YAMAHA

New Day, New Sound

Annual Report 2011

Year ended March 31, 2011

The history of Yamaha began in 1887, when Torakusu Yamaha, the founder, repaired a broken reed organ. Since then, over its more than 120-year history, Yamaha has continued to create 'kando'* and enrich culture with technology and passion born of sound and music, together with people all over the world.

Yamaha produces high-quality products by blending traditional craftsmanship with advanced digital technology. The quality of sound produced by a Yamaha musical instrument reflects the long years of accumulated technical expertise and the skilled craftsmanship of the Company.

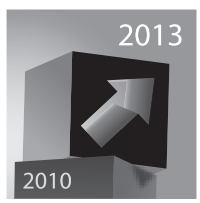
The goal of Yamaha is to inspire people with the joy of music performed on musical instruments that capture the heart and soul of both the player and audience.

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

Forward-looking statements

The plans and strategies regarding Yamaha's future prospects presented in this annual report have been drawn up by the Company's management based on information available at the current time and, therefore, are subject to risks and uncertainties. Accordingly, our actual performance may differ significantly from our predictions depending on changes in the operating and economic environments, demand trends, the value of key currencies, such as the U.S. dollar and the Euro, technological advancements and developments in intellectual property litigation.

Contents



New Day, New Sound

Sound is the unifying principle behind our core business domain of musical instruments, music and audio. New pursuits and challenges in the field of sound are the lifeblood that supports our growth. On the cover of this report is the title and theme of "New Day, New Sound"—a theme that expresses Yamaha's desire to create both a new generation and new innovations in the field of sound and music.

To Our Stakeholders

In April 2010, Yamaha launched a three-year medium-term management plan entitled "Yamaha Management Plan 125 (YMP125)," the goal of which is to lay a strong foundation for growth, particularly in the musical instrument, music and audio domains. In fiscal 2011, the first year of the plan, net sales declined due to the sharp appreciation of the yen. Operating income, however, increased substantially thanks to brisk production and steady overseas growth. Net income also increased, returning to the black for the first time in three years.

The Great East Japan Earthquake and tsunami of March 2011, an unprecedented catastrophe, is expected to have an impact on the fiscal 2012 forecast of the Yamaha Group. Yamaha will take steps to minimize the effects of this disaster on the Group and unify Groupwide efforts to further increase operational efficiency. Our goal in fiscal 2013, the final year of YMP125, is to achieve the planned targets and prepare for the next phase of growth.

The final year of YMP125 marks the 125th anniversary of Yamaha's founding. With the goal of maximizing corporate value, we will make every effort to build up our businesses centered on sound and music.

I ask for your continued support in this endeavor.

July 2011

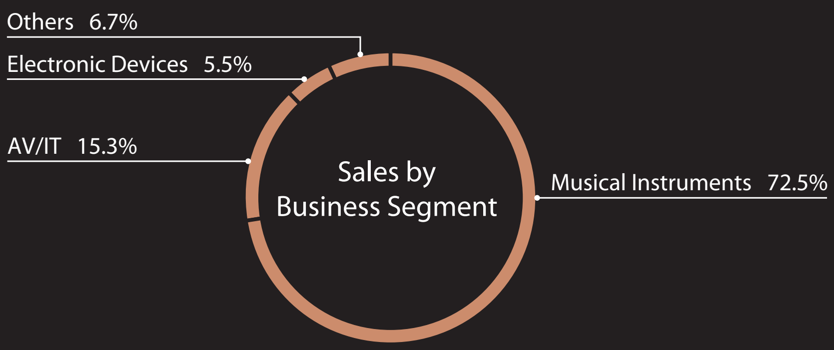
Mitsuru Umemura
President and Representative Director

The Sound of the Future

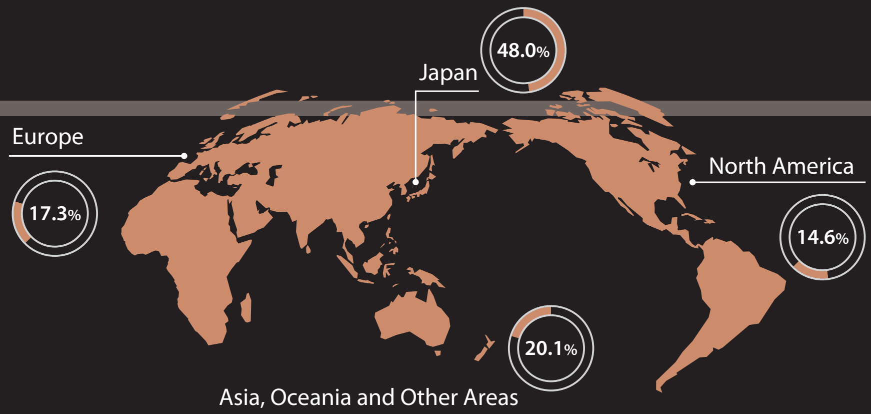
Key Figures

Fiscal year ended March 31, 2011

		Change from the previous year
Net Sales	¥373.9 billion	-9.9% ↘
Operating Income	¥13.2 billion	+92.8% ↗
Net Income	¥5.1 billion	— →
ROE	2.1 %	+4.1 points ↗
ROA	1.3 %	+2.5 points ↗

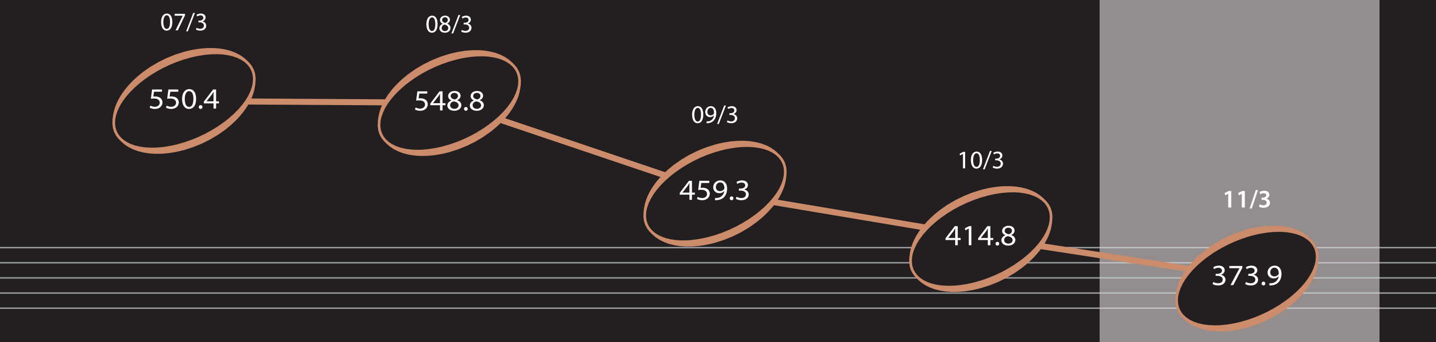


Sales by Region

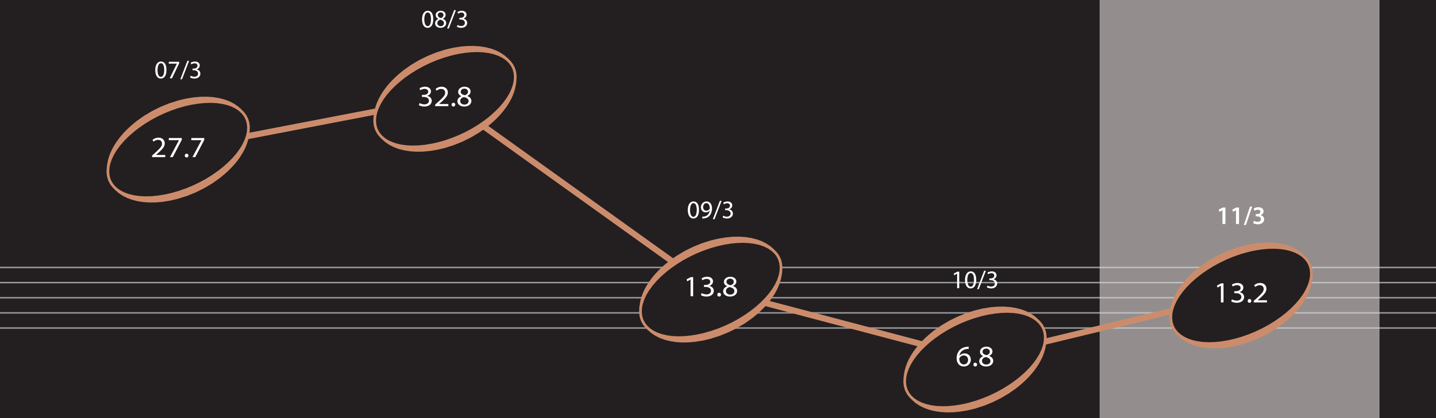


(Billions of yen)

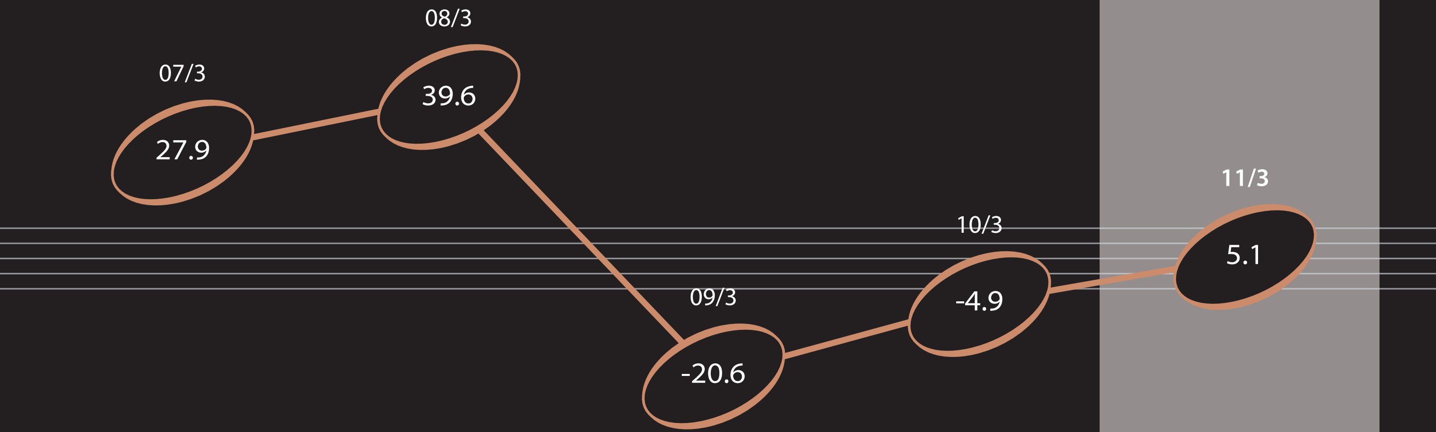
Net Sales



Operating Income



Net Income



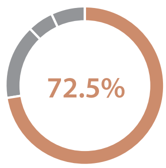
Yamaha at a Glance

Fiscal year ended March 31, 2011

Musical Instruments

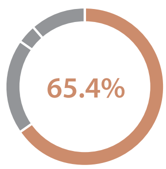
Net Sales

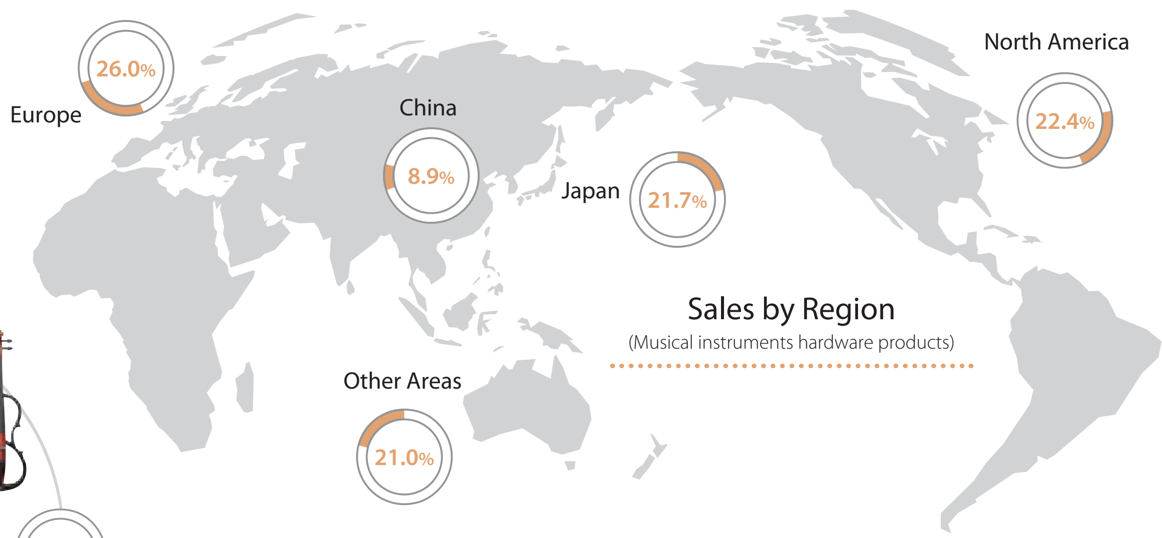
¥271.1 billion



Operating Income

¥8.6 billion





7.0%

String and
percussion instruments

Business Strengths

- Wealth of core technical expertise based on traditional craftsmanship in acoustics and advanced digital technology
- Development of high-quality products by forging close relationships with artists
- Manufacturing of high value-added musical instruments utilizing cutting-edge electronics technology
- Provision of system solutions using digital network technology for professional audio equipment
- Global strategy built on Yamaha's localized marketing and service activities in each country
- A variety of activities through the operation of music schools to increase the music playing population

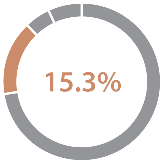
Major Products & Services

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

AV/IT

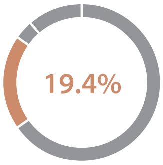
Net Sales

¥57.0 billion



Operating Income

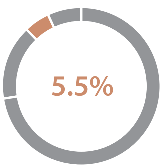
¥2.5 billion



Electronic Devices

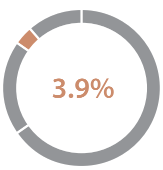
Net Sales

¥20.6 billion



Operating Income

¥0.5 billion



Business Strengths

- Accumulated experiences and know-how in generating high-quality sound
- Wealth of expertise in the development of devices for digital musical instruments
- High-quality digital signal processing (DSP) technologies
- Software technologies for middleware and content development tools

Major Products & Services

- Semiconductors

Business Strengths

- Front surround sound technology for Digital Sound Projector™
- Wireless music transmitting technology for audio players including iPod*
- High-quality sound technology in AV components and HiFi audio products
- Router solutions business
- Signal processing technology for high sound quality and wide coverage of microphone speakers for Web conferencing

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

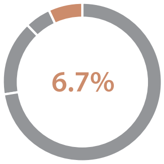
Major Products & Services

- Audio products (AV receivers, speaker systems, front surround speakers, desktop audio systems, etc.)
- Commercial online karaoke equipment
- Routers
- Conferencing systems

Others

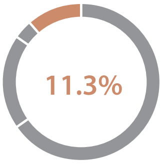
Net Sales

¥25.1 billion



Operating Income

¥1.5 billion



Major Products & Services

- Golf products
- Automobile interior wood components
- Factory automation (FA) equipment
- Recreation (Tsumagoi™, Katsuragi-Kitanomaru™, Katsuragi Golf Club™)

* Following the transfer of four resort facilities on October 1, 2007, the recreation segment was included in the others segment from fiscal 2009. The magnesium molded parts business was terminated as of March 31, 2010.

History of the Yamaha Group

1887	Torakusu Yamaha builds his first reed organ
1897	Nippon Gakki Co., Ltd. (currently Yamaha Corporation) is established with capital of ¥100,000
1900	Production of upright pianos begins
1949	Listed on Tokyo Stock Exchange
1954	Establishes Yamaha Music School and holds pilot classes Produces its first HiFi player (audio product)
1955	Establishes Yamaha Motor Co., Ltd. (Splits off the motorcycle division)
1958	Establishes first overseas subsidiary in Mexico
1960	Establishes U.S. subsidiary
1961	Begins production of sports equipment
1962	Begins recreation business
1965	Production of wind instruments begins
1968	Issues shares at market price for the first time in Japan
1971	Production of semiconductors begins
1987	Changes company name to Yamaha Corporation
1999	Begins shipments of sound generator LSIs for mobile phones
2002	Establishes Yamaha Music & Electronics (China) Co., Ltd. and Yamaha Music Holding Europe GmbH
2007	Establishes music entertainment business holding company
2010	Transfers shares of the lifestyle-related products subsidiary

Become even more customer-oriented and quality-conscious to further increase brand value

A trusted and admired brand

Management Vision

Photo credit: Mark Whitehouse

Hone our specialist expertise in sound and music

Management Vision

A company with “operations centered on sound and music”

Core Business Domain Focused on “Musical Instruments, Music and Audio”

Increasing the Brand Value

Products

- Musical instruments
- Professional audio equipment
- Audio products

Services

- Music school
- Music software
- New businesses

Related Business Domain Utilizing “Core Competencies*”

Utilizing Technologies and Skills

Products

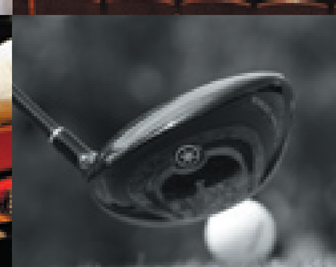
- Sound networks
- Golf products
- Semiconductors
- FA, automobile interior wood components

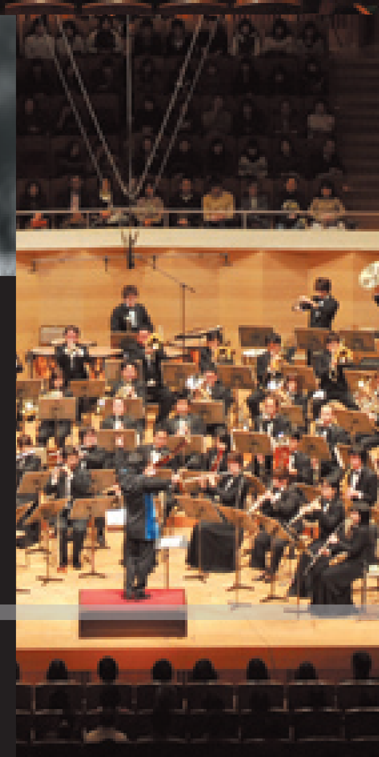
Utilizing Know-How and Assets

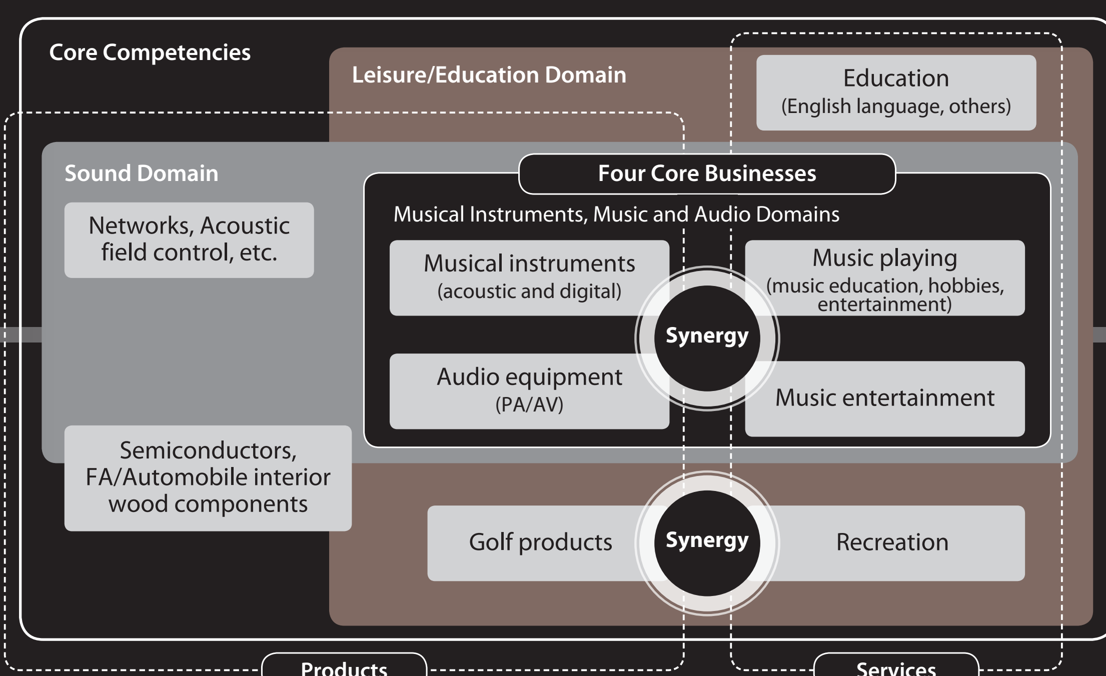
Services

- English language school
- Recreation

* Core competencies: Technologies, skills, know-how, assets, and the brand.

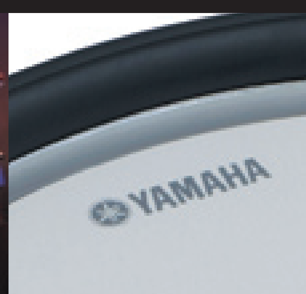


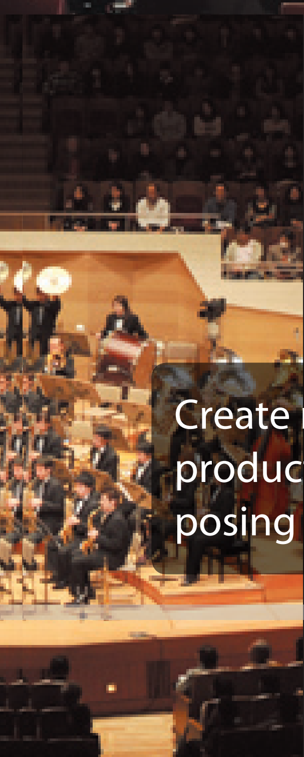



Core Competencies
Leisure/Education Domain
Education
(English language, others)
Sound Domain
Networks, Acoustic field control, etc.
Four Core Businesses
Musical Instruments, Music and Audio Domains
Musical instruments
(acoustic and digital)
Music playing
(music education, hobbies, entertainment)
Synergy
Audio equipment
(PA/AV)
Music entertainment
Semiconductors, FA/Automobile interior wood components
Golf products
Synergy
Recreation
Products
Services

Management Vision

Grow through both products and services



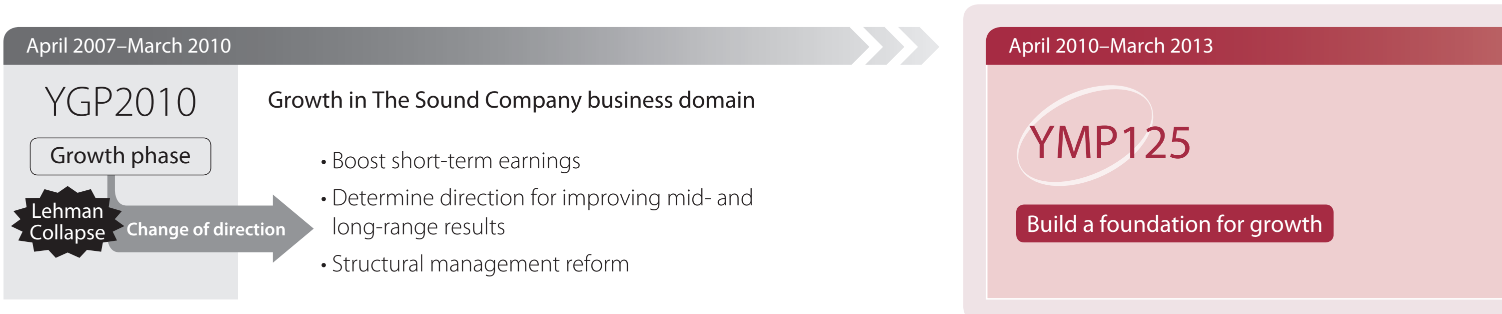


Create new value by pursuing synergy between products and services to cultivate strengths in proposing solutions that match customers' lifestyles

Yamaha Medium-Term Management Plan

Yamaha Management Plan 125

—Build up a structure for future growth towards 125th anniversary—

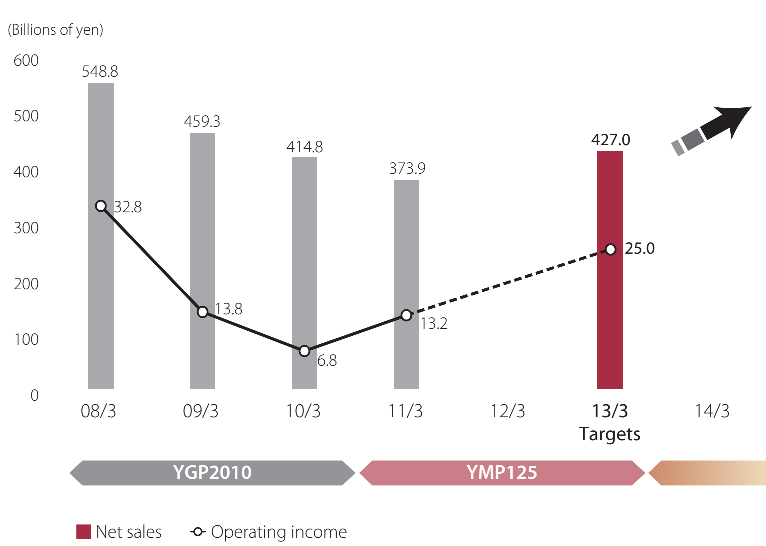


The Yamaha Group has formulated "Yamaha Management Plan 125 (YMP125)," a medium-term management plan that contains basic policies, key business strategies and numerical targets for the three-year period from April 2010 to March 2013. The Group is now in the second year of this plan.

Yamaha has positioned the plan's three-year period as a phase for building a foundation for future growth and will focus its management resources on the musical instruments, music and audio domains to build a firm foundation for growth. In addition, Yamaha will continue its business restructuring and will sow the seeds for new growth.

In the final year of the plan, ending March 31, 2013, Yamaha is targeting ¥427.0 billion in consolidated net sales (representing a real growth rate of 15% for the three-year period), ¥25.0 billion in operating income (representing a 6% ratio of operating income to net sales), and a return on equity (ROE) of 7%.

Numerical Targets for Fiscal 2013



Net sales
Growth rate over three years actual growth rate of 15%* — **¥427.0 billion**

Operating income
Operating income ratio 6% — **¥25.0 billion**

ROE — **7%**

Capital expenditures
(over three years) — **¥38.0 billion**

Free cash flows
(over three years) — **¥40.0 billion**

* Exchange rate: ¥90/US$, ¥127/€

* Actual growth rate excluding the lifestyle-related products and magnesium molded parts businesses from net sales.

Build platform for strong growth in musical instruments, music and audio domains

- Focus management resources on the music, musical instruments and audio domains
- Create new business
- Continue business restructuring

April 2013 onward

"Quantum leap" phase

Leverage YMP125 results to achieve growth

- Target:
  Operating income ratio to net sales of 10% or more

First-Year Achievements

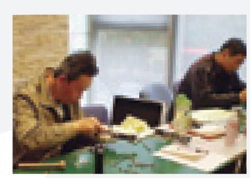
Accelerate Growth in Emerging Markets

Achieve annual sales of ¥100.0 billion in five years (¥83.5 billion in three years), including China's annual sales of ¥35.0 billion in five years.

