¥ 270	¥ 274	¥ 4	$ 2,246	$ 2,280	$ 33
Corporate bonds	1,540	1,549	8	12,812	12,887	67
Other	1,750	1,778	28	14,559	14,792	233
	3,561	3,602	41	29,626	29,967	341
Securities whose carrying value does not exceed their fair value:						
Government and municipal bonds	—	—	—	—	—	—
Corporate bonds	100	100	—	832	832	—
Other	—	—	—	—	—	—
	100	100	—	832	832	—
Total	¥3,661	¥3,702	¥41	$30,458	$30,799	$341

	Millions of Yen		
Year ended March 31, 2002	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government and municipal bonds	¥ 270	¥ 272	¥ 2
Corporate bonds	1,631	1,646	14
Other	1,250	1,268	18
	3,152	3,187	35
Securities whose carrying value does not exceed their fair value:			
Government and municipal bonds	—	—	—
Corporate bonds	300	299	(0)
Other	199	199	(0)
	499	498	(1)
Total	¥3,652	¥3,686	¥33

(b) Other securities with determinable market value

Year ended March 31, 2003	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥ 3,195	¥ 4,491	¥1,296	$26,581	$ 37,363	$10,782
Bonds						
Government and municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Other	—	—	—	—	—	—
	3,195	4,491	1,296	26,581	37,363	10,782
Securities whose carrying value does not exceed their acquisition cost:						
Stock	8,741	8,277	(463)	72,720	68,860	(3,852)
Bonds						
Government and municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Other	51	37	(13)	424	308	(108)
	8,792	8,315	(477)	73,145	69,176	(3,968)
Total	¥11,988	¥12,806	¥ 818	$99,734	$106,539	$ 6,805

(c) Other securities sold during the year ended March 31, 2002

	Millions of Yen
Sales of other securities	¥4,028
Profit on sales	3,648
Loss on sales	(27)

(d) Securities without determinable value

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Other securities:			
Unlisted securities (other than securities traded over-the-counter)	¥6,929	¥808	$57,646

(e) Schedule for redemption of other securities with maturities and held-to-maturity debt securities at March 31, 2003 and 2002

Year ended March 31, 2003	Millions of Yen		Thousands of U.S. Dollars	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds				
Government and municipal bonds	¥ —	¥ 270	$ —	$ 2,246
Corporate bonds	1,170	470	9,734	3,910
Other	200	1,550	1,664	12,895
Total	¥1,370	¥2,290	$11,398	$19,052

Year ended March 31, 2002	Millions of Yen	
	Due in one year or less	Due after one year through five years
Bonds		
Government and municipal bonds	¥ —	¥ 270
Corporate bonds	310	1,670
Others	—	1,450
Others	45	—
Total	¥356	¥3,390

Losses on revaluation of marketable securities classified as other securities as a result of their permanent decline in value totaled ¥7,672 million ($63,827 thousand) for the year ended March 31, 2003.

17. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents at March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Cash and bank deposits	¥44,485	¥41,074	$370,092
Time deposits with a maturity of more than three months	(1,509)	(502)	(12,554)
Cash and cash equivalents	¥42,976	¥40,571	$357,537

18. DERIVATIVES AND HEDGING ACTIVITIES

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

The Group may from time to time enter into foreign forward exchange agreements in order to manage certain risks arising from adverse fluctuations in the foreign exchange transactions. The Group has implemented internal regulations under which they will hedge any significant foreign exchange risks.

No specific disclosure for derivatives has been made as the Group principally holds only derivatives positions which meet the criteria for deferral hedge accounting.

19. SEGMENT INFORMATION

The business and geographical segments and overseas sales for the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are outlined as follows:

Business Segments

	Millions of Yen								
Year ended March 31, 2003	Musical instruments	AV/IT	Lifestyle-related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)									
Sales to external customers	¥292,647	¥83,670	¥46,031	¥60,554	¥20,903	¥20,956	¥524,763	¥ —	¥524,763
Intersegment sales or transfers	—	—	—	2,599	—	—	2,599	(2,599)	—
Total sales	292,647	83,670	46,031	63,153	20,903	20,956	527,363	(2,599)	524,763
Operating expenses	282,854	80,419	45,569	43,870	22,013	20,591	495,320	(2,599)	492,720
Operating income (loss)	¥ 9,792	¥ 3,250	¥ 461	¥19,282	¥ (1,110)	¥ 365	¥ 32,043	¥ —	¥ 32,043
II. Total assets, depreciation and capital expenditures									
Total assets	¥255,247	¥42,922	¥18,909	¥53,011	¥58,849	¥83,775	¥512,716	¥ —	¥512,716
Depreciation	8,001	1,807	1,002	2,845	2,932	996	17,586	—	17,586
Capital expenditures	9,067	1,503	911	3,320	728	1,352	16,883	—	16,883

