

YAMAHA CORPORATION

Flash Report

Consolidated Basis

Results for the fiscal year ended March 31, 2010

April 28, 2010

Company name: YAMAHA CORPORATION
(URL <http://www.yamaha.com>)

Code number: 7951

Stock listing: Tokyo Stock Exchange (First Section)

Address of headquarters: 10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan

Representative director: Mitsuru Umemura, President and Representative Director

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Scheduled date of Ordinary General Shareholders' Meeting: June 25, 2010

Scheduled date to submit Securities Report: June 28, 2010

Scheduled date to begin dividend payments: June 28, 2010

1. Results for FY2010.3 (April 1, 2009–March 31, 2010)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results

	Net sales		Operating income		Ordinary income		Net loss	
	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year
FY2010.3 (Ended March 31, 2010)	¥414,811	(9.7)%	¥6,828	(50.7)%	¥4,910	(59.0)%	¥(4,921)	—
FY2009.3 (Ended March 31, 2009)	¥459,284	(16.3)%	¥13,845	(57.8)%	¥11,979	(63.2)%	¥(20,615)	—

	Net loss per share	Net loss per share after full dilution	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2010.3 (Ended March 31, 2010)	¥(24.95)	—	(2.0)%	1.2%	1.6%
FY2009.3 (Ended March 31, 2009)	¥(103.73)	—	(7.0)%	2.5%	3.0%

(For reference) Equity in earnings (loss) of non-consolidated subsidiaries and affiliates:

FY2010.3 ¥0 million
FY2009.3 ¥(7) million

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2010.3 (As of March 31, 2010)	¥402,152	¥254,591	62.6%	¥1,276.35
FY2009.3 (As of March 31, 2009)	¥408,974	¥251,841	60.9%	¥1,262.42

(For reference) Shareholders' equity:

FY2010.3 ¥251,738 million
FY2009.3 ¥248,995 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2010.3 (Ended March 31, 2010)	¥39,870	¥(12,711)	¥ (9,867)	¥59,235
FY2009.3 (Ended March 31, 2009)	¥ (2,235)	¥(25,999)	¥(31,041)	¥41,223

2. Dividends

Base date	Dividends per share					Total dividends (annual) Millions of yen	Dividend propensity (consolidated) %	Ratio of dividends to net assets (consolidated) %
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year			
	Yen	Yen	Yen	Yen	Yen			
FY2009.3	—	¥27.50	—	¥15.00	¥42.50	¥8,382	—	2.9%
FY2010.3	—	¥15.00	—	¥12.50	¥27.50	¥5,423	—	2.2%
FY2011.3 (Forecast)	—	¥ 5.00	—	¥ 5.00	¥10.00		35.9%	

Note: Breakdown of dividends for FY2009.3, 2010.3, and forecast for FY2011.3:

End of the second quarter of FY2009.3:	Regular dividend of ¥17.50, special dividend of ¥10.00
End of the fiscal year of FY2009.3:	Regular dividend of ¥5.00, special dividend of ¥10.00
End of the second quarter of FY2010.3:	Regular dividend of ¥5.00, special dividend of ¥10.00
End of the fiscal year of FY2010.3:	Regular dividend of ¥2.50, special dividend of ¥10.00
Forecast for the end of the second quarter of FY2011.3:	Regular dividend of ¥5.00
Forecast for the end of the fiscal year of FY2011.3:	Regular dividend of ¥5.00

3. Consolidated Financial Forecasts for FY2011.3 (April 1, 2010–March 31, 2011)

(Percentage figures for full fiscal year are changes from the previous fiscal year, and those for the first half are changes from the previous same period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2011.3 First Half	¥188,000	(8.0)%	¥ 5,500	32.9%	¥4,500	58.0%	¥3,500	—	¥17.75
FY2011.3	¥385,000	(7.2)%	¥10,000	46.5%	¥7,500	52.7%	¥5,500	—	¥27.89

4. Others

(1) Changes in the state of material subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None

(2) Changes in principles, procedures, methods of presentation, etc., related to the consolidated financial statements (Changes in material items that form the basis for the preparation and presentation of the consolidated financial statements)

(a) Changes related to revisions in accounting principles: Yes

(b) Changes other than those in (a) above: None

Note: For further details, please refer to the item “Changes in Accounting Methods” on page 22 and 25 in the section “(6) Basic Items for the Preparation of the Consolidated Financial Statements.”

(3) Number of shares issued (common shares)

(a) Number of shares at the end of the period (including treasury stock)

FY2010.3 197,255,025 shares FY2009.3 197,255,025 shares

(b) Number of treasury stock at the end of the period

FY2010.3 21,774 shares FY2009.3 17,461 shares

Note: For an explanation of the number of shares used for computing net income per share (consolidated), please refer to “Per Share Information” on page 51.

(For Reference) Non-Consolidated Results

1. Non-consolidated results for FY2010.3 (April 1, 2009—March 31, 2010)

(1) Non-consolidated operating results

(% changes are increases/decreases from the previous period)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net loss	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2010.3 (Ended March 31, 2010)	¥227,903	(17.0)%	¥(9,780)	—	¥(8,438)	—	¥(16,366)	—
FY2009.3 (Ended March 31, 2009)	¥274,638	(13.0)%	¥1,240	(90.0)%	¥4,367	(75.7)%	¥(18,865)	—

	Net loss per share	Net income (loss) per share after full dilution
	Yen	Yen
FY2010.3 (Ended March 31, 2010)	¥(82.98)	—
FY2009.3 (Ended March 31, 2009)	¥(94.92)	—

(2) Non-consolidated financial data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2010.3 (As of March 31, 2010)	¥301,220	¥192,902	64.0%	¥978.04
FY2009.3 (As of March 31, 2009)	¥299,090	¥200,880	67.2%	¥1,018.47

(For reference) Shareholders' equity: FY2010.3 ¥192,902 million FY2009.3 ¥200,880 million

Explanation of the appropriate use of performance forecasts and other related items

Forecasts of consolidated performance shown on page 2 were prepared based on information available at the time of the announcement. Actual consolidated performance may differ from forecasts owing to a wide range of factors.

For further information, please refer to page 6.

Commentary Information and Financial Statements

1. Management Performance

(1) Analysis of Management Performance

1. Review of the Fiscal Year (FY2010.3)

During the fiscal year ended March 31, 2010, severe economic stagnation persisted worldwide as a result of the financial crisis that erupted in the previous fiscal year. Overseas, China and some of the emerging countries showed economic expansion, but harsh conditions prevailed in the United States and Europe. In Japan, full-scale economic recovery did not occur because of weakness in consumer spending and a decline in private capital investment.

Amid this operating environment, the Yamaha Group worked to strengthen its development of technology and quality and launched new high-value-added products, including a new model hybrid piano. In response to the market trend toward lower prices, Yamaha implemented initiatives to develop new demand by expanding its lineup of products priced for the mass market and engaging in aggressive sales activities. In the emerging markets, major developments during the fiscal year included the opening of the Yamaha Music School Shanghai Center in China, which is one of the largest music education centers in the world, upgrading and strengthening of the marketing network to attain further growth, and the establishment of sales networks in Russia and India. Among manufacturing reforms, Yamaha proceeded with the integration of its manufacturing bases in Japan and the strengthening of production bases in Indonesia and China with the objective of improving efficiency. In addition, to respond to the weakness in the global economy, Yamaha continued to reduce costs, reviewed and restrained investments and the holding of events, reduced inventories, and implemented other measures in all aspects of its operations to improve profitability. In addition, from a medium- to long-term perspective, Yamaha exercised greater selectivity and concentration in the allocation of its management resources. Principal measures in this area included the withdrawal from the magnesium molded parts business and the transfer of a lifestyle-related products business subsidiary.

Consolidated net sales for the fiscal year under review amounted to ¥414.8 billion (a decline of 9.7% from the previous fiscal year). Sales of all product categories were down owing to the adverse impact of stagnation in demand and the appreciation of the yen.

Profitwise, as a consequence of the decline in net sales and other factors, operating income for the fiscal year amounted to ¥6.8 billion (a decline of 50.7% from the previous fiscal year), and ordinary income was ¥4.9 billion (down 59.0% from the previous fiscal year). The net loss for the fiscal year amounted to ¥4.9 billion (compared with a net loss of ¥20.6 billion in the previous fiscal year). The main causes of this net loss were losses on the sale of shares of a subsidiary in the lifestyle-related products business, impairment losses due to the decline in the value of idle property assets accompanying the relocation of certain facilities, and other factors.

Results of operations by business segment were as follows:

Musical Instruments

As a result of stagnation in the markets for pianos, digital musical instruments, as well as wind, string, and percussion instruments, sales decreased. In the Chinese market, overall sales expanded because of higher sales of pianos and other factors, but sales performance was weak in Japan, Europe, and the United States. Sales of professional audio equipment fell as the market failed to recover. In the musical entertainment business, sales declined as conditions in the CD, online music distribution, and music-related publications fields were lackluster. Revenues from music schools declined, but revenues from English-language schools expanded along with the increase in number of pupils as English classes will become compulsory for primary school students in Japan beginning in 2011.

As a result of these circumstances, sales of this segment amounted to ¥276.3 billion (a decline of 9.9% from the previous fiscal year), and operating income was ¥5.1 billion (73.3% lower than the previous fiscal year).

AV/IT

In the audio business, sales of digital surround projectors and digital surround projectors with furniture stands rose in Japan along with the expansion in demand for flat-panel-display TVs. In Europe and the United States, sales of core AV receivers and other audio products experienced tough market conditions because of more-intense competition, and sales declined. In addition, sales of routers fell as a consequence of shrinkage in the market; however, sales of commercial online karaoke equipment and conferencing systems increased.

As a consequence, sales of this segment were ¥54.5 billion (a decline of 4.1% from the previous fiscal year), and the operating income amounted to ¥1.4 billion (compared with an operating loss of ¥0.4 billion in the previous fiscal year).

Electronic Devices

In the semiconductor business, sales of sound-generating LSIs for mobile phones decreased because of the ongoing shift to sound-generating software and deterioration in domestic market conditions. However, sales of digital amplifiers and sales of LSI chips for vehicle use expanded.

As a result, sales of this segment amounted to ¥19.7 billion (a decline of 10.2% from the previous fiscal year) and, the operating loss was ¥0.6 billion (compared with an operating loss of ¥2.5 billion in the previous fiscal year).

Lifestyle-Related Products

In the system kitchen and system bathroom businesses, sales declined because of the sharp decrease in the number of new housing starts and the trend toward lower-priced units due to more-intense competition.

Therefore, sales of this segment amounted to ¥36.9 billion (a decline of 14.3% from the previous fiscal year), and the operating income was ¥0.4 billion (compared with an operating loss of ¥0.3 billion in the previous fiscal year).

Please note that, as of March 31, 2010, Yamaha Corporation transferred 85.1% of the shares held in subsidiary Yamaha Livingtec Corporation, a consolidated subsidiary which operates lifestyle-related products business, to a limited investment partnership managed and operated by Japan Industrial Partners, Inc and the other investors. As of the same date, Yamaha Livingtec and its two wholly owned subsidiaries, Yamaha Living Products Corporation and Joywell Home Corporation, were excluded from the scope of consolidation of Yamaha Corporation.

Others

In the golf products business, sales in Japan and overseas declined, owing to the weakness in market conditions, and overall sales of this business decreased. Sales of automobile interior wood components rose, as finished car manufacturers completed their inventory adjustments, but sales of magnesium molded parts declined. In the recreation business, sales were down because of the decrease in the number of accommodation guests and golf players.

As a consequence, sales of this segment amounted to ¥27.5 billion (a decrease of 10.9% from the previous fiscal year), and operating income was ¥0.5 billion (compared with an operating loss of ¥2.1 billion in the previous fiscal year).

Please note that, as of March 2010, Yamaha withdrew from the magnesium molded parts business.

Performance by geographic segment was as follows:

In Japan, sales amounted to ¥227.2 billion (a decline of 8.2% from the previous fiscal year), and the operating loss was ¥7.5 billion (compared with an operating loss of ¥1.6 billion for the previous fiscal year). Sales in North America were ¥56.9 billion (a decline of 14.1% from the previous fiscal year), and operating income was ¥2.3 billion (an increase of 23.4% from the prior year). Sales in Europe amounted to ¥71.1 billion (a decline of 17.7% from the previous fiscal year), and operating income was ¥2.5 billion (a decline of 52.4% from the previous fiscal year). In Asia (outside Japan), Oceania, and other areas, sales were ¥59.6 billion (an increase of 0.8% from the previous fiscal year), and operating income was ¥7.4 billion (a decline of 5.3% from the previous fiscal year).

Sales by region were as follows:

The percentage of consolidated net sales in overseas markets for the fiscal year was 47.3%, 1.6 percentage points lower than in the previous fiscal year.

Japan

Sales on a consolidated basis in Japan for the fiscal year were ¥218.4 billion (representing a decline of ¥16.4 billion, or 7.0%, from the previous fiscal year). Sales of audio products were firm, but could not offset the sales decline in musical instruments, semiconductors, and magnesium molded parts.

North America

Sales in North America amounted to ¥57.7 billion (representing a decline of ¥8.7 billion, or 13.1%, from the previous fiscal year). Decreases in sales were reported in the professional audio equipment, wind instruments, audio products, and certain other businesses as a result of deterioration in market conditions. Sales after exclusion of foreign currency effects were down about ¥4.1 billion.

Europe

Sales in Europe were ¥70.3 billion (a decline of ¥16.5 billion, or 19.0%, from the previous fiscal year). Declines in sales were reported in the piano, portable keyboard, professional audio equipment, and audio products and certain other businesses. Sales after the exclusion of foreign currency effects decreased about ¥8.6 billion.

Asia, Oceania, and Other Areas

Sales in Asia (excluding Japan), Oceania, and other areas amounted to ¥68.5 billion (a decline of ¥2.8 billion, or 3.9%, from the previous fiscal year). Sales in China, principally pianos, expanded at double-digit rates. Sales elsewhere in this region also held firm in local currencies, but, as a result of foreign currency fluctuations, declined, when restated in yen. Sales on a real basis, after the exclusion of foreign currency effects, increased about ¥3.4 billion.

2. Forecast for FY2011.3

The forecast for FY2011.3 is as follows:

FY2011.3 is the first year of Yamaha's medium-term management plan entitled "Yamaha Management Plan 125 (YMP125)", which will cover the period from FY2011.3 through FY2013.3, and the Company will implement a wide range of measures to attain the objectives of this new plan.

In the musical instruments segment, Yamaha is forecasting increases in sales and operating income. Factors accounting for this will be continuation of the realignment of its manufacturing bases and implementation of measures to reduce production costs as well as acceleration of growth in China and other emerging markets.

In the AV/IT segment, Yamaha is forecasting increases in sales and operating income. These increases will be driven by recovery in sales of AV receivers, continued growth in sales of TV peripherals, and strengthening of Yamaha's cost competitiveness.