Grand piano for Chinese market GN2

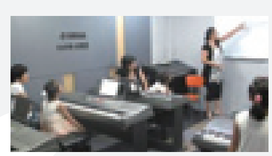
China

- Develop and launch products tailored to markets
  - Launched Chinese model of upright piano, keyboard and guitar
- Expand and build up sales channels
  - Expanded sales network to include electronics retail stores and developed specialty retail shops especially for piano and wind instrument to increase sales of mid-range and high-end products



Training of wind instrument technicians

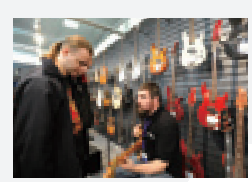
- Enhance brand value through establishing support structure and artist relations
  - Expanded and upgraded training schools for piano and wind instrument technicians and provided stronger support for local artists
- Increase the music-playing population
  - Music school students: 5,200 (up 1,700 from last year)
  - Expanded number of keyboard schools in second- and third-tier cities



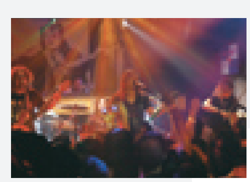
Keyboard schools

Other emerging countries

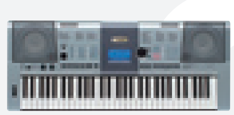
- Achieve growth in emerging markets other than China
  - Double-digit growth achieved in India, Russia, Brazil and Indonesia
  - Sales of products tailored to local markets progressing steadily (Developed and launched portable keyboards for India)



Russia



Brazil



Portable keyboard for India

Increase Market Share in Developed Markets through Product Strategy

Total Piano Strategy: Fulfill diversifying customer needs with a seamless product lineup

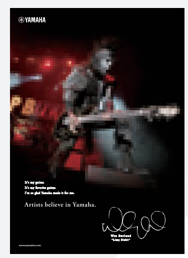
- Establish a solid position in the premium piano market
  - Launched flagship model CFX™ establishing market recognition for The CF Series
- Offer new value with expanded hybrid piano lineup
  - Developed new markets with enhanced product lineup
- Generate greater demand with digital piano
  - Expanded number of products specifically adapted to emerging markets

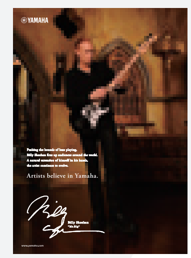

Concert grand piano CFX


AvantGrand™ N1

Combo Strategy: Expand presence in the guitar and drum markets

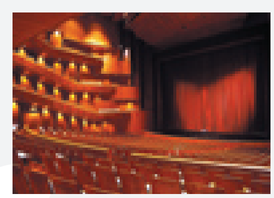
- Establish a firm position as professional combo instruments brand
  - Built deeper relations with rock artists
- Strengthen the businesses of electric acoustic guitars and electronic drums as growth drivers
  - Pursuing differentiation strategy by introducing high-end products
  - Increased market share of electric acoustic guitars in North America
  - Introduced new lineup of electronic drum with newly developed DTX™-PAD
- Promote strategies specifically adapted to key markets (North America, China and Asia Pacific)
  - Creating stronger sales and marketing system by assigning dedicated staff and improving expertise through training


Wes Borland "Limp Bizkit"


Billy Sheehan "Mr. Big"

Professional Audio Equipment Business: Further accelerate growth strategy

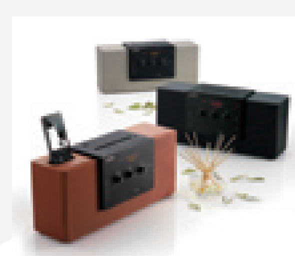
- Provide system solutions that leverage Yamaha's strengths in digital and network technologies
  - Collaborated with NEXO™ more in product development and marketing
- Expand business into the large Commercial Installed Sound* market
  - * Multifunctional sound systems without the need of skilled operators for applications other than music venues such as restaurants, banquet rooms in hotels, multipurpose halls, etc.
  - Expanded the lineup of products to enter new market
- Accelerate growth by generating synergies with the Steinberg™ brand
  - Expanded software product lineup
- Develop emerging markets including China
  - Developed sales networks in emerging markets


Opera House, New National Theatre, Tokyo—installed NEXO speakers


Steinberg software CUBASE 6

AV Products Business: Cultivate customer preferences

- Aggressively develop and launch products that meet such customer needs as sound quality, ease-of-use and advanced performance
  - Launched AVENTAGE™ for specialty shops in Europe and North America
- Expand domains of TV peripheral products, HiFi audio and desktop audio products as pillars of future growth
  - Steady growth in Japan of home theater surround sound TV stands
  - Integrated CD units selling well and on route to becoming hit product
- Expand lineup of products in volume price range to meet customers' demand


Desktop audio system TSX-140

Build Optimal Manufacturing Structure to Meet Trends in Demand

Establish an optimum manufacturing structure (Japan, China and Indonesia) to match demand trend

Pianos
- Completed Japan piano factory integration to Kakegawa in August 2010
- Piano production exceeded 100,000 units for first time in 10 years
- Further strengthen manufacturing capabilities of China and Indonesia factories


Kakegawa Factory

Wind Instruments
- New Xiaoshan Factory in China began operation (with automated plating and coating processes)
- Accelerating cost reduction measures (integration of factories in Japan proceeding one year ahead of schedule)


New Xiaoshan Factory

Create Business Models for Service and Content Businesses

Increase music-playing population

Grow as a profitable business by providing a wide range of opportunities and venues for playing music
- Create optimal approach to providing opportunities and venues for playing music according to player's age and family status
- Accelerating expansion of Yamaha Music Schools in China

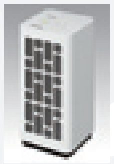
Music Entertainment Business: Multifaceted development of the music entertainment business

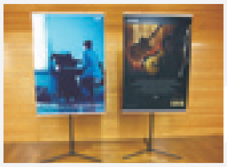
- Reinforced operating base by developing both established and emerging recording artists

Create New Businesses in the Sound Domain

Commercialize newly developed technologies: Develop the environmental acoustics and acoustic space businesses

- Introduced VSP-1 to Japanese market and developed TLF speakers


Speech Privacy System™ VSP-1


Speaker posters that utilize TLF speakers

Semiconductor Business: Differentiate product lineup with innovative devices

Ensure stable growth by expanding sales of analog devices
- Dramatic growth of magnetic sensors as global smartphone demand expands

Position digital devices as earnings pillar
- Increase sales of graphics controllers


3-axis magnetic sensor YAS530

Interview with the President

Mitsuru Umemura
President and Representative Director

The Yamaha Group has launched a three-year medium-term management plan entitled "Yamaha Management Plan 125 (YMP125)," the goal of which is to lay a strong foundation for growth leading into fiscal 2013, its 125th anniversary. In this interview, President Mitsuru Umemura explains Yamaha's business performance and the progress made in fiscal 2011—the first year of the plan—as well as the Company's business strategy, future vision, and other business topics.

Q *Could you give a brief overview of results achieved in fiscal 2011, the first year of YMP125?*

A Although the operating environment for the Group in fiscal 2011 showed signs of rebounding from declining demand in major developed countries caused by the economic crisis, the persistence of such negative economic factors as the tight job market and the strong yen prevented a full recovery in Japan. Moreover, prices continued to decline globally, leading to increasingly intense price competition. Strong growth continued in emerging countries, led by Brazil, Russia, India and China, with purchasing power especially strong in the moderate income segment.

Against this backdrop, the Group implemented the five key strategies outlined in YMP125. Still, net sales declined 10%, to ¥373.9 billion, as the yen rapidly appreciated from mid-year and after. While the rising yen resulted in a ¥17.5 billion revenue decline, special factors such as the transfer of the lifestyle-related products business and withdrawal from the magnesium molded parts business—implemented as part of business restructuring—further contributed to the revenue downturn. However, if we exclude these special factors, we achieved a 5% year-on-year growth in sales; in effect, steady sales growth.

Meanwhile, operating income moved into the black in all segments, rising a steep 93%, to ¥13.2 billion. Despite a ¥5.4 billion decline in operating income caused by the rising yen, increased factory production along with real revenue growth led to a major boost in income. Net income came to ¥5.1 billion, the first net loss reversal in three fiscal years.

Q *How do you assess the first year of YMP125?*

A During the three-year period of the plan, the Group will focus on building a firm foundation for future development and growth. Facing a yen which appreciated more sharply than anticipated when we first formulated the plan poses a new challenge that we must overcome. Still, we made steady growth in terms of profit and the Group had many achievements including double-digit growth in China and other emerging markets, the integration of piano manufacturing plants in Japan, and the launching of the CFX™, our flagship model concert grand piano.

At the International Fryderyk Chopin Piano Competition, one of the world's most prestigious and the oldest piano competitions, the pianist performing on Yamaha CFX concert grand piano was awarded the Grand Prize. Her CFX selection in the competition enabled the CFX, a piano developed with Yamaha's accumulated technological know-how and craftsmanship, to not only win the admiration of the world's top pianists for its high quality, but showcase to the world the true potential of the CFX and inspire greater confidence in our entire piano line.

Yamaha CFX Concert Grand Piano

Yamaha designed this flagship concert grand piano with the aim of creating the world's best piano, utilizing the most advanced production technologies throughout this instrument. *"Beauty & Power"* is the underlying concept, with *Beauty* signifying the wide range of tonal colors and *Power* referring to their unprecedented tonal projection. Completing this masterpiece was a labor of love that took a total of 19 years. In addition to expert designers, technicians and manufacturing engineers, Yamaha Artist Services staff members, who provide support to leading artists worldwide, took part in the project.

Pianist Yulianna Avdeeva selected Yamaha's CFX for her Grand Prize winning performance at the 16th International Fryderyk Chopin Piano Competition. The competition is known as a gateway to success with many of the world's greatest pianist.

Q *What are your primary initiatives and achievements in China—where growth is in double digits—and what measures are you planning to take?*

A Yamaha views China, with its high growth potential, as one of its key markets. While the size of China's musical instruments market is now valued at almost 7.0 billion yuan (approximately ¥90 billion), we expect this to grow 40%, to 9.8 billion yuan (approximately ¥130 billion) by March 2013.

From early on, Yamaha sought to not only strengthen its production base in China, but to build up a sales network in this important consumer market. Thanks to these efforts, over the course of the previous medium-term management plan, Yamaha achieved double-digit growth for three consecutive years (from April 2007 through March 2010). In YMP125 as well, we have set growth targets in double digits and sales targets of ¥24.5 billion in fiscal 2013, and ¥35.0 billion in fiscal 2015. We have invested our management resources based on four key policies, which include developing and launching products adapted to the Chinese market and expanding our sales network.

Above all, China—where educational demand for acoustic pianos is strong—is unique among all the world's markets in that pianos occupy nearly 60% of the musical instruments market, excluding professional audio equipment. With the rapidly growing digital piano market also attracting attention, the expansion of piano sales has now become the foundation of our growth strategy in China.

In fiscal 2011, sales in China climbed 15% year on year, to ¥19.0 billion, continuing the double-digit growth of the previous medium-term management plan. In the mainstay piano domain, sales jumped after we launched a model specifically designed for China that vies with other Chinese-made pianos at a price close to the affordable range. Having expanded our sales network as far as possible in key cities in coastal regions, including Shanghai and Beijing, we have started expanding our sales networks in inland urban areas as well .

From the second year of YMP125, though we will continue to implement four key policies, our goal is to further expand sales of pianos in the volume price range. This year, we are planning to launch a new model targeted at the 15,000 yuan price range, where demand is growing. Another focus of our policy is the creation of an appealing brand image. One of our measures under this policy has been the training of local technicians for pianos and wind instruments, as well as the improvement of after-sales service capabilities. Enhancing our brand through the training of technicians will help boost sales of products in the medium- to high-end price range targeted at affluent consumers, a segment that has grown along with China's economy. We will also expand Yamaha Music Schools, and set up keyboard schools for beginners, especially in urban areas. This will increase the music-playing population, thereby creating even greater demand.

Priority Policies and Measures in Chinese Market

Develop and Launch Products Suited to the Chinese Market

- Pianos: Launch volume zone models
- Digital Pianos: Compete with low-end Chinese acoustic pianos
- Wind, String and Percussion Instruments: Develop China-specific products
- AV Products: Develop low-priced TV peripherals

Sales Networks: Expand and strengthen outlets

- Develop multiple levels of outlets in response to market polarization
  - Establish specialty stores (grand pianos, AV products, mid- to high-end wind instruments)
  - Develop general musical instrument stores
- Increase and strengthen stores in second- and third-tier cities to capture new demand

Demand Creation: Increase music-playing population

- Expand Yamaha Music Schools
- Set up keyboard schools
- Hold Yamaha-sponsored events

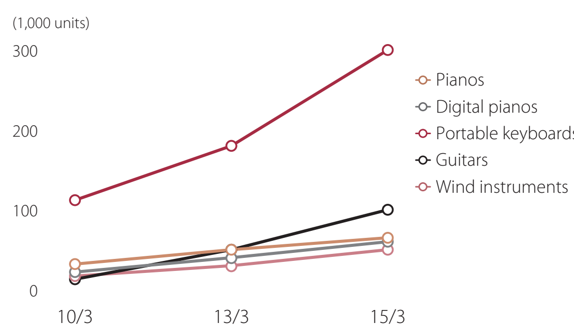
Brand Value Enhancement: Promote customer services and PR

- Promote PR activity for Yamaha brand
- Expand training facilities for piano technicians and wind instrument engineers
- Strengthen ties with artists and music institutes

Sales Network

Products	Stores 10/3	Stores 13/3 Targets
Pianos	350	500
Digital keyboard instruments	250	500
Wind instruments	170	260
Other instruments	230	240
AV products	500	950

Sales Forecast



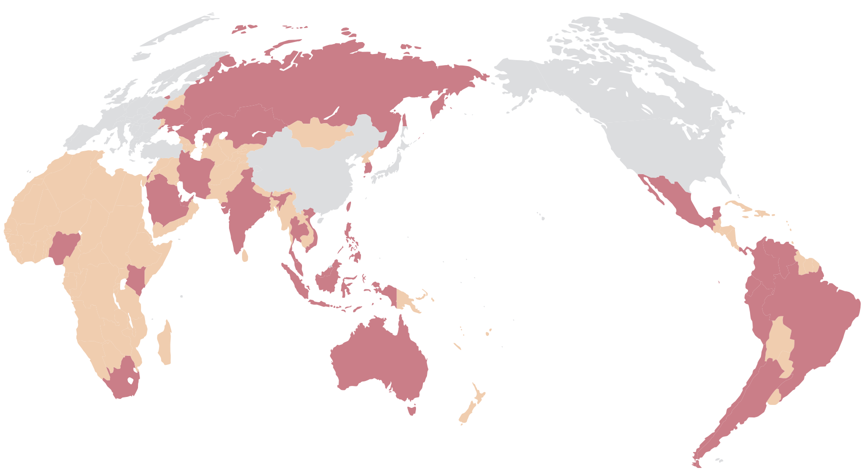
Q What is Yamaha doing in emerging countries other than China?

A In emerging countries other than China, we have focused our marketing efforts on the top 30 countries with the goal of achieving sales of ¥65 billion by fiscal 2015 (and sales of ¥59 billion by fiscal 2013). To help us achieve this goal, we have fortified our ability to respond to customers, expanded sales channels in existing markets, and reinforced our marketing bases in such developing markets as Russia and India. As a further step, we launched products tailored to individual markets, developed more Yamaha Music Schools and spread music education in schools.

As a result, the Group achieved double-digit sales growth in all key markets, including Brazil, Russia, and India in fiscal 2011, pushing net sales up 8%, to ¥54.8 billion.

In emerging markets, the degree of market development and the proportion of products tailored to local market needs vary depending on the country's culture and economic conditions. That said, we are aware of the opportunities for growth that these markets offer. With our sights set on sustained double-digit growth, we will continue to develop growth strategies that include both, 1) supplying products that are appropriate to local markets and, 2) strengthening our sales network.

30 Key Countries and Regions for Achieving Sales of ¥65.0 billion



3-Year Growth Targets

FY2010.3–FY2013.3

	Growth rate (Local sales basis)
Korea	114%
Taiwan	111%
Singapore	114%
Malaysia	134%
Indonesia	146%
Thailand	122%
India	199%
Middle East/CIS/Africa	126%
Latin America	123%
Mexico	119%
Brazil	140%
Australia	114%
Russia	158%
Other Asia-Pacific	114%

Q What are your plans for building an optimal manufacturing structure to meet demand trends?

A The Yamaha Group strategy for manufacturing is centered on the "Made in Yamaha" concept of ensuring Yamaha quality standards in whichever factory the product is produced.

"Made in Yamaha" is Yamaha's manufacturing concept in which the company of origin is the key factor in a product, rather than the country where the product is made. In YMP125, under this basic concept, we have reorganized our manufacturing bases by redefining the roles played by our three bases that produce musical instruments and professional audio equipment in Japan, China and Indonesia.

In more specific terms, we will fortify our manufacturing structure to help raise overseas factory capabilities by positioning Japan not just as a manufacturing base, but rather as the core base responsible for manufacturing technology development, the passing on of skills to younger workers, and personnel training. At the same time, we will raise profitability through business restructuring and continuous improvement activities. Factories in China and Indonesia will further strengthen their manufacturing capabilities as the Yamaha Group's primary mass-production facilities by reducing costs through local material procurement and overseas parts production.

Let's take the example of our piano manufacturing structure. In August 2010, we completed the integration of the Headquarter (Hamamatsu) Factory's grand piano manufacturing

process with the Kakegawa Factory's, which began nearly four years ago. The integration involved much more than simply consolidating two factories at one location, rather it entailed a reexamination of each individual manufacturing process and the design of a highly efficient new factory. As a result, the integration should yield potential cost reduction benefits of nearly ¥1 billion per year.

Moreover, the integration is the perfect opportunity to leverage the unique characteristics of our three-manufacturing base structure and to share parts and components between factories. In the past, Yamaha piano parts were manufactured in Japan and assembled in plants in Japan, China and Indonesia. This time, we will focus on raising overseas factory capabilities by increasing the number of parts they manufacture in-house and raising the percentage of parts locally procured. By fully using parts produced in China and Indonesia in Japan, our goal is to raise the competitiveness and profitability of the Kakegawa Factory, while improving the competitiveness of the China and Indonesia factories. Raising the competitive edge of these key manufacturing bases will speed up our sales and marketing development in China and emerging markets, and enhance the competitiveness of all Yamaha pianos.

For wind instrument manufacturing, we will complete the integration of the Saitama Factory with the Toyooka Factory—originally slated for completion in fiscal 2013—one year ahead of schedule, thereby speeding up the development of the infrastructure needed to build a three-manufacturing base structure.

Reorganization of Production Facilities Create three-base structure in Japan, China and Indonesia

	April 2010		March 2013
Pianos	HQ/Hamamatsu Factory Kakegawa Factory Hangzhou Factory (China) YI (Indonesia)	(1) Shift to three-base structure completed in August 2010 (2) Production shifts overseas	Kakegawa Factory Hangzhou Factory (China) YI (Indonesia)
Wind/Educational instruments	Saitama Factory Toyooka Factory Xiaoshan Factory (China) YMPI (Indonesia)	(1) New Xiaoshan Factory started operation in October 2010 (2) Shift to three-base structure completed in March 2012 with closure of Saitama Factory (3) Production shifts overseas	Toyooka Factory New Xiaoshan Factory (China) YMPI (Indonesia)

Q *What is the outlook for YMP125 in two years and after?*

A In Japan, we are concerned about manufacturers' production delays and sluggish consumer spending in the wake of the massive Great East Japan Earthquake of March 2011, and the resulting damage to the Fukushima Daiichi Nuclear Power Plant. We expect this catastrophe to have an impact on the fiscal 2012 forecast of the Yamaha Group.

Nevertheless, looking at the global market that makes up our business domain, despite financial deterioration in Europe, Germany—the largest EU market—remains strong. It will not be easy for the United States to return to the economic conditions that prevailed before Lehman Brothers collapsed, but the country is slowly recovering. In emerging markets, however, growth is accelerating.

If we unite as a Group, mobilize our know-how and face our immediate tasks, I am fully convinced that we will achieve the goals set out in YMP125, including our target of ¥25 billion in operating income for fiscal 2013.

Q What about the new management structure that was initiated with a five-member board of directors?

A Yamaha initiated a new management structure by resolution at the Ordinary General Shareholders' Meeting held in June 2010. The new management structure reduces the number of board members from nine down to five. The goal of this management restructuring is to both speed up management decision-making and further increase transparency. This change in the management structure has brought about three advantages. First, by clearly defining the distinct roles of each director and promoting greater collaboration with executive officers, we have been able to speed up management execution of important issues and measures. In addition, by reducing the number of directors, board meetings are now easier to convene when they are needed, and the quality of board discussions has improved. Further, we have created a structure in which two of the five board members are outside directors and the ability to exercise oversight and supervision of management's execution of duties is stronger.

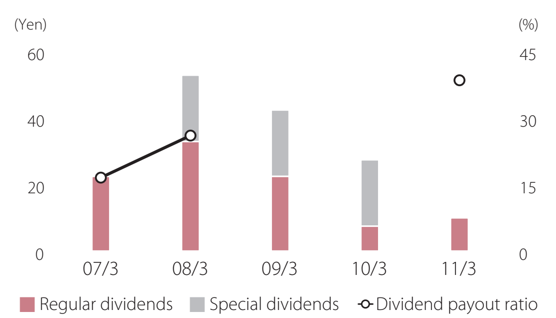
Today, with the growth of information technology, the global market in which we do business is becoming increasingly borderless, and markets are changing at an ever more rapid pace. If we are to understand these changes and further ensure the achievement of YMP125—a near-term management challenge—we must speed up management performance.

Q What are Yamaha's views on the distribution of profits to shareholders?

A The Yamaha Group distributes profits on a stable and continuous basis, while setting aside necessary amount of retained earnings to strengthen the Company's management position through investments in R&D and other areas to drive corporate growth based on prospective levels of medium-term consolidated earnings. We also set a consolidated dividend payout ratio of 40% as a guideline.

Based on this policy, Yamaha paid a total dividend of ¥10 per share for fiscal 2011, including interim dividend payments of ¥5 per share.

Dividends per Share / Dividend Payout Ratio



Q Please describe what you mean by becoming a "trusted and admired brand?"

A When formulating YMP125, the Yamaha Group defined its medium- to long-term management direction under three management visions. Specifically, the three visions are, 1) to be a trusted and admired brand, 2) a company whose core operations are centered on sound and music, and 3) a company with growth driven by both products and services.

Becoming an admired brand is not something that can be simply achieved by launching innovative cutting-edge products and rolling out public relations campaigns. An "admired brand" is founded on "trust." Yamaha's history dates back more than 120 years. The only reason our predecessors were successful was because of the repeated efforts they made, which has led to greater confidence in the Yamaha name and earned society's trust over those many years.

For the Yamaha Group to continue earning society's trust, not only must customers want to buy and experience the products and services that it supplies to the world under the Yamaha brand, they must continuously feel confidence in the Yamaha name. To gain customers' trust, we must establish a solid foundation for growth by building up our expertise in our core operations of sound and music while taking on the challenge of creating new value in response to changing times. In the end, this is the best and the only way for the Yamaha Group to become a "trusted and admired brand."

Board of Directors, Corporate Auditors and Executive Officers

(As of June 24, 2011)

Board of Directors

Mitsuru Umemura
President and Representative Director

1975 Joined Nippon Gakki Co., Ltd.*
2000 President of Yamaha Corporation of America
2001 Executive Officer of Yamaha Corporation
2003 Senior Executive Officer and General Manager of Musical Instruments Group
2006 Managing Director
2007 President and Representative Director (to the present)

Hiroo Okabe
Director

1974 Joined Nippon Gakki Co., Ltd.*
2000 General Manager of Band & Orchestral Instruments Division
2003 Executive Officer and Deputy General Manager of Musical Instruments Group
2006 Director
2007 Director and Managing Executive Officer (to the present)

Motoki Takahashi
Director

1974 Joined Nippon Gakki Co., Ltd.*
1999 President of Yamaha Europe GmbH
2001 Executive Officer of Yamaha Corporation
2006 General Manager of Corporate Planning Division
2007 Director and Executive Officer
2009 Director and Managing Executive Officer (to the present)

Corporate Auditors

Hisashi Yabe
Full-Time Corporate Auditor

1974 Joined Nippon Gakki Co., Ltd.*
1994 General Manager of Accounting Division, Yamaha Livingtec Corporation
2000 Director of Yamaha Resort Corporation
2004 General Manager of Resort Management Group, Yamaha Corporation
2008 Full-Time Corporate Auditor (to the present)

Fumio Umeda
Full-Time Corporate Auditor

1974 Joined Nippon Gakki Co., Ltd.*
2003 General Manager of Accounting and Finance Division, Yamaha Corporation
2009 General Manager of Corporate Auditors' Office
2011 Full-Time Corporate Auditor (to the present)

Takashi Miyazawa
Outside Corporate Auditor
(Certified Public Accountant)

1973 Joined Arthur Young & Co.
1977 Registered as Certified Public Accountant
1993 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
2006 General Manager of International Division, ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)
2010 Retired from Ernst & Young ShinNihon LLC
2011 Outside Corporate Auditor of Yamaha Corporation (to the present)

Executive Officers

Hiroo Okabe
Managing Executive Officer

Motoki Takahashi
Managing Executive Officer

Tsutomu Sasaki
Senior Executive Officer
Corporate Administration Group

Masao Kondo
Senior Executive Officer
Sound and IT Business Group

Yoshihiro Doi
Senior Executive Officer
Musical Instruments & AV Products Marketing Group

Takuya Nakata
Senior Executive Officer
President of Yamaha Corporation of America

Masato Oike
Senior Executive Officer
Musical Instruments Business Group

Haruo Kitamura
Outside Director
(Certified Public Accountant)

1983 Joined Arthur Andersen
1987 Registered as Certified Public Accountant
2002 Established Kitamura Certified Public Accounting Office (to the present)
2004 Outside Auditor of Rohm Co., Ltd. (to the present)
2009 Outside Corporate Auditor of Yamaha Corporation
2010 Outside Director of Yamaha Corporation (to the present)

Hiroyuki Yanagi
Outside Director
(President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd.)

1978 Joined Yamaha Motor Co., Ltd.
2007 Executive Officer of Yamaha Motor Co., Ltd.
2009 Senior Executive Officer of Yamaha Motor Co., Ltd.
2010 President and Representative Director of Yamaha Motor Co., Ltd. (to the present)
President and Chief Executive Officer of Yamaha Motor Co., Ltd. (to the present)
2011 Outside Director of Yamaha Corporation (to the present)

* Currently Yamaha Corporation

Hirohiko Ikeda
Outside Corporate Auditor
(Attorney)

1987 Admitted to Japan Federation of Bar Associations, joined Oh-Ebashi Law Offices (currently Oh-Ebashi LPC & Partners)
1991 Worked for Weil, Gotshal & Manges LLP (U.S.A.)
1992 Admitted to New York State Bar Association (U.S.A.)
1993 Partner in Oh-Ebashi Law Offices (currently Oh-Ebashi LPC & Partners) (to the present)
2011 Outside Corporate Auditor of Yamaha Corporation (to the present)

* Currently Yamaha Corporation

Takashi Onoda
Executive Officer
General Manager of Piano Division

Masahito Kato
Executive Officer
General Manager of Corporate Planning Division

Wataru Miki
Executive Officer
General Manager of Corporate Communications Division

Seiji Abe
Executive Officer
General Manager of Production Engineering & Planning Division

Masahito Hosoi
Executive Officer
General Manager of Staff Business Reform Division

Akira Iizuka
Executive Officer
General Manager of Digital Musical Instruments Division

Hirofumi Osawa
Executive Officer
General Manager of AV Products Division

Hiroshi Sasaki
Executive Officer
President of Yamaha Music Europe GmbH

Yutaka Hasegawa
Executive Officer
General Manager of Sound Network Division

Corporate Governance

Yamaha is taking steps to enhance the oversight functions of the Board of Directors.
In addition, we are promoting an executive officer system in order to strengthen business execution functions.

Fundamental Concept of Corporate Governance

Yamaha positions the enhancement of corporate governance as an important management issue, and is taking proactive steps to strengthen it.

The Company's corporate objective is "CREATING 'KANDO'* TOGETHER — continuing to create 'kando' and enrich culture with technology and passion born of sound and music, together with people all over the world." Based on this objective, Yamaha will improve management efficiency and become globally competitive and highly profitable. At the same time, the Company will increase its corporate and brand value by fulfilling its social responsibilities in areas such as compliance, environment, safety and social contributions.

To achieve this goal, Yamaha will take steps to create a transparent and high-quality management that is also efficient by improving its organizational structure and system, implementing all necessary measures, and disclosing information in an appropriate manner.

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

Creating a Management System based on Directors and Executive Officers

As of June 24, 2011, Yamaha had five directors, including two outside directors. Outside directors also act as members of the Corporate Governance Committee and serve to ensure transparency of management decision-making. In principle, the Board of Directors convenes once monthly, and is responsible for the Group's management functions, including formulation of Group strategy and monitoring and directing the execution of business carried out by divisions. In order to clarify director's management responsibilities, directors are appointed for a term of one year.

