



CONSOLIDATED FINANCIAL REPORT 1999
Year ended March 31, 1999

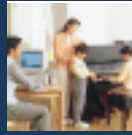
C O R P O R A T E D E S C R I P T I O N

The forerunner of Yamaha Corporation was founded in 1887 by Torakusu Yamaha. On October 12, 1897, Nippon Gakki, Co., Ltd., was incorporated (the corporate name was changed to Yamaha Corporation on the occasion of its 100th anniversary), and Yamaha celebrated its 110th year of operation in 1997.

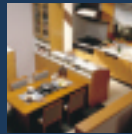
Yamaha is one of the world's leading manufacturers of pianos; electronic musical instruments; and wind, string, and percussion instruments. At the same time, the Company has grown through a broad spectrum of business activities, including electronic devices and equipment, professional audio equipment, and audiovisual equipment.

To continue growing in the 21st century, The Yamaha Group will make a concerted effort to become a truly global enterprise that fulfills its corporate mission of contributing to enriching the quality of life of people worldwide.

B U S I N E S S S E G M E N T S



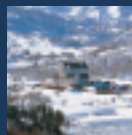
MUSICAL INSTRUMENTS AND AUDIO PRODUCTS



FURNITURE AND HOUSEHOLD PRODUCTS



ELECTRONIC EQUIPMENT AND METAL PRODUCTS



RECREATION



OTHERS

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FINANCIAL HIGHLIGHTS

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen (except where indicated)				
	1999	1998	1997	1996	1995
NONCONSOLIDATED:					
Net sales	¥391,951	¥417,218	¥402,910	¥383,134	¥338,949
Recurring profit (loss)	(12,586)	11,429	15,068	13,649	6,291
Net income (loss)	(13,711)	5,068	7,401	7,187	2,415
Stated capital	28,533	28,533	28,533	16,525	16,525
Number of shares outstanding	206,523,263	206,523,263	206,523,263	194,080,355	194,080,355
Shareholders' equity	148,835	164,665	161,726	131,927	125,904
Total assets	307,595	317,137	326,953	314,449	293,486
Shareholders' equity ratio (%)	48.4	51.9	49.5	42.0	42.9
Shareholders' equity per share (yen)	720.67	797.32	783.09	679.76	648.72
Cash dividends per share (yen)	6	10	9	7	6
[of which interim cash dividends per share]	5	5	4	3	3
Net income (loss) per share (yen)	(66.39)	24.54	37.87	37.03	12.45
Net income per share after full dilution (yen)	—	24.22	35.24	34.59	—
Dividend payout ratio (%)	—	40.7	24.4	18.9	48.2
Number of employees	9,044	9,281	9,324	9,872	10,317
CONSOLIDATED:					
Net sales	¥563,751	¥608,990	¥604,746	¥531,236	¥482,554
Recurring profit (loss)	(3,695)	19,015	24,389	20,034	8,784
Net income (loss)	(15,879)	13,475	14,066	9,430	5,339
Shareholders' equity	214,896	231,940	219,970	169,186	157,238
Total assets	532,852	544,465	549,162	513,905	471,105
Shareholders' equity per share (yen)	1,040.56	1,123.09	1,065.17	871.76	810.18
Net income (loss) per share (yen)	(76.89)	65.25	71.97	48.59	27.51
Net income per share after full dilution (yen)	—	62.86	65.83	44.89	—

Notes: 1) Figures for nonconsolidated and consolidated net sales do not include national consumption taxes.

2) Interim cash dividends for the fiscal year ended March 31, 1999, were decided at the Board of Directors meeting on November 12, 1998.

3) Nonconsolidated net income per share after full dilution (yen) for the fiscal year ended March 31, 1999 is not presented because nonconsolidated net loss for the year then ended was recorded.

4) Consolidated net income per share after full dilution (yen) for the fiscal year ended March 31, 1999 is not presented because of the same reason as note 3) above on a consolidation basis.