In the electronic devices segment, Yamaha is forecasting an increase in sales and improvement in profitability because of the launching of new products, including graphics LSIs for amusement equipment and other applications, as well as reductions in manufacturing costs.

In the others segment, although sales will decline because of the withdrawal from the magnesium molded parts business, Yamaha is forecasting maintenance of the level of profitability because of recovery in sales of the factory automation (FA) business.

As a consequence, in FY2011.3, the Company is forecasting consolidated net sales of ¥385.0 billion (a decrease of 7.2% from the previous fiscal year), operating income of ¥10.0 billion (an increase of 46.5%), ordinary income of ¥7.5 billion (an increase of 52.7%), and net income of ¥5.5 billion (versus a net loss of ¥4.9 billion in the fiscal year ended March 31, 2010).

<p>The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.</p>
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(2) Analysis of Financial Position

1. Consolidated Financial Position

1) Assets

Total assets declined ¥6.8 billion (a decline of 1.7%) from the end of the previous fiscal year, to ¥402.2 billion.

Of this total, current assets were down ¥8.8 billion (4.4%), to ¥193.3 billion. In addition, noncurrent assets increased ¥2.0 billion (1.0%), to ¥208.9 billion.

The decline in current assets was due to the decrease in inventories and other factors. The increase in noncurrent assets was because of a rise in the value of investment securities accompanying the revaluation of available-for-sale securities with market value.

2) Liabilities

Total liabilities decreased ¥9.6 billion (6.1%), to ¥147.6 billion.

Of this total, current liabilities fell ¥14.9 billion (16.5%), to ¥75.2 billion, and noncurrent liabilities increased ¥ 5.3 billion (7.9%), to ¥72.4 billion.

The decline in current liabilities was due to a drop in short-term loans payable and other factors. The increase in noncurrent liabilities was owing to a rise in the provision for retirement benefits.

3) Net Assets

Net assets increased ¥2.8 billion (1.1%), to ¥254.6 billion.

Principal factor accounting for this increase was a rise in valuation and translation adjustments accompanying the revaluation of available-for-sale securities with market value.

2. Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year ended March 31, 2010, showed a net increase of ¥17.4 billion (versus a decrease of ¥62.9 billion in the previous fiscal year), and stood at ¥59.2 billion at the end of the period.

Cash Flows from Operating Activities

As a result of a decrease in inventories, cash flows from operating activities amounted to ¥39.9 billion (compared with net cash used in operating activities of ¥2.2 billion in the previous fiscal year).

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥12.7 billion (compared with net cash used in investing activities of ¥26.0 billion in the previous fiscal year. This net cash outflow was used primarily to purchase noncurrent assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥9.9 billion (compared with net cash used in financing activities of ¥31.0 billion in the previous fiscal year). This net cash outflow was due mainly to the payments of cash dividends and other factors.

Please note, that to secure funding for the medium term, Yamaha has arranged for commitment lines from financial institutions for a total of ¥20.0 billion.

(For Reference) Trends in Cash-Flow Indicators

	FY2010.3	FY2009.3	FY2008.3	FY2007.3	FY2006.3
Shareholders' equity ratio	62.6%	60.9%	62.9%	62.0%	60.8%
Shareholders' equity ratio based on current market price	59.2%	46.2%	72.8%	97.0%	82.5%
Ratio of interest-bearing debt to cash flow	37.8%	(883.4)%	58.0%	65.7%	113.9%
Interest coverage ratio	89.8 times	(3.5) times	34.5 times	40.9 times	23.5 times

(Calculation Methods)

Shareholders' equity ratio (%) = total shareholders' equity ÷ total assets

Shareholders' equity ratio based on current market price (%) = total market value of common stock ÷ total assets

Ratio of interest-bearing debt to cash flow (%) = interest-bearing debt ÷ net cash flows provided by (used in) operating activities

Interest coverage ratio (times) = net cash flows provided by (used in) operating activities ÷ interest payments

Notes: 1. All indicators are calculated based on consolidated financial figures.

2. Interest-bearing debt includes all balance-sheet debt for which interest payments are being made.

3. Figures for net cash flows provided by operating activities and interest payments are those from the cash flows from operating activities and interest paid from consolidated financial statements of cash flows.

3. Forecast for FY2011.3

Regarding the forecast for FY2011.3, net cash flows from operating activities are expected to decrease compared with FY2010.3, because inventory adjustments have been virtually completed and income tax refund, which the Company received in FY2010.3 is not likely to be received in FY2011.3, and due to other factors. Regarding cash flows from investing activities, the Company expects to maintain capital investment at the same level as depreciation.

(3) Basic Policy for Allocation of Profit and Dividends for FY2010.3 and FY2011.3

The Company has adopted a basic policy for allocating profit that is linked to the level of consolidated net income in the medium term and provides for increasing the ratio of consolidated net income to shareholders' equity by making additions to retained earnings that are appropriate for strengthening the Company's management position through investments in R&D, sales capabilities, capital equipment and facilities, and other areas, while also providing a dividend to shareholders that reflects consolidated performance. Specifically, the Company will endeavor to sustain stable dividends and sets a goal of 40% for its consolidated dividend payout ratio.

Following this policy, for the year-end dividend of FY2010.3, in view of the worldwide economic downturn and the substantial deterioration in its consolidated performance, the Company regrettably decided that it would pay a regular dividend on its common stock of ¥2.50 per share and a special dividend of ¥10.00 per share, thus bringing the year-end dividend for this fiscal year to ¥12.50 per share.

Regarding dividends for FY2011.3, the Company is planning to pay its regular dividend of ¥10.0 per share for the full fiscal year. The breakdown of this ¥10.0 per share dividend is ¥5.0 per share for interim period and ¥5.0 per share for fiscal year-end.

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.

(4) Types of Business Risk

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

1. Economic Conditions

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

2. Price Competition

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

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

3. Development of New Technologies

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

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

4. Business Investment Risk

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

5. Business Alliances

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

6. Reliance on Customers for Materials and Parts Business

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

7. Expansion of Business Operations into International Markets

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

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

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

(g) The necessity to pay additional taxes under transfer pricing regulations

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

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

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

9. Effects of Trend toward Declining Birthrate

In the Group's core business of musical instruments, the Group is continuing to develop its music school and English-language school businesses, which are primarily attended by children, and one of the channels for sales of musical instruments is through schools. If the ongoing trends, especially in Japan, toward a declining birthrate and having fewer children continue, these trends may lead to a decline in sales of musical instruments and related sales.

10. Recruitment and Training of Personnel

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

Therefore, some important issues for the Company will be transferring skills for the manufacturing of musical instruments and other products to the next generation, recruiting and training the next group of employees, and dealing with changes in the Company's employment structure. If the Company is unable to respond sufficiently to changes in its employment structure, this may be an obstacle to the future growth of its business activities.

11. Protection and Use of Intellectual Property

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

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

12. Defects in Products and Services

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

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

13. Legal Regulations

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

14. Environmental Regulations

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

it may be impossible to sell the land. There is also a possibility that the soil on land that has already been sold to third parties may release substances that are restricted, thus resulting in pollution of the air or underground water and requiring expenditures for cleaning and remediation.

15. Information Leakage

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

16. Fluctuations in Foreign Currency Exchange Rates

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

17. Effects of Earthquakes and Other Natural Disasters

In the event of earthquakes and other natural disasters, the production plants of the Yamaha Group may be damaged. In particular, the Company's Head Office, domestic plants, and major subsidiaries are concentrated in Shizuoka Prefecture, which is located in the Tokai region of Japan, where a major earthquake has been forecast for some years. In addition, the Group's overseas manufacturing plants are concentrated in China, Indonesia, and Malaysia, where there is concern about the occurrence of unexpected natural disasters.

In the event of such natural disasters, the Yamaha Group may suffer damage to its facilities and may also be obliged to suspend or postpone operation as well as incur major costs for returning these facilities to operating condition.

18. Items Related to Changes in Financial Position

a. Valuation of Investment Securities

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

b. Unrecognized Losses on Land Valuation

At the end of FY2010.3, the market value of the Group's land, revalued in accordance with relevant legal regulations, including the Law Concerning Revaluation of Land, was ¥1.6 billion below the carrying value of such land on the Group's balance sheets. In the event of the sale, or other disposal, of such land, this unrealized loss will be recognized and this may negatively affect the Yamaha Group's business results and/or financial position.

c. Retirement and Severance Liabilities and Related Expenses

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

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

2. The Yamaha Group

The Yamaha Group consists of Yamaha Corporation in Japan, 94 subsidiaries, and 10 affiliates and is involved in a wide range of businesses, including the musical instruments, AV/IT, electronic devices, lifestyle-related products, and others segments.

The following section shows the business segments and positioning of Yamaha Group companies:

1. Musical Instruments

(1) Musical instruments:

The Company and the following Group companies are primarily responsible for the manufacturing of musical instruments: PT. Yamaha Music Manufacturing Asia, Tianjin Yamaha Electronic Musical Instruments, Inc., and Hangzhou Yamaha Musical Instruments Co., Ltd. In Japan, the Company, Yamaha Music Tokyo Co., Ltd., and other domestic musical instruments sales subsidiaries are responsible for the marketing of these products, and Yamaha Corporation of America as well as other overseas sales companies market Yamaha products overseas.

(2) Music popularization activities:

In Japan, music schools are operated and other music popularization activities are conducted by the Company, Yamaha Music Tokyo Co., Ltd., and other sales companies. Overseas, these activities are conducted by Yamaha Music (Asia) Pte Ltd and other overseas sales companies.

(3) Music entertainment:

With Yamaha Music Entertainment Holdings, Inc. in overall charge, Yamaha Music Media Corporation and other subsidiaries are responsible for sheet music publication, online music distribution, recording, music-related publications, music production, and other related businesses.

2. AV/IT

(1) Audio products

Yamaha Electronics Manufacturing (M) Sdn Bhd and certain other Group manufacturing companies are mainly responsible for manufacturing, while Yamaha Electronics Marketing Corporation, Yamaha Electronics Corporation, USA, and certain other Group companies are responsible for sales.

(2) IT equipment

D.S. Corporation is responsible for manufacturing, and the Company is in charge of sales.

3. Electronic Devices

Manufacturing is conducted primarily by Yamaha Kagoshima Semiconductor Inc., and the Company is responsible for sales.

4. Lifestyle-Related Products

Three companies, Yamaha Livingtec Corporation and its two wholly owned subsidiaries, Yamaha Living Products Corporation and Joywell Home Corporation, formerly conducted the business of this segment. However, following the transfer of 85.1% of the shares that Yamaha Corporation held in Yamaha Livingtec Corporation on March 31, 2010, to a limited investment partnership managed and operated by Japan Industrial Partners, Inc. and other investors, these three companies have been excluded from the scope of consolidation of Yamaha Corporation.

5. Others

(1) Recreation business

The Company, Tsumagoi Co., Ltd., and Katsuragi Co., Ltd., are responsible for the management of the Yamaha Group's accommodation and sports facilities.

(2) Others

This business section of the Company manufactures and markets golf and certain other products.

In addition, Yamaha Fine Technologies Co., Ltd., manufactures and sells automobile interior wood components, factory automation (FA) equipment, and metallic molds and parts.

3. Management Policies

(1) Basic Management Policy

The Yamaha Group aims to sustain its growth as a company that draws on its accumulated technologies and know-how in its core field of sound and music as it works together with people throughout the world to enrich culture and create “*kando*”. To this end, the Company will expedite decision-making processes, work to create technological innovation, strengthen its capabilities for responding to rapidly changing markets, and meet customer needs through the constant development and provision of superior-quality products and services. In addition, Yamaha will make effective use of its management resources, rationalize and improve the efficiency of its business practices, and secure a strong competitive position in the global marketplace. Furthermore, the Company is seeking to increase the transparency of its management, make certain that it can realize a solid business performance, and accumulate and distribute earnings appropriately to ensure that it can meet the expectations of shareholders and investors. At the same time, the Company strives to act in accordance with the responsibilities as an exemplary corporate citizen by giving due consideration to safety and environmental protection and promoting its own rigorous compliance with relevant laws and regulations.

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

(2) Management Indicators Taken as Objectives

Under the new medium-term management plan, entitled “Yamaha Management Plan 125,” which will cover the period from FY2011.3 (the year ending March 31, 2011) through FY2013.3, Yamaha set the following goals: Net sales of ¥427 billion, operating income of ¥25 billion, return on equity (ROE) of 7%, and free cash flows over three years of ¥40 billion.

Regarding consolidated performance in the next fiscal year ending March 31, 2011, including financial position, and other matters, the Company will work to improve its performance and strengthen its business and financial positions as outlined and described in the following sections of this report: Page 2: “3. Consolidated Financial Forecasts for FY2011.3;” Page 6: “(1) Analysis of Management Performance: 2. Forecast for FY2011.3;” and Page 8: “(2) Analysis of Financial Position: 3. Forecast for FY2011.3.”

(3) The Group’s Medium- to Long-Term Management Strategy and (4) Issues to Be Addressed

In April 2010, the Group launched a new medium-term management plan, entitled “Yamaha Management Plan 125” (hereinafter, YMP125), which will cover the period from FY2011.3 through FY2013.3. As a result of major, unexpected changes in the operating environment under the Group’s previous medium-term management plan, the Group was, unfortunately, unable to achieve the objectives of that plan. However, the Group moved steadily forward to strengthen its management base by creating high-value-added products, developing new markets, reforms in its business structure, and improvements in its production systems.

In preparing YMP125, consideration was given to the themes of the Group’s management vision—“what Yamaha is aiming for”—and to redefining business domains in order to clarify medium- to long-term management directions. Going forward, Yamaha will realign its businesses into two domains: the “core business domain,” where Yamaha will concentrate its management resources to increase its brand value, and the “related business domain,” which will draw on Yamaha’s core competencies (Yamaha’s technology, skills, know-how, assets, brands, and other assets that enable it to create original value) developed in the core business domain. In addition, in parallel with its “product” businesses, which Yamaha will pursue as a manufacturer, the Group will also nurture its “service” businesses by offering systems and services as well as content in areas where it has strengths.

Yamaha has positioned the period of the YMP125 plan as a phase for its development for the creation of a strong foundation for growth. During this phase, Yamaha will concentrate its management resources in core businesses, nurture new growth businesses, and move forward with management reforms to strengthen its position for future growth.

1. What Yamaha Is Aiming For (The Group’s Medium- to Long-Term Vision)

Being “a brand that is trusted and admired”

Being a company with “operations centered on sound and music”

Attaining “growth through both products and services”

2. Redefining Business Domains

Core Business Domain:

Businesses related to “musical instruments, music, and audio,” including musical instruments, professional audio equipment, audio products, music schools, and music entertainment software

Related Business Domain:

Businesses utilizing “core competencies,” including sound network, golf products, semiconductors, factory automation (FA), automobile interior wood components, English-language schools, and recreation

3. To Realize this Management Vision, Yamaha Will Implement the Following Measures under YMP125

(1) Accelerating Growth in China and Other Emerging Markets

Yamaha will focus on developing and launching products suited to these markets and expanding its sales networks. Along with this, to expand the population of music performers, in addition to developing Yamaha Music Schools, Yamaha will create and introduce local programs suited to customer preferences in these markets.

