YAMAHA CORPORATION

Interim Flash Report

Consolidated Basis

Results for the fiscal 2002 interim period ended September 30, 2001

Company name: YAMAHA CORPORATION
Code number: 7951
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Date of the interim meeting of the Board of Directors: November 16, 2001
Stock listings: Tokyo Stock Exchange (First Section), Osaka Securities Exchange (First Section),
Nagoya Stock Exchange (First Section)

The accounting methods used in this report are not consistent with U.S. standard accounting methods.

1. RESULTS FOR THE FY2002 INTERIM PERIOD (April 1, 2001 to September 30, 2001)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring profit	
	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)
FY2002 interim period (Ended Sept. 30, 2001)	¥248,778	(1.0)%	¥ 7,729	(38.6)%	¥ 7,520	(46.2)%
FY2001 interim period (Ended Sept. 30, 2000)	251,268	—	12,596	—	13,969	—
FY2001 (Ended March 31, 2001)	519,104		23,001		19,238	

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	(% change from the previous fiscal year)	Yen	Yen
FY2002 interim period (Ended Sept. 30, 2001)	¥ 7,234	(27.9)%	¥35.03	¥33.22
FY2001 interim period (Ended Sept. 30, 2000)	10,028	—	48.56	45.56
FY2001 (Ended March 31, 2001)	13,320		64.50	61.84

Notes: 1. Equity in net income of affiliates:
FY2002 interim period ended September 30, 2001 ¥2,309 million
FY2001 interim period ended September 30, 2000 ¥3,310 million
FY2001 ended March 31, 2001 ¥2,433 million
2. Average number of outstanding shares during the year (consolidated):
FY2002 interim period ended September 30, 2001 206,520,824 shares
FY2001 interim period ended September 30, 2000 206,517,979 shares
FY2001 ended March 31, 2001 206,518,383 shares
3. Changes in method of accounting: NONE

(2) Consolidated Financial Data

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2002 interim period (As of Sept. 30, 2001)	¥520,848	¥195,086	37.5%	¥944.63
FY2001 interim period (As of Sept. 30, 2000)	515,862	186,892	36.2	904.97
FY2001 (As of March 31, 2001)	522,486	196,733	37.7	952.62

Note: Number of outstanding shares at the end of the year (consolidated):

FY2002 interim period as of September 30, 2001 206,521,043 shares
FY2001 interim period as of September 30, 2000 206,517,359 shares
FY2001 as of March 31, 2001 206,518,127 shares

(3) Consolidated Cash Flows

	Cash flow 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
FY2002 interim period (Ended Sept. 30, 2001)	¥ (172)	¥(8,420)	¥(13,140)	¥37,853
FY2001 interim period (Ended Sept. 30, 2000)	(15,015)	(2,418)	17,001	32,721
FY2001 (Ended March 31, 2001)	(9,089)	(5,441)	12,987	32,725

(4) Matters Related to Consolidated Companies and Companies Accounted for Using the Equity Method

Number of consolidated subsidiaries: 76

Number of non-consolidated subsidiaries accounted for using the equity method: 0

Number of affiliated companies accounted for using the equity method: 3

(5) Changes in the Status of Consolidated Companies and Companies Accounted for Using the Equity Method

Consolidated companies:

Number of companies newly consolidated: 7

Number of companies removed from consolidation: 4

Equity method:

Number of companies newly accounted for using the equity method: 0

Number of companies removed from the equity method: 0

2. FORECASTS OF RESULTS FOR FY2002 (April 1, 2001 to March 31, 2002)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2002	¥505,000	10,000	9,000

Reference: Net income per share for the fiscal year is forecast to be ¥43.58 on a consolidated basis.

(References)

1. THE YAMAHA GROUP

The YAMAHA Group consists of YAMAHA CORPORATION in Japan, 104 subsidiaries and 17 affiliated companies and is involved in a wide range of businesses, including musical instruments, AV/IT products, lifestyle-related products, electronic equipment and metal products, recreation and other fields.

Our main products and main subsidiaries and affiliated companies, as well as their positioning, are as shown below.