C O N S O L I D A T E D B A L A N C E S H E E T S

YAMAHA Corporation and Consolidated Subsidiaries
March 31, 1999 and 1998

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Current assets:			
Cash and bank deposits (Note 4)	¥18,031	¥20,871	\$149,573
Marketable securities (Note 4)	4,056	1,721	33,646
Notes and accounts receivable:	91,649	92,928	760,257
Less: Allowance for doubtful accounts.....	(4,022)	(4,345)	(33,364)
	87,627	88,583	726,893
Inventories	91,095	95,705	755,662
Refundable income taxes.....	653	3,393	5,417
Prepaid expenses and other current assets.....	11,447	7,131	94,956
Total current assets	212,911	217,408	1,766,163
Property, plant and equipment, net of accumulated depreciation (Notes 3 and 4):			
Land	45,449	45,305	377,014
Buildings and structures.....	89,327	91,544	740,995
Machinery and equipment	57,042	59,475	473,181
Construction in progress.....	4,674	5,989	38,772
Property, plant and equipment, net of accumulated depreciation.....	196,494	202,316	1,629,979
Investments and other assets:			
Investment securities (Note 4)	27,727	34,107	230,004
Investments in and advances to unconsolidated subsidiaries and affiliates.....	47,675	48,270	395,479
Valuation reserve for investment securities and investments in unconsolidated subsidiaries and affiliates.....	(3,134)	(2,147)	(25,998)
Long-term loans receivable.....	4,016	3,499	33,314
Lease deposits	5,694	5,881	47,234
Other assets.....	4,729	5,391	39,229
Total investments and other assets	86,707	95,002	719,262
Translation adjustments.....	36,739	29,737	304,762
Total assets	¥532,852	¥544,465	\$4,420,174

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Current liabilities:			
Short-term loans	¥49,853	¥45,782	\$ 413,546
Current portion of long-term debt (Note4)	6,253	8,781	51,871
Notes and accounts payable:	49,969	43,021	414,509
Accrued expenses	53,066	51,434	440,199
Income taxes payable	3,576	5,978	29,664
Employees' savings deposits	10,263	10,631	85,135
Advances received	5,829	7,819	48,353
Other current liabilities	10,570	7,958	87,681
Total current liabilities	189,386	181,409	1,571,016
Long-term liabilities:			
Long-term debt (Note4)	41,212	41,871	341,866
Retirement benefits (Note6)	38,010	40,264	315,305
Long-term deposits received	42,096	41,921	349,200
Other long-term liabilities	3,038	3,498	25,201
Total long-term liabilities	124,358	127,555	1,031,589
Minority interests	4,211	3,559	34,932
Contingent liabilities (Note7)			
Shareholders' equity (Notes5 and 11):			
Common stock, ¥50 par value:			
Authorized— 700,000,000 shares;			
Issued — 206,523,263 shares	28,533	28,533	236,690
Additional paid-in capital	26,924	26,924	223,343
Legal reserve (Note1(m))	—	3,718	—
Retained earnings	159,441	172,767	1,322,613
	214,900	231,944	1,782,663
Treasury stock, at cost	(3)	(3)	(25)
Total shareholders' equity, net	214,896	231,940	1,782,630
Total liabilities and shareholders' equity	¥532,852	¥544,465	\$4,420,174

CONSOLIDATED STATEMENTS OF OPERATIONS

YAMAHA Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Net sales	¥563,751	¥608,990	\$4,676,491
Cost of sales	402,239	416,435	3,336,698
Gross profit.....	161,511	192,556	1,339,784
Selling, general and administrative expenses (Note 6)	161,608	168,452	1,340,589
Operating income (loss)	(97)	24,103	(805)
Other income (expenses):			
Interest and dividend income.....	1,070	2,074	8,876
Interest expense and discounts on notes	(3,449)	(3,181)	(28,611)
Sales rebates	(4,155)	(4,147)	(34,467)
Loss on foreign exchange	(121)	(1,228)	(1,004)
Gain on sale of marketable and investment securities, net	138	1,880	1,145
Loss on sale or disposal of properties, net	(1,963)	(691)	(16,284)
Equity in earnings of unconsolidated subsidiaries and affiliates (Note1(m))	3,366	—	27,922
Early retirement benefit	(1,517)	—	(12,584)
Other, net.....	196	183	1,626
	(6,434)	(5,108)	(53,372)
Income before income taxes, minority interests, amortization and equity in loss	—	18,995	—
Income (loss) before income taxes, minority interests.....	(6,532)	—	(54,185)
Income taxes	8,869	9,982	73,571
Income before minority interests, amortization and equity in earnings.....	—	9,013	—
Income (loss) before minority interests.....	(15,401)	—	(127,756)
Minority interests in earnings of consolidated subsidiaries	477	485	3,957
Amortization of excess of cost over net assets acquired (Note1(m))	—	97	—
Equity in earnings of unconsolidated subsidiaries and affiliates (Note1(m))	—	5,046	—
Net income (loss).....	¥ (15,879)	¥ 13,475	\$ (131,721)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YAMAHA Corporation and Consolidated Subsidiaries
Years ended March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	1999	1998	1999
Common stock			
Balance at beginning of year (1999— 206,523,263 shares; 1998— 206,523,263 shares)	¥ 28,533	¥ 28,533	\$ 236,690
Balance at end of year (1999— 206,523,263 shares; 1998— 206,523,263 shares)	¥ 28,533	¥ 28,533	\$ 236,690
Additional paid-in capital (Note 5)			
Balance at beginning of year.....	¥ 26,924	¥ 26,924	\$ 223,343
Balance at end of year	¥ 26,924	¥ 26,924	\$ 223,343
Legal reserve (Note 5 and 1(m))			
Balance at beginning of year.....	¥ —	¥ 3,505	\$ —
Add:			
Transfer from retained earnings	—	213	—
Balance at end of year	¥ —	¥ 3,718	\$ —
Retained earnings (Notes 11 and 1(m))			
Balance at beginning of year.....	¥ 172,767	¥ 161,029	\$1,433,156
Add:			
Legal reserve.....	3,718	—	30,842
Effect of change in scope of consolidation.....	1,033	368	8,569
Effect of change in interests in subsidiaries.....	70	257	581
Net income (loss)	(15,879)	13,475	(131,721)
Deduct:			
Decrease in consolidated subsidiaries	—	(16)	—
Effect of change in interests in subsidiaries.....	(145)	—	(1,203)
Cash dividends paid.....	(2,065)	(2,065)	(17,130)
Bonuses to directors and corporate auditors	(58)	(68)	(481)
Transfer to legal reserve.....	—	(213)	—
Balance at end of year	¥ 159,441	¥ 172,767	\$1,322,613