(2) Expanding Market Share in Advanced Country Markets through Product Strategy

Yamaha will move forward with the development of products that respond to the polarization of customer preferences toward value-oriented spending on the one hand and price-oriented spending on the other. Yamaha will draw on its original technologies and its sensitivities to develop innovative products to satisfy the diversity of values of customers preferences for value-oriented spending. On the other hand, for customers with price-oriented spending preferences, Yamaha will offer moderately priced products that focus on providing necessary basic functions and enable customers to meet their fundamental objectives.

(3) Structuring Optimal Manufacturing Systems to Meet Market Trends

Yamaha will clarify the roles and functions of its three production bases in Japan, China, and Indonesia, and then move ahead with structural reforms in its manufacturing activities, mainly in the piano and wind instrument businesses.

(4) Structuring a Business Model for Service Businesses

To expand the population of music performers, in addition to continuing to operate the Yamaha Music Schools, Yamaha will offer various opportunities and venues globally to its customers. In addition, in the music entertainment business, Yamaha will expand its Internet-related business activities drawing on the Group's IT capabilities and work to foster the training and development of new musical artists.

(5) Creating New Businesses in the Sound Domain

In the semiconductor business, Yamaha will work to develop original sound generators and graphics devices to differentiate its products from those of other companies, while also moving ahead with the development of its position in the Chinese market. In addition, Yamaha will take initiatives to further develop its "environmental acoustics" business, including soundproof rooms, and its "acoustic space" business," including sound modulation panels.

(5) Other Important Matters

As of March 31, 2010, Yamaha transferred 85.1% of the shares held in subsidiary Yamaha Livingtec Corporation, a major company which operates lifestyle-related products business, to a limited investment partnership managed and operated by Japan Industrial Partners, Inc. As of the same date, Yamaha Livingtec and its two wholly owned subsidiaries, Yamaha Living Products Corporation and Joywell Home Corporation, were excluded from the scope of consolidation of Yamaha Corporation.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2010.3 (As of Mar. 31, 2010)	FY2009.3 (As of Mar. 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	¥ 59,407	¥ 41,373
Notes and accounts receivable—trade	48,911	51,938
Short-term investment securities	670	1,280
Merchandise and finished goods	48,087	56,580
Work in process	12,496	13,526
Raw materials and supplies	8,935	10,588
Deferred tax assets	7,504	10,905
Other	8,744	17,307
Allowance for doubtful accounts	(1,496)	(1,401)
Total current assets	<u>193,260</u>	<u>202,097</u>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	42,158	38,885
Machinery, equipment and vehicles, net	12,454	13,271
Tools, furniture and fixtures, net	8,871	9,925
Land	50,655	56,690
Lease assets, net	306	521
Construction in progress	1,845	8,318
Total property, plant and equipment	<u>116,291</u>	<u>127,613</u>
Intangible assets:		
Goodwill	348	306
Other	2,855	3,290
Total intangible assets	<u>3,203</u>	<u>3,596</u>
Investments and other assets:		
Investment securities	80,044	57,131
Long-term loans receivable	467	436
Deferred tax assets	2,920	9,566
Lease and guarantee deposits	5,254	6,234
Other	1,515	3,452
Allowance for doubtful accounts	(803)	(1,155)
Total investments and other assets	<u>89,396</u>	<u>75,667</u>
Total noncurrent assets	<u>208,891</u>	<u>206,876</u>
Total assets	<u>¥402,152</u>	<u>¥408,974</u>

Note: Figures of less than ¥1 million have been omitted.

(Millions of yen)

	FY2010.3 (As of Mar. 31, 2010)	FY2009.3 (As of Mar. 31, 2009)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	¥ 21,791	¥ 25,625
Short-term loans payable	8,816	14,216
Current portion of long-term loans payable	1,023	1,483
Accounts payable—other and accrued expenses	32,496	34,012
Income taxes payable	1,900	2,090
Specific advances received	986	1,385
Deferred tax liabilities	7	64
Provision for product warranties	2,492	3,380
Provision for sales returns	177	159
Provision for loss on construction contracts	14	—
Provision for business structural reform expenses	926	3,161
Other	4,550	4,469
Total current liabilities	<u>75,182</u>	<u>90,050</u>
Noncurrent liabilities:		
Long-term loans payable	5,177	3,491
Deferred tax liabilities	929	126
Deferred tax liabilities for land revaluation	14,931	16,776
Provision for retirement benefits	33,675	27,628
Long-term deposits received	16,144	16,723
Other	1,519	2,336
Total noncurrent liabilities	<u>72,378</u>	<u>67,083</u>
Total liabilities	<u>147,560</u>	<u>157,133</u>
NET ASSETS		
Shareholders' equity:		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	167,614	176,739
Treasury stock	(34)	(29)
Total shareholders' equity	<u>236,169</u>	<u>245,298</u>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	34,000	19,817
Deferred gains or losses on hedges	(166)	(394)
Revaluation reserve for land	16,201	18,769
Foreign currency translation adjustment	(34,466)	(34,495)
Total valuation and translation adjustments	<u>15,569</u>	<u>3,697</u>
Minority interests	<u>2,852</u>	<u>2,845</u>
Total net assets	<u>254,591</u>	<u>251,841</u>
Total liabilities and net assets	<u>¥402,152</u>	<u>¥408,974</u>

Note: Figures of less than ¥1 million have been omitted.

(2) Consolidated Statements of Operations

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Net sales	¥414,811	¥459,284
Cost of sales	268,380	290,381
Gross profit	146,431	168,902
Selling, general and administrative expenses	139,602	155,057
Operating income	6,828	13,845
Non-operating income:		
Interest income	329	737
Dividends income	457	1,864
Employment adjustment subsidy income	253	—
Other	1,431	1,254
Total non-operating income	2,471	3,856
Non-operating expenses:		
Interest expenses	451	615
Sales discounts	2,804	3,416
Other	1,133	1,690
Total non-operating expenses	4,388	5,722
Ordinary income	4,910	11,979
Extraordinary income:		
Gain on sales of noncurrent assets	804	284
Reversal of provision for product warranties	377	272
Gain on sales of investment securities	1	5
Gain on liquidation of subsidiaries and affiliates	5	231
Reversal of provision for business structural reform expenses	113	—
Total extraordinary income	1,301	793
Extraordinary loss:		
Loss on retirement of noncurrent assets	782	906
Loss on valuation of investment securities	478	277
Loss on sales of investment securities	15	—
Loss on valuation of stocks of subsidiaries and affiliates	428	163
Loss on valuation of investment in capital of subsidiaries and affiliates	—	3,301
Loss on liquidation of subsidiaries and affiliates	12	—
Loss on sales of stocks of subsidiaries and affiliates	2,159	—
Special retirement expenses	—	96
Tariff assessment from previous periods	574	—
Impairment loss	1,962	15,323
Business structural reform expenses	—	4,863
Total extraordinary loss	6,413	24,932
Loss before income taxes and minority interests	(201)	(12,159)
Income taxes—current	3,084	3,790
Income taxes—deferred	1,265	4,924
Total income taxes	4,349	8,714
Minority interests in income (loss)	371	(258)
Net loss	¥ (4,921)	¥ (20,615)

Note: Figures of less than ¥1 million have been omitted.

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	¥ 28,534	¥ 28,534
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	<u>28,534</u>	<u>28,534</u>
Capital surplus		
Balance at the end of previous period	40,054	40,054
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	<u>40,054</u>	<u>40,054</u>
Retained earnings		
Balance at the end of previous period	176,739	229,307
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(4,921)	(20,615)
Change of scope of consolidation	1,522	981
Change of scope of equity method	6	—
Reversal of revaluation reserve for land	185	(3,907)
Retirement of treasury stock	—	(18,328)
Other	—	(115)
Total changes of items during the period	<u>(9,124)</u>	<u>(52,567)</u>
Balance at the end of current period	<u>167,614</u>	<u>176,739</u>
Treasury stock		
Balance at the end of previous period	(29)	(326)
Changes of items during the period		
Purchase of treasury stock	(4)	(18,032)
Retirement of treasury stock	—	18,328
Total changes of items during the period	<u>(4)</u>	<u>296</u>
Balance at the end of current period	<u>(34)</u>	<u>(29)</u>
Total shareholders' equity		
Balance at the end of previous period	245,298	297,570
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(4,921)	(20,615)
Change of scope of consolidation	1,522	981
Change of scope of equity method	6	—
Reversal of revaluation reserve for land	185	(3,907)
Purchase of treasury stock	(4)	(18,032)
Retirement of treasury stock	—	—
Other	—	(115)
Total changes of items during the period	<u>(9,129)</u>	<u>(52,271)</u>
Balance at the end of current period	<u>¥236,169</u>	<u>¥245,298</u>

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	¥ 19,817	¥ 48,945
Changes of items during the period		
Net changes of items other than shareholders' equity	14,183	(29,128)
Total changes of items during the period	14,183	(29,128)
Balance at the end of current period	34,000	19,817
Deferred gains or losses on hedges		
Balance at the end of previous period	(394)	207
Changes of items during the period		
Net changes of items other than shareholders' equity	227	(601)
Total changes of items during the period	227	(601)
Balance at the end of current period	(166)	(394)
Revaluation reserve for land		
Balance at the end of previous period	18,769	14,861
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,567)	3,907
Total changes of items during the period	(2,567)	3,907
Balance at the end of current period	16,201	18,769
Foreign currency translation adjustment		
Balance at the end of previous period	(34,495)	(21,940)
Changes of items during the period		
Net changes of items other than shareholders' equity	28	(12,555)
Total changes of items during the period	28	(12,555)
Balance at the end of current period	(34,466)	(34,495)
Total valuation and translation adjustments		
Balance at the end of previous period	3,697	42,074
Changes of items during the period		
Net changes of items other than shareholders' equity	11,872	(38,377)
Total changes of items during the period	11,872	(38,377)
Balance at the end of current period	15,569	3,697
Minority interests		
Balance at the end of previous period	2,845	3,383
Changes of items during the period		
Net changes of items other than shareholders' equity	7	(538)
Total changes of items during the period	7	(538)
Balance at the end of current period	2,852	2,845
Total net assets		
Balance at the end of previous period	251,841	343,028
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(4,921)	(20,615)
Change of scope of consolidation	1,522	981
Change of scope of equity method	6	—
Reversal of revaluation reserve for land	185	(3,907)
Purchase of treasury stock	(4)	(18,032)
Other	—	(115)
Net changes of items other than shareholders' equity	11,879	(38,916)
Total changes of items during the period	2,750	(91,187)
Balance at the end of current period	¥254,591	¥251,841

Note: Figures of less than ¥1 million have been omitted.

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Net cash provided by (used in) operating activities:		
Loss before income taxes and minority interests	¥ (201)	¥ (12,159)
Depreciation and amortization	14,139	17,912
Impairment loss	1,962	15,323
Amortization of goodwill	163	1,422
Increase (decrease) in allowance for doubtful accounts	23	(116)
Loss on valuation of stocks of subsidiaries and affiliates	428	163
Loss (gain) on sales of stocks of subsidiaries and affiliates	2,159	—
Loss on valuation of investments in capital of subsidiaries and affiliates	—	3,301
Loss (gain) on liquidation of subsidiaries and affiliates	6	(231)
Loss (gain) on valuation of investment securities	478	277
Loss (gain) on sales of investment securities	13	(4)
Increase (decrease) in provision for retirement benefits	6,470	2,456
Interest and dividends income	(786)	(2,601)
Interest expenses	451	615
Foreign exchange losses (gains)	104	(144)
Equity in (earnings) losses of affiliates	0	7
Loss (gain) on sales of noncurrent assets	(804)	(284)
Loss on retirement of noncurrent assets	782	906
Business structural reform expenses	—	4,863
Gain on reversal of provision for business structural reform expenses	(113)	—
Extra retirement payment	—	96
Tariff assessment from previous periods	574	—
Decrease (increase) in notes and accounts receivable—trade	(2,244)	13,432
Decrease (increase) in inventories	11,731	(8,859)
Increase (decrease) in notes and accounts payable—trade	1,092	(9,540)
Other, net	(685)	(7,433)
Subtotal	<u>35,748</u>	<u>19,399</u>
Interest and dividends income received	790	2,649
Interest expenses paid	(444)	(638)
Income taxes (paid) refunded	3,775	(23,646)
Net cash provided by (used in) operating activities	<u>¥39,870</u>	<u>(2,235)</u>

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Net cash provided by (used in) investing activities:		
Net decrease (increase) in time deposits	¥ (3)	¥ 423
Purchase of property, plant and equipment	(14,106)	(20,522)
Proceeds from sales of property, plant and equipment	1,771	1,397
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	—	(8,073)
Increase (decrease) from sales of subsidiaries and affiliates resulting in change in scope of consolidation	(1,237)	—
Purchase of investment securities	—	(99)
Proceeds from sales and redemption of investment securities	8	3,015
Purchase of stocks of subsidiaries and affiliates	(847)	(630)
Proceeds from sales of stocks of subsidiaries and affiliates	—	60
Payments for investments in capital of subsidiaries and affiliates	—	(869)
Proceeds from liquidation of subsidiaries and affiliates	785	—
Proceeds from decrease in capital of subsidiaries and affiliates	453	—
Payments for investments in capital	(10)	(0)
Payments of loans receivable	(969)	(893)
Collection of loans receivable	1,107	228
Other, net	337	(36)
Net cash provided by (used in) investing activities	<u>(12,711)</u>	<u>(25,999)</u>
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(4,714)	176
Proceeds from long-term loans payable	2,783	2,756
Repayment of long-term loans payable	(1,293)	(4,622)
Proceeds from deposits received from membership	4	17
Repayments for deposits received from membership	(585)	(485)
Purchase of treasury stock	(4)	(18,032)
Cash dividends paid	(5,917)	(10,581)
Cash dividends paid to minority shareholders	(146)	(228)
Other, net	6	(41)
Net cash provided by (used in) financing activities	<u>(9,867)</u>	<u>(31,041)</u>
Effect of exchange rate change on cash and cash equivalents	<u>83</u>	<u>(3,668)</u>
Net increase (decrease) in cash and cash equivalents	<u>17,375</u>	<u>(62,943)</u>
Cash and cash equivalents at beginning of period	<u>41,223</u>	<u>103,371</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	<u>1,308</u>	<u>1,107</u>
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	<u>(673)</u>	<u>(311)</u>
Cash and cash equivalents at end of period	<u>¥59,235</u>	<u>¥ 41,223</u>

Note: Figures of less than ¥1 million have been omitted.