Business segment	Major products & services	Major consolidated subsidiaries
Musical instruments	Pianos, Digital musical instruments, Wind instruments, String instruments, Percussion instruments, Educational musical instruments, Audio equipment, Music schools, English schools, Soundproof rooms, Content distribution and Piano tuning	Yamaha Music Tokyo Co., Ltd., and 11 other domestic musical instruments sales subsidiaries Yamaha Corporation of America Yamaha Canada Music Ltd. Yamaha Europa G.m.b.H Yamaha-Kemble Music (U.K.) Ltd. Yamaha Musique France S.A. P.T. Yamaha Music Manufacturing Asia Tianjin Yamaha Electronic Musical Instruments, Inc.
AV/IT products	Audio products and IT equipment	Yamaha Electronics Corporation, America Yamaha Elektronik Europa G.m.b.H Yamaha Electronics Manufacturing (M) Sdn. Bhd.
Lifestyle-related products	System kitchens, Bathrooms, Washstands, Furniture and Parts for housing facilities	Yamaha Livingtec Corporation
Electronic equipment and metal products	Semiconductors and Specialty metals	Yamaha Kagoshima Semiconductor Inc. Yamaha Metanix Corporation
Recreation	Sightseeing facilities, Accommodation facilities, Ski resorts and Sports facilities	Yamaha Resort Corporation Kiroro Development Corporation
Others	Golf and archery gear, Automobile interior components, FA and Metal molds	Yamaha Fine Technologies Co., Ltd.

2. MANAGEMENT POLICY

(1) Basic Management Policy

In the 21st century, YAMAHA CORPORATION will continue to grow as a company that works together with people throughout the world to enrich culture and create ***Kando****. To this end, the Company will expedite decision-making processes, improve its responsiveness to technological innovations and rapidly changing markets, and meet customer needs through the provision and development of high-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 competitive position in the global marketplace. Furthermore, by adapting to the proliferation of networks and information technology (IT) and working proactively to protect the environment, the Company will conduct its business in line with the three mottoes set forth in its medium-term management plan: “striving for growth,” “consolidated Group management,” and “value-added business, sparkling YAMAHA brand.”

**Kando* is a Japanese word meaning the inspiration of hearts and minds.

(2) Basic Dividend Policy

Under its basic dividend policy, YAMAHA is working hard to strengthen its management base, increase the profit ratio of shareholder capital, and pay regular, stable dividends. Internal capital reserves will be used to fund future business expansion, investment in R&D, and investment in plant and equipment with due consideration given to the Company’s business results and financial condition.

(3) Issues to be Faced and Medium- and Long-Term Strategies

In line with the slogan, “Creating ***Kando*** together,” YAMAHA will develop its businesses in the following ways.

1. YAMAHA’s operations are divided into three main business groups—Core Businesses, Lifestyle-Related and Leisure, and Electronic Parts and Materials—and for each group the Company has mapped out specific strategies to improve growth.

   (a) In the Core Businesses group, YAMAHA is raising its operational efficiency and pursuing an effective investment strategy aimed at growing and developing its businesses on a global scale.

   Within this Group, the Musical Instruments segment is strengthening its position in the market for music production equipment, implementing policies for the Chinese market, reorganizing its domestic sales network for musical instruments, and working to stimulate demand in the market for adult music education.

   In the AV/IT products segment, YAMAHA is developing products that represent the fusion of audiovisual and information technologies and pursuing a strategy aimed at expanding its share of the market for home theaters. In addition, the Company is implementing a new business model designed in accordance with structural changes that have occurred in the market for CD-R/RW drives and will take steps to promote sales, production, and procurement in China.

   In the electronic devices and related service segment, YAMAHA will work to expand its mobile phone audio chip business, improve its ringer melody distribution service, and develop products to meet the needs of next-generation mobile phones.

   In the area of content provision, YAMAHA will work to globalize its content delivery services and intensify efforts to expand its content-related businesses by entering into alliances and making full use of the resources at its disposal. Finally, in its media-related business, the Company will seek to stimulate the media market and create new business models.

   (b) The Lifestyle-Related and Leisure group is facing severe market conditions. As a result, YAMAHA will focus on improving the group’s revenues and prioritizing its business activities through a process of selective resource allocation.

   In the Lifestyle-Related Products segment, YAMAHA is responding to rising remodeling demand and working to increase its market share by implementing region-specific strategies.

   In the Recreation segment, the Company will continue to make structural improvements by delivering on plans to establish management subsidiaries for each of its resorts.

   (c) In the Electronic Parts and Materials group, YAMAHA will leverage the technologies developed in its Core Business group and will draw on all its business strengths to achieve balanced growth.

   In the electronic metals and FA and metallic molds businesses, the Company will continue to watch for signs of recovery in IT-related markets and strengthen its business structure by focusing on such areas as manufacturing and technology. In the interior automotive components and fittings segment, YAMAHA will cultivate new markets and strengthen the competitiveness of its products.

2. To strengthen the Group’s consolidated management, YAMAHA is working to rebuild its backbone system and promote the implementation of global production strategies, procurement systems, and quality management systems. In addition, the Company is strengthening its patent procurement system and adopting patenting strategies adapted to IT and digitization, establishing an efficient distribution system, and promoting law-abiding management practices across the entire Group.

   By implementing the measures outlined above, YAMAHA is aiming for a 9% return on equity over the medium-to-long term.