See notes to consolidated financial statements.

YAMAHA Corporation and Consolidated Subsidiaries
March 31, 1999 and 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

YAMAHA CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of the countries of their domicile. The accompanying consolidated financial statements have been prepared from the financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

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

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

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's investments in its consolidated subsidiaries are eliminated to the underlying net equity of the consolidated subsidiaries by the step-by-step method.

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

Investments in significant affiliates (companies owned 20% to 50%) are stated at cost plus the Company's equity in their undistributed earnings or losses. Consolidated net income or loss includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.

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

Unrealized profit arising from asset-related transactions among the consolidated group companies is fully eliminated. The excess of cost over underlying net assets at the date of acquisition is

amortized over a period of five years on a straight-line basis if such excess is material, or charged to income when incurred if such excess is immaterial.

(c) Foreign currency translation

The revenue and expense accounts of the foreign consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date. The balance sheet accounts, except for the components of shareholders' equity, are also translated into yen at the rate of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at historical exchange rates.

Current 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 if not hedged by forward exchange contracts, or at the contracted rates of exchange when hedged by forward exchange contracts. Other non-current assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated into yen at the historical rates of exchange in effect at the dates of the respective transactions.

(d) Marketable securities including those classified as investment securities

Marketable securities are stated at cost or at the lower of cost or market, cost determined by the average method.

(e) 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.

(f) Depreciation and amortization

Depreciation of property, plant and equipment is mainly calculated by the declining-balance method as stipulated in the Corporation Tax Law of Japan except that certain consolidated subsidiaries employ the straight-line method at rates based on the estimated useful lives of the respective assets.

(g) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. For the Company and its consolidated subsidiaries, the amount of the allowance is determined based on (1) the maximum amount permitted to be charged to income under the Corporation Tax Law of Japan, (2) an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables, and (3) an amount based on past experience.

(h) Retirement benefits

Employees' retirement benefits:

The Company and its consolidated subsidiaries have retirement benefits plans covering substantially all their employees.

Employees of the consolidated subsidiaries who terminate their employment are entitled to lump-sum payments determined by reference to their current basic rate of pay, length of service and the conditions under which the termination occurs. Accrued employees' retirement benefits are stated at the amount which would be required to be paid if all employees covered by the plan voluntarily terminated their employment as of the balance sheet date.

In addition, certain group companies have introduced defined benefit pension plans covering certain employees who meet the stipulated eligibility requirements as to age and length of service. The balance of the retirement allowance at the date of introduction of the pension plans has been amortized over the period of payment for past service cost.

Directors' retirement benefits:

The Company's directors are generally entitled to receive lump-sum retirement payments based on the Company's internal rules. The Company provides a 100% allowance for retirement benefits for its directors under its internal rules and this balance is included in retirement benefits in the balance sheet.

(i) Warranty reserve

The warranty reserve is provided to cover costs for possible repairs which may be claimed by customers after the group companies' sales. The amount of this reserve is estimated based on a percentage of the amount or volume of sales and after considering past experience with repairs to products under warranty.