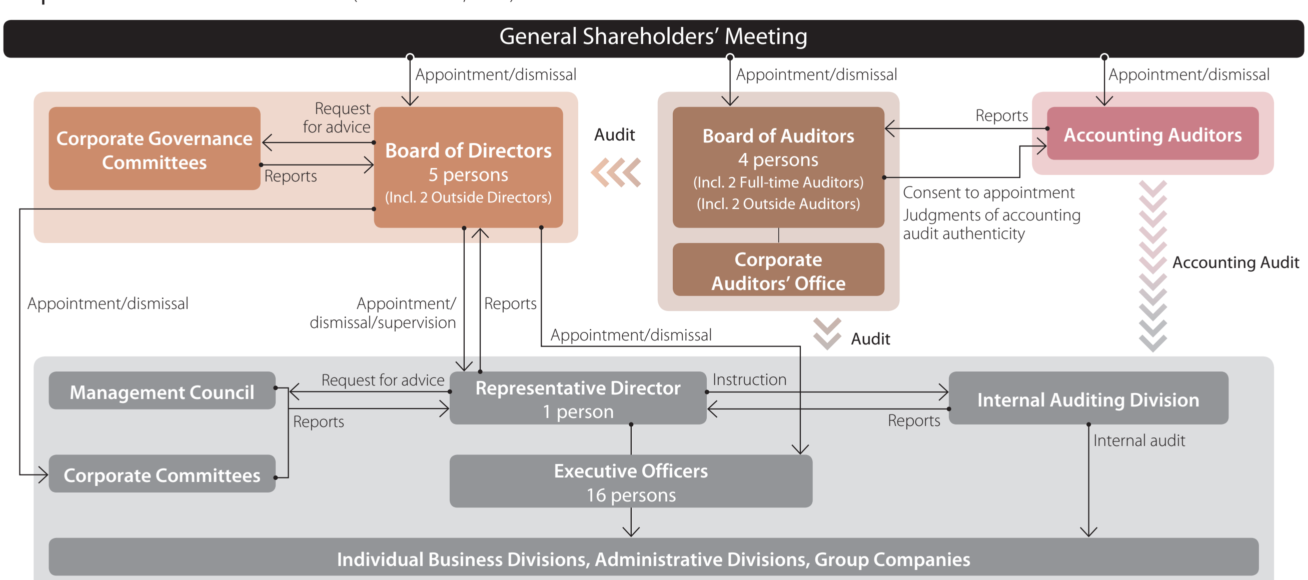
Yamaha has adopted an executive officer system, with the purpose of strengthening consolidated Group management and business execution functions. As of June 24, 2011, the executive officer system comprised 16 executive officers, including two managing executive officers, who are assigned to business or administrative divisions dealing with important management issues. The executive officers support the President, who is the chief officer in charge of business execution. Managing executive officers, who serve concurrently as Company directors, are assigned to oversee the operation of businesses and administrative divisions, in accordance with the importance of these responsibilities. In addition, five senior executive officers oversee the entire Company organization. As group managers, they are responsible for the business performance of divisions within the Company, and manage and direct in such a way that the group functions to its maximum potential.

Audit System that Ensures Fairness and Transparency

Yamaha is a company with a board of auditors as defined under Japanese law, and has worked to enhance governance functions by introducing an executive officer system, as well as by setting up a Corporate Governance Committee and an internal control system. These actions, in conjunction with consistent audits conducted by the Company's system of full-time auditors, raise the effectiveness of governance.

As of June 24, 2011, Yamaha had four auditors, including two outside auditors. In principle, the Board of Auditors convenes once monthly. Based on audit plans, auditors periodically perform

Corporate Governance Structure (As of June 24, 2011)



comprehensive audits of all divisions and Group companies, and participate in Board of Directors' meetings and other important meetings such as management councils. Yamaha has also established a Corporate Auditors' Office (with one staff member as of June 24, 2011) that is dedicated to supporting auditors so as to ensure an environment conducive for performing effective audits.

The suitability of accounting audits is determined based on periodic progress reports from the accounting auditors of their audits of the Company's financial statements.

The Internal Auditing Division (10 staff members as of June 24, 2011) is under the direct control of the President and Representative Director. Its role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company and Group companies from the perspective of legal compliance and rationality. The evaluation results are then used to provide information along with suggestions and proposals for rationalization and improvement. In parallel, Yamaha strives to boost audit efficiency by encouraging close contact and coordination among the corporate auditors and the accounting auditors.

Registration of Independent Officers

Yamaha has registered outside director Haruo Kitamura and outside auditors Takashi Miyazawa and Hirohiko Ikeda as independent officers under the provisions of the Tokyo Stock Exchange.

Fiscal 2011 Activities by Outside Director and Outside Corporate Auditors

Outside director Takashi Kajikawa attended all 13 meetings of the Board of Directors held in fiscal 2011. Utilizing his extensive experience and considerable insight as a former representative director of a publicly owned company, he provided needed advice when appropriate during agenda item deliberation meetings.

Outside director Haruo Kitamura attended all 10 meetings of the Board of Directors held in fiscal 2011, after his appointment. He provided needed advice when appropriate during agenda item deliberation meetings, mainly from his professional viewpoint as a certified public accountant.

Outside corporate auditor Kunio Miura attended 12 of the 13 meetings of the Board of Directors held in fiscal 2011. He also attended 15 of the 16 Board of Auditors' meetings, providing advice based primarily on his professional viewpoint as an attorney.

Outside corporate auditor Yutaka Kume attended all 10 meetings of the Board of Directors held in fiscal 2011 after his appointment. He also attended all 11 Board of Auditors' meetings held during his term, and provided advice based primarily on his experience and insight as an accounting and financial executive at listed companies.

Remuneration for Directors and Corporate Auditors

The aggregate amount of remuneration paid to directors and corporate auditors in fiscal 2011 is outlined below.

Directors: 9 persons, ¥193 million
(including ¥12 million to 2 outside directors)

Corporate Auditors: 6 persons, ¥81 million
(including ¥14 million to 4 outside corporate auditors)

Notes:
1. The amount of remuneration stated above includes compensation paid to four directors and two corporate auditors who retired at the conclusion of the 186th Ordinary General Shareholders' Meeting held on June 25, 2010.
2. Haruo Kitamura was appointed a director after retiring as a corporate auditor at the conclusion of the 186th Ordinary General Shareholders' Meeting held on June 25, 2010. Therefore, he is counted both as an outside corporate auditor and an outside director, and the amount of remuneration paid to him includes that paid for his term serving in those positions.
3. The above amount includes bonuses of ¥21 million paid to three directors excluding outside directors and bonuses of ¥7 million paid to two corporate auditors excluding outside corporate auditors based on a resolution approved at the 187th Ordinary General Shareholders' Meeting held on June 24, 2011.
4. In addition to the above-mentioned payments, a retirement allowance amounting to ¥1 million was paid to one corporate auditor (outside corporate auditor) who retired at the conclusion of the 187th Ordinary General Shareholders' Meeting held on June 24, 2011. This was based on a resolution approved at the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, regarding the lump-sum payment of retirement allowances to directors and corporate auditors upon the abolition of the retirement allowance system. The above amounts paid were calculated based on the term of office served by each director or corporate auditor through June 30, 2006.

Policy on Determining Remuneration for Corporate Officers

Formulation of Policy

The policy on determining remuneration for directors is decided at a meeting of the Corporate Officers Personnel Committee that includes the outside directors. The policy on determining remuneration for corporate auditors is decided at a meeting of the Board of Auditors.

Content of Policy

(1) Remuneration for Directors

Remuneration for directors is to be decided based on the following standards, taking into account compensation levels primarily at other listed companies and relevant employment standards.

(i) Remuneration for directors other than outside directors is determined by reflecting consolidated results and each director's individual performance into the annual base salary, which is based on job responsibilities. Specifically, depending on consolidated results and individual performance, the annual base salary may be raised or lowered by up to 20%.

(ii) Remuneration for outside directors is not linked to business performance. However, amounts are determined taking into account such factors as whether said remuneration is in balance with that of other directors and the scale of Yamaha Corporation's business.

(2) Remuneration for Corporate Auditors

Remuneration for corporate auditors and outside corporate auditors is not linked to business performance. Amounts are determined through consultation with the corporate auditors, taking into account such factors as whether said remuneration is in balance with that of directors and the scale of Yamaha Corporation's business.

(3) Executive Bonuses

In addition to the remuneration framework decided in advance at the General Shareholders' Meeting, bonuses for directors (excluding outside directors) and corporate auditors (excluding outside corporate auditors) are determined depending on the level of consolidated net income based on their annual base salary and are paid after obtaining approval at the Ordinary General Shareholders' Meeting. The amount paid to directors is determined through a resolution of the board of directors, and the amount paid to corporate auditors is determined in consultation with the corporate auditors.

(4) Other

At the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, a resolution was approved abolishing payment of retirement allowances to directors (including outside directors) and corporate auditors (including outside corporate auditors). Yamaha does not maintain a stock option system.

Support System for Outside Directors and Outside Corporate Auditors

With respect to agenda items at meetings of the Board of Directors and the Board of Auditors to be attended by outside directors and corporate auditors, full-time staff members send documents and other materials to them prior to the meeting and provide explanations as necessary to enable them to perform a complete preliminary study of the agenda. When necessary, outside directors are also individually provided explanations about proposals and reports to be submitted to the Board of Directors. As for outside corporate auditors, with regard to other material matters, the Company strives at all times to maintain an effective auditing environment, including by providing information, supplying documentation, listening to opinions, and supporting research and data collection.

Basic Concept of the Internal Control System

Yamaha has established an internal control system pursuant to Japan's Company Law and the Enforcement Regulations of the Company Law. Yamaha seeks to achieve optimal corporate governance in order to raise corporate value and the Yamaha brand image. At the same time, the Company works to improve the internal control system to raise business efficiency, increase the dependability of Yamaha's accounting and financial data, and strengthen compliance, asset soundness, and risk management capabilities.

The Yamaha Group has established an internal control policy by setting specific initiatives for the Groupwide internal control system. In line with this policy, the Company is standardizing rules and regulations at its subsidiaries, and implementing Companywide monitoring liaison committees to oversee the internal control system operated by corporate staff divisions, with the goal of achieving more comprehensive monitoring.

Compliance Framework

At the meeting of the Board of Directors, important items requiring approval by the Board are determined according to rules of the Board, which seek to streamline decision-making processes and decisions. The representative director and business executives report to the Board on the status of execution of duties, and the Board oversees the execution of duties by directors.

Corporate auditors oversee the execution of duties by directors based on auditing standards and audit plans. Going forward, Yamaha will actively incorporate independent outside directors and corporate auditors with the aim of further enhancing the objectivity and transparency of management.

In addition, Yamaha has established a Risk Management Committee within the Company, which formulates the Compliance Code of Conduct, prepares regulations and manuals, and carries out thorough compliance education. The Company also creates frameworks for compliance with laws and regulations and an internal system of checks and balances. To this end, the divisions in charge offer guidance and suggestions to the Group.

To increase compliance effectiveness, a Compliance Help Line (a system for accepting inquiries and reports from employees) has been established. In fiscal 2011, the line handled 42 inquiries and reports, including some from overseas employees of Group companies. In the eight years since the program was launched, the Company has handled and resolved a total of 386 inquires and reports that have been received.

Yamaha has also established an Internal Auditing Division, which conducts internal audits of directly and indirectly affiliated Group companies in order to further improve operations.

As a result of these efforts, Yamaha has established a fair and transparent personnel system, which has raised Group employee awareness and improved morale.

Business Continuity Plan (BCP)

In fiscal 2009, Yamaha formulated the BCP Guidelines, its basic Companywide policy for its business continuity plan (BCP), which is designed to enable the immediate resumption of operations in the event of an earthquake in Japan's Tokai region or other major natural disaster that could cause damage to its buildings or facilities. In June 2010, the Risk Management Committee began activities at all operational sites and at Group companies, putting the necessary systems and countermeasures in place to respond to new flu strains and various other risks.

In light of the impact that the Great East Japan Earthquake and tsunami of March 11, 2011 had on Yamaha Group business, Yamaha will reconsider its crisis management system and business continuity plan.

A Message from the Newly-Appointed Outside Corporate Auditor

Hirohiko Ikeda
Outside Corporate Auditor

My name is Hirohiko Ikeda. I am an attorney and have been appointed as an outside corporate auditor of Yamaha. Since obtaining my attorney's license in 1987, I have been practicing business laws, with a focus on the Companies Act, for nearly 24 years. During that time, I attended law school in the United States, passed the bar exam for the State of New York, and practiced law at a major law firm in Manhattan. Since 2004, I have lectured on the subject of corporate governance at the law schools of Osaka University, Doshisha University, and others.

As part of my daily practice of law, I have provided legal assistance to ensure that the business decisions made by Japanese and foreign companies are informed judgments that are both legally-sound and based on adequate information. At Yamaha, I will put my experience to use and work from an independent position to help ensure that better business decisions are made.

Risk Factors

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

1 Economic Conditions

The Yamaha Group has a global business presence 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.

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 segment, and competition in the lower price segments has become more intense, especially in recent years.

Also, in the AV/IT segment, the Yamaha Group is subject to competition from low-priced products. Changes in logistics and distribution and new technology trends could expose this business to even greater price competition, which could have an impact on the Group's current strong position.

3 New Technology Development

The Yamaha Group will focus its management resources on the business domains of "musical instruments, music, and audio." The Group will firmly establish itself as the world's leading comprehensive musical instruments manufacturer. The AV/IT segment has been expanded, with a focus on AV receivers in the AV products category. The electronic devices segment has also been expanded, mainly in the area of sound-generating LSIs, a core operation in the semiconductor business.

Differentiating the Group's technologies in the fields of sound, music, and networks is essential for the Group's further development and growth. In developing these technologies, if the Group does not continue to correctly forecast future market needs and adequately meet them, the added value of its products in the musical instruments segment will decline, which may lead to price competition. As a result, the Group may be unable to stimulate new demand for its products and may find it difficult to sustain the AV/IT and electronic devices businesses.

4 Business Investment

The Group makes business investments including capital investments to promote business growth. However, when making investment decisions, even though the Group monitors investment return and risk both qualitatively and quantitatively and makes careful, considered judgments, depending on circumstances, the Group may be unable to recover a portion or the full amount of its investments, or may decide to withdraw from a business, thereby resulting in additional losses. In such cases, the value of assets invested in such businesses may be subject to impairment.

5 Business Alliances

In recent years, partnership strategies, including alliances, joint ventures and investments in other companies, have increased in importance for the Group. In some cases, the anticipated effects of such alliances and investments may not materialize because of conflicts of interest, or changes in the business strategies of the partner, or other reasons.

6 Dependence on Materials and Parts Business Customers

The semiconductors, automobile interior wood components, and materials and parts that the Group manufactures and sells are affected by the business performance of the manufacturers who buy them. When the bonds of trust between such customers and Group companies are impaired by delivery, quality, or other issues, this may have a negative impact on future orders. Moreover, customers may ask Group companies to compensate them for quality problems or other defects.

7 International Business and Overseas Expansion

The Yamaha Group has established a global presence, with manufacturing and marketing bases in various parts of the world. Of the Group's 78 consolidated subsidiaries, 39 are foreign corporations, of which 17 are manufacturing companies, with principal bases of operation in China, Indonesia, and Malaysia. Overseas sales comprise 52.0% of the Group's net sales.

Various risks, including those listed below, are inherent to the expansion of business overseas. If such risks materialize, including adverse effects caused by an over-concentration of manufacturing facilities in a particular region, the Group may not be able to provide stable supplies of its products. Such risks include:

(a) Political and economic turmoil, terrorism, and war
(b) Introduction of adverse policies or imposition of, 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) Interruption of distribution due to harbor strikes, etc.
(g) Imposition of taxes under transfer pricing regulations

8 Raw Materials Prices, Raw Materials Supplies, and Logistics Costs

To manufacture its products, the Group uses raw materials, including lumber, metals such as copper, and plastics, for parts. Increases in the prices of these materials raise manufacturing costs. In addition, specific suppliers supply the Group with different raw materials. Supply conditions for those materials could have an impact on the Group's manufacturing activities.

In addition, when logistics costs increase due to sharply rising crude oil prices, the ratio of manufacturing costs and cost of sales to net sales may increase.

9 Effects of Declining Birthrates

In the Yamaha Group's core business of musical instruments, schools constitute an important sales channel, in addition to the Group's music schools and English language schools, whose students are primarily children. Declining birthrates, particularly in Japan, could lead to decreasing sales through these channels.

10 Recruitment and Training of Personnel

The average age of the Company's employees is relatively high, with a significant number in the upper age brackets and many approaching the set retirement age. Therefore, an important challenge for the Company is to address the changing composition of the workforce by passing on musical instrument manufacturing know-how and recruiting and training a new generation of employees. If the Company is unable to respond sufficiently to changes in the composition of its workforce, this could interfere with its business activities and future growth.

11 Protection and Use of Intellectual Property

The Group possesses intellectual property rights, including patents based on its proprietary technologies, and accumulated business know-how. Some of this intellectual property cannot be fully protected, or can only be partially protected because of legal constraints in certain regions. Therefore, the Group may not be able to effectively prevent third parties from using 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 interfering with Group sales. In addition, third parties may claim that Group products infringe on their own intellectual property rights. As a result, sales of Group products that employ said intellectual property may be delayed or suspended.

In some cases, the Group licenses the intellectual property of third parties to produce key components for its products. Any increases in royalties paid for such intellectual property may result in higher manufacturing costs, which could affect price-competitiveness. Moreover, if the Group is unable to obtain a license, it may have to suspend manufacturing of the relevant product.

12 Defects in Products and Services

The Yamaha Group controls the quality of its products based on corporate quality assurance and product quality rules and regulations. However, there is no guarantee that all products will be free of defects. The Group is insured against product liability claims, but there is no guarantee that this insurance will be sufficient to cover any potential payments for damages. If product liability issues arise, insurance rates are likely to increase. In that case, the cost to recall, exchange, repair, or change the design of a product could increase significantly, or the Group's business reputation could be tarnished, which could cause sales to decline, and adversely affect the Group's performance and financial position.

Also, although the Group is very careful about safety and sanitation at the retail shops, music schools, recreation and other facilities that it operates, in the event of an accident, the stores, schools, or facilities may have to temporarily suspend operation, which could damage the Group's reputation and lead to declining sales.

13 Legal Regulations

The Group's business operations throughout the world are subject to the laws and regulations of the countries in which they operate. These laws and regulations include those pertaining to foreign investment, restrictions on exports and imports that may affect national security, commerce, anti-trust issues, consumer protection, tax systems, and environmental protection. In addition, the Group has an obligation to securely manage the personal information of its customers. The Yamaha Group takes every measure to ensure that it complies with legal regulations, but, if for some unexpected reason, it is unable to comply with these laws and regulations, the Group's activities could be restricted and costs could increase as a result.

14 Environmental Regulations

With the environmental protection regulations that govern business activities becoming increasingly stringent, companies are being asked to implement voluntary environmental programs as one of their corporate social responsibilities. The Yamaha Group has implemented measures that exceed existing environmental standards for products, packaging materials, energy conservation, and industrial waste treatment. However, there is no guarantee that the Group can completely prevent restricted substances released due to accidents or other causes from exceeding environmental standards, or reduce the release of said substances. Moreover, in cases where soil pollution has occurred on land formerly occupied by industrial plants, substantial soil remediation costs may be incurred when the land is sold in the future, or the land may be impossible to sell. Restricted substances in the soil on land already sold to third parties may spread, resulting in pollution of the air or underground water, and may incur cleaning and remediation costs.

15 Information Leakage

The Group retains a wide range of important management- and business-related information as well as personal information on numerous customers. To manage this information properly, the Group has prepared policies and rules and put into place systems for maintaining its security. However, in the event that this information accidentally leaks outside the Group, this could have a major impact on the Group's business activities or lower public confidence in the Group.

16 Fluctuations in Foreign Currency Exchange Rates

As Yamaha Group's business activities, including manufacturing and sales, are global in scale, the transactions of Group companies that are denominated in foreign currencies are subject to fluctuating currency rates. The Group uses forward currency hedge transactions to minimize the impact of foreign exchange rate fluctuations in the short term. However, the Group may not be able to achieve its initial business plan targets due to exchange rate fluctuations. The Euro-yen exchange rate has an especially strong impact on profit and loss: a ¥1 change will result in a ¥0.4 billion change in profitability.

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. Notably, the Company's Head Office, domestic plants, and major subsidiaries are concentrated in Shizuoka Prefecture, located in the Tokai region of Japan, an area in which a major earthquake has been predicted for years. Moreover, the Group's overseas manufacturing plants are concentrated in China, Indonesia, and Malaysia, countries where the outbreak of unexpected natural disasters is feared. In the event of a natural disaster, the Yamaha Group's facilities may suffer damage, and the Group may be required to suspend or postpone operation, which could incur substantial restoration costs.

Yamaha Group stores, affiliates and music schools in the Tohoku and North Kanto regions suffered damage caused by the Great East Japan Earthquake that struck on March 11, 2011. The disaster has forced Yamaha to take a number of steps, including the suspension of store operations and cancellation of music school classes. In addition, because parts suppliers were devastated, the disaster has also affected the procurement of parts and materials needed for production. Further, Yamaha factories may be affected by electric power shortages.

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 (acquisition cost: ¥15.7 billion; consolidated balance sheet value: ¥71.4 billion, as of March 31, 2011). Since available-for-sale securities with market value are valued at the market price at the settlement date based on the mark-to-market valuation method, the recorded balance sheet value of these securities may fluctuate depending on the price of the securities at the settlement date. This may, in turn, have an impact on the Company's net assets. Further, when the market value of these securities falls markedly relative to their acquisition cost, the value of said securities may be subject to impairment.

b. Unrealized Losses on Land Valuation

As of March 31, 2011, the market value of the Group's land, revalued in accordance with the Law Concerning Revaluation of Land, was ¥4.3 billion below the book value of said land after revaluation. In the event of the sale or disposal of said land, this unrealized loss may be recognized.

c. Retirement Benefit Obligations and Expenses

The Yamaha Group's retirement benefit obligations and expenses are calculated based on its retirement benefit system, an estimated discount rate, and an expected rate of return on pension plan assets. In some cases, the retirement benefit system may change and the estimate of said obligations and expenses may differ from the actual results. As a result, retirement benefit obligations and expenses could increase.

Particularly, in the event that expected returns on managed assets cannot be realized because of declining stock prices and other factors, unrecognized actuarial losses could arise, and retirement benefit expenses could increase.

Corporate Social Responsibility (CSR)

In all its interactions with stakeholders, the Yamaha Group seeks through its business activities to help create 'kando.'* Through activities grounded in the fields of sound and music, we will continue to create 'kando' and enrich culture along with people around the world.

YAMAHA

Yamaha's Corporate Philosophy

Corporate Objective

"CREATING 'KANDO' TOGETHER"

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

Management Philosophy

Customer-Oriented and Quality-Conscious Management

Yamaha fully satisfies its customers by offering quality products and services that incorporate new and traditional technologies as well as refined creativity and artistry.

Transparent and Sound Management

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

Valuing People

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

Harmony with Society

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

The Yamaha Group's approach with respect to customers, shareholders, the people who work with Yamaha, and society is clearly expressed in the corporate philosophy shared by the entire Yamaha Group. The most valued concept for the Group is "CREATING 'KANDO' TOGETHER," a slogan that embodies the corporate objective that commands the highest in the hierarchy that frames the Group's corporate philosophy. In consistently striving to enhance satisfaction among its diverse stakeholders and realize sustainable growth by effectively utilizing management resources, the Yamaha Group is staunchly committed to maximizing its corporate value.

Yamaha Corporation Group CSR Policy

Our aim is "CREATING 'KANDO' TOGETHER"

The objective of the Yamaha Corporation Group is to continue to create 'kando' and enrich culture with technology and passion born of sound and music, together with people all over the world.

Based on this corporate objective, Yamaha conducts its CSR activities according to the following guidelines to further strengthen the bonds of trust with its stakeholders through its corporate activities and contribute to the sustainable development of society.

1. Yamaha provides support to people who want to perform music and people who want to enjoy it by contributing to the popularization and development of music and musical culture.
2. Yamaha works to maintain a healthy global environment by understanding the significance of protecting the natural environment, maintaining biodiversity, and reducing the burden on the environment, as well as promoting the proper use of wood resources, and cooperating with forest protection activities.
3. As a "corporate citizen" that is a member of society, Yamaha contributes to creating a better society by actively participating in many kinds of activities that further the development of the community and culture.
4. Yamaha complies with laws and high ethical standards, works to create an environment in which its personnel can draw fully on their sensitivities and creativity, and aims to build a corporate culture that will enable it to offer better products and services.
5. For its shareholders, who support its corporate activities financially, Yamaha aims for a high degree of transparency by disclosing management information and engaging in active and sustained communication. For its business partners, Yamaha conducts transactions fairly and transparently, endeavors to deepen mutual understanding, and works to build strong relationships of trust.

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

The Yamaha Group's Approach to CSR

The Yamaha Group's corporate management seeks to realize the corporate objective of "CREATING 'KANDO' TOGETHER" through business activities grounded in the fields of sound and music. With an emphasis on corporate social responsibility (CSR) as one of our basic management policies, we are making steady, ongoing efforts in quality, customer satisfaction, procurement, environmental issues, and public relations in order to fulfill our role as a corporate citizen. The Group as a whole will continue to raise awareness of its social responsibility and contributions, and work to address various social issues based on the following themes laid out in its management philosophy: customer-oriented and quality-conscious management, transparent and sound management, valuing people, and harmony with society.

In February 2010, we created the Yamaha Corporation Group CSR Policy, a summary of our approach to CSR. Based on this policy, we will further promote CSR activities across the entire Group.

A special feature of CSR as practiced by the Yamaha Group is its contribution through its business activities to the development of music culture around the world. We seek to leverage our strengths to provide products and services that deliver satisfaction to everyone who enjoys music, and thereby contribute to the development of humanity's musical heritage and to the enrichment of life.

Yamaha also considers it crucial to address issues facing the local communities that form the basis for its global business, as well as global environmental issues such as global warming and preservation of biodiversity. We promote cultural and educational development in local communities, develop and manufacture products that make efficient use of resources and reduce the environmental burden, and because we are a company that manufactures products from wood, we actively support reforestation. Going forward, we will focus on activities that allow us to address social issues as only the Yamaha Group can.

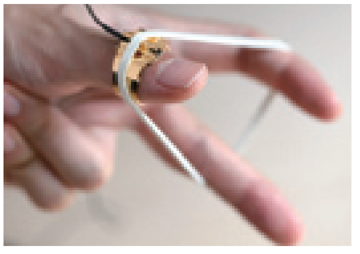

4th year supporting coastal forest revitalization activities


State-of-the-art wastewater treatment facility installed in production process in new Xiaoshan Factory, China

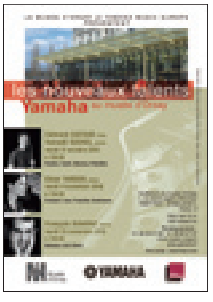
Start of 2nd phase of Indonesian reforestation activities at Yamaha Forest


Promoting measures to conserve energy and reduce CO_2 through integration of Kakegawa piano production process


Workshops for school bands held in 12 cities in China


Exhibition at international conference for universal design (design for all)

Charity marathon to support ill children in the U.S.



Support for young artists' concert at the Orsay Museum in France

Yamaha's inclusion in the FTSE4Good Global Index

For more in-depth reporting on Yamaha's CSR activities, please visit "Corporate Social Responsibility" on Yamaha's website:
http://www.yamaha.com/about_yamaha/csr/

R&D and Intellectual Property

Technological expertise built up over years of research and development underpins the Yamaha Group's broad base of operations. In order to accelerate the accumulation of these technologies — in other words, intellectual property rights — Yamaha invests substantially in research and development activities. Another primary goal of the Group is securing, protecting and utilizing related intellectual property to ensure that Yamaha retains and enhances its competitive technical edge.

Research and Development

Core Technologies and Business Direction

Yamaha leverages the technologies that it has acquired over many years in the fields of sound and music to increase the value of the Yamaha brand and to stimulate new demand by developing and offering innovative, high-quality products and services.

At the same time, the Company has earned an excellent global reputation for original design, which plays an important part in the creation of distinctive customer appeal and product competitiveness while raising the Yamaha brand image.

Yamaha has identified the world-class technologies it has researched and developed in the fields of sound and music as core technologies, which it will further develop and advance in the years ahead. Some of the technologies we plan to focus on more strongly include acoustic sensing, spatial audio technology, acoustic analysis, simulation and modeling technology, speech synthesis, wood reforming and new materials technologies, and psychoacoustics. These advanced, specialized technologies cover the entire lifecycle of sound, from the time it is produced to the time it is processed, and even extend into the field of human perception.

Not only do we utilize these technologies in the musical instruments and professional audio equipment businesses, but also to actively provide unique Yamaha value in new business areas. Examples of such applications include speech privacy in the environmental acoustic business and the transmission of information through sound in the applied acoustic business.

Yamaha trains the human resources it needs to support and develop these new businesses. It also acquires advanced technologies, collaborates with universities and research institutions, and then passes on the high-level knowledge and technology it has accumulated to its workforce. We will continue to make effective use of our brand, intellectual property and other assets, and to create and increase the value of intellectual property assets.