	Thousands of U.S. Dollars								
Year ended March 31, 2003	Musical instruments	AV/IT	Lifestyle-related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)									
Sales to external customers	$2,434,667	$696,090	$382,953	$503,777	$173,902	$174,343	$4,365,749	$ —	$4,365,749
Intersegment sales or transfers	—	—	—	21,622	—	—	21,622	(21,622)	—
Total sales	2,434,661	696,090	382,953	525,399	173,902	174,343	4,387,379	(21,622)	4,365,749
Operating expenses	2,353,195	669,043	379,110	364,975	183,136	171,306	4,120,799	(21,622)	4,099,168
Operating income (loss)	$ 81,464	$ 27,038	$ 3,835	$160,416	$ (9,235)	$ 3,037	$ 266,581	$ —	$ 266,581
II. Total assets, depreciation and capital expenditures									
Total assets	$2,123,519	$357,088	$157,313	$441,023	$489,592	$696,963	$4,265,524	$ —	$4,265,524
Depreciation	66,564	15,033	8,336	23,669	24,393	8,286	146,306	—	146,306
Capital expenditures	75,433	12,504	7,579	27,621	6,057	11,248	140,458	—	140,458

Year ended March 31, 2002	Musical instruments	AV/IT	Lifestyle-related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
	Millions of Yen								
I. Sales and operating income (loss)									
Sales to external customers	¥286,920	¥95,214	¥45,714	¥36,628	¥21,590	¥18,339	¥504,406	¥ —	¥504,406
Intersegment sales or transfers	—	—	—	2,471	—	—	2,471	(2,471)	—
Total sales	286,920	95,214	45,714	39,099	21,590	18,339	506,878	(2,471)	504,406
Operating expenses	282,182	92,176	44,667	34,748	23,331	18,728	495,834	(2,471)	493,362
Operating income (loss)	¥ 4,738	¥ 3,037	¥ 1,046	¥ 4,351	¥ (1,741)	¥ (389)	¥ 11,043	¥ —	¥ 11,043
II. Total assets, depreciation and capital expenditures									
Total assets	¥264,227	¥45,887	¥20,124	¥38,413	¥62,666	¥78,343	¥509,663	¥ —	¥509,663
Depreciation	8,373	1,877	1,505	3,068	2,893	1,050	18,767	—	18,767
Capital expenditures	8,837	2,133	851	1,921	1,867	1,015	16,627	—	16,627

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 & services
Musical instruments	Pianos, digital musical instruments, wind instruments, guitars, percussion instruments, educational musical instruments, professional audio equipment, music schools, language schools, content provision, tuning, sound equipment for residential use
AV/IT	Audio products, IT equipment
Lifestyle-related products	System kitchens, bathtubs, washstands, furniture, parts for housing components
Electronic equipment and metal products	LSIs, special metals
Recreation	Management of leisure facilities
Others	Golf equipment, car interior parts, factory automation, machinery, molds

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

Geographical Segments

Year ended March 31, 2003	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
	Millions of Yen						
I. Sales and operating income							
Sales to external customers	¥326,769	¥88,512	¥76,620	¥ 32,861	¥524,763	¥ —	¥524,763
Intersegment sales or transfers	137,734	1,675	610	69,090	209,110	(209,110)	—
Total sales	464,503	90,188	77,230	101,951	733,874	(209,110)	524,763
Operating expenses	441,129	86,892	74,801	98,542	701,365	(208,645)	492,720
Operating income	¥ 23,374	¥ 3,295	¥ 2,429	¥ 3,409	¥ 32,508	¥ (465)	¥ 32,043
II. Total assets	¥412,904	¥35,620	¥32,100	¥ 50,354	¥530,979	¥ (18,263)	¥512,716