(5) Notes Regarding Assumptions as a Going Concern

None

(6) Basic Items for the Preparation of the Consolidated Financial Statements

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
<p>1. Scope of Consolidation</p> <p>(1) Consolidated subsidiaries: 84 companies The names of major consolidated subsidiaries are listed in the section of this report entitled “2. The Yamaha Group” and therefore are not shown here. Beginning with the fiscal year ended March 31, 2010, three domestic and two overseas subsidiaries were newly included in the consolidated Group. In addition, six domestic and three overseas subsidiaries were removed from the consolidated Group.</p> <p>Non-consolidated subsidiary Fuji Sound Co., Ltd., merged with consolidated subsidiary Yamaha Sound Technologies Inc., and changed its name to Yamaha Sound Systems, Inc. Due to this change, Yamaha Sound Systems, Inc. was included within the scope of consolidation; Yamaha Sound Technologies Inc. was excluded from consolidation.</p> <p>Because of increased materiality, the following companies were included within the scope of consolidation: Yamaha Music and Visuals, Inc. Epicurus Corporation L. Bösendorfer Klavierfabrik GmbH Yamaha Music (Russia) LLC.</p> <p>Yamaha Music Nishi-Tokyo Co., Ltd., and Yamaha Music Yokohama Co., Ltd., merged with Yamaha Music Tokyo Co., Ltd., and were excluded from consolidation.</p> <p>The following companies were excluded from the scope of consolidation because they have ceased operations, are undergoing liquidation proceedings, and are therefore no longer material: Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd. Kemble & Company Ltd.</p> <p>Kemble Music Ltd. transferred its operating rights to Yamaha Music UK Ltd., ceased operations, is undergoing liquidation proceedings, and, since it is therefore no longer material, has been excluded from the scope of consolidation.</p> <p>The following companies have been excluded from the scope of consolidation because the Company has sold 85.1% of its holdings of shares: Yamaha Livingtec Corporation Yamaha Living Products Corporation Joywell Home Corporation Please note that profit and loss accounts and cash flow accounts were consolidated until the end period.</p> <p>(2) The name of the major non-consolidated subsidiary and the reasons for its exclusion are as follows: Yamaha Ai Works Co., Ltd. The effect of the assets, net sales, net income/loss, and retained earnings of this non-consolidated subsidiary on the consolidated financial statements was not material in total.</p> <p>Changes in Accounting Methods Beginning with the fiscal year ended March 31, 2010, “Guidance on Determining a Subsidiary and an Affiliate” (ASBJ Guidance No. 22, issued by ASBJ on May 13, 2008) has been applied.</p> <p>Please note that this change had no effect on profit or loss for the fiscal year ended March 31, 2010.</p>	<p>1. Scope of Consolidation</p> <p>(1) Consolidated subsidiaries: 88 companies The names of major consolidated subsidiaries are listed in the section of this report entitled “2. The Yamaha Group” and therefore are not shown here. Beginning with the fiscal year ended March 31, 2009, three domestic and four overseas subsidiaries were newly included in the consolidated Group. In addition, six overseas subsidiaries were removed from the consolidated Group.</p> <p>The names of companies that have become material and were included within the scope of consolidation are as follows: Yamaha A&R, Inc., Yamaha Music Artist, Inc. Yamaha Music Publishing, Inc. Yamaha Musical do Brasil Ltda.</p> <p>The following companies were newly included within the scope of consolidation because the Company increased its ownership percentage through the purchase of additional shares: Nexo S.A. Patrick Censier S.A.R.L. Cab Industries S.A.R.L.</p> <p>The names of companies that were excluded from the scope of consolidation because they have ceased operations, are undergoing liquidation proceedings, and are therefore no longer material are as follows: Yamaha Electronics Asia Pte Ltd. Yamaha Electronics (U.K.) Ltd. Audio-Visual Land (Malaysia) Sdn. Bhd.</p> <p>The following companies were excluded from the scope of consolidation because they merged with other Yamaha Group companies: Yamaha Elektronik Europa GmbH (Merged with Yamaha Music Central Europe GmbH)</p> <p>Yamaha Electronique France S.A.S. (Merged with Yamaha Musique France S.A.S.)</p> <p>Yamaha Music Central Europe GmbH (Merged with Yamaha Music Holding Europe GmbH)</p> <p>(2) The name of the major non-consolidated subsidiary and the reasons for its exclusion are as follows: Yamaha Ai Works Co., Ltd. The effect of the assets, net sales, net income/loss, and retained earnings of this non-consolidated subsidiary on the consolidated financial statements was not material in total.</p> <p>-----</p>

<p style="text-align: center;">FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)</p>	<p style="text-align: center;">FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)</p>
<p>2. Application of Equity Method</p> <p>(1) Non-consolidated subsidiaries accounted for by the equity method: One company Beginning with this fiscal year, one company accounted for by the equity method is removed. Because DAO YAR LLP went into liquidation proceedings, it has been excluded from companies accounted for under the equity method of consolidation.</p> <p>(2) Major non-consolidated subsidiary to which the equity method has not been applied: Yamaha Ai Works Co., Ltd.</p> <p>Reasons why the equity method has not been applied: The effect of net income/loss and retained earnings of this non-consolidated subsidiary on the consolidated financial statements, considered individually and in total, was not material.</p> <p>3. Fiscal Year of Consolidated Subsidiaries Settlement days for consolidated subsidiaries, with the exception of the following ten companies, are all the same as that for the Company.</p> <p>Yamaha de México, S.A. de C.V. Yamaha Musical do Brasil Ltda. Yamaha Music (Russia) LLC. Tianjin Yamaha Electronic Musical Instruments, Inc. Yamaha Trading (Shanghai) Co., Ltd. Xiaoshan Yamaha Musical Instrument Co., Ltd. Yamaha Music & Electronics (China) Co., Ltd. Yamaha Electronics (Suzhou) Co., Ltd. Hangzhou Yamaha Musical Instruments Co., Ltd. Yamaha Music Technical (Shanghai) Co., Ltd.</p> <p>The fiscal periods of all of the above-listed ten companies ended December 31, and the determination of these accounts was based on rational procedures in accordance with procedures for regular accounts.</p> <p>4. Accounting Standards a) Basis and Method of Evaluation of Significant Assets 1. Marketable Securities Securities to be held until maturity: At amortized cost (straight-line method) Available-for-Sale Securities With market value: same as on the right</p> <p>Without market value: same as on the right</p> <p>2. Derivatives Same as on the right</p>	<p>2. Application of Equity Method</p> <p>(1) Non-consolidated subsidiaries accounted for by the equity method: Two companies Beginning with this fiscal year, one company accounted for by the equity method is newly included. Because of increased materiality, DAO YAR LLP is now included among companies accounted for under the equity method of consolidation.</p> <p>(2) Major non-consolidated subsidiary to which the equity method has not been applied: Yamaha Ai Works Co., Ltd.</p> <p>Reasons why the equity method has not been applied: The effect of net income/loss and retained earnings of this non-consolidated subsidiary on the consolidated financial statements, considered individually and in total, was not material.</p> <p>3. Fiscal Year of Consolidated Subsidiaries Settlement days for consolidated subsidiaries, with the exception of the following nine companies, are all the same as that for the Company.</p> <p>Yamaha de México, S.A. de C.V. Yamaha Musical do Brasil Ltda. Tianjin Yamaha Electronic Musical Instruments, Inc. Yamaha Trading (Shanghai) Co., Ltd. Xiaoshan Yamaha Musical Instrument Co., Ltd. Yamaha Music & Electronics (China) Co., Ltd. Yamaha Electronics (Suzhou) Co., Ltd. Hangzhou Yamaha Musical Instruments Co., Ltd. Yamaha Music Technical (Shanghai) Co., Ltd.</p> <p>The fiscal periods of all of the above-listed nine companies ended December 31, and the determination of these accounts was based on rational procedures in accordance with procedures for regular accounts.</p> <p>4. Accounting Standards a) Basis and Method of Evaluation of Significant Assets 1. Marketable Securities Securities to be held until maturity: At amortized cost (straight-line method) Available-for-Sale Securities With market value: Stated at fair market value as of the balance sheet date (changes in fair value are accounted for under the direct addition to the net assets method, and the periodic average method is used to calculate the sale value.) Without market value: At cost, determined by the periodic average method</p> <p>2. Derivatives At fair value</p>

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
<p>3. Inventories Same as on the right</p> <p>b) Depreciation Methods for Material Depreciable Assets 1. Property, plant and equipment (Excluding Lease Assets) Same as on the right</p> <p>-----</p> <p>2. Lease Assets Same as on the right</p>	<p>3. Inventories Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the cost method using the last in, first out method (method of reducing book value when the contribution of inventories to profitability declines). 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.</p> <p>Changes in Accounting Methods Beginning with this fiscal year, accompanying the application of "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9, issued by ASBJ on July 5, 2006), the Company and its domestic consolidated subsidiaries have changed the method of measurement of inventories from the lower of cost or market method to the cost method (method of reducing book value when the contribution of inventories to profitability declines). This change had no effect on profit and loss for the current fiscal year.</p> <p>b) Depreciation Methods for Material Depreciable Assets 1. Property, plant and equipment (Excluding Lease Assets) Mainly calculated by the declining-balance method except certain consolidated subsidiaries that employ the straight-line method.</p> <p>Useful lives of property, plant and equipment are as follows: Buildings: 31-50 years (attachment facilities are mainly 15 years) Structures: 10-30 years Machinery and equipment: 4-9 years Tools, furniture and fixtures: 5-6 years (metallic molds are mainly 2 years)</p> <p>Supplementary Information Beginning with this fiscal year, accompanying revisions in Japan's income tax law in fiscal 2008, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of their property, plant and equipment. As a result, the useful lives of machinery and equipment included among property, plant and equipment have been changed from the previous 4- to 11-year range to the 4- to 9-year range.</p> <p>The effect of this change on profit and loss for the current fiscal year was not material.</p> <p>2. Lease Assets Lease assets regarding finance leases, other than those for which the ownership transfers to the lessee</p> <p>The method employed is to take the useful life of the asset as the term of the lease and depreciate the residual value to zero.</p> <p>Please note that, for finance leases for which ownership is not transferred to the lessee and which commenced prior to March 31, 2008, the Company adopts accounting standards normally applicable to ordinary rental transactions.</p>

<p style="text-align: center;">FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)</p>	<p style="text-align: center;">FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)</p>
<p>c) Accounting for Reserves and Allowances</p> <ol style="list-style-type: none"> 1. Allowance for Doubtful Accounts Same as on the right 2. Provision for Product Warranties Same as on the right 3. Provision for Business Structural Reform Expenses Same as on the right 4. Provision for Retirement Benefits Same as on the right <p>d) Statement of Material Revenues and Expenses</p> <p>Standards for Construction Completions</p> <ul style="list-style-type: none"> -Even when the construction work is in progress, if the results of construction activity up to that time are deemed certain, the percentage-of-completion method has been applied. -When above condition is not met, the completed-contract method has been applied. -The method for estimating the percentage-of-completion amount is based on the percentage of the cost incurred to the estimated total cost. <p>Changes in Accounting Methods</p> <p>The Company has previously applied the completed-contract method for recognizing the revenues for construction contracts. However, beginning with the fiscal year ended March 31, 2010, accompanying the application of “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, issued by ASBJ on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, issued by ASBJ on December 27, 2007), the percentage-of-completion method has been applied for the construction work under contract that commenced during the fiscal year ended March 31, 2010, provided the outcome of the construction activity is deemed certain during the course of the activity (based on the percentage of the cost incurred to the estimated total cost to estimate the percentage of completion of construction activity). Otherwise, the completed-contract method has been applied.</p> <p>Please note that the effect of this change on profit and loss for the fiscal year ended March 31, 2010 was not material.</p>	<p>c) Accounting for Reserves and Allowances</p> <ol style="list-style-type: none"> 1. Allowance for Doubtful Accounts To properly evaluate accounts receivable and make provisions for possible losses on doubtful accounts, provisions for normal accounts in good standing are calculated using historical default ratios based on debt loss experience. Provisions for specific doubtful accounts are calculated by examining the probability of recovery for individual accounts and setting aside an amount equivalent to the portion deemed to be unrecoverable. 2. Provision for Product Warranties To provide for the expense of repairing products after their sale, the amount of provision for product warranties is determined using ratios of expense to net sales and unit sales based on past experience or using expense estimates for individual product categories. 3. Provision for Business Structural Reform Expenses To provide for expenses that will arise in the course of realignments of the Company’s businesses, etc., the estimated amount of such expenses is provisioned to this reserve. 4. Provision for Retirement Benefits Employees’ retirement benefits are provided on an accrual basis based on the projected retirement benefit obligation and the pension fund assets calculated as of the end of the period. Prior service cost is being amortized by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the employees. Actuarial differences (gain and loss) are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the employees. <p>d) -----</p>

<p style="text-align: center;">FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)</p>	<p style="text-align: center;">FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)</p>
<p>e) Foreign Currency Transactions and Translation Same as on the right</p> <p>f) Hedge Accounting</p> <p>1. Method of Hedge Accounting Same as on the right</p> <p>2. Hedging Instruments and Hedged Items Same as on the right</p> <p>3. Hedging Policy Same as on the right</p> <p>4. Assessment of Effectiveness for Hedging Activities Same as on the right</p> <p>g) Other Material Items for Preparing the Consolidated Financial Statements</p> <p>1. Accounting for Consumption Tax Same as on the right</p> <p>2. Criteria for Presentation of Finance Lease (as Lessor) Same as on the right</p> <p>5. Valuation of Assets and Liabilities of Consolidated Subsidiaries Same as on the right</p> <p>6. Amortization of Goodwill Same as on the right</p> <p>7. Scope of Cash Equivalents in Consolidated Statements of Cash Flows Same as on the right</p>	<p>e) Foreign Currency Transactions and Translation Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. The resulting foreign exchange gains or losses are recognized as income or expenses. Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each balance sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Foreign currency translation adjustments are included in the translation adjustments and minority interests item under net assets.</p> <p>f) Hedge Accounting</p> <p>1. Method of Hedge Accounting Translation differences arising from forward foreign exchange contracts with respect to receivables and payables denominated in foreign currencies are accounted for using the allocation method. Anticipated transactions denominated in foreign currencies designated as hedging instruments are accounted for using deferral hedge accounting.</p> <p>2. Hedging Instruments and Hedged Items Hedging instruments: Forward foreign exchange contracts, purchased options with foreign currency-denominated put and yen-denominated call options Hedged items: Receivables and payables denominated in foreign currencies and anticipated transactions denominated in foreign currencies</p> <p>3. Hedging Policy The Company and consolidated subsidiaries enter into forward foreign exchange contracts and currency options as hedging instruments within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates with respect to export and import transactions in accordance with the internal management rules of each company.</p> <p>4. Assessment of Effectiveness for Hedging Activities The Company and its consolidated subsidiaries do not make an assessment of effectiveness for hedging activities because the anticipated cash flows fixed by hedging activities and avoidance of market risk are clear; therefore, there is no need to evaluate such effectiveness.</p> <p>g) Other Material Items for Preparing the Consolidated Financial Statements</p> <p>1. Accounting for Consumption Tax Income and expenses are recorded net of consumption tax.</p> <p>2. Criteria for Presentation of Finance Lease (as Lessor) In the case of finance leases where the Company is the lessor in the transaction, other than those for which the ownership transfers to the lessee, the leased assets are entered under lease investment assets (current assets and others), and, regarding the accounting criteria for income related to finance lease transactions, sales and cost of sales are recognized at the time the lease fees are received.</p> <p>5. Valuation of Assets and Liabilities of Consolidated Subsidiaries Assets and liabilities of subsidiaries are valued using the full fair value method.</p> <p>6. Amortization of Goodwill The excess of costs over the net assets of acquired subsidiaries is amortized over a period of five years on a straight-line basis.</p> <p>7. Scope of Cash Equivalents in Consolidated Statements of Cash Flows Currency on hand, bank deposits, and all highly liquid investments with a maturity of three months or less when purchased and which are readily convertible into cash and are exposed to insignificant risk of changes in value are considered cash equivalents.</p>