3. BUSINESS RESULTS

(1) Interim Period Summary

During the fiscal 2002 interim period, ended September 30, 2001, the Japanese economy continued to weaken due to decreases in private capital and housing investment and persistently lackluster consumer spending. In addition, the terrorist incidents in the United States, which occurred during a global economic slowdown, have made future prospects even more uncertain.

In the midst of this environment, the Company has steadily worked to enhance the value of its brand, strengthen the YAMAHA Group's consolidated management, and achieve continuous growth in line with its medium-term management plan, "***Kando*** Creation 21." However, due to unexpectedly sluggish domestic market conditions and faltering IT-related demand, consolidated net sales for the interim period decreased 1.0% from the previous interim term, to ¥248,778 million. Of this, domestic sales totaled ¥148,372 million, down 3.5% from the previous interim term, and overseas sales increased 3.0%, to ¥100,406 million.

On a consolidated basis, recurring profit decreased 46.2% compared with the previous interim term, to ¥7,520 million, while net income fell 27.9%, to ¥7,234 million.

(2) Performance by Segment

Musical Instruments

During the interim period, markets in the United States and other countries continued to weaken; however, as this was offset by favorable currency exchange rates due to the weak yen, overseas sales remained steady. In Japan, sales were sluggish due to persistent weakness in the domestic market. In the field of education, music school sales fell slightly, while sales from English-language instruction schools grew steadily due to an increase in student enrollment, especially in children's courses. Income from content delivery grew substantially owing to the continued expansion of the Company's ringer melody distribution service.

Due to these factors, segment sales amounted to ¥144,650 million, a 1.5% increase from the same period of the previous year, and operating income totaled ¥3,845 million, a 58.1% decrease.

AV/IT

In audio products, sales of products related to home theaters grew. Furthermore, YAMAHA entered the visual entertainment market with a new video projector. In the information and telecommunications device product category, sales of ISDN routers remained strong but stagnation in IT-related fields exerted downward pressure on the prices of CD-R/RW drives, resulting in lower sales.

Due to these factors, segment sales totaled ¥41,573 million, a 2.2% decrease from the previous interim term, and operating income reached ¥1,198 million, a 137.5% increase.

Lifestyle-Related Products

Since fiscal 2001, the number of housing starts has decreased and price competition has continued to intensify, resulting in severe market conditions. Against this background, although sales fell slightly, income increased due to enhanced production efficiency.

Due to these factors, segment sales totaled ¥23,795 million, down 1.7% from the previous interim term, and operating income reached ¥1,007 million, shooting up 53.6%.

Electronic Equipment and Metal Products

In semiconductors, sales of audio chips for mobile phones increased substantially; however, as sales of other semiconductor products were adversely impacted by difficult market conditions, overall sales decreased.

In the electronic metals product category, faltering demand in the semiconductor market hampered sales of nickel and copper lead frame materials.

Due to these factors, sales for the segment totaled ¥18,370 million, a 17.1% decrease compared with the previous interim term, and operating income amounted to ¥2,615 million, a 21.0% decrease compared with the previous interim term.

Recreation

Despite stagnation in the Japanese tourism industry, the number of customers using Yamaha's services increased, helping to offset a reduction in the amount of spending per customer and contributing to steady sales for the segment. In addition, by increasing the efficiency of its business practices, the Company improved the segment's income.

Due to these factors, sales for the segment totaled ¥10,756 million, a 3.5% increase from the previous interim term, and an operating loss of ¥843 million was recorded, compared with an operating loss of ¥1,094 million for the previous interim term.

Others

Sales of golf products were sluggish; sales of FA products and metallic molds decreased; and sales of automotive interior components increased steadily.

Due to these factors, segment sales reached ¥9,631 million, a 2.1% increase from the previous interim term, and operating loss amounted to ¥94 million, compared with an operating profit of ¥40 million during the previous interim term.

Results by Region

In Japan, sales totaled ¥156,372 million, down 4.0% from the previous interim term, and operating income fell 21.5%, to ¥7,126 million. In North America, sales were ¥42,222 million, an increase of 3.1%, and operating income was ¥1,349 million, down 57.0%. In Europe, sales amounted to ¥33,774 million, edging up 1.3%, and operating loss was ¥260 million, compared with an operating loss of ¥176 million during the previous interim term. In the Asia, Oceania, and Other region, sales expanded 16.5%, to ¥16,408 million, and operating income totaled ¥1,885 million, growing 32.7%.

(3) Forecast for the Full Fiscal Year

In light of domestic economic conditions, which are showing no sign of recovery, the ongoing weakening of the U.S. economy, and fears concerning the impact of terrorism on business performance, improvements in the Company's operating environment are not expected. Furthermore, as YAMAHA must reduce the size of its inventories, which have increased due to lower sales, income is expected to decrease.