Year ended March 31, 2003	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
	Thousands of U.S. Dollars						
I. Sales and operating income							
Sales to external customers	$2,718,544	$736,373	$637,438	$273,386	$4,365,749	$ —	$4,365,749
Intersegment sales or transfers	1,145,874	13,935	5,075	574,792	1,739,684	(1,739,684)	—
Total sales	3,864,418	750,316	642,512	848,178	6,105,441	(1,739,684)	4,365,749
Operating expenses	3,669,958	722,895	622,304	819,817	5,834,983	(1,735,815)	4,099,168
Operating income	$ 194,459	$ 27,413	$ 20,208	$ 28,361	$ 270,449	$ (3,869)	$ 266,581
II. Total assets	$3,435,141	$296,339	$267,055	$418,918	$4,417,463	$ (151,938)	$4,265,524

	Millions of Yen						
Year ended March 31, 2002	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	¥304,945	¥92,246	¥73,260	¥ 33,954	¥504,406	¥ —	¥504,406
Intersegment sales or transfers	136,211	2,135	493	68,063	206,902	(206,902)	—
Total sales	441,156	94,381	73,753	102,017	711,309	(206,902)	504,406
Operating expenses	437,937	90,897	73,103	98,283	700,222	(206,859)	493,362
Operating income	¥ 3,219	¥ 3,484	¥ 649	¥ 3,733	¥ 11,087	¥ (43)	¥ 11,043
II. Total assets	¥410,969	¥40,077	¥28,515	¥ 47,260	¥526,821	¥ (17,158)	¥509,663

Notes: (1) Geographical segments are divided into categories based on their geographical proximity.
(2) Major nations or regions included in each geographical segment are as follows:
(a) North America—U.S.A., Canada
(b) Europe—Germany, England
(c) Asia, Oceania and other areas—Singapore, Australia

Overseas Sales

	Millions of Yen			
Year ended March 31, 2003	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	¥89,728	¥77,185	¥45,721	¥212,634
Consolidated net sales	—	—	—	524,763
% of consolidated net sales	17.1%	14.7%	8.7%	40.5%

	Thousands of U.S. Dollars			
Year ended March 31, 2003	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	$746,489	$642,138	$380,374	$1,769,002
Consolidated net sales	—	—	—	4,365,749
% of consolidated net sales	17.1%	14.7%	8.7%	40.5%

	Millions of Yen			
Year ended March 31, 2002	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	¥93,524	¥73,458	¥47,472	¥214,455
Consolidated net sales	—	—	—	504,406
% of consolidated net sales	18.5%	14.6%	9.4%	42.5%

20. SUBSEQUENT EVENT

Appropriations of retained earnings

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2003, were approved at a general meeting of the shareholders of the Company held on June 26, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥1,031	$8,577

Shin Nihon & Co.

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Fax: (053) 452-2257

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, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, 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 independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 1, YAMAHA CORPORATION and consolidated subsidiaries, effective the year ended March 31, 2002, have adopted a new accounting standard for financial instruments with regard to accounting for securities with a known market value in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Shin Nihon & Co.

June 26, 2003

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

BOARD OF DIRECTORS AND CORPORATE AUDITORS

President and Representative Director
Shuji Ito

Senior Managing Director
Katsuhiko Kishida

Managing Director
Kunihiro Maejima

Managing Director
Hirokazu Kato

Director
Toru Hasegawa

Director
Yoshihiro Umeda

Director
Shinya Hanamoto

Director
Tsuneo Kuroe

Director
Tokihisa Makino

Corporate Auditors
Naomoto Ota
Michio Horikoshi
Kunio Miura
Haruhiko Wakuda

(As of June 26, 2003)