(j) Leases

Noncancelable lease transactions are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(k) Income taxes

Income taxes are principally calculated on taxable income and charged to income on an accrual basis. Deferred income taxes are not provided by the Company and its consolidated subsidiaries for timing differences between financial and tax reporting except for deferred taxes relating to the elimination of unrealized profits between consolidated companies.

(l) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by

resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation. See Note 11.

(m) Reclassifications

Certain prior-year amounts have been reclassified to conform to the fiscal 1999 presentation. These changes have had no impact on previously reported results of operations or shareholders' equity.

2. U.S. DOLLAR AMOUNTS

For the convenience of the reader, the accompanying financial statements with respect to the year ended March 31, 1999 have been presented in U.S. dollars by translating all yen amounts at ¥120.55 = U.S.\$1.00, the exchange rate prevailing on March 31, 1999. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 1999 and 1998 was ¥256,217 million (\$2,125,400 thousand) and ¥230,376 million.

4. PLEDGED ASSETS

The assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 1999 were as follows:

	Millions of yen	Thousands of U.S. dollars
Bank deposits.....	¥ 30	\$ 249
Marketable securities.....	1,597	13,248
Property, plant and equipment, net of accumulated depreciation	17,654	146,445
Investment securities.....	10,092	83,716

5. LEGAL RESERVE AND ADDITIONAL PAID-IN CAPITAL

In accordance with the Commercial Code of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

The legal reserve of the Company and its consolidated subsidiaries has been included in retained earnings.

6. RETIREMENT BENEFITS

The charges to income for the provision for retirement allowances of the Company and its consolidated subsidiaries for the years ended March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Provision for retirement allowances.....	¥5,542	¥4,278	\$45,973

7. CONTINGENT LIABILITIES

The Company had the following contingent liabilities at March 31, 1999 and 1998:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Export bills discounted with banks	¥3,203	¥1,866	\$26,570
As guarantors of indebtedness of others.....	250	209	2,074

8. AMOUNTS PER SHARE

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

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

	Yen		U.S. dollars
	1999	1998	1999
Net income (loss) :			
Basic.....	¥(76.89)	¥65.25	\$(0.638)
Diluted.....	—	62.86	—

	Yen		U.S. dollars
	1999	1998	1999
Net assets	¥1,040.56	¥1,123.09	\$8.632

Diluted net loss per share for the year ended March 31, 1999 has not been presented because no consolidated net income was reported for the year then ended.

9. LEASES

Lease expenses relating to finance lease transactions accounted for as operating leases amounted to ¥1,965 million (\$16,300 thousand) and ¥2,363 million for the years ended March 31, 1999 and 1998, respectively.

Future minimum lease payments subsequent to March 31, 1999 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2000	¥1,720	\$14,268
2001 and thereafter.....	2,345	19,453
	¥4,065	\$33,720

10. SEGMENT INFORMATION

The business and geographical segment information and overseas sales for the Company and its consolidated subsidiaries for the years ended March 31, 1999 and 1998 are outlined as follows:

Business Segments

Year ended March 31, 1999	Millions of yen							Eliminations or unallocated amounts	Consolidated
	Musical instruments and audio products	Furniture and household products	Electronic equipment and metal products	Recreation	Others	Total			
I. Sales and operating income (loss)									
Sales to external customers.....	¥408,025	¥44,841	¥73,226	¥23,324	¥14,333	¥563,751	—	¥563,751	
Intersegment sales or transfers.....	—	1,566	6,691	—	8,043	16,300	¥(16,300)	—	
Total sales.....	408,025	46,407	79,917	23,324	22,377	580,051	(16,300)	563,751	
Operating expenses.....	377,330	48,882	108,339	24,565	20,842	579,960	(16,111)	563,848	
Operating income(loss)	30,694	(2,474)	(28,421)	(1,240)	1,534	91	(188)	(97)	
II. Total assets, depreciation and capital expenditures									
Total assets	253,048	17,582	95,003	78,863	53,010	497,508	35,344	532,852	
Depreciation.....	9,608	1,838	22,315	3,085	859	37,707	(1,260)	36,446	
Capital expenditures.....	9,936	1,940	21,231	1,744	938	35,792	(1,449)	34,342	