Due to these factors, the Company expects to record consolidated net sales of ¥505,000 million, a 2.7% decrease from the previous fiscal year; consolidated recurring profits of ¥10,000 million, an 48.0% decrease; and consolidated net income of ¥9,000 million, a 32.4% decrease.

CAUTIONARY INFORMATION WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	FY2002 interim period (as of Sept. 30, 2001)	FY2001 interim period (as of Sept. 30, 2000)	FY2001 (as of Mar. 31, 2001)
ASSETS			
Current assets:			
Cash and bank deposits	**¥ 38,181**	¥ 32,844	¥ 32,885
Notes and accounts receivable	**82,307**	84,363	88,466
Marketable securities	**1,134**	1,138	1,349
Inventories	**104,485**	92,225	97,664
Deferred income taxes	**10,071**	9,947	9,201
Other current assets	**4,597**	4,280	5,094
Allowance for doubtful accounts	**(2,713)**	(2,857)	(2,788)
Total current assets	**238,062**	221,942	231,872
Fixed assets:			
Tangible assets			
Buildings and structures	**78,496**	78,732	77,617
Machinery and equipment	**23,611**	24,042	23,664
Tools, furniture and fixtures	**13,487**	10,641	10,852
Land	**49,034**	48,523	48,619
Construction in progress	**2,124**	1,926	2,363
Total tangible assets	**166,754**	163,866	163,117
Intangible assets	**1,244**	1,080	1,047
Investments and other assets			
Investment securities	**76,758**	85,103	84,980
Deferred income taxes	**28,107**	30,320	28,876
Other assets	**10,974**	14,703	13,678
Allowance for doubtful accounts	**(1,054)**	(1,153)	(1,086)
Total investments and other assets	**114,786**	128,973	126,449
Total fixed assets	**282,785**	293,920	290,614
Total assets	**¥520,848**	¥515,862	¥522,486

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

	Millions of yen		
	FY2002 interim period (as of Sept. 30, 2001)	FY2001 interim period (as of Sept. 30, 2000)	FY2001 (as of Mar. 31, 2001)
LIABILITIES			
Current liabilities:			
Notes and accounts payable	**¥ 42,129**	¥ 51,379	¥ 48,924
Short-term loans	**71,997**	61,334	58,349
Current portion of long-term debt	**9,127**	6,590	10,160
Accrued expenses	**37,029**	37,580	40,888
Various reserves	**3,537**	2,820	3,234
Other current liabilities	**10,351**	12,989	13,814
Total current liabilities	**174,173**	172,694	175,371
Long-term liabilities:			
Convertible bonds	**24,317**	24,317	24,317
Long-term debt	**14,242**	14,183	10,478
Accrued employees' retirement benefits	**65,163**	69,736	67,250
Directors' retirement benefits	**780**	728	792
Long-term deposits received	**39,858**	41,052	40,592
Other fixed liabilities	**3,160**	3,132	3,231
Total long-term liabilities	**147,522**	153,150	146,662
Total liabilities	**321,696**	325,845	322,034
MINORITY INTERESTS	**4,065**	3,124	3,718
SHAREHOLDERS' EQUITY			
Common stock	**28,533**	28,533	28,533
Additional paid-in capital	**26,924**	26,924	26,924
Reserve for land revaluation	**8,118**	8,301	8,269
Retained earnings	**175,974**	168,289	170,496
Net unrealized holding gains/losses on other securities	**(6,802)**	354	308
Translation adjustments	**(37,659)**	(45,505)	(37,794)
	195,089	186,898	196,739
Treasury stock, at cost	**(2)**	(5)	(5)
Total shareholders' equity	**195,086**	186,892	196,733
Total liabilities and shareholders' equity	**¥520,848**	¥515,862	¥522,486