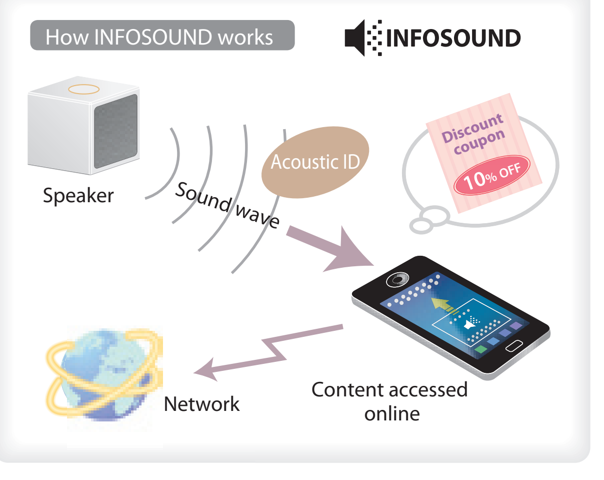
R&D Achievement

INFOSOUND™ Acoustic Data Communication Technology

INFOSOUND is Yamaha's proprietary acoustic data communication technology that converts digital information into acoustic signals and then transmits them over sound waves. Short strings of encoded data (acoustic IDs) are embedded in the sound frequencies that are transmitted from audio speakers. A smartphone's microphone picks up these signals along with the digital information, URLs and other data embedded within them. With this technology, users can access e-coupons and shop online when in close range of speakers that broadcast the acoustic IDs.

With a maximum data transfer rate of around 80 bits per second, the INFOSOUND technology is highly immune to noise interference and can transmit data more than 10 meters away from the speaker. As sound waves are used for transmission, data can be distributed to multiple receivers (smartphones and other devices) simultaneously. Further, the range of access (data reception within an audible range) can be controlled by adjusting speaker volume.

When the smartphone's microphone picks up the INFOSOUND signal, the INFOSOUND browser displays location- and time-based information, such as time-sensitive ads of shops that are in close proximity to the user. For this reason, a wide range of applications are possible. As just one example, when the microphone picks up the background music played in stores, the browser can access e-coupons and display product information.



Intellectual Property

Since its founding, Yamaha has sought to acquire its own patents and other intellectual property rights while respecting the intellectual property rights held by third parties. More recently, the Company has taken steps to integrate its business, R&D and intellectual property strategies by implementing a number of measures designed to maximize the contribution of intellectual property to business earnings.

Patents

In order to differentiate itself from competitors, gain business advantages, ensure greater flexibility, and enable licensing to third parties, Yamaha has formulated patent strategies tailored to operations in specific business segments. These strategies include identifying target technical fields for patent acquisition, such as core technologies, new businesses and new technologies, and building a strong patent portfolio by concentrating on its core competencies.

From the standpoint of asset optimization, Yamaha annually assesses its full portfolio of patents held within and outside of Japan, evaluating patent rights in terms of present application and future potential, ultimately retaining only those deemed most advantageous.

As of March 31, 2011, the Yamaha Group owned a total of approximately 5,600 patents and utility models in Japan. Outside of Japan, the Group held roughly 5,100 patents, mainly in the United States, Europe and China. Yamaha is working to increase the number of patents held in China in particular.

Designs

Yamaha views design as a critical element in setting its products apart in the market, and makes every effort to properly safeguard and utilize these assets. In recent years, Yamaha has taken bolder steps to acquire design rights in China to protect against counterfeit products. The Yamaha Group held some 800 design rights in Japan and overseas as of March 31, 2011.

Copyrights

In addition to industrial property rights, such as patents, designs and trademarks, the Yamaha Group generates numerous copyrighted works, mostly in the fields of sound and music. Music-related copyrights are of particular importance to Yamaha in terms of intellectual property. The Company takes steps to ensure their proper management and use, including legal action when necessary.

Brands

Yamaha has taken various initiatives to maintain and enhance the value of its brand. In 1986, the Company established regulations for Yamaha brand management, and also set up a Companywide brand management committee to maintain and improve brand value by ensuring appropriate use. In order to protect the Yamaha brand, the Company acquires trademarks in numerous product domains in every country.

Achievement in Protection of Intellectual Property

DTX™ Drums

Offering a level of playability and detailed expressiveness of an acoustic drum, coupled with unparalleled quietness and durability that only electronic drums can provide, Yamaha's DTX-PAD electronic drum pad delivers the ultimate feel of drumming that live stage performances and studio recordings require.

Awards

Good Design Gold Award 2010

Intellectual Property Rights

Yamaha fully protects the intellectual property rights of all technologies, designs, and product names resulting from the development and commercialization of DTX-PAD. Yamaha has applied for and/or been granted approximately 40 patents, 10 trademarks, and 10 design rights in connection with DTX-PAD in Japan and abroad.

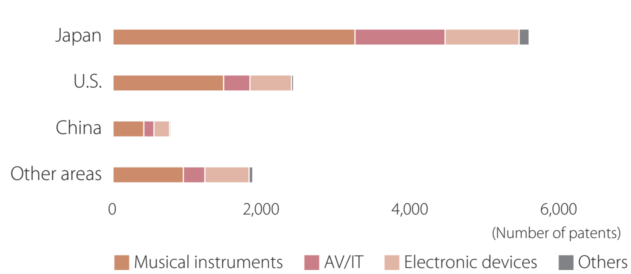
Anti-Counterfeiting Measures

In recent years, the number of cases of unauthorized third parties manufacturing and selling products under the Yamaha brand and producing counterfeit Yamaha designs has been increasing. Using government agencies and legal means, Yamaha has vigorously combated counterfeiting with growing success. Going forward, Yamaha plans to adopt a more aggressive legal approach, including litigation against infringers, to preserve its brand value and business and to retain consumer trust in the Yamaha brand.

Intellectual Property Management Systems

Corporate staff are assigned to the Intellectual Property Division to oversee the integrated management of all intellectual property held by the Yamaha Group. In addition, specialists responsible for intellectual property are assigned to each business and R&D division to ensure the Company's intellectual property strategy is integrated with its business and R&D strategies. These specialists work in close communication with the Intellectual Property Division to promote Yamaha's intellectual property strategy from both a Companywide and business domain perspective.

Patents Owned by Yamaha (As of March 31, 2011)



Main Networks

(As of July 1, 2011)

Overseas Network

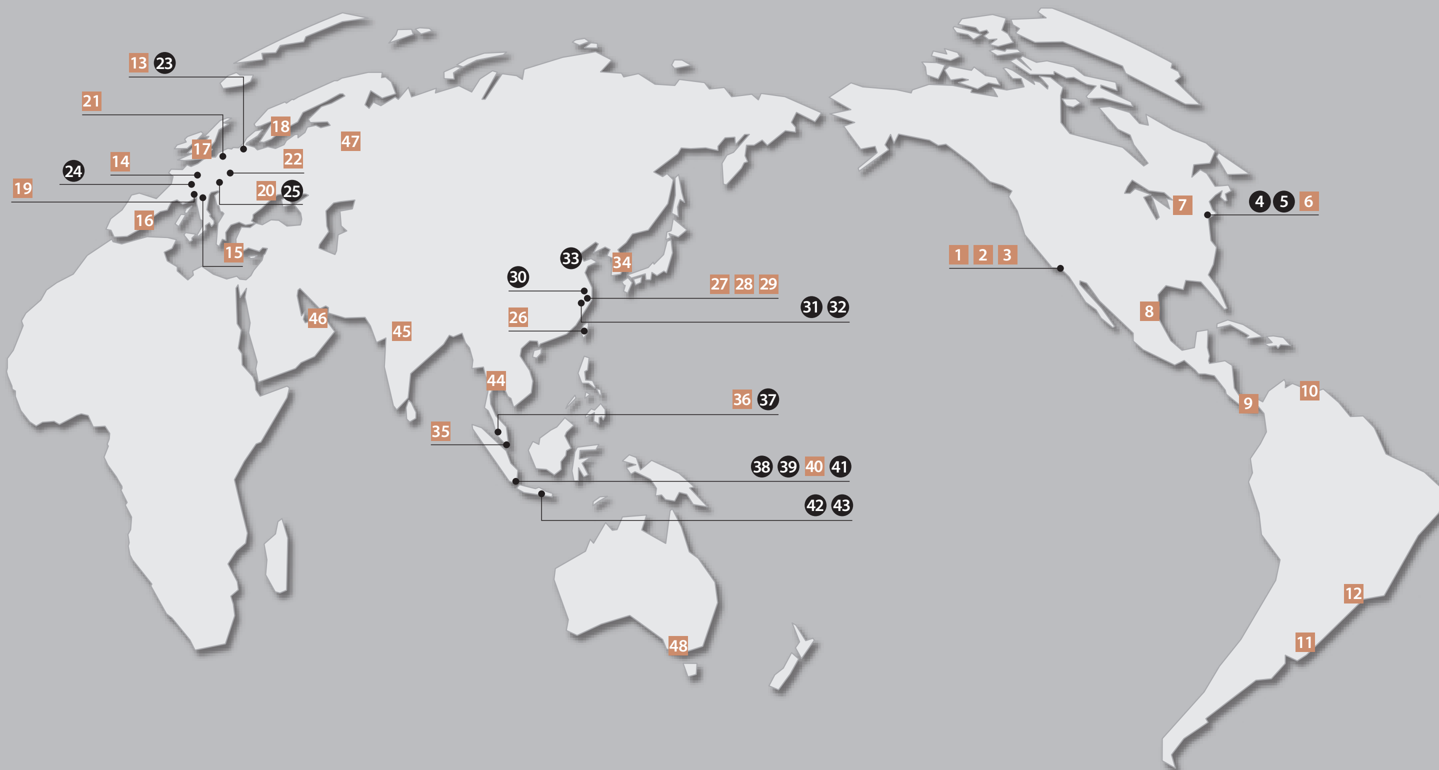
Company name	Location
1 Yamaha Corporation of America	California, U.S.A.
2 Yamaha Electronics Corporation, USA	California, U.S.A.
3 Yamaha Commercial Audio Systems, Inc.	California, U.S.A.
4 Yamaha Music InterActive, Inc.	New York, U.S.A.
5 YMH Digital Music Publishing, LLC*1	New York, U.S.A.
6 Yamaha Artist Services, Inc.	New York, U.S.A.
7 Yamaha Canada Music Ltd.	Toronto, Canada
8 Yamaha de México, S.A. de C.V.	Mexico City, Mexico
9 Yamaha Music Latin America, S.A.	Panama City, Panama
10 Branch in Venezuela	Caracas, Venezuela
11 Branch in Argentina	Buenos Aires, Argentina
12 Yamaha Musical do Brasil Ltda.	São Paulo, Brazil
13 Yamaha Music Europe GmbH	Rellingen, Germany
14 Branch in France	Croissy-Beaubourg, France
15 Branch in Italy	Milan, Italy
16 Branch in Ibérica	Madrid, Spain
17 Branch in U.K.	Milton Keynes, U.K.
18 Branch in Scandinavia	Gothenburg, Sweden
19 Branch in Switzerland	Zurich, Switzerland
20 Branch in Austria	Vienna, Austria
21 Branch in Benelux	Vianen, Netherlands
22 Branch in Poland	Warsaw, Poland
23 Steinberg Media Technologies GmbH	Hamburg, Germany
24 Nexo S.A.	Plailly, France
25 L. Bösendorfer Klavierfabrik GmbH	Wiener Neustadt, Austria
26 Yamaha KHS Music Co., Ltd.	Taipei, Taiwan
27 Yamaha Music & Electronics (China) Co., Ltd.	Shanghai, China
28 Yamaha Music Technical (Shanghai) Co., Ltd.	Shanghai, China
29 Yamaha Trading (Shanghai) Co., Ltd.	Shanghai, China
30 Yamaha Electronics (Suzhou) Co., Ltd.	Suzhou, China
31 Xiaoshan Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
32 Hangzhou Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
33 Tianjin Yamaha Electronic Musical Instruments, Inc.	Tianjin, China
34 Yamaha Music Korea Ltd.	Seoul, South Korea
35 Yamaha Music (Asia) Private Limited	Singapore
36 Yamaha Music (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia
37 Yamaha Electronics Manufacturing (M) Sdn Bhd	Chemor, Malaysia
38 PT. Yamaha Indonesia	East Jakarta, Indonesia
39 PT. Yamaha Music Manufacturing Indonesia	East Jakarta, Indonesia
40 PT. Yamaha Musik Indonesia (Distributor)	Central Jakarta, Indonesia
41 PT. Yamaha Music Manufacturing Asia	Bekasi, Indonesia
42 PT. Yamaha Musical Products Indonesia	Pasuruan, Indonesia
43 PT. Yamaha Electronics Manufacturing Indonesia	Pasuruan, Indonesia
44 Siam Music Yamaha Co., Ltd.*2	Bangkok, Thailand
45 Yamaha Music India Pvt. Ltd.*2	Gurgaon, India
46 Yamaha Music Gulf FZE	Dubai, U.A.E.
47 Yamaha Music (Russia) LLC.	Moscow, Russia
48 Yamaha Music Australia Pty. Ltd.	Melbourne, Australia

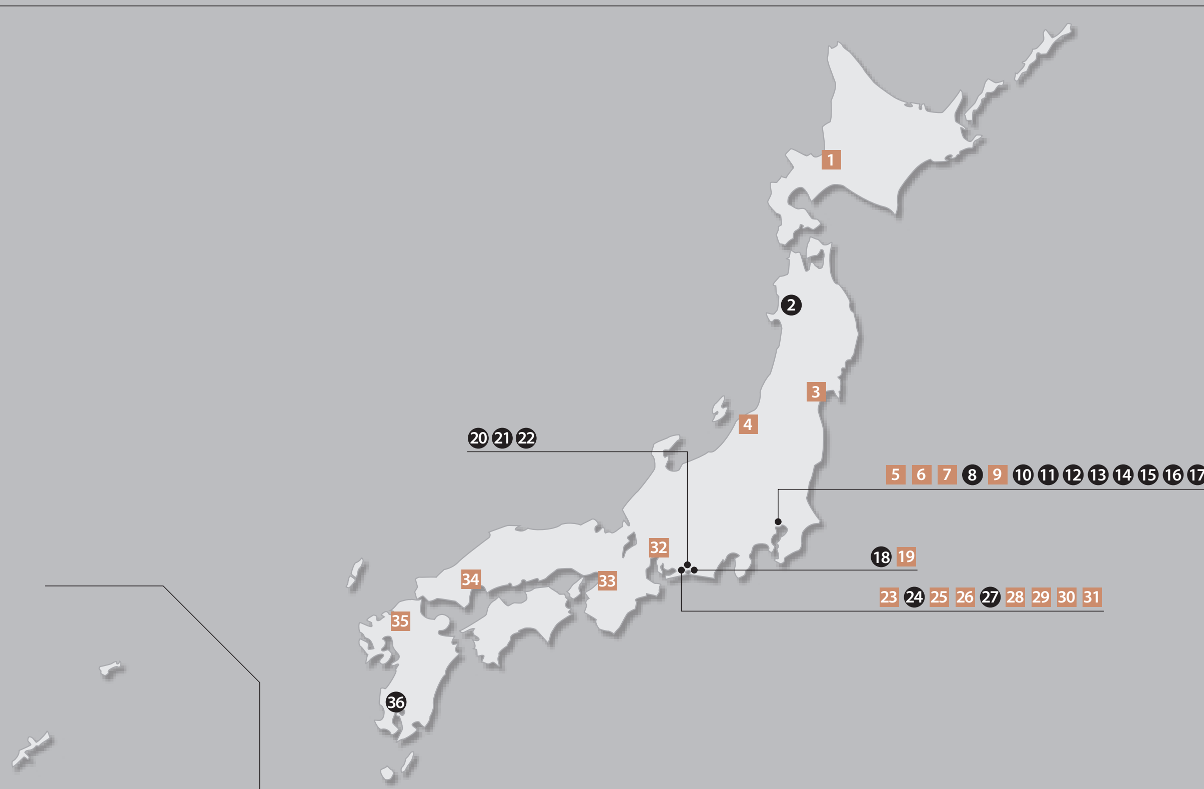
Domestic Network

Company name	Location
1 Yamaha Music Hokkaido Co., Ltd.	Sapporo, Hokkaido, Japan
2 Sakuraba Mokuzai Co., Ltd.	Kitaakita, Akita, Japan
3 Yamaha Music Tohoku Co., Ltd.	Sendai, Miyagi, Japan
4 Yamaha Music Kanto Co., Ltd.	Niigata, Japan
5 Yamaha Music Tokyo Co., Ltd.	Chuo, Tokyo, Japan
6 Yamaha Hall Co., Ltd.	Chuo, Tokyo, Japan
7 Yamaha Music Trading Corporation	Chuo, Tokyo, Japan
8 Yamaha Sound Systems Inc.	Chuo, Tokyo, Japan
9 Yamaha Electronics Marketing Corporation	Minato, Tokyo, Japan
10 Yamaha Music Entertainment Holdings, Inc.	Shibuya, Tokyo, Japan
11 Yamaha Music Communications Co., Ltd.	Shibuya, Tokyo, Japan
12 Yamaha A&R, Inc.	Shibuya, Tokyo, Japan
13 Yamaha Music Artist, Inc.	Shibuya, Tokyo, Japan
14 Yamaha Music Publishing, Inc.	Shibuya, Tokyo, Japan
15 Yamaha Music and Visuals, Inc.	Shibuya, Tokyo, Japan
16 Yamaha Music Media Corporation	Toshima, Tokyo, Japan
17 Epicurus Corporation	Toshima, Tokyo, Japan
18 Yamanashi Kogei Co., Ltd.	Kakegawa, Shizuoka, Japan
19 Yamaha Resort, Inc.	Kakegawa, Shizuoka, Japan
20 D.S. Corporation	Fukuroi, Shizuoka, Japan
21 Yamaha Music Winds Corporation	Iwata, Shizuoka, Japan
22 Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
23 Yamaha Piano Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
24 Yamaha Music Craft Corporation	Hamamatsu, Shizuoka, Japan
25 Yamaha Credit Corporation	Hamamatsu, Shizuoka, Japan
26 Yamaha Music Lease Corporation	Hamamatsu, Shizuoka, Japan
27 Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
28 Yamaha Ai Works Co., Ltd.*2	Hamamatsu, Shizuoka, Japan
29 Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
30 Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
31 Yamaha Office Link Co., Ltd.	Hamamatsu, Shizuoka, Japan
32 Yamaha Music Tokai Co., Ltd.	Nagoya, Aichi, Japan
33 Yamaha Music Osaka Co., Ltd.	Osaka, Japan
34 Yamaha Music Chushikoku Co., Ltd.	Hiroshima, Japan
35 Yamaha Music Kyushu Co., Ltd.	Fukuoka, Japan
36 Yamaha Kagoshima Semiconductor Inc.	Aira-gun, Kagoshima, Japan

*1 Equity-method affiliate
*2 Non-consolidated subsidiaries and affiliates

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





Investor Information

(As of March 31, 2011)

Head Office
10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka
430-8650, Japan

Date of Establishment
October 12, 1897

Stated Capital
¥28,534 million

Number of Employees (Consolidated)
26,816 (Includes average number of temporary employees: 7,354)

Number of Consolidated Subsidiaries
78

Account Settlement Date
March 31

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

Number of Shares of Common Stock
Authorized: 700,000,000
Issued: 197,255,025

Stock Exchange Listing
Tokyo
First Section, Code No. 7951

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

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

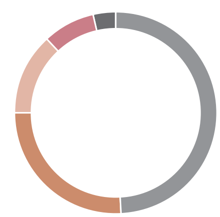
Public Notices
Shall be issued electronically at
http://jp.yamaha.com/ (only in Japanese), except when accident or other unavoidable occurrence prevents this, in which case they shall be released in the Nihon Keizai Shimbun business daily released in Tokyo.

Ordinary General Shareholders' Meeting
June

Accounting Auditors
Ernst & Young ShinNihon LLC

Number of Shareholders
26,128

Shareholder Composition (Number of shares)



Financial institutions	49.2%
Foreign investors	25.9%
Individuals	13.2%
Japanese corporations	8.2%
Securities companies	3.5%
National and local governments	0.0%

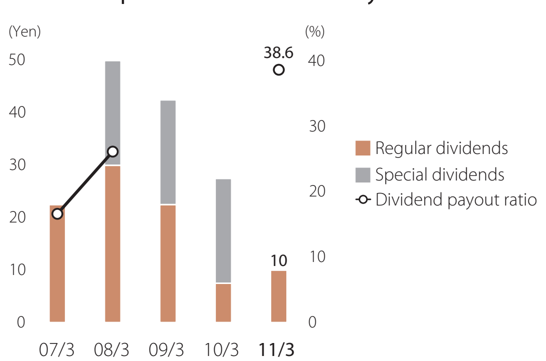
Main Shareholders

	Shareholding ratio (%)
Yamaha Motor Co., Ltd.	5.33
Japan Trustee Services Bank, Ltd. (trust a/c)	5.08
The Master Trust Bank of Japan, Ltd. (trust a/c)	4.75
Mizuho Bank, Ltd.	4.53
The Shizuoka Bank, Ltd.	4.31
Mitsui Sumitomo Insurance Co., Ltd.	4.14
Sumitomo Life Insurance Company	3.77
Nippon Life Insurance Company	3.35
Mizuho Corporate Bank, Ltd.	2.98
Japan Trustee Services Bank, Ltd. (trust a/c 9)	2.50

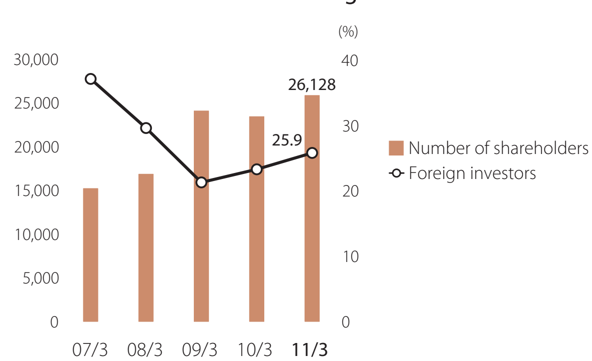
Note: The shareholding ratio is calculated by excluding treasury stock from total outstanding shares.

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

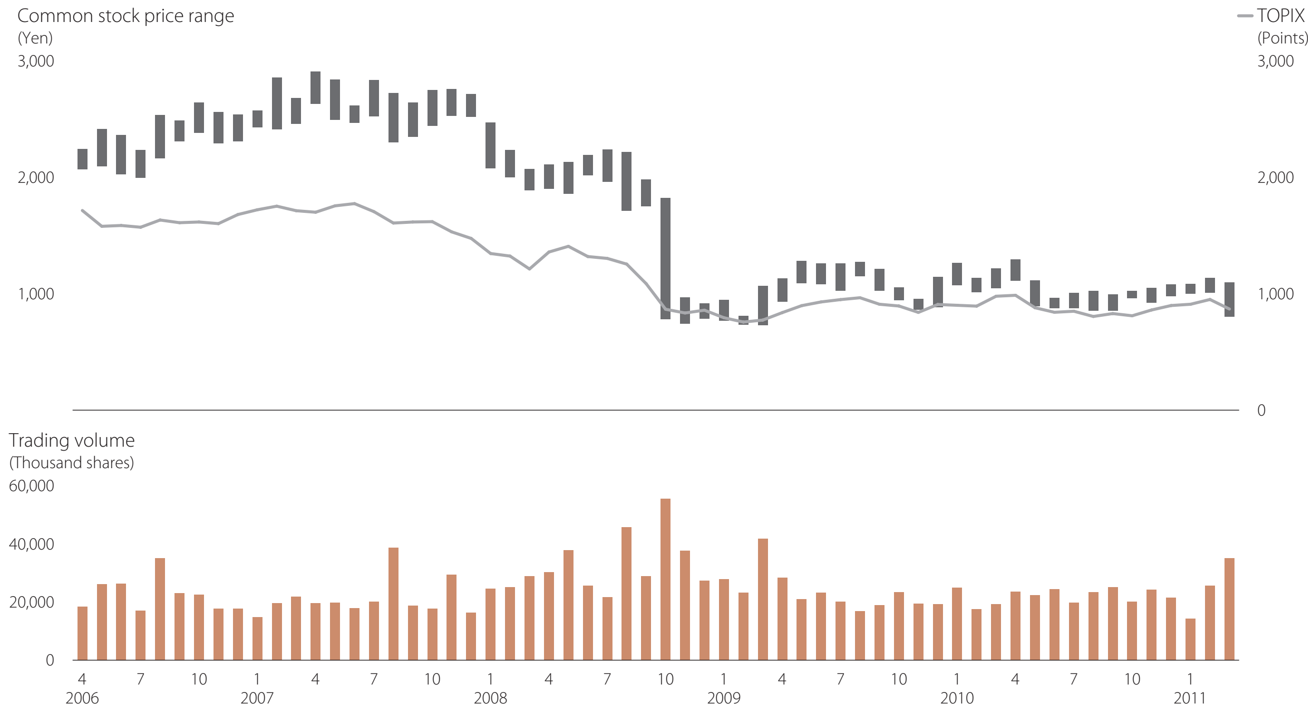
Dividends per Share / Dividend Payout Ratio



Number of Shareholders / Foreign Investors



Common Stock Price Range and Trading Volume

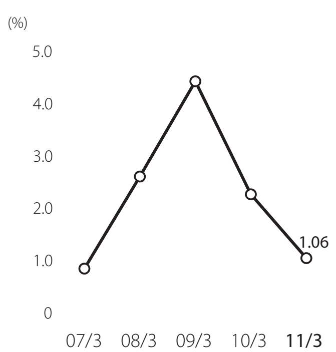


Fiscal year ended	07/3	08/3	09/3	10/3	11/3
Share price at the end of fiscal year (Yen)	2,630	1,906	957	1,207	943
Share price — high (Yen)	2,860	2,910	2,240	1,282	1,295
Share price — low (Yen)	1,997	1,889	730	865	805
Trading volume (Million shares)	260	277	403	252	280

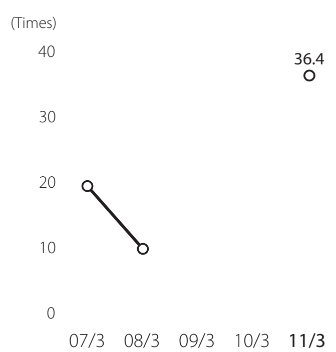
Fiscal year ended	07/3	08/3	09/3	10/3	11/3
Dividend yield (%)	0.86	2.62	4.44	2.28	1.06
Price to earnings ratio (Times)	19.5	9.9	—	—	36.4
Price to book value ratio (Times)	1.56	1.16	0.76	0.95	0.75
Number of shares issued (Thousand shares)	206,525	206,525	197,255	197,255	197,255
Market capitalization at the end of fiscal year (Millions of yen)	543,161	393,636	188,773	238,086	186,011
Percentage of shares owned by foreign investors (%)	37.2	29.7	21.4	23.4	25.9

A special dividend of ¥20 is included in the dividends per share from the years ended March 31, 2008 to March 31, 2010.