Year ended March 31, 1999	Thousands of U.S. dollars							Eliminations or unallocated amounts	Consolidated
	Musical instruments and audio products	Furniture and household products	Electronic equipment and metal products	Recreation	Others	Total			
I. Sales and operating income (loss)									
Sales to external customers.....	\$3,384,695	\$371,970	\$607,433	\$193,480	\$118,897	\$4,676,491	—	\$4,676,491	
Intersegment sales or transfers.....	—	12,990	55,504	—	66,719	135,214	\$(135,214)	—	
Total sales.....	3,384,695	384,961	662,937	193,480	185,624	4,811,705	(135,214)	4,676,491	
Operating expenses.....	3,130,071	405,491	898,706	203,774	172,891	4,810,950	(133,646)	4,677,296	
Operating income(loss).....	254,616	(20,523)	(235,761)	(10,286)	12,725	755	(1,560)	(805)	
II. Total assets, depreciation and capital expenditures									
Total assets	2,099,112	145,848	788,080	654,193	439,735	4,126,985	293,190	4,420,174	
Depreciation.....	79,701	15,247	185,110	25,591	7,126	312,791	(10,452)	302,331	
Capital expenditures.....	82,422	16,093	176,118	14,467	7,781	296,906	(12,020)	284,878	

Year ended March 31, 1998	Millions of yen						Eliminations or unallocated amounts	Consolidated
	Musical instruments and audio products	Furniture and household products	Electronic equipment and metal products	Recreation	Others	Total		
I. Sales and operating income (loss)								
Sales to external customers.....	¥383,365	¥59,067	¥128,298	¥23,727	¥14,530	¥608,990	—	¥608,990
Intersegment sales or transfers.....	—	1,613	14,189	—	8,546	24,349	¥(24,349)	—
Total sales.....	383,365	60,681	142,488	23,727	23,077	633,340	(24,349)	608,990
Operating expenses.....	363,546	60,314	137,062	25,483	22,374	608,780	(23,893)	584,886
Operating income(loss)	19,819	367	5,425	(1,755)	702	24,559	(455)	24,103
II. Total assets, depreciation and capital expenditures								
Total assets	243,496	22,993	111,635	80,354	57,234	515,716	28,749	544,465
Depreciation.....	7,696	1,914	23,036	3,075	729	36,454	(1,054)	35,399
Capital expenditures	9,312	2,793	22,442	1,963	1,983	38,495	(1,428)	37,066

Notes: (1) Basis of segmentation

Business segments are divided into categories based on the application or nature each product in the market.

The demand for the telecommunication equipments (renamed from CD-Rs as in previous years) which consist primarily of CD-RW products, has increased. This rise in demand may be attributable to the recent sharp decline in the prices. In addition, these products are frequently used in conjunction with the audio products in our musical instruments and audio products segment. Effective the current fiscal year, products have been transferred to the musical instruments and audio products segment.

Under the current classification, sales to external customers and total assets in 1998 would have decreased by ¥12,468 million (\$103,426 thousand) and ¥10,450 million (\$86,686 thousand), respectively, in the electrical equipment and metal products segment, and would have increased by the same amounts in the musical instruments and audio products segment, respectively. The effect of this change on operating income, depreciation and capital expenditure was immaterial.

(2) Major products in each business segment:

Business segment	Major products
Musical instruments and audio products	Pianos, digital musical instruments, wind instruments, guitars, percussion instruments, educational musical instruments, pro-audios, audio products, music schools, telecommunication equipments
Furniture and household products	System kitchens, bathtubs, washstands, furniture, parts for housing facilities, sound equipment for residential use
Electronic equipment and metal products	LSIs, thin-film head, electronic alloys
Recreation	Management of leisure facilities
Others	Golf and archery equipment, car interior parts, industrial robots.

(3) In connection with a revision to the "Regulations Concerning the Terminology, Forms and Preparation of Consolidated Financial Statements," enterprise tax and the related consolidated adjustment have been reclassified. The effect of this change on operating income (loss) was immaterial.

(4) Eliminations or unallocated amounts of total assets principally consist of translation adjustments, which amounted to ¥36,739 million (\$304,762 thousand) and ¥29,737 million for the years ended March 31, 1999 and 1998, respectively.