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

(2) Consolidated Statement of Operations

	FY2002 interim period (Apr. 1, 2001– Sept. 30, 2001)		FY2001 interim period (Apr. 1, 2000– Sept. 30, 2000)		FY2001 (Apr. 1, 2000– Mar. 31, 2001)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	**¥248,778**	**100.0**	¥251,268	100.0	¥519,104	100.0
Cost of sales:	**166,170**	**66.8**	165,760	66.0	346,419	66.7
Gross profit	**82,608**	**33.2**	85,507	34.0	172,684	33.3
Unrealized profit	**117**		59		219	
Total gross profit	**82,725**	**33.2**	85,567	34.0	172,904	33.3
Selling, general and administrative expenses:						
Sales commissions	**1,258**		1,177		2,542	
Transport expense	**5,951**		5,797		11,848	
Advertising and sales promotion expenses	**10,875**		10,167		22,052	
Various reserves	**3,538**		3,033		7,271	
Personnel expenses	**30,270**		29,401		58,131	
Rent	**2,503**		2,405		4,953	
Depreciation and amortisation	**2,816**		3,347		6,712	
Other	**17,781**		17,640		36,388	
Total selling, general and administrative expenses	**74,995**	**30.1**	72,970	29.0	149,902	28.9
Operating income	**7,729**	**3.1**	12,596	5.0	23,001	4.4
Non-operating income:						
Interest received	**267**		282		579	
Dividends received	**213**		350		558	
Equity in earnings of unconsolidated subsidiaries and affiliates	**2,309**		3,310		2,434	
Other	**848**		1,061		1,761	
Total non-operating income	**3,638**		5,004		5,333	
Non-operating expenses:						
Interest paid	**1,493**		1,303		3,014	
Cash discounts	**2,043**		2,010		4,391	
Equity in loss of unconsolidated subsidiaries and affiliates	**—**		—		0	
Other	**310**		318		1,691	
Total non-operating expenses	**3,847**		3,632		9,097	
Recurring profit	**7,520**	**3.0**	13,969	5.6	19,238	3.7
Other profit:						
Gain on sale of fixed assets	**22**		3,420		5,795	
Reversal of allowances	**100**		191		381	
Gain on sale of investment securities	**1,479**		1,933		3,152	
Total other profit	**1,602**		5,544		9,329	
Other loss:						
Loss on removal of fixed assets	**448**		383		1,709	
Loss from revaluation on investment securities	**249**		210		513	
Loss on revaluation of stock in subsidiaries	**211**		—		—	
Loss from revaluation on golf club membership	**—**		20		32	
Cumulative effect of accounting change with respect to prior service cost of the pension plan	**—**		2,820		2,820	
Total other loss	**908**		3,433		5,075	
Income before income taxes and minority interests	**8,214**	**3.3**	16,080	6.4	23,491	4.5
Current income taxes (benefit)	**560**		1,586		2,900	
Deferred income taxes (benefit)	**259**		4,332		6,826	
Minority interests	**160**		133		444	
Net income	**¥ 7,234**	**2.9**	¥ 10,028	4.0	¥ 13,320	2.6

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

(3) Consolidated Statements of Retained Earnings

	Millions of yen					
	FY2002 interim period (Apr. 1, 2001– Sept. 30, 2001)		FY2001 interim period (Apr. 1, 2000– Sept. 30, 2000)		FY2001 (Apr. 1, 2000– Mar. 31, 2001)	
Balance at beginning of period		**¥170,496**		¥157,962		¥157,962
Additional retained earnings:						
Effect of change in scope of consolidation	**¥477**		¥957		¥ 957	
Reversal of reserve for land revaluation	**151**	**625**	30	988	62	1,019
Deduction from retained earnings:						
Effect of change in scope of consolidation	**607**		23		23	
Effect of change in interests in subsidiaries	**946**		45		542	
Cash dividends paid	**826**		619		1,239	
Bonuses to directors and statutory auditors	**1**	**2,381**	1	689	1	1,806
Net income		**7,234**		10,028		13,320
Balance at end of period		**¥175,974**		¥168,289		¥170,496