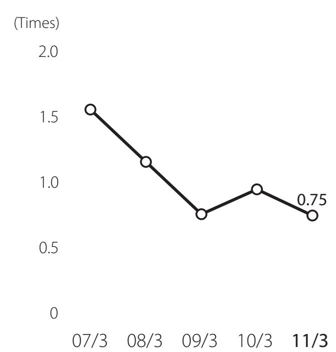
Dividend Yield

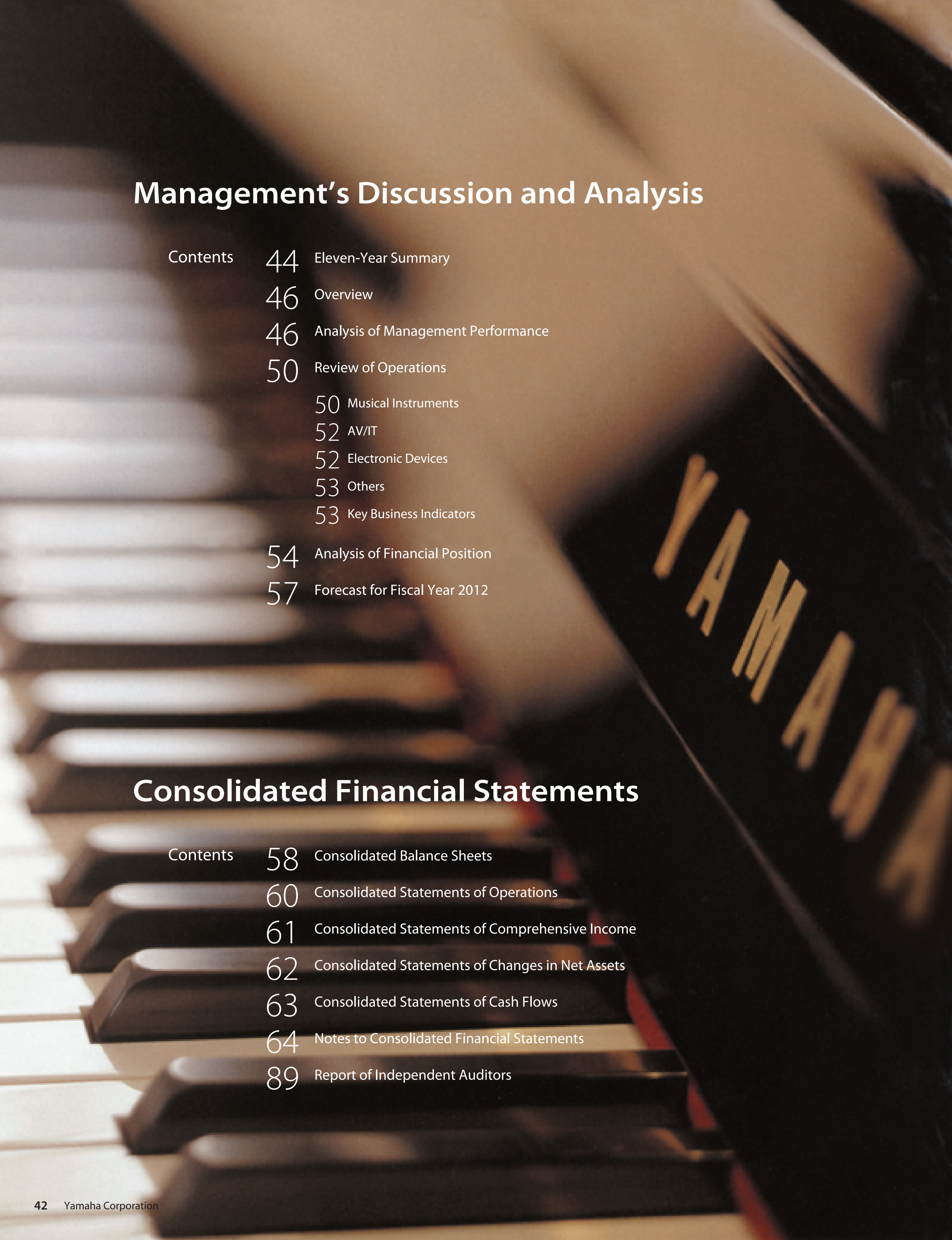


Price to Earnings Ratio



Price to Book Value Ratio





Management's Discussion and Analysis

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Consolidated Financial Statements

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Fiscal 2011 Highlights

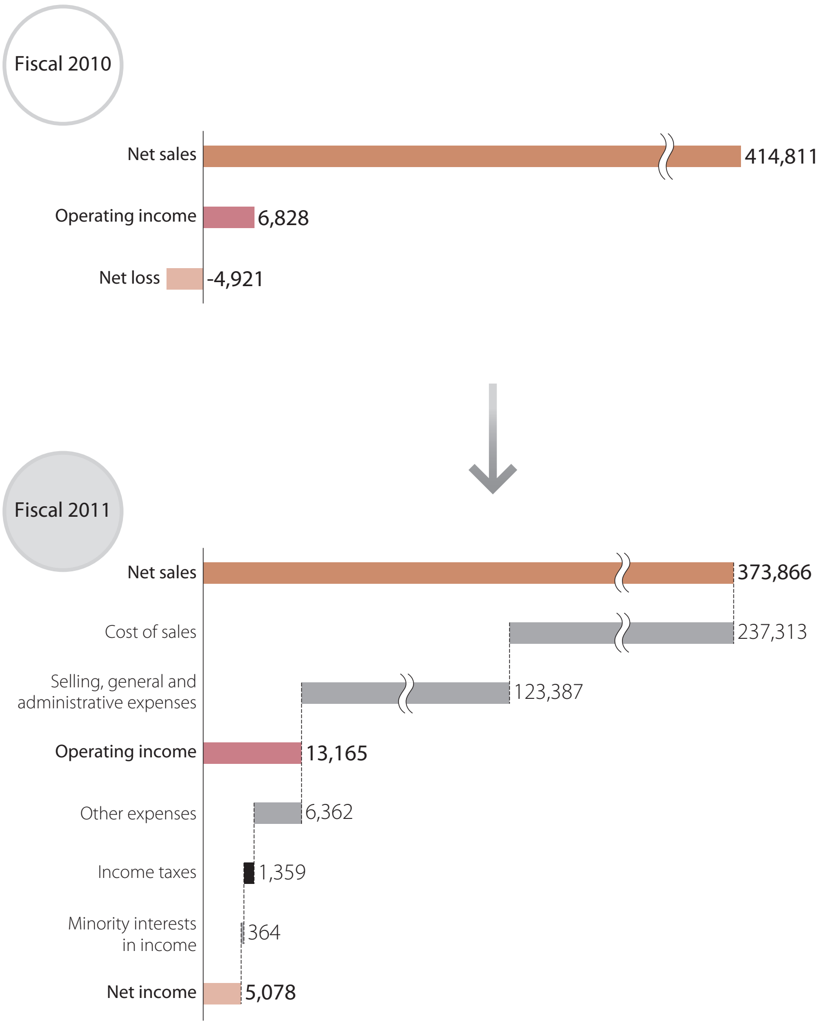
1. In fiscal 2011, sales decreased, but earnings increased year on year. The Company turned its first profit in three years thanks to steady production and sales.

2. Sales in the musical instruments segment decreased because of the strong yen, while sales increased in the AV/IT segment and electronic devices segment.

3. Operating income increased year on year in every segment.

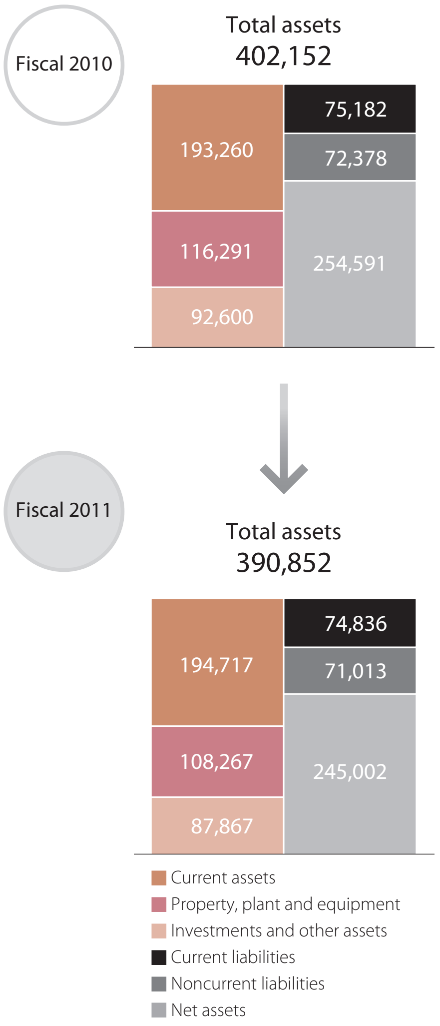
Consolidated Statements of Operations Summary

(Millions of yen)



Consolidated Balance Sheets Summary

(Millions of yen)



Eleven-Year Summary

Yamaha corporation and consolidated subsidiaries

Years ended March 31	2001	2002	2003	2004
For the year:				
Net sales	¥ 519,104	¥ 504,406	¥ 524,763	¥ 539,506
Cost of sales	346,200	340,411	338,307	337,813
Gross profit	172,904	163,994	186,456	201,693
Selling, general and administrative expenses	149,902	152,951	154,413	156,637
Operating income	23,001	11,043	32,043	45,056
Income (loss) before income taxes and minority interests	23,491	(5,784)	22,612	47,456
Net income (loss)	13,320	(10,274)	17,947	43,541
Capital expenditures	14,770	16,627	16,883	21,160
Depreciation expenses	17,310	18,767	17,586	17,522
R&D expenses	21,158	22,539	22,441	22,503
Cash flows from operating activities	(9,089)	29,016	33,052	58,349
Cash flows from investing activities	(5,441)	(10,437)	(21,645)	(18,775)
Free cash flows	(14,530)	18,579	11,407	39,574
At year-end:				
Total assets	¥ 522,486	¥ 509,663	¥ 512,716	¥ 508,731
Total current assets	231,872	211,140	221,089	201,704
Total current liabilities	175,371	144,498	158,148	123,596
Interest-bearing liabilities	103,304	96,166	90,436	48,871
Net assets*2	196,733	201,965	214,471	259,731
Per share:				
Net income (loss)	¥ 64.50	¥ (49.75)	¥ 86.65	¥ 210.63
Net assets*2	952.62	978.15	1,040.06	1,259.28
Dividends*3	7.00	8.00	10.00	15.00
Key indicators:				
Operating income to net sales	4.4	2.2	6.1	8.4
ROE (Return on equity)*2	6.4	(5.2)	8.6	18.4
ROA (Return on assets)	2.5	(2.0)	3.5	8.5
Equity ratio*2	37.7	39.6	41.8	51.1
D/E ratio (Times)	0.53	0.48	0.42	0.19
Interest coverage (Times)	8.82	5.07	19.97	36.51
Current ratio	132.2	146.1	139.8	163.2
Dividend payout ratio	10.9	—	11.5	7.1

*1. U.S. dollar amounts are translated from yen at the rate of ¥83.15 = U.S.$1.00, the approximate rate prevailing on March 31, 2011.

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

*3. The dividends per share from the years ended March 2008 to March 2010 include a ¥20 special dividend.

						Millions of yen	%	Thousands of U.S. dollars*[1]
2005	2006	2007	2008	2009	2010	2011	2010/2011	2011
¥ 534,079	¥ 534,084	¥ 550,361	¥ 548,754	¥ 459,284	¥ 414,811	¥ 373,866	-9.9	$4,496,284
335,483	341,816	352,382	343,688	290,381	268,380	237,313	-11.6	2,854,035
198,595	192,267	197,980	205,066	168,902	146,431	136,553	-6.7	1,642,249
162,899	168,132	170,295	172,220	155,057	139,602	123,387	-11.6	1,483,909
35,695	24,135	27,685	32,845	13,845	6,828	13,165	+92.8	158,328
33,516	35,842	33,101	62,510	(12,159)	(201)	6,802	—	81,804
19,697	28,123	27,866	39,558	(20,615)	(4,921)	5,078	—	61,070
22,702	22,882	25,152	24,394	22,581	14,480	10,439	-27.9	125,544
18,958	18,944	19,956	20,289	17,912	14,139	12,814	-9.4	154,107
22,953	24,055	24,220	24,865	23,218	21,736	22,416	+3.1	269,585
39,588	25,510	39,732	37,225	(2,235)	39,870	22,646	-43.2	272,351
(12,896)	(18,104)	(22,427)	41,999	(25,999)	(12,711)	(9,740)	+23.4	(117,138)
26,692	7,406	17,305	79,225	(28,234)	27,159	12,906	-52.5	155,213
¥ 505,577	¥ 519,977	¥ 559,031	¥ 540,347	¥ 408,974	¥ 402,152	¥ 390,852	-2.8	$4,700,565
225,581	209,381	231,033	275,754	202,097	193,260	194,717	+0.8	2,341,756
145,820	117,047	136,656	120,174	90,050	75,182	74,836	-0.5	900,012
46,598	28,474	25,551	21,036	19,192	15,017	11,838	-21.2	142,369
275,200	316,005	351,398	343,028	251,841	254,591	245,002	-3.8	2,946,506
						Yen		U.S. dollars
¥ 95.06	¥ 136.04	¥ 135.19	¥ 191.76	¥ (103.73)	¥ (24.95)	¥ 25.90		$ 0.31
1,334.51	1,532.62	1,680.91	1,646.44	1,262.42	1,276.35	1,250.06		15.03
20.00	20.00	22.50	50.00	42.50	27.50	10.00		0.12
						%		
6.7	4.5	5.0	6.0	3.0	1.6	3.5		
7.4	9.5	8.4	11.5	(7.0)	(2.0)	2.1		
3.9	5.5	5.2	7.2	(4.3)	(1.2)	1.3		
54.4	60.8	62.0	62.9	60.9	62.6	61.9		
0.17	0.09	0.07	0.06	0.08	0.06	0.05		
44.62	36.89	47.83	34.56	26.74	16.88	40.38		
154.7	178.9	169.1	229.5	224.4	257.1	260.2		
21.0	14.7	16.6	26.1	—	—	38.6		

Overview

Economic Environment

In fiscal 2011, ended March 31, 2011, economic recovery persisted in China and in some emerging countries, which achieved relatively early economic improvement from the serious global recession triggered by the financial crisis that erupted in 2008. Modest economic recovery was also seen in the United States, Europe and other developed nations. In the wake of strong overseas markets, signs of recovery, especially in export-related companies, were seen. Nevertheless, the Japanese economy was unable to fully recover mainly due to declining corporate earnings resulting from the rapid appreciation of the yen over fiscal 2010 exchange rate levels. Declining capital expenditures and sluggish consumer spending were also contributing factors. Further, the Great East Japan Earthquake that struck on March 11, 2011 has affected parts and material procurement and led to fears of declining consumer confidence, which has created a cloud of uncertainty over the future.

Business Environment for the Yamaha Group

Despite the yen's appreciation, sales were generally strong in fiscal 2011, especially in the mainstay musical instruments and AV products businesses, following steady growth in China and emerging markets and recovery trends in North America and Europe.

However, with prices for copper, nickel, steel, plastic and other raw materials used in manufacturing musical instruments on an upward trend, there are concerns that this could have a negative impact on performance in fiscal 2012.

Business Performance Summary

Faced with a harsh business environment in fiscal 2011, the Yamaha Group fortified technology development and swiftly expanded its business by introducing new products and services that meet a diverse range of customer needs. Yamaha took steps to stimulate demand in mature markets with advanced, feature-rich products containing its proprietary technology, while developing emerging markets—including China, which is viewed as a growth market—by launching products tailored to local needs and preferences, and increasing the number of Yamaha Music Schools. In Japan, we consolidated our marketing bases. As for manufacturing restructuring, we completed piano manufacturing base integration in Japan with the goal of optimizing production efficiency. In the wind instruments business, we finished construction of a new factory in China and began integration of manufacturing bases in Japan.

As a result, despite a year-on-year increase in sales in the AV/IT and electronic devices businesses, overall sales in fiscal 2011 declined 9.9%, year on year, to ¥373,866 million. The decline was mainly due to the exclusion of the lifestyle-related products subsidiary from the scope of consolidation following a stock transfer, and foreign currency translation effects. Operating income was up 92.8% to ¥13,165 million. Yamaha recorded net income, for the first time in three years, of ¥5,078 million.

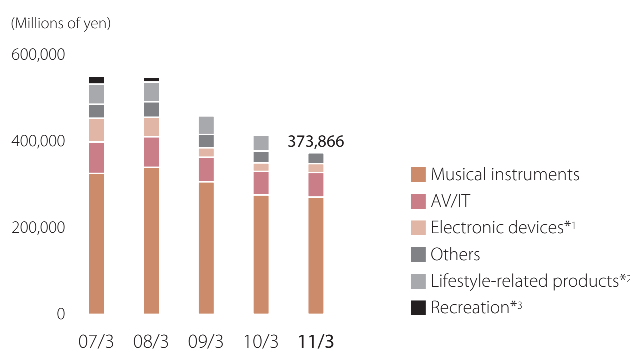
Analysis of Management Performance

Net Sales

¥373,866 million -9.9%

Net sales in fiscal 2011 decreased ¥40,944 million, or 9.9%, year on year, to ¥373,866 million. In addition to a sales decline of approximately ¥17,500 million due to foreign currency translation effects, there were losses of about ¥36,900 million in sales from the exclusion of the lifestyle-related products subsidiary from the scope of consolidation, and of about ¥5,000 million from our withdrawal from the magnesium molded parts business. Therefore, if we exclude these special factors, sales actually increased from the previous fiscal year.

Net Sales by Segment



*1. Following the handover of the Electronic metal products business, the Electronic equipment and metal products segment was renamed the Electronic devices segment starting from the year ended March 31, 2009.

*2. Following the handover of the lifestyle-related products business on March 31, 2010, this segment has been excluded from the consolidation from the year ended March 31, 2011.

*3. Following the handover of a portion of the resort facilities, figures of the Others segment from the year ended March 31, 2009 include that of the Recreation segment. The magnesium molded parts business was terminated as of March 31, 2010.

Sales by Region

Fiscal 2011 sales in Japan declined ¥38,831 million, or 17.8%, year on year, to ¥179,574 million. Sales were up in the AV/IT business due mainly to brisk demand for front surround system products and commercial online karaoke equipment. Sales also increased in the electronic devices business thanks to strong demand for magnetic sensors. However, with sluggish domestic sales of musical instruments and the exclusion of the lifestyle-related products subsidiary from the scope of consolidation, sales declined substantially.

Outside of Japan, sales decreased ¥2,112 million, or 1.1%, year on year, to ¥194,292 million. Despite signs of recovery in North America and Europe and strong demand in emerging markets, sales were down slightly due to foreign currency translation effects. The ratio of overseas sales to net sales was 4.7 percentage points higher than in fiscal 2010, rising from 47.3% to 52.0%.

By region, sales in North America slipped ¥3,033 million, or 5.3%, year on year, to ¥54,635 million. Although intense competition caused sales of audio products and other products to decline, if we exclude the almost ¥4,000 million decrease from foreign currency translation effects, sales actually increased by roughly ¥900 million, or 1.7%, in real terms.

In Europe, sales declined ¥5,605 million, or 8.0%, to ¥64,678 million. Thanks to generally strong sales of pianos, portable keyboards, and audio and other products, sales increased 7.8%, or approximately ¥4,700 million in real terms, despite a nearly ¥10,300 million decline caused by foreign currency translation effects.

Sales in Asia, Oceania and other areas increased ¥6,526 million, or 9.5%, to ¥74,978 million. China maintained double-digit growth, especially in pianos, and sales in other areas were also strong. If we exclude the approximately ¥3,100 million decrease from foreign currency translation effects, sales increased by roughly ¥9,600 million, or 14.7%, in real terms.

Cost of Sales and Selling, General and Administrative Expenses

The cost of sales in fiscal 2011 decreased ¥31,066 million, or 11.6%, year on year, to ¥237,313 million. The cost of sales decrease was mainly the result of the exclusion of the lifestyle-related products subsidiary from the scope of consolidation and foreign currency translation effects. The cost of sales ratio declined by 1.2 percentage points year on year, from 64.7% to 63.5%.

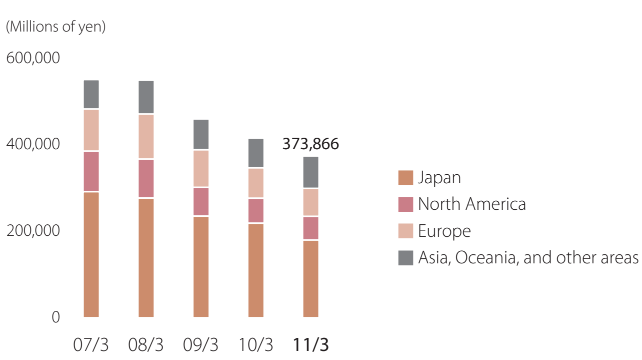
Gross profit decreased by ¥9,877 million, or 6.7%, to ¥136,553 million. The gross profit ratio rose by 1.2 percentage points, from 35.3% to 36.5%.

Selling, general and administrative (SG&A) expenses decreased ¥16,215 million, or 11.6%, to ¥123,387 million. Advertising expenses and sales promotion expenses declined ¥2,066 million, or 11.4%, from ¥18,130 million to ¥16,063 million. Personnel expenses also decreased ¥8,405 million, or 12.7%, from ¥66,333 million to ¥57,927 million. The ratio of SG&A expenses to net sales declined by 0.7 of a percentage point, to 33.0%. If we exclude the approximately ¥4,100 million in foreign currency translation effects due to the strong yen and the roughly ¥11,400 million resulting from the exclusion of the lifestyle-related products subsidiary from the scope of consolidation, SG&A expenses decreased by about ¥800 million in real terms.

Selling, General and Administrative Expenses

	Millions of yen		
	10/3	11/3	Change
Sales commissions	1,427	1,358	-69
Transport expenses	12,966	10,705	-2,261
Advertising expenses and sales promotion expenses	18,130	16,063	-2,067
Allowance for doubtful accounts	204	106	-98
Provision for product warranties	1,425	1,656	+231
Provision for retirement benefits	7,107	5,299	-1,808
Salaries and benefits	59,225	52,628	-6,597
Rent	4,686	3,469	-1,217
Depreciation and amortization	3,827	3,744	-83

Net Sales by Region



Operating Income

¥13,165 million +92.8%

Operating income in fiscal 2011 increased ¥6,337 million, or 92.8%, year on year, to ¥13,165 million. Operating income increased in all business segments, including a substantial earnings increase in the mainstay musical instruments segment. Despite the nearly ¥5,400 million decrease in foreign currency translation effects from the strong yen, an absence of almost ¥400 million from excluding the lifestyle-related products subsidiary from the scope of consolidation, a roughly ¥1,500 million increase in overseas distribution expenses, higher raw materials costs of approximately ¥200 million, and other factors, operating income rose dramatically. The increase was attributable to an interest gain of roughly ¥1,000 million on retirement benefit obligations, and business restructuring effects of about ¥500 million resulting from piano manufacturing base integration. There was also a significant effect from increased production.

Operating Income (Loss) by Geographical Segment

By geographical segment, in fiscal 2011, because of a dramatic ¥9,199 million increase in operating income in Japan, the Company reversed last year's loss and recorded operating income of ¥1,688 million. This turnaround can be attributed to improved profitability of musical instruments and higher earnings for electronic devices and other business segments.

In North America, operating income declined ¥850 million, or 37.0%, to ¥1,449 million.

In Europe, operating income decreased ¥787 million, or 32.1%, to ¥1,668 million.

Operating income in Asia, Oceania and other areas increased ¥988 million, or 13.4%, to ¥8,372 million.

Non-Operating Income and Expenses

Non-operating income in fiscal 2011 was ¥2,439 million, largely in line with the ¥2,471 million of the previous fiscal year. Of this amount, interest and dividend income increased ¥224 million, or 28.5%, to ¥1,010 million, compared with ¥786 million in the previous fiscal year. Other non-operating income decreased ¥255 million, or 15.2%, year on year, from ¥1,684 million to ¥1,428 million. In fiscal 2011, a ¥513 million expense was recorded for the compensation for transfers of the factory of Xiaoshan Yamaha Musical Instruments Co., Ltd. and facilities of other subsidiaries.

Non-operating expenses totaled ¥4,633 million, up ¥244 million, or 5.6%, from the previous year-end figure of ¥4,388 million. Of this amount, interest expenses decreased ¥99 million, or 22.1%, from ¥451 million to ¥351 million. Sales discounts due to early payment declined from ¥2,804 million to ¥2,349 million, a decrease of ¥454 million, or 16.2%. Other non-operating expenses rose from ¥1,133 million to ¥1,932 million, an increase of ¥799 million, or 70.5%. Of this amount, foreign exchange losses totaled ¥1,207 million, up ¥867 million, or 254.9%, from the previous year-end figure of ¥340 million.

Extraordinary Income and Loss

Extraordinary income in fiscal 2011 decreased ¥313 million, or 24.1%, year on year, to ¥988 million from ¥1,301 million. Gain on sales of property, plant and equipment declined by ¥572 million, or 71.2%, from ¥804 million to ¥231 million.

Extraordinary loss was down ¥1,256 million, or 19.6%, from ¥6,413 million to ¥5,157 million. Although the Company recorded a ¥1,563 million loss on valuation of investment securities and a ¥2,687 million loss on impairment of fixed assets, the elimination of last fiscal year's net loss on sales of stocks of subsidiaries and affiliates of ¥2,159 million contributed substantially to reducing last year's loss.

In fiscal 2011, loss on impairment of fixed assets was recognized primarily for assets held in the musical instruments sales subsidiary and idle assets. Loss on retirement of property, plant and equipment amounted to ¥438 million, a decrease of ¥344 million, or 44.0%, compared with ¥782 million in fiscal 2010.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests in fiscal 2011 came to ¥6,802 million, an improvement of ¥7,004 million from a loss of ¥201 million recorded in the previous fiscal year. The ratio of income before income taxes and minority interests to net sales improved from -0.0% to 1.8%.

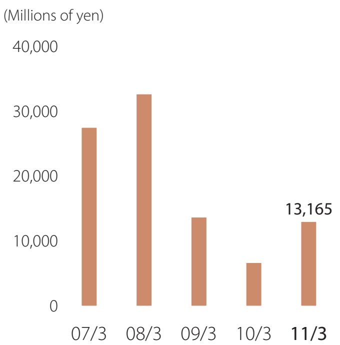
Current Income Taxes and Deferred Income Taxes

Current income taxes and deferred income taxes declined ¥2,989 million, or 68.7%, year on year, to ¥1,359 million, compared with ¥4,349 million in the previous fiscal year.

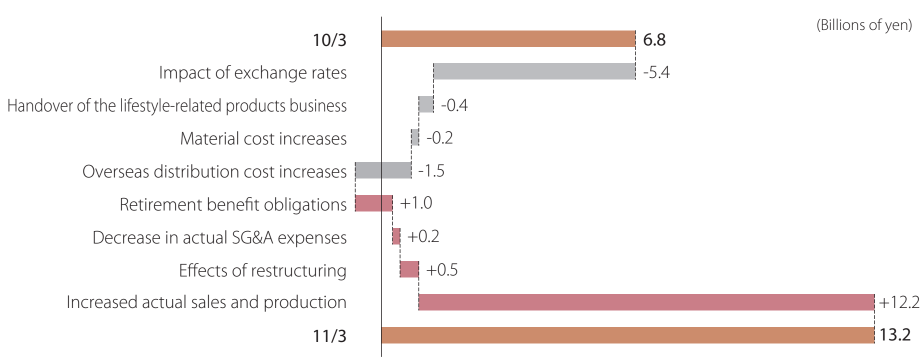
Minority Interests in Income

In fiscal 2011, minority interests in income amounted to ¥364 million, largely in line with the ¥371 million of the previous fiscal year.

Operating Income



Operating Income Analysis

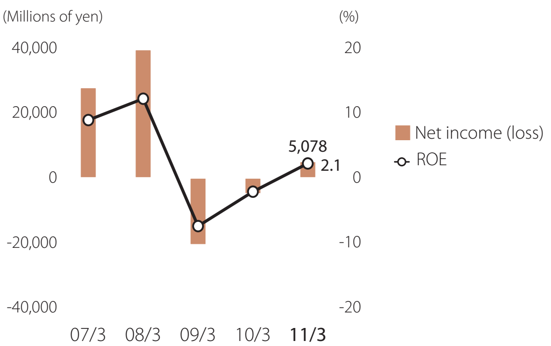


Net Income

¥5,078 million

As a result of the foregoing, the Company recorded net income in fiscal 2011 of ¥5,078 million, an improvement of ¥10,000 million from the net loss of ¥4,921 million in the previous fiscal year. The ratio of net income to net sales improved from –1.2% to 1.4%, a year-on-year gain. Net income per share was ¥25.90, compared with a net loss per share of ¥24.95 in fiscal 2010.

Net Income (Loss) / ROE



Fluctuation in Foreign Exchange Rates and Risk Hedging

Yamaha conducts business on a global scale with a focus on musical instruments. As such, the Company's business structure is relatively vulnerable to the effects of fluctuations in foreign currency exchange rates. The Company's consolidated financial statements are affected by foreign currency translation effects stemming from risks associated with currency translation and transactions denominated in those currencies, including the U.S. dollar, the Euro, the Canadian dollar, the Australian dollar, the Sterling pound and the Chinese yuan. Of these risks, currency translation risks are only incurred when consolidated subsidiaries translate their financial statements for a specified period or on a specified date into Japanese yen. Transaction-related risks are incurred when earnings and expenses and/or assets and liabilities are denominated in different currencies. For this reason, only transaction-related risks are subject to risk hedges. Specifically, U.S. dollar-related currency fluctuation risks are hedged by marrying risk associated with dollar receipts from export sales with risk associated with dollar payments for imported products. The Company hedges the value of risks associated with the Euro and the Canadian and Australian dollars by projecting related export revenues and purchasing relevant three-month currency forwards.

Sales at overseas consolidated subsidiaries are calculated using the average exchange rates recorded during the year. On this basis, in fiscal 2011, the yen appreciated ¥7 against the U.S. dollar compared with the previous fiscal year, to ¥86 per US$1. The year-on-year effect of this change was a decrease of approximately ¥5,600 million in sales. The yen appreciated by ¥18 against the Euro year on year, for an average exchange rate of ¥113 to €1, resulting in a decrease of roughly ¥10,300 million in sales. Overall, the net effect on sales of foreign exchange rate movements, including the downward effect of approximately ¥1,700 million in fluctuations of the yen against such other currencies as the Canadian and Australian dollars, was a decline of around ¥17,500 million compared with fiscal 2010.