(7) Changes in Material Items Which Form the Basis for Preparation of the Consolidated Financial Statements

Changes in Accounting Methods

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
-----	<p>Accounting Standards for Lease Transactions Beginning with this fiscal year, accompanying the application of the “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13, originally issued by ASBJ on June 17, 1993, and the final revision issued on March 30, 2007) and “Implementation Guidance on Accounting Standards for Lease Transactions (ASBJ Guidance No. 16, originally issued by ASBJ on January 18, 1994, and the final revision issued on March 30, 2007), the accounting treatment for finance leases for which ownership is not transferred to the lessee has been changed from methods applicable to ordinary rental transactions to methods applicable to ordinary buying and selling transactions.</p> <p>Please note that, for finance leases for which ownership is not transferred to the lessee and which commenced prior to March 31, 2008, the Company adopts accounting standards normally applicable to ordinary rental transactions.</p> <p>The effect of this change on profit and loss for the current fiscal year was not material.</p>
-----	<p>Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements Beginning with the fiscal year ended March 31, 2009, accompanying the application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force, No. 18, issued by ASBJ on May 17, 2006), necessary revisions have been made in consolidated financial statements.</p> <p>As a result, the effect on profit and loss for the current fiscal year and retained earnings at the end of the fiscal year was not material.</p> <p>The rights to the use of land at a certain overseas subsidiary were included and presented in the item “land” until the end of the previous fiscal year. Such rights are now included in the “other” item under intangible assets and amounted to ¥1,503 million as of the end of the current fiscal year.</p>

Changes in Methods of Presentation

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
<p>Consolidated Cash Flows</p> <p>In the previous fiscal year, “proceeds from liquidation of subsidiaries and affiliates” (which amounted to ¥183 million in that fiscal year) was included in the “other, net” item in the “net cash provided (used in) investing activities” section of the Consolidated Statements of Cash Flows. Beginning with the fiscal year, this item has become material and has, therefore, been presented as a separate item.</p> <p style="text-align: center;">-----</p>	<p style="text-align: center;">-----</p> <p>Consolidated Balance Sheet</p> <p>Accompanying the application of revisions of certain of the rules for financial statements, as contained in a cabinet order (Cabinet Order No. 50, issued on August 7, 2008), certain items previously presented in “inventories” through the end of the prior fiscal year are now presented in “merchandise and finished goods,” “work in process,” and “raw materials and supplies” in this fiscal year. Please note that the values of items previously included in “inventories,” but now included in “merchandise and finished goods,” “work in process,” and “raw materials and supplies” were, respectively, ¥50,699 million, ¥16,150 million, and ¥9,453 million for the fiscal year ended March 31, 2008.</p>

(8) Notes to the Consolidated Financial Statements

Notes to the Consolidated Balance Sheets

FY2010.3 (As of March 31, 2010)	FY2009.3 (As of March 31, 2009)
1. Accumulated Depreciation of Property, Plant and Equipment is ¥198,513 million.	1. Accumulated Depreciation of Property, Plant and Equipment is ¥216,107 million.
2. Mortgaged Assets are as follows:	2. Mortgaged Assets are as follows:
(Millions of yen)	(Millions of yen)
Of marketable securities ¥ 370	Of marketable securities ¥ 695
Of property, plant and equipment 207	Of property, plant and equipment 204
Of investment securities 450	Of investment securities 370
Total ¥1,028	Total ¥1,270
The above assets were pledged as collateral for short-term loans of ¥35 million and specific advances received of ¥986 million.	The above assets were pledged as collateral for short-term loans of ¥59 million and specific advances received of ¥1,385 million.
3. Investments in Non-Consolidated Subsidiaries and Affiliates	3. Investments in Non-Consolidated Subsidiaries and Affiliates
(Millions of yen)	(Millions of yen)
Investment securities ¥1,984	Investment securities ¥2,269
Other assets of investments and other assets (capital investments) 509	Other assets of investments and other assets (capital investments) 2,061
4. Contingent Liabilities	4. Contingent Liabilities
The Company is acting as guarantor for the borrowings from financial institutions of the following company:	The Company is acting as guarantor for the borrowings from financial institutions of the following company:
(Millions of yen)	(Millions of yen)
Hamamatsu Cable Television Inc. ¥529	Hamamatsu Cable Television Inc. ¥592
(The actual amount guaranteed by the Company is ¥41 million.)	(The actual amount guaranteed by the Company is ¥46 million.)
5. Discounts on Export Bills Receivable were ¥343 million.	5. Discounts on Export Bills Receivable were ¥354 million.
6. The Company has carried out the revaluation of landholdings in accordance with the Law Regarding the Partial Revision to the Land Revaluation Law (Law No. 34, published on March 31, 1998).	6. The Company and a consolidated subsidiary have carried out the revaluation of landholdings in accordance with the Law Regarding the Partial Revision to the Land Revaluation Law (Law No. 34, published on March 31, 1998).
(1) Date of Revaluation The Company: March 31, 2002	(1) Date of Revaluation One consolidated subsidiary: March 31, 2000 The Company: March 31, 2002
(2) Revaluation Method As provided for in Article 2-3 of the Enforcement Order for the Land Revaluation Law (Cabinet Order No. 119, issued on March 31, 1998), land values were determined based on the "land prices registered in the land tax list specified in Article No. 341, No. 10, of the Local Tax Law or the supplementary land tax list specified in No. 11 of the same Article No. 341."	(2) Revaluation Method As provided for in Article 2-3 of the Enforcement Order for the Land Revaluation Law (Cabinet Order No. 119, issued on March 31, 1998), land values were determined based on the "land prices registered in the land tax list specified in Article No. 341, No. 10, of the Local Tax Law or the supplementary land tax list specified in No. 11 of the same Article No. 341."
(3) Difference between Current Market Value at Year-End and Book Value after Revaluation: ¥(1,607) million	(3) Difference between Current Market Value at Year-End and Book Value after Revaluation: ¥(12,129) million

Notes to the Consolidated Statements of Operations

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
1. Reductions in book value owing to the decline in profitability of inventory assets	1. Reductions in book value owing to the decline in profitability of inventory assets
(Millions of yen)	(Millions of yen)
Cost of sales	Cost of sales
¥(575)	¥1,625
	Extraordinary loss
	67
2. Provision for loss on construction contracts included in cost of sales was ¥14 million.	2. -----
3. Principal items of selling, general and administrative expenses were as follows:	3. Principal items of selling, general and administrative expenses were as follows:
(Millions of yen)	(Millions of yen)
Sales commissions	Sales commissions
¥ 1,427	¥ 1,616
Transport expenses	Transport expenses
12,966	16,083
Advertising expenses and sales promotion expenses	Advertising expenses and sales promotion expenses
18,130	22,855
Allowance for doubtful accounts	Allowance for doubtful accounts
204	20
Provision for product warranties	Provision for product warranties
1,425	1,798
Provision for retirement benefits	Provision for retirement benefits
7,107	4,924
Salaries and benefits	Salaries and benefits
59,225	63,145
Rent	Rent
4,686	4,653
Depreciation and amortization	Depreciation and amortization
3,827	3,858
4. R&D expenses included in general and administrative expenses and current manufacturing expenses: ¥21,736 million.	4. R&D expenses included in general and administrative expenses and manufacturing expenses for the period under review: ¥23,218 million.
5. Gains on sale of noncurrent assets were principally related to sales of machinery, equipment and vehicles and buildings and structures.	5. Gains on sale of noncurrent assets were principally related to sales of buildings and structures and land.
6. Loss on Retirement of Noncurrent Assets Principal items disposed of during the fiscal year were buildings and structures, machinery, equipment and vehicles.	6. Loss on Retirement of Noncurrent Assets Principal items disposed of during the fiscal year were machinery, equipment and vehicles, and buildings and structures.
7. -----	7. Special Retirement Expenses Additional retirement expenses were recognized due to the implementation of a special early retirement system.
8. -----	8. Business Structural Reform Expenses These expenses include costs accompanying the decision to dissolve overseas manufacturing subsidiaries Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd., and Kemble & Company Ltd.; expenditures incurred for the realignment of the distribution centers in Europe; expenses in connection with the withdrawal from the magnesium molded parts business; expenditures related to the cancellation of activities in the silicon microphone business; and expenses incurred in connection with the withdrawal from the water heater business.

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)				FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)				
9. Impairment Losses Outline of asset groups where impairment losses were recognized (Millions of yen)				9. Impairment Losses Outline of asset groups where impairment losses were recognized (Millions of yen)				
Use	Location	Impairment losses		Use	Location	Impairment losses		
		Type of asset	Amount			Type of asset	Amount	
Idle assets, etc.	Hamamatsu-shi, Shizuoka Prefecture, etc.	Buildings and structures	¥ 468	Semiconductor business assets	Aira-gun, Kagoshima Prefecture Iwata-shi, Shizuoka Prefecture	Buildings and structures	¥ 2,070	
		Machinery, equipment and vehicles	17			Machinery, equipment and vehicles	2,956	
		Tools, furniture and fixtures	1			Tools, furniture and fixtures	308	
		Land	1,473			Land	222	
		Leasehold rights	1			Total	5,559	
Total				¥1,962	Recreation business assets	Katsuragi recreation facility Fukuroi-shi, Shizuoka Prefecture	Buildings and structures	1,132
				Land			2,785	
				Total			3,918	
				Goodwill	Goodwill related to subsidiaries NEXO and Steinberg	Goodwill	5,665	
						Total	5,665	
Idle assets	Hamamatsu-shi, Shizuoka Prefecture	Buildings and structures	0	Idle assets	Hamamatsu-shi, Shizuoka Prefecture	Machinery, equipment and vehicles	166	
		Machinery, equipment and vehicles				Tools, furniture and fixtures	13	
		Tools, furniture and fixtures				Total	180	
		Total						
Total		Buildings and structures	3,203	Total		Buildings and structures	3,203	
		Machinery, equipment and vehicles	3,123			Machinery, equipment and vehicles	3,123	
		Tools, furniture and fixtures	322			Tools, furniture and fixtures	322	
		Land	3,008			Land	3,008	
		Goodwill	5,665			Goodwill	5,665	
Total				¥15,323				
Method for Grouping of Assets Within its segment classification, the Yamaha Group groups the smallest asset units that generate cash flow together.				Method for Grouping of Assets Within its segment classification, the Yamaha Group groups the smallest asset units that generate cash flow together.				
Background Leading to the Recognition of Impairment Losses The Company recognized impairment losses on idle assets and properties that company is planning to dispose.				Background Leading to the Recognition of Impairment Losses Regarding the valuation of assets related to the semiconductor business and the recreation business as well as goodwill, the Company recognizes impairment losses on the assets in those businesses that report continuing losses in their operations or are forecast to report losses.				
Calculation of the Recovery Price The recoverable amounts of idle assets, etc. are measured as the net sale value of such assets, based the assessed values for property tax purposes.				Calculation of the Recovery Price The recovery prices of the semiconductor and recreation businesses are estimated using the price-in-use approach, and calculations are made using a 10.0% and 7.5% discount rate, respectively, for computing the present value of future cash flows.				
				In addition, the Company recognized impairment losses on idle assets that it does not expect to employ.				
				The recoverable value of goodwill related to NEXO S.A. and Steinberg Media Technologies GmbH is measured based on the latest business plan for groups of assets of the related goodwill. The present values of future cash flows are calculated using a discount rate of 11.9% and 11.8%, respectively.				
				The recoverable amount of idle assets is measured by determining the net sale value of such assets, based on estimates prepared by specialists.				
10. Tariff assessment from previous periods Consolidated subsidiary P.T. Yamaha Indonesia has been requested to pay the additional amount shown in this item based on a customs duty inspection. P.T. Yamaha Indonesia has appealed this decision of the customs authorities to the Indonesian Supreme Court.				10. -----				

Notes to Consolidated Statement of Changes in Shareholders' Equity

FY2010.3 (April 1, 2009—March 31, 2010)

1. Number of Shares Issued

Type of shares	End of previous fiscal year	Increase	Decrease	End of fiscal year
Common shares (Number of shares)	197,255,025	—	—	197,255,025

2. Treasury Stock

Type of shares	End of previous fiscal year	Increase	Decrease	End of fiscal year
Common shares (Number of shares)	17,461	4,313	—	21,774

Outline of reasons for the changes:

The breakdown of the increase in treasury stock:

Increase owing to purchase of outstanding shares less than one trading unit: 4,313 shares

3. Bonds with Rights to Purchase New Shares

None issued.

4. Cash Dividends

(1) Amount of dividend payments

Date of decision	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
June 25, 2009 (General Meeting of Shareholders)	Common shares	¥2,958	¥15.00	Mar. 31, 2009	June 26, 2009
Oct. 30, 2009 (Board of Directors)	Common shares	¥2,958	¥15.00	Sept. 30, 2009	Dec. 7, 2009

(2) Dividends for which the base date falls in the fiscal year, but the effective date of dividends is in the following fiscal year

Date of decision	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
June 25, 2010 (General Meeting of Shareholders)	Common stock	Retained earnings	¥2,465	¥12.50	Mar. 31, 2010	June 28, 2010

FY2009.3 (April 1, 2008—March 31, 2009)

1. Number of Shares Issued

Type of shares	End of previous fiscal year	Increase	Decrease	End of fiscal year
Common shares (Number of shares)	206,524,626	—	9,269,601	197,255,025

Outline of reasons for the changes:

The breakdown of the decrease in common shares:

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

2. Treasury Stock

Type of shares	End of previous fiscal year	Increase	Decrease	End of fiscal year
Common shares (Number of shares)	234,581	9,052,481	9,269,601	17,461

Outline of reasons for the changes:

The breakdown of the increase in treasury stock:

Increase owing to purchase of treasury stocks based on the resolution of the Board of Directors: 9,033,800 shares

Increase owing to purchase of outstanding shares less than one trading unit: 18,681 shares

The breakdown of the decrease in treasury stock:

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

3. Bonds with Rights to Purchase New Shares

None issued.