(4) Consolidated Statements of Cash Flows

	Millions of yen		
	FY2002 interim period (Apr. 1, 2001– Sept. 30, 2001)	FY2001 interim period (Apr. 1, 2000– Sept. 30, 2000)	FY2001 (Apr. 1, 2000– Mar. 31, 2001)
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 8,214**	¥16,080	¥23,491
Depreciation and amortization	**9,517**	8,798	17,310
Amortization of consolidation goodwill	**70**	69	138
Allowance for doubtful accounts	**(236)**	182	(126)
Loss from revaluation of investment securities	**249**	210	513
Loss on revaluation of stock in subsidiaries	**211**	—	—
Loss from revaluation of golf club membership fees	**—**	20	32
Employees' retirement benefits, net of payments	**(2,070)**	1,424	(957)
Interest and dividend income	**(480)**	(633)	(1,137)
Interest expenses	**1,493**	1,303	3,014
Net loss (gain) on foreign exchange	**6**	(169)	879
Equity in earnings of unconsolidated subsidiaries and affiliates	**(2,309)**	(3,310)	(2,433)
Gain on sale of investment securities	**(1,479)**	(1,933)	(3,152)
Gains on sale of fixed assets	**(22)**	(3,420)	(5,795)
Loss on disposal of fixed assets	**448**	383	1,709
Increase (decrease) in accounts and notes receivable—trade	**7,801**	(8,357)	(8,058)
Decrease in inventories	**(5,659)**	(15,056)	(14,863)
Decrease in accounts and notes payable	**(9,514)**	(1,325)	(5,669)
Decrease in employee savings account	**—**	(8,378)	(8,381)
Other, net	**(3,821)**	1,225	(684)
Subtotal	**2,419**	(12,885)	(4,170)
Interest and dividends receivable	**524**	624	1,113
Interest paid	**(1,461)**	(1,397)	(2,938)
Refundable income taxes, net of payment	**(1,654)**	(1,356)	(3,094)
Net cash used in operating activities	**(172)**	(15,015)	(9,089)
Cash flows from investing activities:			
Purchases of fixed assets	**(9,362)**	(7,883)	(15,082)
Proceeds from sale of fixed assets	**208**	6,196	9,137
Purchases of investment securities	**(818)**	(3,102)	(3,546)
Proceeds from sale of investment securities	**1,549**	2,076	3,381
Payment for loans receivable	**(637)**	(134)	(255)
Collection of loans receivable	**636**	425	905
Other, net	**1**	4	18
Net cash used in investing activities	**(8,420)**	(2,418)	(5,441)
Cash flows from financing activities:			
Decrease in short-term loans	**12,222**	18,340	13,534
Proceeds from long-term debt	**6,688**	8,364	8,112
Repayments of long-term debt	**(4,471)**	(8,860)	(7,197)
Cash dividends paid	**(826)**	(619)	(1,239)
Cash dividends paid to minority shareholders	**(463)**	(242)	(242)
Proceeds from stock issued to minority shareholders	**—**	22	22
Other, net	**(8)**	(3)	(3)
Net cash provided by financing activities	**13,140**	17,001	12,987
Effect of exchange rate changes on cash and cash equivalents	**(444)**	(229)	887
Net increase (decrease) in cash and cash equivalents	**4,103**	(660)	(656)
Cash and cash equivalents at beginning of period	**32,725**	33,632	33,632
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	**1,025**	351	351
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation	**—**	(602)	(602)
Cash and cash equivalents at end of period	**¥37,853**	¥32,771	¥32,725

(5) Basic Items for the Preparation of the Consolidated Financial Statement

1. Scope of Consolidation

Consolidated subsidiaries: 76 corporations

During the fiscal 2002 interim period, a total of seven subsidiaries, (three overseas subsidiaries and four Japanese subsidiaries) were brought into the consolidated group. In addition, four Japanese subsidiaries were removed from the consolidated group.

The names of major consolidated subsidiaries are listed in “1. The YAMAHA Group.”

The effect of the assets, net sales, net income/loss and retained earnings of Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries on the consolidated financial results was immaterial.

2. Application of Equity Method

Of Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries, Yamaha Motor Co., Ltd. and 2 other affiliates are accounted for by the equity method.

As for Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries and Yamaha–Olin Metal Corporation, and other affiliates to which the equity method has not been applied, the effect of their net income/loss and retained earnings on the consolidated financial results was immaterial.

3. Fiscal Year of Consolidated Subsidiaries

Settlement days for consolidated subsidiaries, with the exception of the following 21 companies, are all the same as that for the Company.

P.T. Yamaha Indonesia
P.T. Yamaha Music Indonesia (Distributor)
P.T. Yamaha Music Manufacturing Indonesia
P.T. Yamaha Music Manufacturing Asia
P.T. Yamaha Musical Products Indonesia
P.T. Yamaha Electronics Manufacturing Indonesia
Yamaha de Mexico, S. A. de C. V.
Yamaha Electronics Manufacturing (M) Sdn, Bhd.
Tianjin Yamaha Electronic Musical Instruments, Inc.
Guanzhou Yamaha–Pearl River Piano Inc.
Xiaoshan Yamaha Musical Instrument Co., Ltd.
Yamaha Music (Asia) PTE. LTD. (and 9 other corporations)

The financial statements of the above 21 companies, all of whose fiscal year-end is June 30, are included in the consolidated financial statements on the basis of their fiscal year after making appropriate adjustments for significant transactions during the period from their fiscal year-end to the date of the Company’s fiscal year-end.

4. Accounting Standards

a) Basis and Method of Evaluation of Significant Assets

Marketable securities

Securities to be held until maturity .... At amortized cost (straight-line method)

Other marketable securities

With market value .... At fair value (changes in fair value are recorded in a separate component of shareholders’ equity in an amount of net of tax, and the periodic average method is used to calculate the original cost)

Without market value .... At cost, determined by the periodic average method

Derivatives .... All fair value

Inventories

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

b) Method of Depreciation

Tangible fixed assets

Mainly calculated by the declining-balance method except that certain consolidated subsidiaries employ the straight-line method at rates based on the estimated useful lives of the respective assets.