Geographical Segments

Year ended March 31, 1999	Millions of yen						Eliminations or unallocated amounts	Consolidated
	Japan	North America	Europe	Asia, Oceania and other areas	Total			
I. Sales and operating income (loss)								
Sales to external customers.....	¥349,120	¥ 94,777	¥82,246	¥37,607	¥563,751	—	¥563,751	
Intersegment sales or transfers.....	167,392	9,288	1,138	36,759	214,579	¥(214,579)	—	
Total sales.....	516,512	104,065	83,385	74,366	778,330	(214,579)	563,751	
Operating expenses.....	530,634	96,214	78,969	71,360	777,177	(213,329)	563,848	
Operating income (loss)	¥ (14,121)	¥ 7,851	¥ 4,416	¥ 3,006	¥ 1,152	¥ (1,249)	¥ (97)	
II. Total assets	¥413,707	¥ 39,318	¥32,677	¥26,823	¥512,528	¥ 20,324	¥532,852	

Year ended March 31, 1999	Thousands of U.S. dollars						Eliminations or unallocated amounts	Consolidated
	Japan	North America	Europe	Asia, Oceania and other areas	Total			
I. Sales and operating income (loss)								
Sales to external customers.....	\$2,896,060	\$786,205	\$682,256	\$311,962	\$4,676,491	—	\$4,676,491	
Intersegment sales or transfers.....	1,388,569	77,047	9,440	304,927	1,780,000	\$(1,780,000)	—	
Total sales.....	4,284,629	863,252	691,705	616,889	6,456,491	(1,780,000)	4,676,491	
Operating expenses.....	4,401,775	798,125	655,073	591,954	6,446,927	(1,769,631)	4,677,296	
Operating income (loss).....	\$ (117,138)	\$ 65,127	\$ 36,632	\$ 24,936	\$ 9,556	\$ (10,361)	\$ (805)	
II. Total assets	\$3,431,829	\$326,155	\$271,066	\$222,505	\$4,251,580	\$ 168,594	\$4,420,174	

Year ended March 31, 1998	Millions of yen						Eliminations or unallocated amounts	Consolidated
	Japan	North America and South America	Europe	Asia, Oceania and other areas	Total			
I. Sales and operating income								
Sales to external customers.....	¥400,115	¥96,602	¥76,467	¥35,805	¥608,990	—	¥608,990	
Intersegment sales or transfers.....	142,044	12,760	536	33,572	188,914	¥(188,914)	—	
Total sales.....	542,160	109,362	77,003	69,378	797,904	(188,914)	608,990	
Operating expenses.....	531,175	102,490	72,928	65,696	772,290	(187,403)	584,886	
Operating income.....	¥ 10,985	¥ 6,872	¥ 4,074	¥ 3,681	¥ 25,613	¥ (1,510)	¥ 24,103	
II. Total assets	¥438,048	¥40,776	¥32,567	¥23,239	¥534,631	¥ 9,834	¥544,465	

Notes: (1) Geographical segments are divided into categories based on their geographical proximity.

In previous years, North and South America was an independent category in geographical segment information.

Effective the current fiscal year, operations in North America are disclosed separately due to their significant effect on the overall results of operations. Operations in South America are included in Asia, Oceania and other areas due to their insignificant effect on the overall results of operations.

Under the current classification, sales to external customers and total assets in 1998 would have resulted in ¥90,939 million (\$754,367 thousand) and ¥38,400 million (\$318,540 thousand), respectively, in the North America segment and would have resulted in ¥41,468 million (\$343,990 thousand) and ¥25,615 million (\$212,484 thousand) in the Asia, Oceania and other areas segment. The effect of this change on operating income (loss) was immaterial.

(2) Major nations or regions included in each geographical segment:

- (1) North America U.S.A., Canada
- (2) Europe Germany, England
- (3) Asia, Oceania and other areas Singapore, Australia

(3) In connection with a revision to the "Regulations Concerning the Terminology, Forms and Preparation of Consolidated Financial Statements," the presentation of enterprise tax and the related amount of the consolidated adjustment has been changed. The effect of this change on operating income (loss) was immaterial.

(4) Eliminations or unallocated amounts of the total assets principally consist of translation adjustments, which amounted to ¥36,739 million (\$304,762 thousand) and ¥29,737 million at March 31, 1999 and 1998, respectively.

Overseas Sales

Year ended March 31, 1999	Millions of yen			
	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	¥96,203	¥82,517	¥62,491	¥241,212
Consolidated net sales	—	—	—	563,751
% of consolidated net sales	17.1%	14.6%	11.1%	42.8%
Year ended March 31, 1999	Thousands of U.S. dollars			
	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	\$798,034	\$684,504	\$518,382	\$2,000,929
Consolidated net sales	—	—	—	4,676,491
% of consolidated net sales	17.1%	14.6%	11.1%	42.8%
Year ended March 31, 1998	Millions of yen			
	North America and South America	Europe	Asia, Oceania and other areas	Total
Overseas sales:				
Overseas sales	¥98,792	¥79,619	¥74,365	¥252,777
Consolidated net sales	—	—	—	608,990
% of consolidated net sales	16.2%	13.1%	12.2%	41.5%

Notes: (1) Overseas sales are sales of the Company and its consolidated subsidiaries in foreign countries

The geographical areas are divided into categories based on their geographical proximity.