4. Cash Dividends

(1) Amount of dividend payments

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

(2) Dividends for which the base date falls in the fiscal year, but the effective date of dividends is in the following fiscal year

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

Notes to the Consolidated Statements of Cash Flows

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
1. Reconciliation between Cash and Cash Equivalents and Cash and Bank Deposits in the Consolidated Balance Sheets (Millions of yen)	1. Reconciliation between Cash and Cash Equivalents and Cash and Bank Deposits in the Consolidated Balance Sheets (Millions of yen)
Cash and bank deposits ¥59,407	Cash and bank deposits ¥41,373
Time deposits with maturity of more than three months (172)	Time deposits with maturity of more than three months (149)
<u>Cash and cash equivalents at end of period ¥59,235</u>	<u>Cash and cash equivalents at end of period ¥41,223</u>
2. -----	2. Breakdown of Principal Assets and Liabilities of a Company Included in Consolidation because of the Purchase of Its Shares Held by the Company NEXO S.A. (As of July 1, 2008) (Millions of yen)
	Current assets ¥ 1,974
	Noncurrent assets 1,491
	Goodwill 4,537
	Current liabilities (1,036)
	Noncurrent liabilities (46)
	<u>Subtotal 6,920</u>
	Shares held prior to acquisition of a controlling interest and others (888)
	<u>Expenditures for acquisition of NEXO S.A. shares ¥(6,032)</u>
	Please note that expenditures for the acquisition of additional shares after the consolidation of the company have amounted to ¥2,041 million.
3. Breakdown of Principal Assets and Liabilities of companies excluded from Consolidation because of the Sales of Its Shares Held by the Company Yamaha Livingtec Corporation and its two wholly owned subsidiaries (As of March 31, 2010) (Millions of yen)	3. -----
Current assets ¥ 8,433	
Noncurrent assets 8,413	
<u>Total assets ¥16,847</u>	
Current liabilities ¥ 8,173	
Noncurrent liabilities 4,100	
<u>Total liabilities ¥12,274</u>	
Regarding land for business purposes that is included in noncurrent assets, they have carried out the revaluation of landholdings in accordance with the Law Regarding the Partial Revision to the Land Revaluation Law (Law No. 34, published on March 31, 1998).	
At the end of FY2010.3, the market value of the Group's land, revalued in accordance with relevant legal regulations was ¥2,087 billion below the carrying value of such land on the Group's balance sheets.	

Segment Information

I. Business Segments

FY2010.3 (April 1, 2009—March 31, 2010)

(Millions of

yen)

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

Notes: 1. Business sectors: Divided into the categories of musical instruments, AV/IT, electronic devices, lifestyle-related products, and others based on consideration of similarities of product type, characteristics and market, etc.

2. Major products and services of each business segment:

Business Segment	Major Products and Services
Musical Instruments	Pianos, Digital musical instruments, Wind, string, and percussion instruments, Educational musical instruments, Professional audio equipment, Soundproof rooms, Music schools, English-language schools, Musical entertainment software, and Piano tuning
AV/IT	Audio products, Information and telecommunication equipment
Electronic Devices	Semiconductors
Lifestyle-Related Products	System kitchens, System bathrooms, Washstands
Others	Golf products, Automobile interior wood components, Factory automation equipment, Metallic molds and components, Accommodation and sports facilities

3. Among the assets of the others segment, the amount of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the consolidated balance sheets) is as follows:

Previous fiscal year: ¥37,312 million
Current fiscal year: ¥59,742 million

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

FY2009.3 (April 1, 2008—March 31, 2009)
yen)

(Millions of

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

Notes: 1. Business sectors: Divided into the categories of musical instruments, AV/IT, electronic devices, lifestyle-related products, and others based on consideration of similarities of product type, characteristics and market, etc.

2. Major products and services of each business segment:

Business Segment	Major Products and Services
Musical Instruments	Pianos, Digital musical instruments, Wind, string, and percussion instruments, Educational musical instruments, Professional audio equipment, Soundproof rooms, Music schools, English-language schools, Musical entertainment software, and Piano tuning
AV/IT	Audio products, Information and telecommunication equipment
Electronic Devices	Semiconductors
Lifestyle-Related Products	System kitchens, System bathrooms, Washstands
Others	Golf products, Automobile interior wood components, Factory automation equipment, Metallic molds and components, Accommodation and sports facilities

3. Changes in segment names:

During the previous fiscal year, the Company sold its electronic metal products business, and beginning with the fiscal year, the name of the former electronic equipment and metal products segment has been changed to the electronic devices segment.

4. Supplementary information (changes in business segment classification):

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

5. Among the assets of the others segment, the amount of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the consolidated balance sheets) is as follows:

Previous fiscal year: ¥78,206 million
Current fiscal year: ¥37,312 million

2. Geographical Segments

FY2010.3 (April 1, 2009—March 31, 2010)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥227,246	¥56,941	¥71,052	¥ 59,570	¥414,811		¥414,811
Intersegment sales or transfers	108,619	891	1,550	54,620	165,681	(165,681)	
Total sales	335,865	57,833	72,602	114,191	580,493	(165,681)	414,811
Operating expenses	343,376	55,533	70,146	106,807	575,864	(167,880)	407,983
Operating income (loss)	¥ (7,510)	¥ 2,300	¥ 2,455	¥ 7,383	¥ 4,628	¥ 2,199	¥ 6,828
Assets	¥283,038	¥27,255	¥39,586	¥71,492	¥421,372	¥(19,220)	¥402,152

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

FY2009.3 (April 1, 2008—March 31, 2009)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥247,583	¥66,295	¥86,316	¥ 59,088	¥459,284	¥ —	¥459,284
Intersegment sales or transfers	144,913	1,449	1,473	66,631	214,468	(214,468)	—
Total sales	392,497	67,745	87,790	125,720	673,752	(214,468)	459,284
Operating expenses	394,144	65,881	82,629	117,923	660,579	(215,140)	445,439
Operating income (loss)	¥ (1,647)	¥ 1,863	¥ 5,160	¥ 7,796	¥ 13,173	¥ 672	¥ 13,845
Assets	¥296,737	¥30,126	¥37,589	¥ 63,364	¥427,818	¥ (18,843)	¥408,974

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

3. Overseas Sales

FY2010.3 (April 1, 2009—March 31, 2010)

(Millions of yen)

	North America	Europe	Asia, Oceania, and other areas	Total
Overseas sales	¥57,668	¥70,284	¥68,452	¥196,405
Net sales				¥414,811
% of net sales	13.9%	16.9%	16.5%	47.3%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

FY2009.3 (April 1, 2008—March 31, 2009)

(Millions of yen)

	North America	Europe	Asia, Oceania, and other areas	Total
Overseas sales	¥66,392	¥86,810	¥71,237	¥224,440
Net sales				¥459,284
% of net sales	14.5%	18.9%	15.5%	48.9%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

Lease Transactions

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)					FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)				
[Leasing-In Transactions]					[Leasing-In Transactions]				
1. Operating Lease Transactions					1. Operating Lease Transactions				
Future Minimum Lease Payments on Uncancellable Leases					Future Minimum Lease Payments on Uncancellable Leases				
(Millions of yen)					(Millions of yen)				
Due within one year				¥ 580	Due within one year				¥ 660
Due over one year				1,656	Due over one year				2,315
Total				¥2,237	Total				¥2,975
2. Finance Leases Transactions for Which Ownership are Not Transferred to the Lessee Which Commenced Prior to March 31, 2008					2. Finance Leases Transactions for Which Ownership are Not Transferred to the Lessee Which Commenced Prior to March 31, 2008				
(1) Amounts Corresponding to the Acquisition Cost, Accumulated Depreciation, and Balance at the End of the Fiscal Year of Leased Assets					(1) Amounts Corresponding to the Acquisition Cost, Accumulated Depreciation, and Balance at the End of the Fiscal Year of Leased Assets				
(Millions of yen)					(Millions of yen)				
	Buildings and structures	Tools, furniture, and fixtures	Others	Total		Buildings and structures	Tools, furniture, and fixtures	Others	Total
Acquisition cost	¥993	¥335	¥45	¥1,375	Acquisition cost	¥2,917	¥709	¥50	¥3,677
Accumulated depreciation	270	253	32	556	Accumulated depreciation	969	394	28	1,391
Net balance at end of year	¥723	¥82	¥13	¥819	Net balance at end of year	¥1,948	¥315	¥22	¥2,285
Amounts corresponding to the acquisition cost include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.					Amounts corresponding to the acquisition cost include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.				
(2) Amounts Corresponding to the Future Minimum Lease Payments					(2) Amounts Corresponding to the Future Minimum Lease Payments				
(Millions of yen)					(Millions of yen)				
Due within one year				¥127	Due within one year				¥ 348
Due over one year				692	Due over one year				1,936
Total				¥819	Total				¥2,285
Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.					Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.				
(3) Lease expense and amount equivalent to depreciation expenses					(3) Lease expense and amount equivalent to depreciation expenses				
(Millions of yen)					(Millions of yen)				
Lease expense				¥256	Lease expense				¥375
Depreciation expense				256	Depreciation expense				375
(4) Amounts Corresponding to the Depreciation of Leased Assets					(4) Amounts Corresponding to the Depreciation of Leased Assets				
Assuming that the residual values are zero, depreciation of leased assets is calculated over the relevant lease periods using the straight-line method.					Assuming that the residual values are nil, depreciation of leased assets is calculated over the relevant lease periods using the straight-line method.				
[Leasing-Out Transactions]					[Leasing-Out Transactions]				
1. Operating Lease Transactions					1. Operating Lease Transactions				
Future Minimum Lease Payments on Uncancellable Leases					Future Minimum Lease Payments on Uncancellable Leases				
(Millions of yen)					(Millions of yen)				
Due within one year				¥430	Due within one year				¥444
Due over one year				481	Due over one year				429
Total				¥911	Total				¥873

Information on Transactions with Related Parties

FY2010.3 (April 1, 2009—March 31, 2010)

None

FY2009.3 (April 1, 2008—March 31, 2009)

None

Supplementary information

Beginning with FY 2009.3, the “Accounting Standard for Related Party Disclosures” (ASBJ Statement No. 11, issued by ASBJ on October 17, 2006) and “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No. 13, issued by ASBJ on October 17, 2006) have been applied.

Please note that there were no material transactions to be disclosed under this accounting standard in this fiscal year.

Tax-Effect Accounting

FY2010.3 (As of March 31, 2010)	FY2009.3 (As of March 31, 2009)
1.Principal Deferred Tax Assets and Tax Liabilities	1. Principal Deferred Tax Assets and Tax Liabilities
Deferred tax assets:	Deferred tax assets:
(Millions of yen)	(Millions of yen)
Revaluation loss on inventories	Revaluation loss on inventories
¥ 2,240	¥ 2,693
Unrealized gain	Unrealized gain
459	567
Allowance for doubtful accounts	Allowance for doubtful accounts
611	677
Depreciation, excess	Depreciation, excess
9,157	10,241
Impairment loss	Impairment loss
11,738	12,123
Revaluation loss on investment securities	Revaluation loss on investment securities
4,558	4,595
Unpaid bonuses	Unpaid bonuses
2,539	2,993
Provision for product warranties	Provision for product warranties
734	1,170
Provision for retirement benefits	Provision for retirement benefits
13,048	10,837
Net operating loss carried forward	Net operating loss carried forward
13,372	6,527
Other	Other
5,544	6,553
Subtotal	Subtotal
64,006	58,981
Valuation allowance	Valuation allowance
(29,950)	(23,228)
Total deferred tax assets	Total deferred tax assets
¥34,056	¥35,753
Deferred tax liabilities:	Deferred tax liabilities:
(Millions of yen)	(Millions of yen)
Reserve for advanced depreciation	Reserve for advanced depreciation
¥ (1,447)	¥ (1,543)
Reserve for special depreciation	Reserve for special depreciation
(84)	(131)
Valuation difference on available-for-sale securities	Valuation difference on available-for-sale securities
(22,012)	(12,971)
Other	Other
(1,024)	(826)
Total deferred tax liabilities	Total deferred tax liabilities
(24,568)	(15,471)
Net deferred tax assets	Net deferred tax assets
¥ 9,488	¥20,281
2.Principal Items Accounting for the Difference between the Statutory Tax Rate and the Effective Tax Rate after Application of Tax-Effect Accounting	2.Principal Items Accounting for the Difference between the Statutory Tax Rate and the Effective Tax Rate after Application of Tax-Effect Accounting
Same as on the right	Since the Company showed a net loss on a consolidated basis, this data has been omitted.

Financial Instruments

FY2010.3 (April 1, 2009—March 31, 2010)

Supplementary information

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

1. Current status of financial instruments

(1) Policy regarding financial instruments

The Yamaha Group, in principle, limits the scope of its cash and fund management activities to deposits for which principle is guaranteed and interest rates are fixed. In addition, when raising funds, the Group has a policy of relying principally on bank borrowings. The Group makes use of derivatives to reduce risk, as explained below, and limits the use of such derivatives to actual exposure. The Group has a policy of not engaging in derivative transactions for speculative purposes.

(2) Types of financial instruments and related risk

In the course of its business activities, the Group is exposed to credit risk arising from notes and accounts receivable—trade that are outstanding from its customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. Among marketable securities (short-term investments) and investment securities, the Group is exposed to market price risk because it holds the stocks of Yamaha Motor Co., Ltd., a former affiliated company which shares the Yamaha brand in common, and the stocks of other companies with which it has business relationships.

In the course of its business activities, the Group incurs notes and accounts payable—trade as well as accounts payable—other and accrued expenses that are mostly payable within one year. In addition, the Group is exposed to foreign currency exchange risk arising from its business obligations payable that are denominated in foreign currencies. Short-term loans payable are raised mainly in connection with business activities, and the Group has long-term loans payable, taken out principally for the purpose of making capital investments. The repayment dates of these long-term loan obligations extend up to four years beyond the date of the closing of accounts. Long-term deposits received are membership deposits received from customers in the Group’s recreation business. The Group is exposed to liquidity risk from its business-related obligations, short-term loans payable, and long-term loans payable.

Regarding derivatives, the Group employs foreign exchange forward contracts (with netting arrangements) and currency options (foreign currency puts and yen call options) to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies that arise in the course of conducting normal export and import transactions.