WORLDWIDE NETWORK

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

Japan

■Yamaha Music Tokyo Co., Ltd.
■Yamaha Music Nishi-Tokyo Co., Ltd.
■Yamaha Music Yokohama Co., Ltd.
■Yamaha Music Kanto Co., Ltd.
■Yamaha Music Osaka Co., Ltd.
■Yamaha Music Kobe Co., Ltd.
■Yamaha Music Setouchi Co., Ltd.
■Yamaha Music Nagoya Co., Ltd.
■Yamaha Music Hamamatsu Co., Ltd.
■Yamaha Music Kyushu Co., Ltd.
■Yamaha Music Hokkaido Co., Ltd.
■Yamaha Music Tohoku Co., Ltd.
■Yamaha Music Trading Corporation
■Yamaha Music Media Corporation
■Yamaha Sound Technologies Inc.
■Yamaha Music Craft Corporation
■Yamaha Hall Co., Ltd.
□Yamaha Piano Service Co., Ltd.
■Yamaha Music Communications Co., Ltd.
■Music Lease Corporation
■MUSIC E-NET Inc.
■YIS Corporation
■D.S. Corporation
■Yamaha Livingtec Corporation
■Yamaha Living Products Corporation
□Joywell Home Corporation
■Yamaha Kagoshima Semiconductor Inc.
■Yamaha Metanix Corporation
■Kiroro Development Corporation
■Haimurubushi Corporation
■Katsuragi Corporation
■Toba International Hotel Corporation
■Tsumagoi Corporation
■Nemunosato Corporation
■Kiroro Associates Corporation
■Yamaha Fine Technologies Co., Ltd.
■Yamaha Credit Corporation
■Yamaha Insurance Service Co., Ltd.
□Yamaha Business Support Corporation

Overseas

American Region

■Yamaha Corporation of America
■Yamaha Electronics Corporation, U.S.A.
■Yamaha Exporting, Inc.
■Yamaha Music Manufacturing, Inc.
■Yamaha Musical Products, Inc.
□Yamaha Music InterActive Inc.
□YMH Digital Music Publishing LLC
■Yamaha Canada Music Ltd.
■Yamaha de México, S.A. de C.V.
■Yamaha Music Latin America, S.A.
□Yamaha Musical do Brasil Ltda.

European Region

■Yamaha Music Holding Europe G.m.b.H.
■Yamaha Music Central Europe G.m.b.H.
■Yamaha Elektronik Europa G.m.b.H.
■Yamaha-Kemble Music (U.K.) Ltd.
■Yamaha Electronics (U.K.) Ltd.
■Kemble & Company Ltd.
□Kemble Music Ltd.
■Yamaha Musique France S.A.S.
■Yamaha Electronique France S.A.S.
■Yamaha Electronique Alsace S.A.
■Yamaha Scandinavia AB
■Yamaha Musica Italia S.p.A.
■Yamaha-Hazen Música S.A.

Asia, Oceania, and Other Regions

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

▶Yamaha Motor Co., Ltd.
▶KORG Inc.

(As of March 31, 2003)

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General Administration Division
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Fiscal Year-end Date
March 31

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

Date of Establishment
October 1897

Stated Capital
¥28,533 million

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

Number of Shareholders
12,965

Number of Employees
23,563

Number of Consolidated Subsidiaries
84

Number of Companies Accounted for by the Equity Method
2

Stock Exchange Listings
Tokyo
First Section, Code No. 7951

Transfer Agent and Registrar
The Chuo Mitsui Trust and Banking Co., Ltd.
Nagoya Branch
Stock Transfer Agency Department
Address: 3-15-33, Sakae, Naka-ku, Nagoya 460-8685, Japan
Tel: +81 52 262-1520

Newspaper for Official Notice
Nihon Keizai Shimbun

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

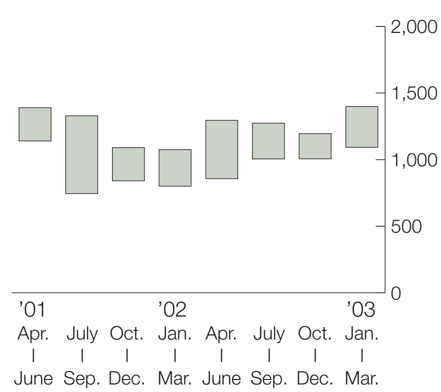
Auditor
Shin Nihon & Co.

Main Shareholders
Percentage of Total Shares (%)

The Master Trust Bank of Japan, Ltd. (Trust Account)	6.83
Japan Trustee Service Bank, Ltd. (Trust Account)	6.45
Sumitomo Mitsui Banking Corporation	4.83
Mizuho Corporate Bank, Ltd.	4.52
Mitsui Sumitomo Insurance Co., Ltd.	4.52
The Shizuoka Bank, Limited	4.07

(As of March 31, 2003)

Stock Price Movement
(Yen)



YAMAHA

CREATING 'KANDO' TOGETHER

YAMAHA CORPORATION
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