In previous years, North and South America was an independent category in geographical segment information.

Effective the current fiscal year, operations in North America are disclosed separately due to their significant effect on the overall results of operations. Operations in South America are included in Asia, Oceania and other areas due to their insignificant effect on the overall results of operations.

Under the current classification, overseas sales in 1998 would have resulted in ¥91,182 million (\$756,383 thousand) in North America and ¥81,974 million (\$680,000 thousand) in Asia, Oceania and other areas.

(2) Major nations or regions included in each geographical area:

(1) North America U.S.A., Canada

(2) Europe Germany, England

(3) Asia, Oceania and other areas Singapore, Australia

11. SUBSEQUENT EVENT

(1) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 1999, were approved at a shareholders' meeting held on June 29, 1999:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥1.00=U.S.\$0.008 per share)	¥206	\$1,709
Transfer to legal reserve	21	174
Bonuses to directors and corporate auditors	—	—
	¥227	\$1,883

(2) Management has decided to close its semiconductor plant in Tenryu and to further restructure a subsidiary, YAMAHA

Kagoshima Semi-conductor Inc.. Managements plans to discontinue operations and to sell the Tenryu plant by February 2000.

(3) The Company plans execute a special early retirement benefit plan to bring about an early restoration of profitability. Under the plan, approximately 600 employees, including not only all management but also nonmanagement who are over 40 years old and have over 10 years of service as of December 31, 1999, are eligible to take early retirement benefits.

Management estimates an extraordinary loss of approximately ¥10,000 million (\$82,953 thousand) as approximately 600 eligible employees may elect to subscribe to the plan within the period from July 15, 1999 to August 31, 1999.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity for the years then ended, all expressed in yen. Our examinations were made in accordance with auditing standards generally accepted and procedures and practices applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 1999 and 1998, and the consolidated results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1999 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

A handwritten signature in cursive script that reads "Showa Ota & Co." with a horizontal line extending to the right.

Hamamatsu, Japan
June 29, 1999

President and Representative Director

Kazukiyo Ishimura

Senior Managing Director and Representative Director

Shuji Ito

Managing Directors

Shigebumi Suzuki

Katsuhiko Kishida

Directors

Yasunari Nagata

Noriyuki Egawa

Kunihiro Maejima

Masatada Wachi

Yoshihiro Umeda

Haruki Koike

Shinya Hanamoto

Shigeo Harikae

Hirokazu Kato

Corporate Auditors

(Kansayaku)

Tomoyuki Mohri

Naomoto Ota

Hisatake Chatani

Shunji Tanaka

(As of June 29, 1999)