Foreign exchange forward contracts are subject to the risk of foreign currency exchange fluctuations. Currency options are limited to foreign currency puts and yen call options. The Group incurs fees for these options, but they are not subject to foreign currency risk. In addition, the Group applies hedge accounting to its derivative transactions.

Please note that further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities may be found in the section “(6) Basic Items for the Preparation of the Consolidated Financial Statements, (e) Hedge Accounting” (page 26).

(3) Systems for management of financial instrument risk

The Group has established a Group financial management policy, and the Company and its consolidated subsidiaries have prepared management rules based on this policy. The following risk management systems are in effect.

(a) Credit risk management (the risk that transactions partners may default on their obligations to the Group)

The Group has prepared regulations for managing its credit exposure and business receivables. The Group has set and monitors credit exposure limits for each customer, and related receivables are recorded in an orderly manner in a ledger by customer, and the outstanding balances are confirmed regularly. For receivables that become past due, regulations require taking steps to understand the causes and preparing a schedule for the recovery of this exposure.

The Group has also prepared a set of regulations for bonds and notes to be held until maturity. When investments in such instruments are to be made, the Company and its subsidiaries confer in advance, and, since investments are made only in those bonds and notes with high credit ratings, credit risk is minimal.

When making use of derivatives, the Group arranges such transactions with highly rated financial institutions to minimize counterparty risk.

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

For business receivables denominated in foreign currencies, the Company and consolidated subsidiaries minimize the foreign exchange risk of their payables positions, after netting, by entering into forward foreign exchange contracts and arranging for currency options, within the limits of actual transactions. Also, the balance of payables denominated in foreign currencies is maintained within the scope of accounts receivable denominated in foreign currencies at all times.

For marketable securities and investment securities, the Group periodically confirms the market value of such financial

instruments and the financial position of the issuer (the company having business transactions with the Group). In addition, for bonds and notes other than those that will be held until maturity, the Group reviews the status of these investments on a continuing basis.

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

Derivative transactions of the Yamaha Corporation and its subsidiaries are concentrated in the respective accounting and finance departments of these companies. Internal rules and regulations stipulate the roles of the respective accounting and finance departments, reports to be submitted to top management, and communications to be sent to related departments (including position limits, etc.).

Reports are submitted to top management on a monthly basis to inform management about the balance of derivative transactions and provide quantitative information on trends in foreign exchange and other related matters.

(c) Liquidity risk management (the risk that the Group may not be able to meet its payment obligations on the scheduled date)
The Company and its consolidated subsidiaries prepare cash flow plans and implement other methods to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters
The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, methods include making reasonable computations. Since factors that may result in fluctuations in value are taken into account in computing the price, this price may fluctuate when differing assumptions are adopted.

In addition, the contract (notional) amount of derivatives in the section “2. Estimated Fair Value and Other Matters Related to Financial Instruments” is not an indicator of the actual risk involved in derivative transactions.

2. Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheets as of March 31, 2010 (the closing date of the consolidated accounts) and unrealized gains (losses) are shown in the following table. Please note that for those items of which obtaining an estimated fair value is deemed to be extremely difficult, such differences have not been shown (Please refer to Note 2.).

(Millions of yen)			
Accounting items	Carrying value* ¹	Estimated fair value* ¹	Unrealized gain (loss)
1. Cash and deposits	¥59,407	¥59,407	—
2. Notes and accounts receivable—trade	48,911	48,911	—
3. Marketable and investment securities			
1) Securities to be held until maturity	1,130	1,132	1
2) Available-for-sale Securities	72,780	72,780	—
4. Notes and accounts payable—trade	(21,791)	(21,791)	—
5. Accounts payable-other and accrued expenses	(32,496)	(32,496)	—
6. Derivatives* ²	(271)	(271)	—

Notes(*): 1. Figures shown in parentheses are liability items.

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

Note 1: Methods for computing the estimated fair value of financial instruments and securities and derivative transactions

(1) Cash and deposits and notes and (2) accounts receivable—trade

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

(3) Marketable and investment securities

The estimated fair values of these items are as follows. Stocks are valued at the exchange trading price. Bonds are valued at the exchange trading price or at the price provided by the financial institutions making markets in these securities. For information on securities classified by purpose of holding, please refer to the "Marketable Securities" section of the notes to the financial statements.

(4) Notes and accounts payable—trade, (5) Accounts payable-other and accrued expenses

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the Company's ledger, the ledger value has been used.

(6) Derivatives Transactions

Please refer to the "Derivatives" section of the notes to the financial statements.

Note 2: Items for which obtaining an estimated fair value is deemed to be extremely difficult

(Millions of yen)	
Items	Carrying value
Unlisted stocks	¥ 4,819
Long-term deposits received	¥16,144

The items in the preceding table do not have market values, and estimating their future cash flow is deemed to be too costly. Therefore, determining the estimated fair value of these items was deemed to be extremely difficult, fair value has not been disclosed.

Note 3: Scheduled amortization amounts, following the date of the closing of the consolidated accounts, for monetary claims and securities with maturity dates

(Millions of yen)

	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 59,407	—	—	—
Notes and accounts receivable—trade	48,911	—	—	—
Marketable and investment securities				
Securities to be held until maturity				
Government bonds	470	460	—	—
Corporate bonds	99	—	—	—
Others	99	—	—	—
Total	¥108,988	¥460	—	—

Note(*): During the fiscal year, the value of stocks of available-for-sale securities at market value in the “Others” category was reduced ¥48 million due to impairment. The impairment loss in such securities is recognized when market value at the period-end declines 30% or more from the carrying (acquisition) cost, except when it is anticipated that the market value is recoverable based on trends in market value and consideration of the issuer’s financial condition.

Note 4: Scheduled repayment amounts, following the date of the closing of the consolidated accounts, for bonds, long-term loans payable, lease obligations, and other interest-bearing debt

(1) Detailed list of bonds
Not applicable

(2) Detailed list of loans payable

(Millions of yen)

Items	As of March 31, 2009	As of March 31, 2010	Average interest rate (%)	Dates for final repayment
Short-term loans payable	¥14,216	¥ 8,816	1.8	—
Current portion of long-term loans payable	1,483	1,023	1.8	—
Current portion of lease obligations	48	37	—	—
Long-term loans payable (except current portion)	3,491	5,177	2.7	Between 2010 and 2013
Lease obligations (except current portion)	502	285	—	Between 2010 and 2028
Interest-bearing debt				
Guarantee deposits	553	66	3.0	—
Total	¥20,296	¥15,406	—	—

Notes: 1. The average interest rate shown in the preceding table is the weighted average of the interest rates on loans, etc., calculated using the balance of such obligations outstanding at the end of the fiscal year. Please note that, for lease obligations, no average interest rate is shown because the amounts in the consolidated balance sheets are before the subtraction of the amounts corresponding to interest paid from total lease payments.

2. Repayments of long-term loans payable, lease obligations, and other interest-bearing debt (excluding the respective current portions of these obligations) scheduled after the date of the closing of the fiscal year under review are as follows.

(Millions of yen)

	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Long-term loans payable	¥4,176	¥957	¥43	¥—	¥—
Lease obligations	30	26	16	15	196
Other interest-bearing debt	—	—	—	—	—

3. To secure funding for the medium term, Yamaha has arranged for commitment lines from financial institutions for a total of ¥20 billion.

Please note that, on a consolidated basis, as of the end of the fiscal year ended March 31, 2010, there were no borrowings outstanding under these commitment lines.

Marketable Securities

FY2010.3 (April 1, 2009—March 31, 2010)

1. Marketable Securities to Be Held to Maturity at Market Value (As of March 31, 2010)

(Millions of yen)

	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥830	¥ 832	¥ 1
Corporate bonds	99	100	0
Others	99	100	0
Subtotal	1,030	1,032	1
Securities whose carrying value exceeds their fair value:			
Government bonds	100	100	(0)
Corporate bonds	—	—	—
Others	—	—	—
Subtotal	100	100	(0)
Total	¥1,130	¥1,132	¥ 1

2. Available-for-sale Securities at Market Value (As of March 31, 2010)

(Millions of yen)

	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥13,180	¥69,446	¥56,266
Others	—	—	—
Subtotal	13,180	69,446	56,266
Securities whose acquisition cost exceeds their carrying value:			
Stocks	3,511	3,282	(228)
Others	68	50	(17)
Subtotal	3,579	3,333	(246)
Total	¥16,760	¥72,780	¥56,019

3. Available-for-sale Securities Sold during the Fiscal Year (April 1, 2009—March 31, 2010)

Sales value	¥7 million
Profit on sales	1 million
Loss on sales	15 million

FY2009.3 (April 1, 2008—March 31, 2009)

1. Marketable Securities to Be Held to Maturity at Market Value

(Millions of yen)

	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥670	¥ 672	¥ 2
Corporate bonds	199	200	0
Others	399	400	0
Subtotal	1,269	1,272	2
Securities whose carrying value exceeds their fair value:			
Government bonds	99	99	(0)
Corporate bonds	200	199	(0)
Others	99	99	(0)
Subtotal	400	399	(0)
Total	¥1,669	¥1,671	¥ 1

2. Available-for-sale Securities at Market Value

(Millions of yen)

	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥15,927	¥48,960	¥33,032
Others	—	—	—
Subtotal	15,927	48,960	33,032
Securities whose acquisition cost exceeds their carrying value:			
Stocks	843	631	(212)
Others	348	319	(28)
Subtotal	1,192	950	(241)
Total	¥17,119	¥49,911	¥32,791

3. Available-for-sale Securities Sold during the Fiscal Year

Sales value	¥15 million
Profit on sales	5 million
Loss on sales	0 million

4. Book Value of Securities without Market Value

Available-for-sale Securities

Unlisted securities	¥4,499 million
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5. Scheduled Redemption Value of Available-for-sale Securities with Maturity Dates and to Be Held to Maturity Securities

(Millions of yen)

	Within one year	Between one and five years	Between five and ten years	Over ten years
Bonds:				
Government bonds	¥299	¥470	¥—	¥—
Corporate bonds	299	99	—	—
Others	399	99	—	—
Total	¥999	¥670	¥—	¥—

Note: During the fiscal year, the value of stocks of available-for-sale securities at market value in the “Others” category was reduced ¥98 million due to impairment.

The impairment loss in such securities is recognized when market value at the period-end declines 30% or more from the carrying (acquisition) cost, except when it is anticipated that the market value is recoverable based on trends in market value and consideration of the issuer’s financial condition.

Derivatives Transactions

FY2010.3 (As of March 31, 2010)

1. Derivatives not subject to hedge accounting
None applicable
2. Derivatives subject to hedge accounting
The contract amounts or the amount corresponding to principal as specified by the contract as of the date of the closing of the consolidated accounts is shown below by type of hedge accounting method

(Millions of yen)

Hedge accounting method	Type of derivative, etc.	Principal items hedged	Contract amount		Estimated fair value	Accounting method for computing estimated fair value
				Over one year		
Deferral hedge method	Foreign exchange forward contracts	Notes and accounts receivable—trade				Based on prices provided by financial institutions making markets in these securities
	Sold options					
	Australian dollars		1,245	—	1,298	
	Canadian dollars	1,368	—	1,436		
	Euros				10,173	
Allocation method	Foreign exchange forward contracts	Notes and accounts payable—trade				Based on foreign exchange forward quotes
	Sold options					
	Australian dollars		141	—	*	
	Canadian dollars		21	—		
	Euros				1,750	
Total			¥14,671	¥—	¥—	

Note(*): Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable that are subject to hedging, the estimated fair value of such accounts receivable is shown as the estimated fair value in the preceding table.

FY2009.3 (April 1, 2008—March 31, 2009)

1. Items Related to the Status of Derivative Transactions

FY2009.3 (Apr. 1, 2008—Mar. 31, 2009)
<p>(1) Description of Financial Derivatives and Objectives in Their Usage The Company makes use of forward foreign exchange contracts (including package transactions) and currency options (foreign currency put and yen currency call options) to reduce risks related to currency exchange fluctuations that may be incurred by the Yamaha Group in its export and import transactions. Please note that the Company makes use of such derivative transactions and has adopted hedge accounting principles.</p> <p>(a) Method of Hedge Accounting Translation differences arising from forward foreign exchange contracts with respect to receivables and payables denominated in foreign currencies are accounted for using the allocation method. Anticipated transactions denominated in foreign currencies designated as hedging instruments are accounted for using deferral hedge accounting.</p> <p>(b) Hedging Instruments and Hedged Items Hedging instruments: Forward foreign exchange contracts, purchased foreign currency-denominated put and yen-dominated call option contracts Hedged items: Receivables and payables denominated in foreign currencies and anticipated transactions denominated in foreign currencies</p> <p>(c) Hedging Policy The Company and consolidated subsidiaries enter into forward foreign exchange contracts and currency options as hedging instruments within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates with respect to export and import transactions in accordance with the internal management rules of each company.</p> <p>(d) Assessment of Effectiveness for Hedging Activities The Company and its consolidated subsidiaries do not make an assessment of effectiveness for hedging activities because the anticipated cash flows fixed by hedging activities and avoidance of market risk are clear; therefore, there is no need to evaluate such effectiveness.</p> <p>(2) Policy for Derivative Transactions The Company policy regarding derivatives related to foreign exchange transactions is to limit usage to those derivative transactions that are needed for the Company's business purposes and not to engage in such transactions for speculative or trading purposes.</p> <p>(3) Risk Inherent in Derivative Transactions Foreign exchange forward contracts used in foreign exchange transactions have inherent risk due to fluctuations in foreign exchange rates. Foreign currency option transactions are limited to "foreign currency put options and yen call options" and, aside from the cost of such options, there is no risk from fluctuations in foreign exchange rates.</p> <p>(4) Risk Management System for Derivative Transactions In conducting derivative transactions based on the policy stated in 2) above, Yamaha Corporation and its subsidiaries hold discussions, establish internal rules and regulations for the management of derivatives, and then conduct and manage such transactions based on the established rules and regulations.</p> <p>Derivative transactions of the Yamaha Corporation and its subsidiaries are concentrated in the respective accounting and finance departments of these companies. Internal rules and regulations stipulate the roles of the respective accounting and finance departments, reports to be submitted to top management, and communications to be sent to related departments (including position limits, etc.).</p> <p>Reports are submitted to top management each time a derivative transaction is conducted and on a monthly basis to inform management about the balance of derivative transactions and provide quantitative information on trends in foreign exchange and other related matters.</p>

2. Market Value of Derivatives

Because hedge accounting is appropriately applied to all derivative transactions except those allocated to foreign currency denominated assets and liabilities, the market value of derivatives is not shown.