Useful lives of tangible fixed assets are as follows:
Buildings: 31-50 years (attachment facilities are mainly 15 years)
Structures: 10-30 years
Machinery and Equipment: 4-11 years
Tools, furniture and fixtures: 5-6 years (metallic molds are mainly two years)

c) Accounting for Reserves and Benefits

Allowance for doubtful accounts

The amount of allowance for normal accounts is determined based on past write-off experience, and the amount of allowance for doubtful accounts is determined based on a review of the collectibility of individual receivables.

Accrued employees' retirement benefits

Accrued employees' retirement benefits are provided on an accrual basis based on the projected retirement benefit obligation and the pension fund assets calculated using various actuarial assumptions as of the end of the interim period.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Directors' retirement benefits

Directors' retirement benefits are provided at 100% of the amount that would be required as of the balance sheet date based on the Company' s internal rules.

d) Foreign Currency Transactions

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 other 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. Translation adjustments are presented as a component of shareholders' equity and minority interests.

e) Accounting for Lease Transactions

Lease agreements are generally accounted for as operating leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

f) Hedge Accounting

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.

2. Hedged Items and Hedging Instruments

Hedged items	Forward foreign exchange contracts, purchased options with foreign currency-denominated put and yen-denominated call
Hedging instruments	Receivables and payables denominated in foreign currencies and anticipated transactions denominated in foreign currencies

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.

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 is clear; therefore, there is no need to evaluate such effectiveness.

g) Accounting for Consumption Tax

Income and expenses are recorded net of consumption tax.

5. Scope of Cash Equivalents in Consolidated Statements of Cash Flows

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.

(6) Additional Information

Accounting Standard for Financial Instruments

Effective the year beginning April 2001, the Company adopted a new accounting standard for other securities with quoted market price. ("Opinion Concerning the Establishment of an Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council (the "BADC") on January 22, 1999) As a result, the Company and its unconsolidated subsidiaries and affiliates accounted for by the equity method recorded net unrealized holding losses on other securities of ¥6,802 million.

(7) Other Notes

Notes to the Consolidated Balance Sheets

	At September 30, 2001	At September 30, 2000	At March 31, 2001
1. Accumulated Depreciation	¥221,095 million	¥206,107 million	¥210,744 million
2. Mortgaged Assets			
Of cash and bank deposits	¥ 30 million	¥ 30 million	¥ 30 million
Of marketable securities	739 million	889 million	1,149 million
Of tangible fixed assets	16,662 million	16,208 million	16,316 million
Of investments and other assets	1,807 million	1,789 million	1,449 million
Total	¥19,239 million	¥18,927 million	¥18,945 million
3. Contingent Liabilities	¥50 million	¥168 million	¥229 million
4. Discount on Export Bills Receivable	¥1,270 million	¥1,506 million	¥1,404 million

5. Accounting for Matured Notes at the End of the Year

Although the closing date of the current interim period was a holiday for financial institutions, the following notes, which matured on that date, were excluded from the balance of the notes at the end of the year as if they had been settled on a maturity basis.

	At September 30, 2001	At September 30, 2000	At March 31, 2001
Notes receivable	¥2,532 million	¥1,828 million	¥2,328 million
Notes payable	974 million	925 million	1,187 million

Notes to the Statements of Income

	At September 30, 2001	At September 30, 2000	At March 31, 2001
Significant components of reversal of allowances:			
Allowance for doubtful accounts	¥ 44 million	¥ 192 million	¥ 72 million
Accrued employees' retirement benefits	2,261 million	1,620 million	4,354 million
Directors' retirement benefits	74 million	176 million	234 million

Notes to the Statements of Cash Flows

Reconciliation between Cash and Cash Equivalents and Cash and Bank Deposits in the Consolidated Balance Sheets

	At September 30, 2001	At September 30, 2000	At March 31, 2001
Cash and bank deposits	¥38,181 million	¥32,844 million	¥32,885 million
Time deposits with a maturity of more than three months	(327) million	(122) million	(160) million
Cash and cash equivalents	¥37,853 million	¥32,721 million	¥32,725 million

6. SEGMENT INFORMATION

(1) Business Segments (FY2002 interim period ended September 30, 2001)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	**¥144,650**	**¥41,573**	**¥23,795**	**¥18,370**	**¥10,756**	**¥9,631**	**¥248,778**	**¥ —**	**¥248,778**
Intersegment sales or transfers	**—**	**—**	**—**	**1,421**	**—**	**—**	**1,421**	**(1,421)**	**—**
Total sales	**144,650**	**41,573**	**23,795**	**19,792**	**10,756**	**9,631**	**250,200**	**(1,421)**	**248,778**
Operating expenses	**140,804**	**40,374**	**22,788**	**17,176**	**11,600**	**9,726**	**242,470**	**(1,421)**	**241,048**
Operating income (loss)	**¥ 3,845**	**¥ 1,198**	**¥ 1,007**	**¥ 2,615**	**¥ (843)**	**¥ (94)**	**¥ 7,729**	**¥ —**	**¥ 7,729**

Notes: 1. Business Sectors:
Divided into the categories of musical instruments, AV/IT products, lifestyle-related products, electronic equipment and metal products, recreation and other based on consideration of similarities of product type, characteristics and market, etc.
2. Major products and services of each business segmentare shown in “1. The Yamaha Group” on page 3.