MAJOR CONSOLIDATED SUBSIDIARIES

OVERSEAS

AMERICAN REGION

Yamaha Corporation of America
Noriyuki Egawa

Yamaha Electronics Corp., USA
Kenji Iida

Yamaha Music Manufacturing, Inc.
Yoshinobu Ishikawa

Yamaha Exporting, Inc.
Noriyuki Egawa

Yamaha Musical Products, Inc.
Noriyuki Egawa

Yamaha Canada Music Ltd.
Mitsuru Umemura

Yamaha de México, S.A. de C.V.
Kunio Ohki

Yamaha de Panamá, S.A.
Toshiaki Yamashita

EUROPEAN REGION

Yamaha Europa G.m.b.H.
Shigeo Harikae

Yamaha Elektronik Europa G.m.b.H.
Kensei Shoji

Yamaha Scandinavia A.B.
Masahito Kato

Yamaha Musique France S.A.
Motoki Takahashi

Yamaha Electronique France S.A.
Motoki Takahashi

Yamaha Electronique Alsace S.A.
Toshihiko Yabe

Yamaha-Kemble Music (U.K.) Ltd.
Noriyuki Kon

Kemble & Company Ltd.
Noboru Yamashita

Yamaha Electronics (U.K.) Ltd.
Shigehiro Takenouchi

Yamaha-Hazen Electrónica Musical, S.A.
Yasushi Matsuzaki

Yamaha Musica Italia s.p.a.
Masahiko Maruhashi

ASIA-OCEANIA REGION

Taiwan Yamaha Musical Inst. Mfg. Co., Ltd.
Kazuhiko Ishizaki

Kaohsiung Yamaha Co., Ltd.
Keiji Wadatsu

Tianjin Yamaha Electronic Musical Instruments, Inc.
Yoshimasa Yoshikawa

Yamaha Systems Technology Singapore Pte.Ltd.
Kozaburo Kume

P.T. Yamaha Indonesia
Hiroki Tatsuda

P.T. Yamaha Music Manufacturing Indonesia
Hideo Ohashi

P.T. Yamaha Music Indonesia (Distributor)
Fumiaki Oku

Yamaha Music Australia Pty.Ltd.
Keisuke Kobayashi

Yamaha Electronics Manufacturing (M) Sdn. Bhd.
Masaru Ida

Yamaha Music (Asia) Pte.Ltd.
Toru Yamazaki

JAPAN

Yamaha Plans Co., Ltd.
Shinya Hanamoto

Yamaha Music Tokyo Co., Ltd.
Morihiko Kondo

Yamaha Music Nishitokyo Co., Ltd.
Tsutomu Ikeda

Yamaha Music Yokohama Co., Ltd.
Akimi Sano

MAJOR CONSOLIDATED SUBSIDIARIES

Yamaha Music Niigata Co., Ltd.
Satoshi Horiguchi

Yamaha Music Kitakanto Co., Ltd.
Tsunehiko Nishi

Yamaha Music Higashikanto Co., Ltd.
Hiroshi Iio

Yamaha Music Osaka Co., Ltd.
Yoshitoshi Fujino

Yamaha Music Kobe Co., Ltd.
Kazunori Umehara

Yamaha Music Matsuyama Co., Ltd.
Shigeaki Masai

Yamaha Music Nagoya Co., Ltd.
Masanori Asai

Yamaha Music Hamamatsu Co., Ltd.
Kozan Ishizuka

Yamaha Music Kanazawa Co., Ltd.
Hiroaki Morioka

Yamaha Music Kyusyu Co., Ltd.
Kiichi Nakamura

Yamaha Music Hokkaido Co., Ltd.
Toshiro Sugino

Yamaha Music Tohoku Co., Ltd.
Masamitsu Miura

Yamaha Music Hiroshima Co., Ltd.
Toru Kamei

Yamaha Music Okayama Co., Ltd.
katsumi Kanamaru

Yamaha Music Trading Corporation
Kazuyuki Tojo

Yamaha Music Media Corporation
Yoshinori Umeya

Yamaha Sound Technologies Inc.
Hiromitsu Hashimoto

Yamaha Livingtec Corporation
Isao Masuda

Yamaha Living Products Corporation
Muneharu Yano

Yamaha Kagoshima Semiconductor Inc.
Masao Kosugi

Yamaha Metanix Corporation
Haruhisa Kawase

Yamaha Resort Corporation
Takaji Tagata

Kiroyo Development Corporation
Takaji Tagata

Haimurubushi Inc.
Takaji Tagata

Yamaha Credit Corporation
Shinya Hanamoto

Yamaha Insurance Service Co., Ltd.
Ikuo Yamada

Yamaha Fine Technologies Co., Ltd.
Akira Ikeya

(As of June 29, 1999)

Note: The names listed with subsidiaries are the names of the company presidents.

INVESTOR INFORMATION

Head Office

10-1, Nakazawa-cho, Hamamatsu,
Shizuoka Pref. 430-8650, Japan

Accounting Division:

Tel: (053) 460-2141

Fax: (053) 464-8554

General Administration Division:

Tel: (053) 460-2211

Fax: (053) 460-2525

Fiscal Year-End Date

March 31

Dividends

Year-end: To the shareholders of record on March 31

Interim: To the shareholders of record on September 30

Date of Establishment

October 1897

Stated Capital

¥28,533 million

Number of Common Stock

Authorized: 700,000 thousand shares

Issued: 206,523 thousand shares

Number of Shareholders

14,181

Number of Employees

9,044

Stock Exchange Listings

Tokyo, Osaka, and Nagoya, First Section, Code No. 7951

Transfer Agent and Registrar

The Chuo Trust and Banking Co., Ltd., Nagoya Branch

Stock Transfer Agency Department

Address: 2-20-25, Nishiki, Naka-ku,

Nagoya 460-8685, Japan

Tel: (052) 231-1145

Newspaper for Official Notice

Nihon Keizai Shimbun

Annual General Meeting of Shareholders

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

Auditor

Showa Ota & Co.

Main Shareholders

	Percentage of Total Shares (%)
The Dai-Ichi Kangyo Bank, Ltd.	4.80
The Fuji Bank, Ltd.	4.80
The Sumitomo Bank, Ltd.	4.80
The Sumitomo Marine & Fire Insurance, Co., Ltd.	4.49
The Shizuoka Bank, Limited	4.04

(As of March 31, 1999)