Accounting for Retirement Allowances

FY2010.3 (April 1, 2009—March 31, 2010)

1. Overview of Retirement Benefits

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

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

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

2. Retirement Benefit Liabilities

	(Millions of yen)
1. Retirement benefit liabilities	¥(134,771)
2. Pension plan assets	78,546
3. Unfunded retirement benefit liabilities (1)+(2)	(56,224)
4. Unrecognized actuarial differences	25,013
5. Unrecognized liabilities for past service (increase in liabilities)	(2,464)
6. Net amount on consolidated balance sheets (3)+(4)+(5)	(33,675)
7. Prepaid pension expenses	—
8. Provision for retirement benefits (6)–(7)	¥ (33,675)

3. Retirement Benefits

	(Millions of yen)
Service cost	¥ 5,152
Interest cost	2,930
Expected return on plan assets	(2,843)
Amortization of past service cost	(157)
Amortization of actuarial gain/loss	7,065
Additional retirement benefit expenses	807
Total	¥12,955

4. Assumptions and Policies Adopted in the Calculation of Retirement Benefit Obligations

Discount rate	2.0%
Expected rate of return on plan assets	3.5%
Attribution method of retirement benefits to the period	Straight-line method for years of service
Amortization of past service costs	10 years (straight-line method)
Amortization of actuarial gain/loss	10 years (straight-line method)
Amortization of net retirement obligation at transition	Fully recognized as other expense when incurred

FY2009.3 (April 1, 2008—March 31, 2009)**1. Overview of Retirement Benefits**

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

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

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

2. Retirement Benefit Liabilities

	(Millions of yen)
1. Retirement benefit liabilities	¥(150,109)
2. Pension plan assets	82,281
3. Unfunded retirement benefit liabilities (1)+(2)	(67,828)
4. Unrecognized actuarial differences	42,784
5. Unrecognized liabilities for past service (increase in liabilities)	(2,444)
6. Net amount on consolidated balance sheets (3)+(4)+(5)	(27,488)
7. Prepaid pension expenses	139
8. Provision for retirement benefits (6)-(7)	¥ (27,628)

3. Retirement Benefits

	(Millions of yen)
Service cost	¥ 4,907
Interest cost	2,935
Expected return on plan assets	(4,060)
Amortization of past service cost	(157)
Amortization of actuarial gain/loss	4,849
Additional retirement benefit expenses	1,545
Total	¥10,020

4. Assumptions and Policies Adopted in the Calculation of Retirement Benefit Obligations

Discount rate	2.0%
Expected rate of return on plan assets	4.0%
Attribution method of retirement benefits to the period	Straight-line method for years of service
Amortization of past service costs	10 years (straight-line method)
Amortization of actuarial gain/loss	10 years (straight-line method)
Amortization of net retirement obligation at transition	Fully recognized as other expense when incurred

Rental Property

FY2010.3 (April 1, 2009—March 31, 2010)

None applicable

Supplementary information

Beginning with the fiscal year ended March 31, 2010, the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property Accounting Standard for Related Party Disclosures” (ASBJ Statement No. 20, issued by ASBJ on November 28, 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23, issued by ASBJ on November 28, 2008) have been applied.

Please note that there was no material rental property to be disclosed under this standard.

Per Share Information

(Yen)

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)		FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)	
Net assets per share	¥1,276.35	Net assets per share	¥1,262.42
Net income (loss) per share	(24.95)	Net income (loss) per share	(103.73)
There are no latent shares, and, since the Company reported a net loss, no figures for earnings per share after adjustment for latent shares have been disclosed.		There are no latent shares, and, since the Company reported a net loss, no figures for earnings per share after adjustment for latent shares have been disclosed.	

Note: Basis for Calculations of Net Income (Loss) per Share and Net Income (Loss) per Share after Adjustment for Latent Stock

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Net income (loss) per share:		
Net income (loss)	¥(4,921) million	¥ (20,615) million
Value not attributed to common stock	— million	— million
Net income (loss) attributed to common stock	(4,921) million	(20,615) million
Average number of outstanding shares during the period	197,235 thousand shares	198,748 thousand shares
Net income (loss) per share after adjustment for latent stock:		
Net income (loss) adjustment value	¥ — million	¥ — million
Increase in number of outstanding common stock	— thousand shares	— thousand shares
Latent shares not included in calculations of net income (loss) per share after adjustment for latent shares due to lack of dilution effect	—	—

Important Subsequent Events

FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
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5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

	FY2010.3 (As of Mar. 31, 2010)	FY2009.3 (As of Mar. 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	¥ 14,792	¥ 11,661
Notes receivable—trade	1,520	1,959
Accounts receivable—trade	23,882	22,429
Merchandise and finished goods	15,607	18,584
Work in process	6,353	6,490
Raw materials	2,230	2,574
Advance payments—trade	178	218
Deferred tax assets	6,144	8,006
Short-term loans receivable	4,743	3,648
Income taxes receivable	—	6,856
Other	2,446	3,407
Allowance for doubtful accounts	(735)	(501)
Total current assets	<u>77,163</u>	<u>85,335</u>
Noncurrent assets:		
Property, plant and equipment:		
Buildings, net	22,919	18,557
Structures, net	2,168	1,939
Machinery and equipment, net	5,412	5,112
Vehicles, net	36	29
Tools, furniture and fixtures, net	2,583	2,706
Land	47,353	48,942
Lease assets, net	38	51
Construction in progress	700	5,391
Total property, plant and equipment:	<u>81,213</u>	<u>82,730</u>
Intangible assets:		
Leasehold right	31	72
Total intangible assets	<u>31</u>	<u>72</u>
Investments and other assets:		
Investment securities	76,866	53,601
Stocks of subsidiaries and affiliates	43,390	49,105
Investments in capital	0	0
Investments in capital of subsidiaries and affiliates	20,464	20,087
Long-term loans receivable	293	374
Long-term loans receivable from subsidiaries and affiliates	23	30
Claims provable in bankruptcy, claims provable in rehabilitation and other	291	313
Deferred tax assets	—	5,873
Lease and guarantee deposits	2,015	2,363
Other	224	256
Allowance for doubtful accounts	(758)	(806)
Allowance for investment loss	—	(250)
Total investments and other assets	<u>142,811</u>	<u>130,951</u>
Total noncurrent assets	<u>224,056</u>	<u>213,754</u>
Total assets	<u>¥301,220</u>	<u>¥299,090</u>

Note: Figures of less than ¥1 million have been omitted.

(Millions of yen)

	FY2010.3 (As of Mar. 31, 2010)	FY2009.3 (As of Mar. 31, 2009)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	¥ 14,954	¥ 14,021
Short-term loans payable	7,530	6,214
Lease obligations	18	16
Accounts payable—other	5,496	3,972
Accrued expenses	14,465	14,009
Income taxes payable	486	665
Advances received	183	159
Deposit received	858	485
Provision for product warranties	1,281	1,541
Provision for subsidiary support	146	103
Other	272	669
Total current liabilities	45,693	41,857
Noncurrent liabilities:		
Lease obligations	22	37
Deferred tax liabilities	860	—
Deferred tax liabilities for land revaluation	14,931	15,166
Provision for retirement benefits	29,888	23,279
Long-term deposits received	16,195	16,776
Other	724	1,092
Total noncurrent liabilities	62,623	56,351
Total liabilities	108,317	98,209
NET ASSETS		
Shareholders' equity:		
Capital stock	28,534	28,534
Capital surplus		
Legal capital surplus	40,054	40,054
Total capital surpluses	40,054	40,054
Retained earnings		
Legal retained earnings	4,159	4,159
Other earned surplus:		
Reserve for special depreciation	3	5
Reserve for reduction entry	2,287	2,434
General reserve	79,710	101,710
Retained earnings brought forward	(11,575)	(11,625)
Total earned surplus	74,585	96,683
Treasury stock	(34)	(29)
Total shareholders' equity	143,139	165,243
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	33,725	19,655
Deferred gains or losses on hedges	(164)	(404)
Revaluation reserve for land	16,201	16,387
Total valuation and translation adjustments	49,763	35,637
Total net assets	192,902	200,880
Total liabilities and net assets	¥301,220	¥299,090

Note: Figures of less than ¥1 million have been omitted.

(2) Non-Consolidated Statements of Operations

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Net sales:		
Net sales of merchandise and finished goods	¥190,192	¥235,507
Other business revenue	37,711	39,130
Total net sales	227,903	274,638
Cost of sales:		
Merchandise and product cost of sales:		
Beginning merchandise and finished products	18,584	15,320
Reversal of valuation loss on raw materials and work in progress brought forward	—	114
Reversal of valuation loss on raw materials and work in progress brought forward adjustment	—	(114)
Cost of products manufactured	145,895	181,774
Cost of purchased goods	3,474	3,404
Ending merchandise and finished goods	15,607	18,584
Cost of merchandise and finished goods sold	152,346	181,914
Other business cost	29,471	30,704
Total cost of sales	181,817	212,619
Gross profit	46,085	62,018
Selling, general and administrative expenses	55,866	60,778
Operating income (loss)	(9,780)	1,240
Non-operating income:		
Interest income	89	281
Dividends received	1,199	3,094
Foreign exchange gains	—	106
Employment adjustment subsidy income	227	—
Other	445	238
Total non-operating income	1,963	3,720
Non-operating expenses:		
Interest expenses	30	35
Sales discounts	13	17
Foreign exchange losses	216	—
Other	361	540
Total non-operating expenses	620	593
Ordinary income (loss)	(8,438)	4,367
Extraordinary income:		
Gain on sales of noncurrent assets	388	55
Reversal of provision for product warranties	371	237
Reversal of allowance for doubtful accounts	—	215
Gain on sales of investment securities	1	5
Gain on liquidation of subsidiaries and affiliates	5	231
Total extraordinary income	767	745

Note: Figures of less than ¥1 million have been omitted.

(2) Non-Consolidated Statements of Operations (Continued from the previous page)

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Extraordinary loss:		
Loss on retirement of noncurrent assets	499	427
Loss on valuation of investment securities	436	169
Loss on sales of investment securities	15	—
Loss on valuation of stocks of subsidiaries and affiliates	2,535	12,623
Loss on valuation of investments in capital of subsidiaries and affiliates	—	3,301
Loss on liquidation of subsidiaries and affiliates	5	—
Loss on sales of stocks of subsidiaries and affiliates	3,890	—
Impairment loss	1,929	4,414
Business structural reform expenses	—	31
Provision of allowance for subsidiary support	42	—
Provision of allowance for investment loss	—	136
Total extraordinary loss	9,354	21,104
Loss before income taxes	(17,025)	(15,992)
Income taxes-current	100	100
Income taxes-deferred	(758)	2,773
Total income tax	(658)	2,873
Net loss	¥(16,366)	¥(18,865)

Note: Figures of less than ¥1 million have been omitted.

(3) Non-Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	¥ 28,534	¥ 28,534
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	28,534	28,534
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	40,054	40,054
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	40,054	40,054
Total capital surplus		
Balance at the end of previous period	40,054	40,054
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	40,054	40,054
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	4,159	4,159
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	4,159	4,159
Other retained earnings		
Reserve for special depreciation		
Balance at the end of previous period	5	7
Changes of items during the period		
Reversal of reserve for special depreciation	(1)	(1)
Total changes of items during the period	(1)	(1)
Balance at the end of current period	3	5
Reserve for reduction entry		
Balance at the end of previous period	2,434	2,582
Changes of items during the period		
Provision of reserve for reduction entry	—	18
Reversal of reserve for reduction entry	(146)	(166)
Total changes of items during the period	(146)	(147)
Balance at the end of current period	2,287	2,434
General reserve		
Balance at the end of previous period	101,710	79,710
Changes of items during the period		
Provision of general reserve	—	22,000
Reversal of provision of general reserve	(22,000)	—
Total changes of items during the period	(22,000)	22,000
Balance at the end of current period	79,710	101,710

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Retained earnings brought forward		
Balance at the end of previous period	(11,625)	61,908
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(16,366)	(18,865)
Reversal of revaluation reserve for land	185	(3,907)
Reversal of reserve for special depreciation	1	1
Provision of reserve for reduction entry	—	(18)
Reversal of reserve for reduction entry	146	166
Provision of general reserve	—	(22,000)
Reversal of provision of general reserve	22,000	—
Retirement of treasury stock	—	(18,328)
Total changes of items during the period	49	(73,534)
Balance at the end of current period	(11,575)	(11,625)
Total retained earnings		
Balance at the end of previous period	96,683	148,367
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(16,366)	(18,865)
Reversal of revaluation reserve for land	185	(3,907)
Reversal of reserve for special depreciation	—	—
Provision of reserve for reduction entry	—	—
Reversal of reserve for reduction entry	—	—
Provision of general reserve	—	—
Retirement of treasury stock	—	(18,328)
Total changes of items during the period	(22,098)	(51,683)
Balance at the end of current period	74,585	96,683
Treasury stock		
Balance at the end of previous period	(29)	(326)
Changes of items during the period		
Purchase of treasury stock	(4)	(18,032)
Retirement of treasury stock	—	18,328
Total changes of items during the period	(4)	296
Balance at the end of current period	(34)	(29)
Total shareholders' equity		
Balance at the end of previous period	165,243	216,630
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(16,366)	(18,865)
Reversal of revaluation reserve for land	185	(3,907)
Purchase of treasury stock	(4)	(18,032)
Retirement of treasury stock	—	—
Total changes of items during the period	(22,103)	(51,387)
Balance at the end of current period	143,139	165,243

	FY2010.3 (Apr. 1, 2009–Mar. 31, 2010)	FY2009.3 (Apr. 1, 2008–Mar. 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	19,655	48,583
Changes of items during the period		
Net changes of items other than shareholders' equity	14,070	(28,927)
Total changes of items during the period	14,070	(28,927)
Balance at the end of current period	33,725	19,655
Deferred gains or losses on hedges		
Balance at the end of previous period	(404)	201
Changes of items during the period		
Net changes of items other than shareholders' equity	239	(606)
Total changes of items during the period	239	(606)
Balance at the end of current period	(164)	(404)
Revaluation reserve for land		
Balance at the end of previous period	16,387	12,479
Changes of items during the period		
Net changes of items other than shareholders' equity	(185)	3,907
Total changes of items during the period	(185)	3,907
Balance at the end of current period	16,201	16,387
Total valuation and translation adjustments		
Balance at the end of previous period	35,637	61,264
Changes of items during the period		
Net changes of items other than shareholders' equity	14,125	(25,626)
Total changes of items during the period	14,125	(25,626)
Balance at the end of current period	49,763	35,637
Total net assets		
Balance at the end of previous period	200,880	277,894
Changes of items during the period		
Dividends from surplus	(5,917)	(10,581)
Net loss	(16,366)	(18,865)
Reversal of revaluation reserve for land	185	(3,907)
Purchase of treasury stock	(4)	(18,032)
Net changes of items other than shareholders' equity	14,125	(25,626)
Total changes of items during the period	(7,978)	(77,013)
Balance at the end of current period	¥192,902	¥200,880

Note: Figures of less than ¥1 million have been omitted.

(4) Notes Regarding Assumptions as a Going Concern

None applicable

6. Other

(1) Management Appointment and Resignations

See attachment.