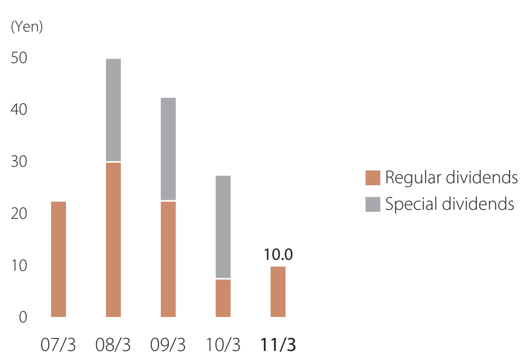
In terms of operating income, for the U.S. dollar, benefits from the aforementioned marriage of risks related to the currency enabled the Company to largely hedge the effects of currency exchange rates stemming from fluctuations in settlement rates. However, the translation of operating income figures by overseas subsidiaries caused income to decline by approximately ¥300 million. The average settlement rate against the Euro was ¥115 to €1, an appreciation of ¥15, resulting in an approximate ¥5,800 million decline in operating income. Including the approximately ¥600 million effect of the yen's appreciation against currencies other than the U.S. dollar and the Euro, the net effect on operating income of these exchange rate movements was a decline of roughly ¥5,400 million compared with the previous fiscal year.

Dividends

¥10.0

In fiscal 2011, a regular dividend of ¥10 was paid, for a regular dividend increase of ¥2.5 over the previous fiscal year. The special dividend of ¥20, which has been paid for the past three years, was terminated in fiscal 2011. The dividend payout ratio was 38.6%.

Dividends per Share



Review of Operations

Musical Instruments

Sales
¥271,124 million -1.9%

Operating Income
¥8,616 million +68.4%

Fiscal 2011 Performance Overview

Sales in fiscal 2011 decreased ¥5,127 million, or 1.9%, to ¥271,124 million. Excluding declines resulting from foreign currency effects (approximately ¥13.7 billion), sales increased in real terms by roughly ¥8.5 billion, or 3.3%, year on year.

By region, sales of main product categories in Japan dropped year on year due to sluggish consumer spending. However, China and emerging markets continued to grow and signs of recovery in North America and Europe emerged.

Operating income surged ¥3,498 million, or 68.4%, year on year, from ¥5,117 million to ¥8,616 million. In addition to a solid turnaround in production from last fiscal year's production cutbacks caused by inventory adjustments, cost-cutting efforts also contributed to a significant year-on-year increase in earnings.

Review by Major Products

Piano sales in Japan were slow overall, despite brisk sales of offshore manufactured upright pianos launched in the second half. Europe rallied from last fiscal year's slump and saw double-digit growth on a local currency basis, while North America showed signs of recovery. China maintained double-digit growth, and sales in other regions were also strong. Global unit sales of pianos increased by roughly 6,800 units year on year, to around 96,800 units.

Unit sales of digital pianos were up in all regions except Japan. Lower-priced products became increasingly popular. Sales of high-end portable keyboards were strong, especially in Europe, while sales of affordably priced pianos were up in all regions.

Wind instrument sales increased on a local currency basis in all regions except Japan.

In string and percussion instruments, electric acoustic guitar sales were up thanks to brisk demand in North America and Europe. Sales of professional audio equipment were on the path to recovery from last year's slump and exceeded fiscal 2010 sales on a local currency basis, despite continued budget cutbacks for this equipment by concert halls and other facilities.

In the music entertainment business, sales were down on lackluster performance in music distribution and publishing. Revenue from music and English language schools were unchanged from the previous fiscal year.

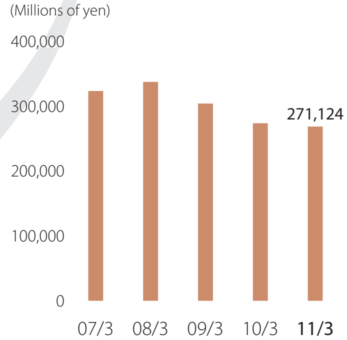
Electric acoustic guitar APX500

Upright piano b113

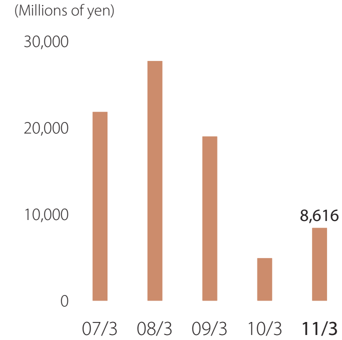
Arranger workstation keyboard Tyros™4

Fiscal 2011 Sales by Product Category

Sales



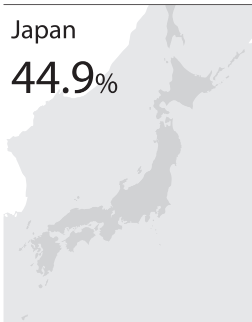
Operating Income



Review by Region

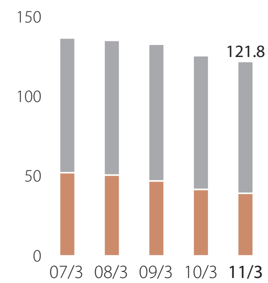
Percentage of Sales by Region | Market Trends and Fiscal 2011 Performance | Sales by Region (Billions of yen)

Japan



44.9%

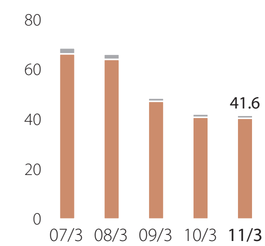
- Demand for musical instruments in Japan has been sluggish. Due to the economic slowdown, on the whole, consumers continued to show both a reluctance to buy and a preference for lower-priced products.
- Piano sales in Japan decreased overall, despite brisk sales of offshore manufactured upright pianos launched in the second half and signs of a pick up in grand piano orders. Sales of affordably priced digital pianos were strong, but sales of models in the middle- to high-end price range were slow. Wind instrument sales declined because of stiff competition for products in the volume price range, despite continued solid sales of high-end products.



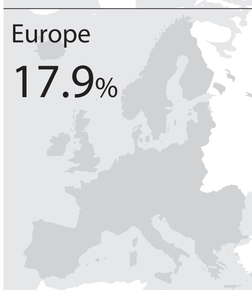
North America

15.3%

- The United States economy gradually recovered on the back of consumer spending, and musical instrument sales exceeded those of fiscal 2010 in nearly every product category. With guitars and drums accounting for one-third of U.S. musical instrument sales, the U.S. market is viewed as a hobby- and entertainment-oriented market.
- Although musical instrument sales were sluggish in Canada due to economic slowdown, sales of pianos, portable keyboards, electronic drums, and wind instruments were strong in the United States, where the market has almost recovered. Unit sales of digital pianos also increased. With capital spending on a recovery trend, professional audio equipment sales surpassed those of fiscal 2010.

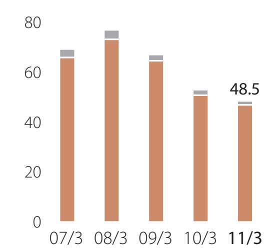


Europe



17.9%

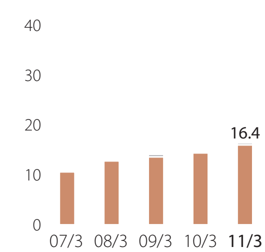
- In Europe, the degree of economic recovery varies by country and region. In Central and Northern Europe, economic recovery is clearly evident, but in Southern Europe, recovery has been difficult as financial problems have kept consumer spending down.
- Piano demand recovered from last year’s slump, with growth in double digits, while digital musical instruments revenue was higher on steady sales of high-end portable keyboards.



China

6.1%

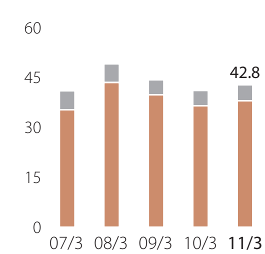
- The size of China’s musical instruments market is estimated at over ¥90 billion, with acoustic pianos accounting for 40% of that total.
- Sales of pianos, digital pianos and portable keyboards increased, while pianos maintained double-digit growth. Higher production capacity at the Hangzhou Factory and the successful sales network expansion were behind this growth. Professional audio equipment sales were also steady.



Other Regions

15.8%

- While we face an uphill battle in mature markets such as Taiwan and Australia, we face steady growth in Latin America, Russia, India and other countries.
- Behind strong sales growth centered on portable keyboards, digital musical instruments as a whole grew in double digits. Sales of pianos, professional audio equipment, wind instruments and guitars were also steady. Wind instrument sales increased dramatically over those of the previous fiscal year thanks to higher demand from youth orchestras in Latin America.



■ Yamaha musical instruments hardware products
■ Music schools, etc.

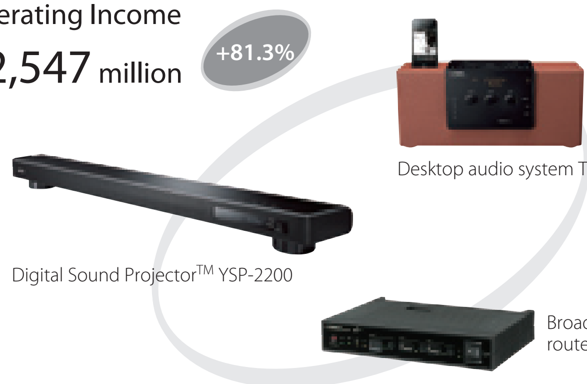
AV/IT

Sales

¥57,023 million +4.8%

Operating Income

¥2,547 million +81.3%



Desktop audio system TSX-140

Digital Sound Projector™ YSP-2200

Broadband VoIP router NVR500

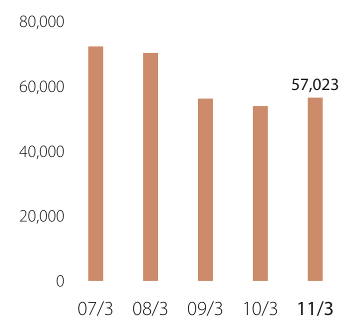
Fiscal 2011 Performance Overview

Sales in fiscal 2011 increased ¥2,613 million, or 4.8%, to ¥57,023 million. Excluding declines resulting from foreign currency effects (approximately ¥3.6 billion), sales increased in real terms by roughly ¥6.2 billion, or 12.3%, year on year.

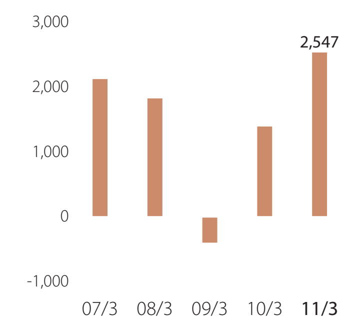
In audio products, sales of front surround system products in Japan grew along with the demand for flat-panel TVs thanks to the new eco-points system, a government subsidy program to promote the use of energy-efficient products. Europe, China and other regions performed steadily, while sales of mid-range to high-end AV receivers decreased year on year in North America due to stiff competition. Sales of commercial online karaoke equipment surged after new products began shipping in volume in the second half. Sales of routers and conferencing system were also up.

Operating income surged ¥1,142 million, or 81.3%, year on year, from ¥1,405 million to ¥2,547 million. Higher sales of commercial online karaoke equipment and increased production contributed to this dramatic increase in earnings.

Sales



Operating Income (Loss)



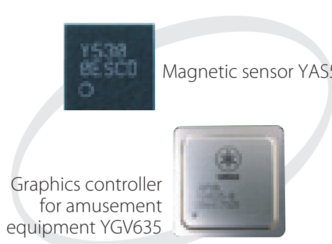
Electronic Devices

Sales

¥20,610 million +4.4%

Operating Income

¥510 million —



Magnetic sensor YAS530

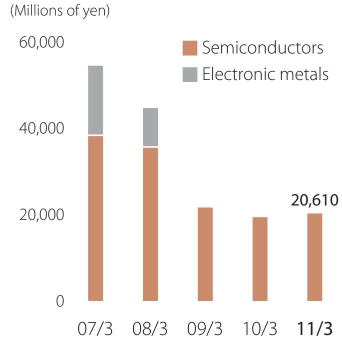
Graphics controller for amusement equipment YGV635

Fiscal 2011 Performance Overview

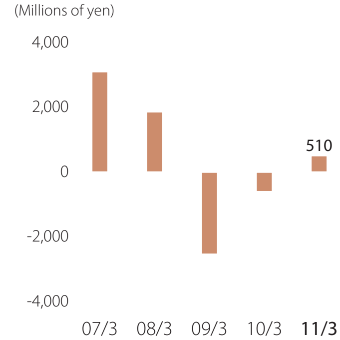
Sales in fiscal 2011 climbed ¥865 million, or 4.4%, to ¥20,610 million. Sales of sound generators for mobile phones declined as global demand shifted from hardware-based to software-based sound generation. However, sales of graphics controllers used in amusement equipment and magnetic sensors for smartphones, for which there is growing demand, increased.

In the electronic devices segment, operating income came to ¥510 million, an improvement of ¥1,117 million from the operating loss of ¥606 million in the previous fiscal year. This year-on-year increase in earnings is the result of higher revenue and lower manufacturing costs.

Sales



Operating Income (Loss)



Others

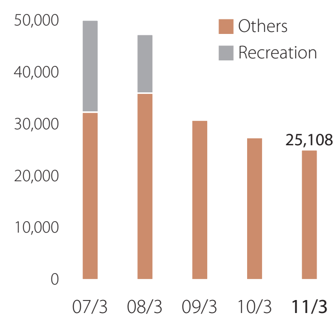
Sales
¥25,108 million -8.6%

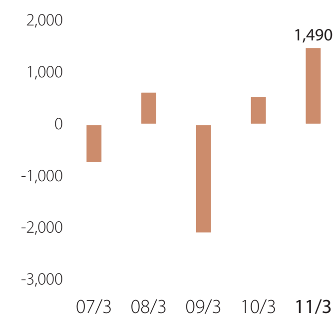
Operating Income
¥1,490 million +172.6%

Fiscal 2011 Performance Overview

Sales in fiscal 2011 decreased ¥2,353 million, or 8.6%, to ¥25,108 million. Contributing to this decrease was the Company's withdrawal from the magnesium molded parts business. Yamaha expanded its market share of golf products in Japan and abroad, and sales climbed in overseas markets, especially South Korea. Sales in the automobile interior wood components business were largely unchanged from the previous fiscal year. Sales in the factory automation (FA) business were solid on the back of strong corporate capital investments in China. In the recreation business, sales declined due to a drop-off in overnight guests.

Operating income jumped ¥943 million, or 172.6%, year on year, from ¥546 million to ¥1,490 million. Lower manufacturing costs, and higher golf products and FA business sales contributed to this year-on-year increase.





Key Business Indicators

Years ended March 31	2007	2008	2009	2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Sales						
Musical instruments	¥325,989	¥340,021	¥306,630	¥276,252	¥271,124	$3,260,661
AV/IT	72,823	70,814	56,722	54,409	57,023	685,785
Electronic devices	54,809	45,000	21,975	19,745	20,610	247,865
Others	50,165	47,397	30,833	27,461	25,108	301,960
Operating income (loss)						
Musical instruments	¥ 22,037	¥ 27,924	¥ 19,198	¥ 5,117	¥ 8,616	$ 103,620
AV/IT	2,137	1,839	(410)	1,405	2,547	30,631
Electronic devices	3,101	1,863	(2,536)	(606)	510	6,133
Others	(742)	628	(2,100)	546	1,490	17,919
Capital expenditures						
Musical instruments	¥ 14,817	¥ 16,472	¥ 14,793	¥ 11,663	¥ 8,008	$ 96,308
AV/IT	1,539	2,009	1,451	1,348	1,044	12,556
Electronic devices	4,395	2,435	3,247	659	921	11,076
Others	3,095	2,828	2,082	284	464	5,580
Depreciation expenses						
Musical instruments	¥ 9,242	¥ 10,156	¥ 10,042	¥ 9,511	¥ 9,678	$ 116,392
AV/IT	1,610	1,794	1,631	1,436	1,361	16,368
Electronic devices	4,676	4,618	3,326	981	900	10,824
Others	3,419	2,656	1,889	1,323	873	10,499
R&D expenses						
Musical instruments	¥ 11,437	¥ 11,597	¥ 10,780	¥ 9,910	¥ 11,557	$ 138,990
AV/IT	4,858	5,087	5,257	5,605	5,752	69,176
Electronic devices	5,372	5,387	4,474	3,630	3,931	47,276
Others	1,147	1,440	1,809	1,661	1,174	14,119

For more detailed information including the lifestyle-related products segment, please refer to Financial Data 2011.

Analysis of Financial Position

Financing Policy

The Yamaha Group obtains working capital to fund its business activities and finances its business expansion primarily from cash-on-hand, operating cash flows and bank loans.

Yamaha's basic financing policy is to procure stable, low-cost funding while preserving sufficient liquidity.

The Company tries to ensure that liquidity on hand is equivalent to approximately one month of consolidated net sales, a figure covered by the ¥57,210 million in cash and deposits recorded as of March 31, 2011. However, to ensure fund availability over the medium term, Yamaha has a line-of-credit arrangement with financial institutions for a maximum amount of ¥9,200 million.

In principle, each subsidiary is responsible for meeting its own requirements with respect to fund procurement. When necessary, however, Yamaha Corporation takes part in bank negotiations on a subsidiary's behalf. Should surplus funds become available at subsidiaries in Japan, these funds are loaned to Yamaha Corporation in an effort to promote efficient fund utilization for the entire Group. Moreover, a cash management system has been adopted for certain subsidiaries.

Furthermore, the Company commissions long-term preferred debt rating assessments from credit rating agencies each year to facilitate smooth fund procurement from capital markets. The latest published ratings are shown below.

Ratings

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

* As of March 31, 2011

Total Assets

¥390,852 million -2.8%

Total assets as of March 31, 2011 amounted to ¥390,852 million, a decrease of ¥11,299 million, or 2.8%, from the previous year-end figure of ¥402,152 million. Of this amount, current assets totaled ¥194,717 million, up ¥1,457 million, or 0.8%, from the previous year-end figure of ¥193,260 million. Property, plant and equipment decreased by ¥12,756 million, or 6.1%, year on year, from ¥208,891 million to ¥196,134 million.

Current Assets

Current assets as of March 31, 2011 totaled ¥194,717 million, up ¥1,457 million, or 0.8%, from the end of the previous fiscal year. Although cash and deposits and notes and accounts receivable—trade decreased, short-term investment securities, inventories and deferred tax assets increased.

Cash and deposits decreased ¥2,196 million, or 3.7%, year on year, to ¥57,210 million. Notes and accounts receivable—trade (after deduction of allowance for doubtful accounts) declined by ¥2,325 million, or 4.9%, to ¥45,089 million. Short-term investment securities jumped ¥1,290 million, or 192.6%, to ¥1,960 million, due mainly to the acquisition of negotiable certificates of deposit. Inventories increased ¥2,140 million, or 3.1%, to ¥71,659 million. This figure includes a decrease of roughly ¥3,500 million due to foreign currency translation effects. Excluding this factor, inventories increased by roughly ¥5,700 million, or 8.1%, in real terms. Compared with inventory levels in fiscal 2010, which were reduced because of production cutbacks, inventory levels in fiscal 2011 were generally at appropriate levels, except for certain products, because of continuing brisk production despite the increased work in process and raw materials throughout fiscal 2011. Deferred tax assets rose ¥889 million, or 11.8%, to ¥8,393 million. Other current assets increased by ¥1,659 million, or 19.0%, to ¥10,404 million. The ratio of current assets to current liabilities at fiscal 2011 year-end was 260%, compared with 257% from a year earlier, sustaining liquidity at a high level during fiscal 2011.

Property, Plant and Equipment

Property, plant and equipment as of March 31, 2011 was ¥108,267 million, down ¥8,024 million, or 6.9%, year on year. This was primarily due to Yamaha Corporation's depreciation and amortization exceeding capital expenditures and the recording of an impairment loss.

Construction in progress decreased ¥956 million, to ¥888 million as a result of the completion of piano factory integration at Yamaha's Kakegawa Factory and the relocation of a factory of Xiaoshan Yamaha Musical Instruments Co., Ltd.

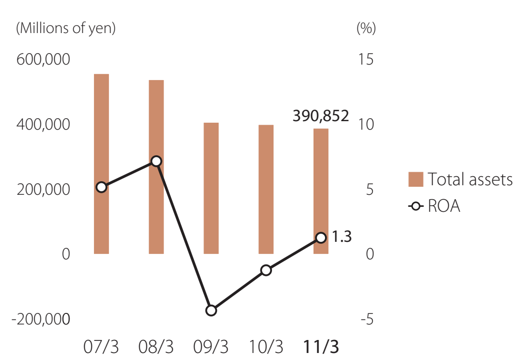
Investments and Other Assets

Investments and other assets, as of March 31, 2011 amounted to ¥87,867 million, a year-on-year decrease of ¥4,733 million, or 5.1%.

Investment securities amounted to ¥75,477 million, down ¥4,566 million, or 5.7%. This was mainly due to the sale of securities holdings and a valuation loss. Deferred tax assets declined by ¥734 million, or 25.1%, to ¥3,654 million.

Intangible assets included in other as of March 31, 2011 decreased by ¥346 million, or 10.8% year on year, to ¥2,857 million.

Total Assets / ROA



Total Liabilities

¥145,849 million -1.2%

Total liabilities as of March 31, 2011 amounted to ¥145,849 million, a decrease of ¥1,711 million, or 1.2%, year on year from the previous year-end of ¥147,560 million. Current liabilities decreased by ¥346 million, or 0.5%, from ¥75,182 million to ¥74,836 million. Noncurrent liabilities decreased by ¥1,365 million, or 1.9%, from ¥72,378 million to ¥71,013 million.

Current Liabilities

Current liabilities as of March 31, 2011 were ¥74,836 million, a decrease of ¥346 million, or 0.5%, year on year. Although notes and accounts payable—trade and current portion of long-term loans payable increased, the decrease was primarily due to a decline in short-term loans payable, accounts payable—other and accrued expenses, and provision for business restructuring expenses.

Notes and accounts payable—trade came to ¥24,198 million, an increase of ¥2,407 million, or 11.0%, year on year. Short-term loans payable decreased ¥2,218 million, or 25.2%, to ¥6,597 million, but the current portion of long-term loans payable increased ¥2,840 million, or 277.5%, to ¥3,863 million. Accounts payable—other and accrued expenses amounted to ¥28,657 million, down by ¥3,839 million, or 11.8%, year on year. Income taxes payable rose ¥403 million, or 21.2%, to ¥2,303 million.

Noncurrent Liabilities

Noncurrent liabilities as of March 31, 2011 decreased by ¥1,365 million, or 1.9% year on year, to ¥71,013 million. Provision for retirement benefits increased, but long-term loans payable, deferred tax liabilities and long-term deposits received decreased.

Long-term loans payable declined by ¥3,800 million, or 73.4%, to ¥1,376 million. Deferred liabilities decreased by ¥729 million, or, 78.5%, to ¥199 million. Provision for retirement benefits rose ¥3,923 million, or 11.7%, to ¥37,599 million. Long-term deposits received decreased by ¥290 million, or 1.8%, to ¥15,854 million following the refund of deposits received from membership in the recreation business.

Net Interest-Bearing Liabilities

As of March 31, 2011, long- and short-term loans payable, interest-bearing liabilities, totaled ¥11,838 million. Cash and cash equivalents were ¥58,446 million, resulting in net cash and cash equivalents, less long- and short-term loans payable, of ¥46,607 million, a ¥2,390 million increase compared with ¥44,217 million at the fiscal 2010 year-end.

Net Assets

¥245,002 million -3.8%

Net assets as of March 31, 2011 amounted to ¥245,002 million, a decrease of ¥9,588 million, or 3.8%, compared with the previous year-end figure of ¥254,591 million. This was primarily the result of share buybacks and changes in foreign currency translation adjustments, despite increased retained earnings due to net income. Treasury stock increased ¥3,655 million year on year, and foreign currency translation adjustments losses increased ¥7,117 million year on year. Retained earnings increased ¥2,279 million, or 1.4%, to ¥169,894 million, reflecting net income of ¥5,078 million, ¥3,451 million in dividend payments and other factors. Valuation difference on available-for-sale securities deceased ¥441 million, or 1.3%, to ¥33,559 million.

Revaluation reserve for land decreased ¥652 million, or 4.0%, to ¥15,549 million.

Minority interests increased by ¥84 million, or 3.0%, to ¥2,937 million.

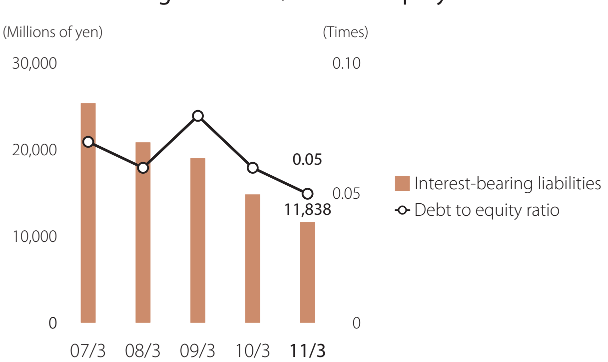
The equity ratio was 61.9% as of March 31, 2011, a 0.7 percentage point decrease, from 62.6% at the previous year-end.

Return on equity (ROE) was 2.1%.

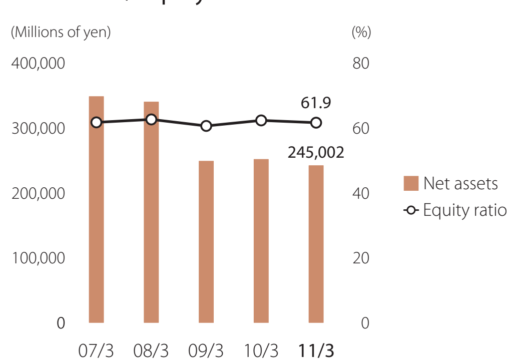
Cash Flows

Net cash provided by operating activities in fiscal 2011 was ¥22,646 million, in contrast to net cash of ¥39,870 million provided in the previous fiscal year. This represented a ¥17,223 million decrease in cash provided, which was primarily due to an increase in inventories,

Interest-Bearing Liabilities / Debt to Equity Ratio



Net Assets / Equity Ratio



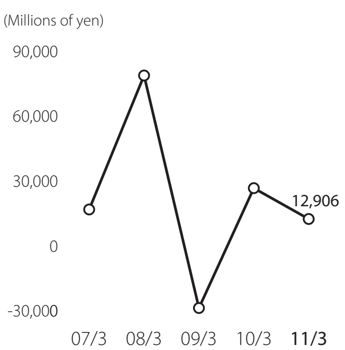
and the payment of income taxes in the fiscal year under review, in contrast with a refund received in the previous fiscal year.

Net cash used in investing activities totaled ¥9,740 million, compared with ¥12,711 million in fiscal 2010. This represents a ¥2,971 million decrease in cash used, which was mainly due to higher proceeds from sales of investment securities.

Net cash used in financing activities was ¥10,080 million, in contrast to net cash of ¥9,867 million used in the previous fiscal year. This represents a ¥213 million increase in cash used, which was due to higher expenditures for share buybacks, despite lower dividend payments.

As a result, with foreign currency translation effects also taken into account, the fiscal 2011 year-end balance of cash and cash equivalents amounted to ¥58,446 million, representing a year-on-year decrease of ¥788 million.

Free Cash Flows



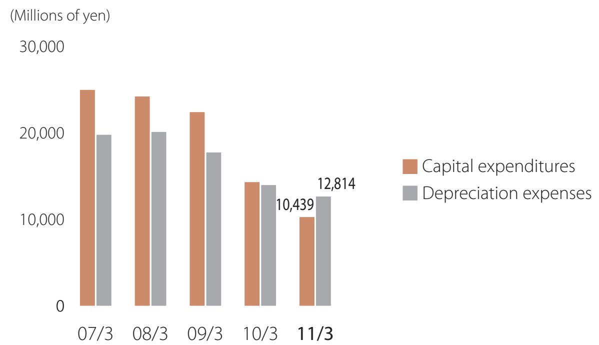
Capital Expenditures/Depreciation and Amortization

Capital expenditures in fiscal 2011 came to ¥10,439 million, a decrease of ¥4,041 million, or 27.9%, year on year, from ¥14,480 million in the previous fiscal year. This was due to the absence of large projects such as the reconstruction of the Ginza Building, which was completed in fiscal 2010, and the integration of domestic piano manufacturing bases at the Kakegawa Factory. The figure for fiscal 2010 includes expenditures of ¥525 million in the lifestyle-related products business, which was terminated in that fiscal year. If we exclude this expenditure, then total capital expenditures decreased ¥3,515 million, or 24.2%. Capital expenditures in the musical instruments business decreased ¥3,654 million, or 31.3%, year on year, from ¥11,663 million to ¥8,008 million. This was primarily due to investments associated with Xiaoshan Yamaha Musical Instruments Co., Ltd.'s factory relocation and investments to increase production capacity of factories overseas.

In the AV/IT business, capital expenditures were down by ¥303 million, or 22.5%, year on year, from ¥1,348 million to ¥1,044 million. As a result of investments in production capacity expansion for magnetic sensors and other products, capital expenditures in the electronic devices business came to ¥921 million, up ¥262 million, or 39.9%, from the previous year-end figure of ¥659 million. Capital expenditures increased significantly in the others business, rising ¥179 million, or 63.1%, from ¥284 million in fiscal 2010, to ¥464 million.