(FY2001 interim period ended September 30, 2000)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥142,551	¥42,519	¥24,209	¥22,159	¥10,393	¥9,435	¥251,268	¥ —	¥251,268
Intersegment sales or transfers	—	—	892	2,375	—	—	3,268	(3,268)	—
Total sales	142,551	42,519	25,102	24,535	10,393	9,435	254,536	(3,268)	251,268
Operating expenses	133,369	42,014	24,446	21,225	11,488	9,395	241,940	(3,268)	238,671
Operating income (loss)	¥ 9,181	¥ 504	¥ 655	¥ 3,309	¥(1,094)	¥ 40	¥12,596	¥ —	12,596

(FY2001 ended March 31, 2001)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥284,901	¥100,197	¥46,944	¥43,221	¥21,771	¥22,067	¥519,104	¥ —	¥519,104
Intersegment sales or transfers	—	—	1,661	3,803	—	—	5,464	(5,464)	
Total sales	284,901	100,197	48,605	47,025	21,771	22,067	524,569	(5,464)	519,104
Operating expenses	272,610	96,293	47,712	40,371	23,055	21,524	501,567	(5,464)	496,102
Operating income (loss)	¥ 12,290	¥ 3,904	¥ 892	¥ 6,654	¥(1,283)	¥ 543	¥ 23,001	¥ —	23,001

(2) Geographical Segments (FY2002 interim period ended September 30, 2001)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	**¥156,372**	**¥42,222**	**¥33,774**	**¥16,408**	**¥248,778**	**¥ —**	**¥248,778**
Intersegment sales or transfers	**79,185**	**562**	**267**	**34,867**	**114,883**	**(114,883)**	**—**
Total sales	**235,558**	**42,784**	**34,042**	**51,275**	**363,662**	**(114,883)**	**248,778**
Operating expenses	**238,432**	**41,434**	**34,303**	**49,390**	**353,561**	**(112,512)**	**241,048**
Operating income (loss)	**¥ 7,126**	**¥ 1,349**	**¥ (260)**	**¥ 1,885**	**¥ 10,100**	**¥ (2,370)**	**¥ 7,729**

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, U.K.
Asia, Oceania and other areas: Singapore, Australia

(FY2001 interim period ended September 30, 2000)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥162,859	¥40,962	¥33,355	¥14,090	¥251,268	¥ —	¥251,268
Intersegment sales or transfers	80,981	1,000	261	25,618	107,861	(107,861)	—
Total sales	243,840	41,963	33,617	39,708	359,129	(107,861)	251,268
Operating expenses	234,768	38,825	¥33,793	38,287	345,675	(107,003)	238,671
Operating income (loss)	¥ 9,072	¥ 3,137	¥ (176)	¥ 1,421	¥ 13,454	¥ (857)	¥ 12,596

(FY2001 ended March 31, 2001) (Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥327,414	¥89,546	¥72,719	¥29,423	¥519,104	¥ —	¥519,104
Intersegment sales or transfers	150,541	1,630	603	65,043	217,819	(217,819)	—
Total sales	477,956	91,177	73,323	94,466	736,924	(217,819)	519,104
Operating expenses	464,552	85,421	71,975	91,434	713,384	(217,281)	496,102
Operating income (loss)	¥ 13,404	¥ 5,755	¥ 1,348	¥ 3,032	¥ 23,539	¥ (538)	¥ 23,001

(3) Overseas Sales (FY2002 interim period ended September 30, 2001)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	**¥43,019**	**¥33,872**	**¥23,514**	**¥100,406**
Net sales				**248,778**
% of net sales	**17.3%**	**13.6%**	**9.5%**	**40.4%**

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, U.K.
Asia, Oceania and other areas: Singapore, Australia

(FY2001 interim period ended September 30, 2000) (Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥42,233	¥33,464	¥21,789	¥ 97,487
Net sales				251,268
% of net sales	16.8%	13.3%	8.7%	38.8%

(FY2001 ended March 31, 2001) (Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥91,720	¥72,957	¥45,886	¥210,565
Net sales				519,104
% of net sales	17.7%	14.1%	8.8%	40.6%