Depreciation and amortization amounted to ¥12,814 million, a decline of ¥1,324 million, or 9.4%, from ¥14,139 million in fiscal 2010.

Capital Expenditures / Depreciation Expenses



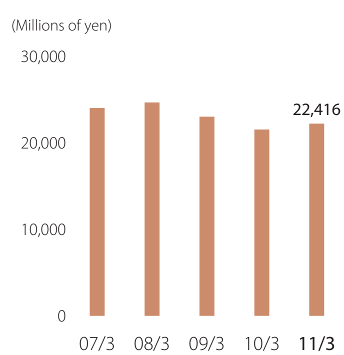
R&D Expenses

R&D expenses in fiscal 2011 increased by ¥679 million, or 3.1%, year on year, from ¥21,736 million to ¥22,416 million. The ratio of R&D expenses to net sales was 0.8 of a percentage point higher than in fiscal 2010, rising from 5.2% to 6.0%.

Most of this spending was directed at product development primarily in digital musical instruments, and in the AV/IT and semiconductor businesses. Specifically, the spending supported elemental technology research and product development for hybrid pianos that blend acoustic and digital technologies, development of various sound generators to make digital musical instruments more competitive, development of new professional audio equipment for the commercial audio equipment market leveraging digital network technology, and development of products to expand the genre of AV products. In semiconductors, spending was used for development of high value-added analog and hybrid semiconductors and development of new products for mobile phones, amusement equipment and magnetic sensors for smartphones.

R&D budgets also funded programs to research and develop basic sound- and music-related technologies (sound sources, voice synthesis, architectural acoustics, etc.) and acoustic materials. New devices such as speakers and sensors, as well as interfaces were also researched.

R&D Expenses



Forecast for Fiscal Year 2012

Performance Forecast

Net Sales

¥370,000 million -1.0%

Operating Income

¥10,000 million -24.0%

Net Income

¥5,000 million -1.6%

In fiscal 2012, the outlook is for continued growth in China and emerging markets, and moderate recovery in Europe and North America. Nevertheless, the continuing appreciation of the yen and rising prices for raw materials are likely to have a negative impact on earnings. In addition, the devastation that parts manufacturers have suffered from the Great East Japan Earthquake of March 11, 2011 is expected to have an impact on parts procurement, which will likely affect the manufacturing of certain products, including digital musical instruments and AV products. The Group will minimize the impact by taking every possible measure, including shifting to replacement parts and changing design specifications.

Also, we expect the disaster to affect consumer confidence in Japan and deliveries to corporate customers. Accordingly, we will further reduce manufacturing costs by lowering material costs, and increasing the in-house production of products, while cutting expenses.

Exchange rate assumptions for full fiscal 2012 are: JP¥85 per US$1, JP¥110 per €1, JP¥80 per AU$1, JP¥80 per CA$1, and US$6.70 per CN¥1. After factoring in foreign currency translation effects and the aforementioned impact of the earthquake, we forecast a decline in both sales and earnings in fiscal 2012.

Musical Instruments

By business segment, in the musical instruments business, while declining consumer confidence remains a concern in Japan, we will expand sales aggressively in emerging markets, including China, to accelerate growth. In North America and Europe, Yamaha seeks to increase sales with a gradual market recovery. As a result, we expect sales in the musical instruments business to remain largely unchanged from that of the previous fiscal year.

AV/IT

In the AV/IT business, our goal is to achieve growth by releasing new audio products that meet trends in market demand. In the commercial online karaoke equipment business, we will maintain steady and stable supply of those new products that began shipping in the previous fiscal year. We will also seek to expand our share of the router market by highlighting our product's advantages. However, considering the impact that the recent earthquake disaster has had on production, we foresee declining sales in the AV/IT segment as a whole.

Electronic Devices

In the electronic devices business, we expect to achieve higher sales by expanding our product lineup of analog devices and increasing our market share of digital devices such as graphics controllers used in amusement equipment.

Others

In the others segment, the Company will open up markets for golf products in China and other emerging markets where growth is expected. In the automobile interior wood components business, we will raise our manufacturing capabilities by reducing lead time and implementing other measures. In the FA equipment business, we will improve our marketing capabilities. In the recreation business, we have set our sights on reinforcing our marketing capabilities and raising operating efficiency by integrating operating companies. However, recent earthquake disaster seems to have an impact on others segment as well mainly on the automobile interior wood components business as we expect our customers to decrease production. As a whole, sales should decline overall in this segment.

Capital Expenditures Forecast

In fiscal 2012, capital expenditures are expected to rise. Major items contributing to capital spending in fiscal 2012 will be regular investment in molds for production of new products, investment for facility upgrade and refurbishment, investment related to sales and marketing, and R&D investment and plant rationalization-related investments. Further investments will be made to increase piano and wind instrument production in China, and to increase semiconductor manufacturing capacity.

Depreciation and amortization are forecast to rise.

Profit Distribution Policy (Dividend Forecast)

With an eye on boosting consolidated return on equity (ROE), Yamaha's basic policy is to distribute profits in line with consolidated performance, while also setting aside an appropriate amount of retained earnings to strengthen the Company's business foundation through investments in R&D, sales and capital expenditure to drive corporate growth, based on prospective levels of medium-term consolidated earnings.

Specifically, Yamaha has set a goal of 40% for its consolidated dividend payout ratio based on continuous and stable dividend payments. Under this policy, Yamaha plans to pay a total dividend of ¥10 per share for fiscal 2012, including an interim dividend payment of ¥5 per share.

Consolidated Balance Sheets

Yamaha corporation and consolidated subsidiaries At March 31, 2011 and 2010	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Assets			
Current assets:			
Cash and deposits (Notes 18 and 20)	¥ 57,210	¥ 59,407	$ 688,034
Notes and accounts receivable — trade (Note 20)	46,486	48,911	559,062
Short-term investment securities (Notes 20, 21 and 29)	1,960	670	23,572
Inventories (Notes 2 and 8)	71,659	69,518	861,804
Deferred tax assets (Note 24)	8,393	7,504	100,938
Other	10,404	8,744	125,123
Allowance for doubtful accounts	(1,397)	(1,496)	(16,801)
Total current assets	194,717	193,260	2,341,756
Property, plant and equipment, net of accumulated depreciation (Notes 4, 13 and 29):			
Buildings and structures, net	38,106	42,158	458,280
Machinery and equipment, net	19,651	21,325	236,332
Land (Note 7)	49,347	50,655	593,470
Leased assets, net	272	306	3,271
Construction in progress	888	1,845	10,679
Total property, plant and equipment, net of accumulated depreciation	108,267	116,291	1,302,069
Investments and other assets:			
Investment securities (Notes 5, 20, 21 and 29)	75,477	80,044	907,721
Long-term loans receivable	368	467	4,426
Lease and guarantee deposits	4,732	5,254	56,909
Deferred tax assets (Note 24)	3,654	2,920	43,945
Goodwill	202	348	2,429
Other	3,431	3,566	41,263
Total investments and other assets	87,867	92,600	1,056,729
Total assets	¥390,852	¥402,152	$4,700,565

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Liabilities			
Current liabilities:			
Notes and accounts payable — trade (Note 20)	¥ 24,198	¥ 21,791	$ 291,016
Short-term loans payable (Notes 20 and 29)	6,597	8,816	79,339
Current portion of long-term loans payable (Note 29)	3,863	1,023	46,458
Accounts payable — other and accrued expenses (Note 20)	28,657	32,496	344,642
Income taxes payable	2,303	1,900	27,697
Advances received (Note 29)	617	986	7,420
Deferred tax liabilities (Note 24)	1	7	12
Provision for product warranties	2,850	2,492	34,275
Provision for directors' bonuses	29	—	349
Provision for business restructuring expenses	—	926	—
Other	5,716	4,741	68,743
Total current liabilities	74,836	75,182	900,012
Noncurrent liabilities:			
Long-term loans payable (Notes 20 and 29)	1,376	5,177	16,548
Deferred tax liabilities (Note 24)	199	929	2,393
Deferred tax liabilities for land revaluation (Note 7)	14,486	14,931	174,215
Provision for retirement benefits (Note 23)	37,599	33,675	452,183
Long-term deposits received (Note 20)	15,854	16,144	190,667
Other	1,496	1,519	17,992
Total noncurrent liabilities	71,013	72,378	854,035
Contingent liabilities (Note 6)			
Net Assets			
Shareholders' equity (Note 17):			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2011 — 197,255,025 shares	28,534	—	343,163
2010 — 197,255,025 shares	—	28,534	—
Capital surplus	40,054	40,054	481,708
Retained earnings	169,894	167,614	2,043,223
Treasury stock	(3,690)	(34)	(44,378)
Total shareholders' equity	234,793	236,169	2,823,728
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	33,559	34,000	403,596
Deferred gains or losses on hedges	(252)	(166)	(3,031)
Revaluation reserve for land (Note 7)	15,549	16,201	186,999
Foreign currency translation adjustment	(41,583)	(34,466)	(500,096)
Total accumulated other comprehensive income	7,272	15,569	87,456
Minority interests	2,937	2,852	35,322
Total net assets	245,002	254,591	2,946,506
Total liabilities and net assets	¥390,852	¥402,152	$4,700,565

Consolidated Statements of Operations

Yamaha corporation and consolidated subsidiaries	Millions of yen		Thousands of U.S. dollars (Note 3)
Years ended March 31, 2011 and 2010	2011	2010	2011
Net sales	¥373,866	¥414,811	$4,496,284
Cost of sales (Notes 8, 9, and 11)	237,313	268,380	2,854,035
Gross profit	136,553	146,431	1,642,249
Selling, general and administrative expenses (Notes 10 and 11)	123,387	139,602	1,483,909
Operating income	13,165	6,828	158,328
Other income (expenses):			
Interest and dividend income	1,010	786	12,147
Interest expenses	(351)	(451)	(4,221)
Sales discounts	(2,349)	(2,804)	(28,250)
Gain (loss) on sales or disposal of property, plant and equipment, net (Note 12)	(207)	21	(2,489)
Gain (loss) on sales of investment securities	138	(13)	1,660
Loss on impairment of fixed assets (Note 13)	(2,687)	(1,962)	(32,315)
Other, net (Note 14)	(1,916)	(2,605)	(23,043)
	(6,362)	(7,029)	(76,512)
Income (loss) before income taxes and minority interests	6,802	(201)	81,804
Income taxes (Note 24):			
Current	4,349	3,084	52,303
Deferred	(2,990)	1,265	(35,959)
	1,359	4,349	16,344
Income (loss) before minority interests (Note 2)	5,443	(4,550)	65,460
Minority interests in income	364	371	4,378
Net income (loss)	¥ 5,078	¥ (4,921)	$ 61,070

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Yamaha corporation and consolidated subsidiaries

Years ended March 31, 2011 and 2010	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010 (Note 15)	2011
Income before minority interests	¥ 5,443	¥—	$ 65,460
Other comprehensive income:			
Valuation difference on available-for-sale securities	(441)	—	(5,304)
Deferred gains or losses on hedges	(86)	—	(1,034)
Foreign currency translation adjustment	(7,292)	—	(87,697)
Share of other comprehensive income of associates accounted for using the equity method	0	—	0
Total other comprehensive income	(7,820)	—	(94,047)
Comprehensive income	¥(2,376)	¥—	$(28,575)
(Composition)			
Comprehensive income attributable to owners of the parent	¥(2,566)	¥—	$(30,860)
Comprehensive income attributable to minority interests	¥ 189	¥—	$ 2,273

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
Yamaha corporation and consolidated subsidiaries Years ended March 31, 2011 and 2010	Capital stock (Note 16)	Capital surplus	Retained earnings (Note 16)	Treasury stock (Note 16)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2009	¥28,534	¥40,054	¥176,739	¥ (29)	¥245,298	¥19,817	¥(394)	¥18,769	¥(34,495)	¥ 3,697	¥2,845	¥251,841
Changes of items during the period:												
Dividends from retained earnings (Note 16)			(5,917)		(5,917)							(5,917)
Net loss			(4,921)		(4,921)							(4,921)
Change of scope of consolidation			1,522		1,522							1,522
Change of scope of equity method			6		6							6
Reversal of revaluation reserve for land			185		185							185
Purchases of treasury stock				(4)	(4)							(4)
Net changes of items other than shareholders' equity						14,183	227	(2,567)	28	11,872	7	11,879
Total changes of items during the period	—	—	(9,124)	(4)	(9,129)	14,183	227	(2,567)	28	11,872	7	2,750
Balance at March 31, 2010	¥28,534	¥40,054	¥167,614	¥ (34)	¥236,169	¥34,000	¥(166)	¥16,201	¥(34,466)	¥15,569	¥2,852	¥254,591
Changes of items during the period:												
Dividends from retained earnings (Note 16)			(3,451)		(3,451)							(3,451)
Net income			5,078		5,078							5,078
Reversal of revaluation reserve for land			652		652							652
Purchases of treasury stock				(3,655)	(3,655)							(3,655)
Net changes of items other than shareholders' equity						(441)	(86)	(652)	(7,117)	(8,297)	84	(8,212)
Total changes of items during the period	—	—	2,279	(3,655)	(1,375)	(441)	(86)	(652)	(7,117)	(8,297)	84	(9,588)
Balance at March 31, 2011	¥28,534	¥40,054	¥169,894	¥(3,690)	¥234,793	¥33,559	¥(252)	¥15,549	¥(41,583)	¥ 7,272	¥2,937	¥245,002

	Thousands of U.S. dollars (Note 3)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock (Note 16)	Capital surplus	Retained earnings (Note 16)	Treasury stock (Note 16)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	$343,163	$481,708	$2,015,803	$ (409)	$2,840,277	$408,900	$(1,996)	$194,841	$(414,504)	$187,240	$34,299	$3,061,828
Changes of items during the period:												
Dividends from retained earnings (Note 16)			(41,503)		(41,503)							(41,503)
Net income			61,070		61,070							61,070
Reversal of revaluation reserve for land			7,841		7,841							7,841
Purchases of treasury stock				(43,957)	(43,957)							(43,957)
Net changes of items other than shareholders' equity						(5,304)	(1,034)	(7,841)	(85,592)	(99,784)	1,010	(98,761)
Total changes of items during the period	—	—	27,408	(43,957)	(16,536)	(5,304)	(1,034)	(7,841)	(85,592)	(99,784)	1,010	(115,310)
Balance at March 31, 2011	$343,163	$481,708	$2,043,223	$(44,378)	$2,823,728	$403,596	$(3,031)	$186,999	$(500,096)	$ 87,456	$35,322	$2,946,506

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamaha corporation and consolidated subsidiaries	Millions of yen		Thousands of U.S. dollars (Note 3)
Years ended March 31, 2011 and 2010	2011	2010	2011
Net cash provided by (used in) operating activities:			
Income (loss) before income taxes and minority interests	¥ 6,802	¥ (201)	$ 81,804
Depreciation and amortization	12,814	14,139	154,107
Loss on impairment of fixed assets	2,687	1,962	32,315
Amortization of goodwill	145	163	1,744
Increase (decrease) in allowance for doubtful accounts	(158)	23	(1,900)
Loss on valuation of stocks of subsidiaries and affiliates	183	428	2,201
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	2,159	—
Loss (gain) on liquidation of subsidiaries	(21)	6	(253)
Loss on valuation of investment securities	1,563	478	18,797
Loss (gain) on sales of investment securities	(138)	13	(1,660)
Increase (decrease) in provision for retirement benefits	4,030	6,470	48,467
Interest and dividend income	(1,010)	(786)	(12,147)
Interest expenses	351	451	4,221
Foreign exchange losses (gains)	678	104	8,154
Equity in (earnings) losses of affiliates	0	0	0
Loss (gain) on sales or disposal of property, plant and equipment, net	207	(21)	2,489
Gain on reversal of provision for business restructuring expenses	(321)	(113)	(3,860)
Tariff assessment from previous periods	—	574	—
Loss on disaster	79	—	950
Loss on adjustment for changes in accounting standard for asset retirement obligations	79	—	950
Decrease (increase) in notes and accounts receivable — trade	406	(2,244)	4,883
Decrease (increase) in inventories	(5,072)	11,731	(60,998)
Increase (decrease) in notes and accounts payable — trade	3,549	1,092	42,682
Other, net	(644)	(685)	(7,745)
Subtotal	26,212	35,748	315,238
Interest and dividend income received	986	790	11,858
Interest expenses paid	(357)	(444)	(4,293)
Income taxes (paid) refunded	(4,194)	3,775	(50,439)
Net cash provided by (used in) operating activities	22,646	39,870	272,351
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	(107)	(3)	(1,287)
Payments for purchases of property, plant and equipment	(13,316)	(14,106)	(160,144)
Proceeds from sales of property, plant and equipment	1,223	1,771	14,708
Increase (decrease) from sales of subsidiaries and affiliates resulting in change in scope of consolidation (Note 18)	—	(1,237)	—
Proceeds from sales and redemption of investment securities	1,371	8	16,488
Payments for purchase of subsidiaries' and affiliates' stock	(35)	(847)	(421)
Proceeds from liquidation of subsidiaries and affiliates	910	785	10,944
Proceeds from decrease in investment in capital of subsidiaries and affiliates	—	453	—
Other, net	214	464	2,574
Net cash provided by (used in) investing activities	(9,740)	(12,711)	(117,138)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(2,010)	(4,714)	(24,173)
Proceeds from long-term loans payable	450	2,783	5,412
Repayment of long-term loans payable	(972)	(1,293)	(11,690)
Proceeds from deposits received from membership	2	4	24
Repayments for deposits received from membership	(300)	(585)	(3,608)
Purchases of treasury stock	(3,655)	(4)	(43,957)
Cash dividends paid	(3,451)	(5,917)	(41,503)
Cash dividends paid to minority shareholders	(104)	(146)	(1,251)
Other, net	(37)	6	(445)
Net cash provided by (used in) financing activities	(10,080)	(9,867)	(121,227)
Effect of exchange rate changes on cash and cash equivalents	(3,615)	83	(43,476)
Net increase (decrease) in cash and cash equivalents	(788)	17,375	(9,477)
Cash and cash equivalents at beginning of period	59,235	41,223	712,387
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,308	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(673)	—
Cash and cash equivalents at end of period (Note 18)	¥58,446	¥59,235	$702,898

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Yamaha Corporation (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. However, in accordance with "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force (PITF) No.18), the accompanying consolidated financial statements have been prepared by using, the accounts of overseas consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. The Company and all consolidated subsidiaries are referred to herein as the "Yamaha Group."

The consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

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

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. As a result, the accompanying consolidated financial statements include the accounts of the Company and 78 consolidated subsidiaries for the year ended March 31, 2011 and 84 consolidated subsidiaries for the year ended March 31, 2010. All significant intercompany balances and transactions have been eliminated in consolidation.

Effective the year ended March 31, 2010, "Guidance on Determining a Subsidiary and an Affiliate" (Accounting Standards Board of Japan (ASBJ) Guidance No.22, issued by the ASBJ on May 13, 2008) has been applied. This change had no effect on profit or loss for the year ended March 31, 2010.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their own operations are significantly affected in various ways by the Yamaha Group are accounted for by the equity method. Investments in one affiliate was accounted for by the equity method for the year ended March 31, 2011 and 2010. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

Certain overseas subsidiaries have a financial closing date as of December 31, which differs from the financial closing date of the Company; however, a financial closing as of March 31 has been made and reported by these overseas subsidiaries for consolidation purposes. All assets and liabilities of subsidiaries are revalued at fair value on acquisition and, if applicable, the excess of cost over the underlying net assets at the respective dates of acquisition is presented as goodwill and amortized over a period of five years on a straight-line basis.

(c) Securities

Securities owned by the Yamaha Group have been classified into two categories, held-to-maturity and available-for-sale, in accordance with the accounting standard for financial instruments. Under this standard, held-to-maturity debt securities are either amortized or accumulated to face value by the straight-line method. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Nonmarketable securities classified as available-for-sale securities are carried at cost. If the market value of marketable securities classified as available-for-sale securities declines significantly, such securities are written down to their respective fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as a loss on valuation of investment securities unless the fair value is deemed recoverable. The Company has established a policy for the recognition of loss on valuation of investment securities if the market value at the year end has declined more than 30% and a recovery to fair value is not anticipated. Cost of securities sold is determined by the weighted-average method.

(d) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the cost method (method of reducing book value when the contribution of inventories to profitability declines), cost being determined by the periodic average method. Inventories of the Company's overseas consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method. See Note 2(a)(l).

(e) Depreciation

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

Estimated useful lives:

Buildings: 31 – 50 years (leasehold improvement: 15 years)

Structures: 10 – 30 years

Machinery and equipment: 4 – 9 years

Tools, furniture and fixtures: 5 – 6 years (molds: 2 years)

Depreciation of leased assets under finance leases, other than those for which the ownership transfers to the lessee, is calculated by the straight-line method over the lease period with the residual value at zero.

(f) Allowance for doubtful accounts

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

(g) Provision for product warranties

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

(h) Provision for directors' bonuses

Provision for directors' bonuses is provided for the payment of bonuses to directors. The projected amount is set aside as this provision.

(i) Provision for business restructuring expenses

Provision for business restructuring expenses is provided for the expenses arising from business reorganization. The projected amount is set aside as this provision.

(j) Provision for retirement benefits

Provision for employees' retirement benefits is provided based on the projected retirement benefit obligation and the pension fund assets.

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

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

(k) Construction contracts

For the construction work in progress, if the outcome of the construction activity during the course of the construction is deemed certain, the percentage-of-completion method is applied.

When the above condition is not met, the completed-contract method is applied.

The method for estimating the amount recognized by the percentage of completion is based on the ratio of costs incurred to the estimated total cost. See Note 2(a)(4).

(l) Criteria for presentation of finance leases (as Lessor)

For finance lease transactions where the Company or a consolidated subsidiary is the lessor, in which ownership is not transferred to the lessee, the leased assets are recorded as lease investment assets which are included in the item "Other" under "Current assets." Sales and cost of sales related to these finance lease transactions are recognized at the time the lease fees are received.

(m) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date. The resulting exchange gain or loss is recognized as other income or expense. Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from translation are presented as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(n) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risk arising from adverse fluctuations in foreign currency exchange rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Hedging instruments are forward foreign exchange contracts, purchased options with foreign currency-denominated put and yen-denominated call options. Hedged items are primarily forecast sales denominated in foreign currencies, and receivables and payables denominated in foreign currencies.

Forecast sales denominated in foreign currencies designated as hedged items are accounted for by benchmark method. Translation differences arising from forward foreign exchange contracts of receivables and payables denominated in foreign currencies are accounted for by allocation method.

The Company and its consolidated subsidiaries manage their derivative transactions in accordance with the Group's management policy and rules of each company. See Note 20.

Hedge effectiveness is not assessed if the anticipated cash flows are fixed by hedging activities and the risk of changes in cash flows are completely avoided.

(o) Cash and cash equivalents

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

(p) Income taxes

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

The Company and certain of its subsidiaries have been approved by the Commissioner of the National Tax Agency regarding the application of the consolidated taxation system from the year ending March 31, 2012. Therefore, effective the year ended March 31, 2011, related accounting procedures have been based on the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (PITF No.5) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (PITF No.7).

(q) Consumption tax

Income and expenses are recorded net of consumption tax.

2. Changes in Methods of Accounting and Presentation

(a) Changes in methods of accounting

(1) Accounting standards for inventories

Effective the year ended March 31, 2011, accompanying the application of "Accounting Standards for Measurement of Inventories" (ASBJ Statement No.9, revised by the ASBJ on September 26, 2008), the Company and certain of its consolidated subsidiaries in Japan have changed the method of measurement of inventories from the cost method using the last-in, first-out method to the periodic average method. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2011 increased by each ¥956 million ($11,497 thousand) respectively, compared with the corresponding amounts that would have recorded under the previous method.

(2) Accounting standards for asset retirement obligations

Effective the year ended March 31, 2011, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued by the ASBJ on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued by the ASBJ on March 31, 2008) have been applied. The effect of this change on profit and loss for the year ended March 31, 2011 was not material.

(3) Accounting standards for business combinations and related matters

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have applied the following accounting standards. All of these accounting standards, partial amendments to existing accounting standards, and guidance were issued by the ASBJ on December 26, 2008.

- "Accounting Standard for Business Combinations" (ASBJ Statement No.21)
- "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22)
- "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7)
- "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10)

These changes had no effect on profit and loss for the year ended March 31, 2011.

(4) Accounting standards for construction contracts

The Company and its consolidated subsidiaries have previously applied the completed-contract method for recognizing the revenues for construction contracts. However, effective the year ended March 31, 2010, accompanying the application of "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, issued by the ASBJ on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued by the ASBJ on December 27, 2007), the percentage-of-completion method has been applied for the construction work under contract that commenced during the year ended March 31, 2010, provided the outcome of the construction activity is deemed certain during the course of the activity (based on the ratio of costs incurred to the estimated total cost to estimate the percentage of completion of construction activity).

For construction where uncertainty exists, the completed-contract method has been applied.

The effect of this change on profit and loss for the year ended March 31, 2010 was not material.

(b) Changes in methods of presentation

(1) Consolidated statements of operations

Accompanying the application of revisions in certain rules for the presentation of financial statements, as contained in a cabinet order (Cabinet Office Ordinance No.5, issued on March 24, 2009), which are based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued by the ASBJ on December 26, 2008), the Company has included the item "Income before minority interests" in the accompanying consolidated financial statements.

(2) Consolidated statements of cash flows

In the year ended March 31, 2009, "proceeds from liquidation of subsidiaries and affiliates" (which amounted to ¥183 million in that year) was included in the "Other, net" item in the "Net cash provided by (used in) investing activities" section of the Consolidated Statements of Cash Flows. In the year ended March 31, 2010, this item has become material and has, therefore, been presented as a separate item.

(c) Supplementary information

Accounting standard for presentation of comprehensive income

Effective the year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, issued by the ASBJ on June 30, 2010) was applied. In accordance with the new standard, consolidated statement of comprehensive income for the year ended March 31, 2010 is not presented. The comparative information for the year ended March 31, 2010 is disclosed in Note 15.

3. U.S. Dollar Amounts

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2011 have been presented in U.S. dollars by translating all yen amounts at ¥83.15 = U.S.$1.00, the exchange rate prevailing on March 31, 2011. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

4. Accumulated Depreciation

Accumulated depreciation of property, plant and equipments at March 31, 2011 and 2010 amounted to ¥198,857 million ($2,391,545 thousand) and ¥198,513 million, respectively.

5. Investment Securities

Investment securities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Investments in unconsolidated subsidiaries and affiliates	¥ 831	¥ 1,984	$ 9,994
Other	74,646	78,059	897,727
Investment securities	¥75,477	¥80,044	$907,721

6. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2011:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Export bills discounted with banks	¥356	$4,281
Guarantees of indebtedness of others*	455	5,472

* The actual amount guaranteed by the Company is ¥36 million ($433 thousand), at March 31, 2011.

7. Land Revaluation

For the year ended March 31, 2011, the Company has carried over the revaluation of their landholdings at the date of revaluation in accordance with the "Law Concerning the Revaluation of Land" (Law No.34 published on March 31, 1998). The date of revaluation was March 31, 2002.

For the years ended March 31, 2011 and 2010, the Company determined the value of its land based on the respective value registered in the land tax list or the supplementary land tax list as specified in No.10 or No.11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land" (Cabinet Order No.119 published on March 31, 1998).

The excess of the revalued carrying amount of such land over its market value at March 31, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Excess of revalued carrying amount of land over market value	¥(4,385)	¥(1,607)	$(52,736)

8. Inventories

Inventories at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Merchandise and finished goods	¥47,361	¥48,087	$569,585
Work in process	13,620	12,496	163,800
Raw materials and supplies	10,678	8,935	128,419
	¥71,659	¥69,518	$861,804

Write down of inventories for the year ended March 31, 2011 and 2010 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cost of sales	¥(365)	¥(575)	$(4,390)

9. Provision for Loss on Construction Contracts

Provision for loss on construction contracts was included in the following account for the years ended March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cost of sales	¥12	¥14	$144

10. Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Sales commissions	¥ 1,358	¥ 1,427	$ 16,332
Transport expenses	10,705	12,966	128,743
Advertising expenses and sales promotion expenses	16,063	18,130	193,181
Allowance for doubtful accounts	106	204	1,275
Provision for product warranties	1,656	1,425	19,916
Provision for retirement benefits	5,299	7,107	63,728
Salaries and benefits	52,628	59,225	632,928
Rent	3,469	4,686	41,720
Depreciation and amortization	3,744	3,827	45,027

11. R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2011 and 2010, amounted to ¥22,416 million ($269,585 thousand) and ¥21,736 million, respectively.

12. Sales or Disposal of Property, Plant and Equipment

2011

Gains on sale of property, plant and equipment principally result from sales of land, machinery and equipment. Disposal of property, plant and equipment principally result from disposal of buildings and structures, machinery and equipment.

2010

Gains on sale of property, plant and equipment principally result from sales of machinery and equipment and buildings and structures. Disposal of property, plant and equipment principally result from disposal of buildings and structures, machinery and equipment.

13. Loss on Impairment of Fixed Assets

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2011:

			Millions of yen	Thousands of U.S. dollars (Note 3)
Group of fixed assets	Location	Impaired assets	2011	2011
Assets in the musical instruments business	Chuo-ku, Tokyo, etc.	Buildings and structures	¥ 968	$11,642
		Machinery and equipment	133	1,600
		Total	1,102	13,253
Idle assets, etc.	Fujimino-shi, Saitama Prefecture, etc.	Buildings and structures	394	4,738
		Machinery and equipment	59	710
		Land	1,132	13,614
		Total	1,585	19,062
Total		Buildings and structures	1,363	16,392
		Machinery and equipment	192	2,309
		Land	1,132	13,614
		Total	¥2,687	$32,315

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2010:

Group of fixed assets	Location	Impaired assets	Millions of yen 2010
Idle assets, etc.	Hamamatsu-shi, Shizuoka Prefecture, etc.	Buildings and structures	¥ 468
		Machinery and equipment	18
		Land	1,473
		Leasehold rights	1
		Total	¥1,962

Method of grouping assets

The Company and its consolidated subsidiaries group fixed assets based on business groups, which are regarded as the smallest units independently generating cash flows.

Background on the recognition of impairment losses

In the case of assets in the musical instrument business, the Company recognized impairment losses for those asset groups where the businesses were running losses in their operating activities on a continuing basis and when the outlook was for losses to continue.

In the case of idle assets, etc., impairment losses were recognized on those assets that were not expected to be put to use in the future, assets that were expected to become idle assets, and those assets for which disposal was expected.

Method for computing the recoverable amount

The recoverable value of assets in the musical instruments business was calculated using estimates of the value of the assets in use, and future cash flows from these assets were discounted to the present using a discount rate of 5.4%.

The recoverable value of idle assets, etc. was calculated using estimates of the net sale value; the price indicators were the expected sale value, the appraised value, and the assessed value for tax purposes of noncurrent assets.

14. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Employment adjustment subsidy income	¥ 99	¥ 253	$ 1,191
Compensation for transfer	513	—	6,170
Foreign exchange losses	(1,207)	—	(14,516)
Reversal of provision for business restructuring expenses	321	113	3,860
Loss on valuation of investment securities	(1,563)	(478)	(18,797)
Loss on valuation of stocks of subsidiaries and affiliates	(183)	(428)	(2,201)
Loss on sales of stocks of subsidiaries and affiliates	—	(2,159)	—
Tariff assessment from previous periods*1	—	(574)	—
Loss on disaster*2	(79)	—	(950)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(79)	—	(950)
Other, net	261	668	3,139
	¥(1,916)	¥(2,605)	$(23,043)

*1. Consolidated subsidiary PT. Yamaha Indonesia has been ordered to pay an additional amount shown indicated above based on a customs duty inspection. PT. Yamaha Indonesia has appealed this decision by the customs authorities to the Indonesian Supreme Court.

*2. Loss in the wake of the Great East Japan Earthquake that occurred on March 11, 2011.

15. Information for Consolidated Statements of Comprehensive Income

Year ended March 31	Millions of yen
(a) Consolidated comprehensive income for the year ended March 31, 2010	
Comprehensive income attributable to owners of the parent	¥ 8,437
Comprehensive income attributable to minority interests	269
Total	¥ 8,707
(b) Other consolidated comprehensive income for the year ended March 31, 2010	
Valuation difference on available-for-sale securities	¥14,183
Deferred gains or losses on hedges	227
Foreign currency translation adjustments	(1,153)
Share of other comprehensive income of associates accounted for the using equity method	(0)
Total	¥13,257

16. Information for Consolidated Statements of Changes in Net Assets

The following tables present information related to the accompanying consolidated statements of changes in net assets for the years ended March 31, 2011 and 2010:

(a) Common stock

Number of shares	2011	2010
Beginning of the year	197,255,025	197,255,025
Increase	—	—
Decrease	—	—
End of the year	197,255,025	197,255,025

(b) Treasury stock

Number of shares	2011	2010
Beginning of the year	21,774	17,461
Increase	3,589,655*1	4,313*2
Decrease	—	—
End of the year	3,611,429	21,774

*1. Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 3,584,900 shares
Increase owing to purchases of outstanding fractional shares of less than one trading unit: 4,755 shares

*2. Increase owing to purchases of outstanding fractional shares of less than one trading unit: 4,313 shares

(c) Subscription right to shares

None issued

(d) Cash dividends

(1) Amount of dividend payments

2011

Date of approval	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 3)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 3)	Record date	Effective date
Jun. 25, 2010 (Annual General Meeting of Shareholders)	Common stock	¥2,465	$29,645	¥12.50	$0.15	Mar. 31, 2010	Jun. 28, 2010
Oct. 29, 2010 (Board of Directors)	Common stock	¥ 986	$11,858	¥ 5.00	$0.06	Sept. 30, 2010	Dec. 6, 2010

Note: Dividends per share of ¥12.50 ($0.15) approved on June 25, 2010 consisted of regular dividends of ¥2.50 ($0.03) and special dividends of ¥10.00 ($0.12).
Dividends per share of ¥5.00 ($0.06) approved on October 29, 2010 consisted of regular dividends of ¥5.00 ($0.06).

2010

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

Note: Dividends per share of ¥15.00 approved on June 25, 2009 consisted of regular dividends of ¥5.00 and special dividends of ¥10.00.
Dividends per share of ¥15.00 approved on October 30, 2009 consisted of regular dividends of ¥5.00 and special dividends of ¥10.00.

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

2011

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 3)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 3)	Record date	Effective date
Jun. 24, 2011 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥968	$11,642	¥5.00	$0.06	Mar. 31, 2011	Jun. 27, 2011

Note: Dividends per share of ¥5.00 ($0.06) approved on June 24, 2011 consisted of regular dividends of ¥5.00 ($0.06).

17. Legal Reserve and Additional Paid-in Capital

The Corporation Law of Japan (the "Law") provides that amounts from capital surplus and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to additional paid-in capital included in capital surplus or the legal reserve based on the applicable sources of such distributions until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account.

18. Supplementary Cash Flow Information

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Cash and deposits	¥57,210	¥59,407	$688,034
Time deposits with a maturity of more than three months	(264)	(172)	(3,175)
Short-term (securities) investments with maturities of three months or less when purchased	1,500	—	18,040
Cash and cash equivalents	¥58,446	¥59,235	$702,898

Breakdown of principal assets and liabilities of Yamaha Livingtec Corporation and its two wholly owned subsidiaries (as of March 31, 2010), which is excluded from consolidation by the sales of its shares by the Company for the year ended March 31, 2010:

	Millions of yen
Current assets	¥ 8,433
Noncurrent assets	8,413
Total assets	¥16,847
Current liabilities	¥ 8,173
Noncurrent liabilities	4,100
Total liabilities	¥12,274

Regarding land for business purposes that is included in noncurrent assets, these companies 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). As of March 31, 2010, the market value of these companies' land, revalued in accordance with relevant legal regulations was ¥2,087 million below the carrying value of such land on the these companies' balance sheets.

19. Leases

2011

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2011 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2012	¥ 526	$ 6,326
2013 and thereafter	1,320	15,875
Total	¥1,847	$22,213

Finance Lease Transactions in which Ownership is not Transferred to the Lessee Commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the year

	Millions of yen				Thousands of U.S. dollars (Note 3)			
As of March 31, 2011	Buildings and structures	Machinery and equipment	Other	Total	Buildings and structures	Machinery and equipment	Other	Total
Acquisition costs	¥993	¥129	¥37	¥1,160	$11,942	$1,551	$445	$13,951
Accumulated depreciation	332	104	31	468	3,993	1,251	373	5,628
Net book value	¥660	¥ 24	¥ 6	¥ 692	$ 7,937	$ 289	$ 72	$ 8,322

Amounts corresponding to the acquisition costs 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.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2011

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2012	¥ 83	$ 998
2013 and thereafter	608	7,312
Total	¥692	$8,322

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.

(c) Amounts corresponding to the lease payments and depreciation

Years ending March 31, 2011	Millions of yen	Thousands of U.S. dollars (Note 3)
Lease payments	¥109	$1,311
Depreciation	109	1,311

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value at zero.

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2011 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2012	¥436	$ 5,244
2013 and thereafter	480	5,773
Total	¥916	$11,016

2010

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2010 on noncancellable leases are as follows:

Years ending March 31	Millions of yen
2011	¥ 580
2012 and thereafter	1,656
Total	¥2,237

Finance Lease Transactions in which Ownership is not Transferred to the Lessee Commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the year

	Millions of yen			
As of March 31, 2010	Buildings and structures	Machinery and equipment	Other	Total
Acquisition costs	¥993	¥335	¥45	¥1,375
Accumulated depreciation	270	253	32	556
Net book value	¥723	¥ 82	¥13	¥ 819

Amounts corresponding to the acquisition costs 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.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2010

Years ending March 31	Millions of yen
2011	¥127
2012 and thereafter	692
Total	¥819

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.

(c) Amounts corresponding to the lease payments and depreciation

Years ending March 31, 2010	Millions of yen
Lease payments	¥256
Depreciation	256

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value at zero.

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2010 on noncancellable leases are as follows:

Years ending March 31	Millions of yen
2011	¥430
2012 and thereafter	481
Total	¥911

20. Financial Instruments

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

(a) Overview

(1) Policy for financial instruments

The Yamaha Group (the Group), in principle, limits its cash management to deposits for which their principals are safety and interest rates are fixed. In addition, the Group raises funds mainly through bank borrowings. Further, the Group uses derivatives for the purpose of reducing risk, and limits derivative transactions to actual exposure. The Group does not enter into derivative transactions for speculative purposes.

(2) Types of financial instruments and related risk

Trade notes and accounts receivable are exposed to credit risk of its customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Short-term investments securities and investment securities are exposed to market risk. Those securities are composed of mainly held-to-maturity debt securities and the stock of Yamaha Motor Co., Ltd., a former affiliated company which shares Yamaha brand in common, and the share of common stock of other companies with which it has business relationships.

Trade notes and accounts payable, other accounts payable and accrued expenses have payment due date within one year. In addition, trade accounts payable that are denominated in foreign currencies are exposed to foreign currency exchange risk.

Short-term loans payable are raised mainly in connection with business activities, and long-term loans payable are taken out principally for the purpose of making capital investments. The repayment dates of long-term loans payable extend up to three years from the balance sheet date. 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 trade notes and accounts payable, other accounts payable, accrued expenses, short-term loans payable and long-term loans payable.

Regarding derivatives, the Group enters into foreign exchange forward contracts with netting arrangements and currency options (foreign currency puts and yen call options) to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies in normal export and import transactions.

Foreign exchange forward contracts are exposed to the foreign currency exchange risk. Since the Group only used foreign currency puts and yen call options for currency options, their risk is only fees for these options and they are not exposed to the foreign currency risk.

Derivative transactions are accounted for by hedge accounting and information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities are described in the Note **1(n)**.

(b) Risk management for financial instruments

The Group has established a Group financial risk management policy, and the Company and its consolidated subsidiaries have prepared rules based on this policy for the following risk:

(1) Credit risk (the risk that customers may default)

The Group has prepared policy for managing its credit exposure and trade receivables. In accordance with the rules, the Group monitors credit exposure limits of each customer and organizes all trade receivables by customer, and confirms the outstanding balances by customers regularly. For receivables that become past due, rules require taking steps to understand the causes and preparing a schedule for the recovery of this exposure.

When the Group acquires held-to-maturity debt securities, in accordance with the policies for assets management, the Company and its subsidiaries confer in advance and only acquire debt securities with high credit ratings. Accordingly, credit risk deriving from such debt securities is insignificant.

To minimize the credit risk of the counterparty in derivative transactions, the Group enters into transactions only with financial institutions which have a sound credit profile.

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

For trade receivables denominated in foreign currencies, the Group minimizes the foreign exchange risk by entering into forward foreign exchange contracts and arranging for currency options, to the receivable position after netting by the payables denominated in foreign currencies, within the limits of actual transactions. Also, the trade accounts payable denominated in foreign currencies are maintained within the amount of accounts receivable denominated in foreign currencies at all times.

For short-term investment securities and investment securities, the Group periodically reviews the market value and the financial position of the issuer; with which the company has business relationship. In addition, the Group continuously evaluates whether debt securities other than those classified as held-to-maturity should be maintained.

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

Derivative transactions of the Company and its subsidiaries are concentrated in the each accounting and finance department of these companies. Internal rules set forth the roles of the each accounting and finance department, reports to be submitted to top management, communications to be sent to related departments, and maximum upper limit on position.

Monthly reports including the outstanding balance of derivative transactions and quantitative information such as market trends of foreign exchange rate are submitted to top management.

(3) Liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled dates)

Based on the cash flow plans by the Company and its consolidated subsidiaries, the Group manages liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The estimated fair value of financial instruments is their quoted market price if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

In addition, the notional amounts of derivatives in the Note **22** are not indicative of the actual market risk involved in derivative transactions.

(c) Estimated fair value of financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2011 and 2010, and difference between carrying value and estimated fair value, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. See Note (ii) below:

	Millions of yen			Thousands of U.S. dollars (Note 3)		
As of March 31, 2011	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥57,210	¥57,210	¥—	$688,034	$688,034	$—
Notes and accounts receivable — trade	46,486	46,486	—	559,062	559,062	—
Short-term investment securities						
Held-to-maturity securities	460	460	0	5,532	5,532	0
Others (Negotiable deposits)	1,500	1,500	—	18,040	18,040	—
Investment securities						
Held-to-maturity securities	200	199	(0)	2,405	2,393	(0)
Available-for-sale securities	71,470	71,470	—	859,531	859,531	—
Notes and accounts payable — trade	(24,198)	(24,198)	—	(291,016)	(291,016)	—
Accounts payable — other and accrued expenses	(28,657)	(28,657)	—	(344,642)	(344,642)	—
Derivatives*2	(413)	(413)	—	(4,967)	(4,967)	—

	Millions of yen		
As of March 31, 2010	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥59,407	¥59,407	¥—
Notes and accounts receivable — trade	48,911	48,911	—
Short-term investment securities and investment securities			
Held-to-maturity securities	1,130	1,132	1
Available-for-sale securities	72,780	72,780	—
Notes and accounts payable — trade	(21,791)	(21,791)	—
Accounts payable — other and accrued expenses	(32,496)	(32,496)	—
Derivatives*2	(271)	(271)	—

*1. Figures shown in parentheses are liability items.

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

Notes:

(i) Methods for computing the estimated fair value of financial instruments, securities and derivative transactions

Cash and deposits and notes and accounts receivable — trade

Since these items are settled in a short period of time, the carrying value approximates fair value.

Short-term investment securities and investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market price or prices provided by the financial institutions making markets in these securities. Regarding negotiable deposits, since they are settled in a short period of time, the carrying value approximates fair value. Information on securities classified by holding purpose are described in Note 21.

Notes and accounts payable — trade and accounts payable — other and accrued expenses

Since these items are settled in a short period of time, the carrying value approximates fair value.

Derivatives Transactions

See Note 22.

(ii) Financial instruments for which it is extremely difficult to determine the fair value

Years ended March 31	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Carrying value			
Unlisted stocks	¥ 3,806	¥ 6,803	$ 45,773
Long-term deposits received	15,854	16,144	190,667

Because no quoted market price is available and estimating their future cash flows is deemed to be prohibitively expensive, the estimated fair value of these financial instruments was extremely difficult to determine, fair value of these has not been disclosed.

(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2011 and 2010

As of March 31, 2011	Millions of yen Within one year	Between one and five years	Between five and ten years	Over ten years	Thousands of U.S. dollars (Note 3) Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 57,210	¥ —	¥—	¥—	$ 688,034	$ —	$—	$—
Notes and accounts receivable — trade	46,486	—	—	—	559,062	—	—	—
Short-term investment securities and investment securities								
Held-to-maturity securities								
Government and municipal bonds	460	200	—	—	5,532	2,405	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Other investment securities								
Negotiable deposits	1,500	—	—	—	18,040	—	—	—
Others	—	—	—	—	—	—	—	—
Total	¥105,657	¥200	¥—	¥—	$1,270,679	$2,405	$—	$—

As of March 31, 2010	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	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government and municipal bonds	470	460	—	—
Corporate bonds	99	—	—	—
Others	99	—	—	—
Total	¥108,988	¥460	¥—	¥—

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2011 and 2010

As of March 31, 2011	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	¥864	¥512	¥—	¥—	¥ —
Lease obligations	26	16	15	15	180

As of March 31, 2011	Thousands of U.S. dollars (Note 3) 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	$10,391	$6,158	$ —	$ —	$ —
Lease obligations	313	192	180	180	2,165

As of March 31, 2010	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

21. Securities

(a) Held-to-maturity securities with fair market value

As of March 31, 2011	Millions of yen: Carrying value	Millions of yen: Estimated fair value	Millions of yen: Unrealized gain (loss)	Thousands of U.S. dollars (Note 3): Carrying value	Thousands of U.S. dollars (Note 3): Estimated fair value	Thousands of U.S. dollars (Note 3): Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	¥460	¥460	¥ 0	$5,532	$5,532	$ 0
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	460	460	0	5,532	5,532	0
Securities whose estimated fair value does not exceed their carrying value:						
Government and municipal bonds	200	199	(0)	2,405	2,393	(0)
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	200	199	(0)	2,405	2,393	(0)
Total	¥660	¥660	¥ 0	$7,937	$7,937	$ 0

As of March 31, 2010	Millions of yen: Carrying value	Millions of yen: Estimated fair value	Millions of yen: Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 830	¥ 832	¥ 1
Corporate bonds	99	100	0
Other	99	100	0
	1,030	1,032	1
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	100	100	(0)
Corporate bonds	—	—	—
Other	—	—	—
	100	100	(0)
Total	¥1,130	¥1,132	¥ 1

(b) Available-for-sale securities with fair market value

As of March 31, 2011	Millions of yen: Carrying value	Millions of yen: Acquisition costs	Millions of yen: Unrealized gain (loss)	Thousands of U.S. dollars (Note 3): Carrying value	Thousands of U.S. dollars (Note 3): Acquisition costs	Thousands of U.S. dollars (Note 3): Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥68,984	¥12,640	¥56,343	$829,633	$152,014	$677,607
Other	—	—	—	—	—	—
	68,984	12,640	56,343	829,633	152,014	677,607
Securities whose carrying value does not exceed their acquisition costs:						
Stock	2,486	3,138	(652)	29,898	37,739	(7,841)
Other	1,500	1,500	—	18,040	18,040	—
	3,986	4,638	(652)	47,937	55,779	(7,841)
Total	¥72,970	¥17,279	¥55,691	$877,571	$207,805	$669,765

As of March 31, 2010	Millions of yen: Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥69,446	¥13,180	¥56,266
Other	—	—	—
	69,446	13,180	56,266
Securities whose carrying value does not exceed their acquisition costs:			
Stock	3,282	3,511	(228)
Other	50	68	(17)
	3,333	3,579	(246)
Total	¥72,780	¥16,760	¥56,019

(c) Available-for-sale securities sold during the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Sales of available-for-sale securities	¥1,309	¥ 7	$15,743
Gain on sales	264	1	3,175
Loss on sales	125	15	1,503

22. Derivatives and Hedging Activities

As of March 31, 2011 and 2010, there were no derivative transactions outstanding for which hedge accounting has not been applied.

The notional amounts and the estimated fair value of the derivative instruments outstanding as of March 31, 2011 and 2010, for which hedge accounting has been applied are summarized as follows:

		Millions of yen			
		Notional amount			
As of March 31, 2011	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 1,258	¥—	¥ 1,305	
Canadian dollars		1,604	—	1,636	
Euros		9,756	—	10,090	
Buy:	Accounts payable				
U.S. dollars		31	—	31	
Sterling pound		1	—	1	
Euros		2	—	2	
Foreign exchange forward contracts accounted for by allocated method:					Market prices
Sell:	Accounts receivable				
Australian dollars		141	—	*1	
Canadian dollars		80	—		
Euros		950	—		
Total		¥13,826	¥—	¥ —	

*1. The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocated method in hedge accounting.

*2. The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was ¥413 million.

As of March 31, 2010	Hedged items	Millions of yen Notional amount Total	 Over one year	 Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 1,245	¥—	¥ 1,298	
Canadian dollars		1,368	—	1,436	
Euros		10,021	—	10,173	
Buy:	Accounts payable				
U.S. dollars		90	—	92	
Sterling pound		7	—	7	
Euros		23	—	23	
Foreign exchange forward contracts accounted for by allocated method:					Market prices
Sell:	Accounts receivable				
Australian dollars		141	—	*1	
Canadian dollars		21	—		
Euros		1,750	—		
Total		¥14,671	¥—	¥ —	

*1. The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocated method in hedge accounting.

*2. The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was ¥271 million.

As of March 31, 2011	Hedged items	Thousands of U.S. dollars (Note 3) Notional amount Total	 Over one year	 Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		$ 15,129	$—	$ 15,695	
Canadian dollars		19,290	—	19,675	
Euros		117,330	—	121,347	
Buy:	Accounts payable				
U.S. dollars		373	—	373	
Sterling pound		12	—	12	
Euros		24	—	24	
Foreign exchange forward contracts accounted for by allocated method:					Market prices
Sell:	Accounts receivable				
Australian dollars		1,696	—	*1	
Canadian dollars		962	—		
Euros		11,425	—		
Total		$166,278	$—	$ —	

*1. The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocated method in hedge accounting.

*2. The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was $4,967 thousand.

23. Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension 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 overseas consolidated subsidiaries have either defined benefit plans or defined contribution pension plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Retirement benefit obligation	¥(131,788)	¥(134,771)	$(1,584,943)
Plan assets at fair value	73,917	78,546	888,960
Unfunded retirement benefit obligation	(57,871)	(56,224)	695,983
Unrecognized actuarial gain or loss	22,541	25,013	271,088
Unrecognized prior service cost	(2,269)	(2,464)	(27,288)
Net retirement benefit obligation at transition	(37,599)	(33,675)	(452,183)
Prepaid pension expenses	—	—	—
Provision for retirement benefits	¥ (37,599)	¥ (33,675)	$ (452,183)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Service cost	¥ 4,433	¥ 5,152	$ 53,313
Interest cost	2,600	2,930	31,269
Expected return on plan assets	(2,745)	(2,843)	(33,013)
Amortization of prior service cost	(194)	(157)	(2,333)
Amortization of actuarial gain or loss	5,672	7,065	68,214
Additional retirement benefit expenses	606	807	7,288
Total	¥10,373	¥12,955	$124,750

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

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortization of prior service cost	10 years (straight-line method)	10 years (straight-line method)
Amortization of actuarial gain or loss	10 years (straight-line method)	10 years (straight-line method)

24. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 39.5% for the years ended March 31, 2011 and 2010. Income taxes of the overseas consolidated subsidiaries are, in general, based on the tax rates applicable in their respective countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
Deferred tax assets:			
Write-downs of inventories	¥ 2,113	¥ 2,240	$ 25,412
Unrealized gain on inventories and property, plant and equipment	402	459	4,835
Allowance for doubtful accounts	615	611	7,396
Depreciation	9,161	9,157	110,174
Loss on impairment of fixed assets	11,666	11,738	140,301
Loss on valuation of investment securities	3,812	4,558	45,845
Accrued employees' bonuses	2,579	2,539	31,016
Provision for product warranties	856	734	10,295
Provision for retirement benefits	14,613	13,048	175,743
Tax loss carryforwards	13,888	13,372	167,023
Other	4,503	5,544	54,155
Gross deferred tax assets	64,213	64,006	772,255
Valuation allowance	(28,476)	(29,950)	(342,465)
Total deferred tax assets	¥35,737	¥34,056	$429,790
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	¥ (1,357)	¥ (1,447)	$ (16,320)
Reserve for special depreciation	(43)	(84)	(517)
Valuation difference on available-for-sale securities	(22,128)	(22,011)	(266,121)
Other	(361)	(1,024)	(4,342)
Total deferred tax liabilities	(23,890)	(24,568)	(287,312)
Net deferred tax assets	¥11,846	¥ 9,488	$142,465

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010*
Statutory tax rate	39.5%	—
Adjustments:		
Differences in tax rates of overseas consolidated subsidiaries	(19.8)	—
Non-temporary differences not deductible for tax purposes	(1.7)	—
Per capita inhabitants' taxes	2.5	—
Allowances for changes in valuation	(2.0)	—
Other	1.5	—
Effective tax rate after adjustments for tax-effect accounting	20.0%	—

* A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2010 has been omitted because the Company recorded loss before taxes and minority interests for the year.

25. Asset Retirement Obligations

Since the amount for the year ended March 31, 2011 is not material, this information has been omitted.

26. Rental Property

Effective the 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 the 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 the ASBJ on November 28, 2008) have been applied.

Since the amounts for the years ended March 31, 2010 and 2011 are not material, this information has been omitted.

27. Segment Information

For the year ended March 31, 2011

Effective the year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, issued by the ASBJ on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued by the ASBJ on March 21, 2008) have been applied. Segment information for the year ended March 31, 2010 has not been restated for comparative purposes since there are no differences between those under the new standards and the previous standards.

(a) Summary of reporting segments

Business segments are composed of business units that provide separate financial information, are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions, and that have been grouped to consolidate products and services with similar economic characteristics and contents.

The Company has established business divisions by product and service in its head office and formulates comprehensive strategies for implementation in Japan and overseas in its respective business domains.

Therefore, the Company's business segments, based on its business domains, comprise its three principal reporting segments, which are "Musical instruments," "AV/IT," and "Electronic devices." Other businesses have been grouped together in "Others."

The "Musical instruments" segment includes manufacturing and sales of pianos, digital musical instruments, wind, string, and percussion instruments and professional audio equipment as well as other music-related activities. The "AV/IT" segment includes manufacturing and sales of audio products, IT equipment and certain other products. The "Electronic devices" segment includes manufacturing and sales of semiconductors. The "Others" includes automobile interior wood components, factory automation (FA) equipment, and golf products, recreation, and certain other lines of business.

(b) Method for calculating the sales, income (loss), assets, and other items for reporting segments

The accounting treatment for reporting business segments is carried out through principles and procedures set forth in Note 1 "Summary of Significant Accounting Policies."

Figures for segment income in reporting segments are on an operating income basis.

Intersegment sales and transfers are based on prevailing market prices.

(c) Information by product and service

	Millions of yen						
Year ended March 31, 2011	Musical instruments	AV/IT	Electronic devices	Others	Total	Adjustments	Consolidated
Sales							
Sales to external customers	¥271,124	¥57,023	¥20,610	¥25,108	¥373,866	¥ —	¥373,866
Intersegment sales or transfers			1,080		1,080	(1,080)	
Total	271,124	57,023	21,690	25,108	374,946	(1,080)	373,866
Segment income	¥ 8,616	¥ 2,547	¥ 510	¥ 1,490	¥ 13,165	¥ —	¥ 13,165
Segment assets	¥253,036	¥36,617	¥14,983	¥86,215	¥390,852	¥ —	¥390,852
Other items							
Depreciation and amortization	¥ 9,678	¥ 1,361	¥ 900	¥ 873	¥ 12,814	¥ —	¥ 12,814
Loss on impairment of fixed assets	¥ 2,575	¥ —	¥ —	¥ 112	¥ 2,687	¥ —	¥ 2,687
Increase in property, plant and equipment and intangible assets	¥ 8,224	¥ 1,044	¥ 921	¥ 464	¥ 10,655	¥ —	¥ 10,655

Year ended March 31, 2011	Thousands of U.S. dollars (Note 3) Musical instruments	AV/IT	Electronic devices	Others	Total	Adjustments	Consolidated
Sales							
Sales to external customers	$3,260,661	$685,785	$247,865	$ 301,960	$4,496,284	$ —	$4,496,284
Intersegment sales or transfers			12,989		12,989	(12,989)	
Total	3,260,661	685,785	260,854	301,960	4,509,272	(12,989)	4,496,284
Segment income	$ 103,620	$ 30,631	$ 6,133	$ 17,919	$ 158,328	$ —	$ 158,328
Segment assets	$3,043,127	$440,373	$180,192	$1,036,861	$4,700,565	$ —	$4,700,565
Other items							
Depreciation and amortization	$ 116,392	$ 16,368	$ 10,824	$ 10,499	$ 154,107	$ —	$ 154,107
Loss on impairment of fixed assets	$ 30,968	$ —	$ —	$ 1,347	$ 32,315	$ —	$ 32,315
Increase in property, plant and equipment and intangible assets	$ 98,906	$ 12,556	$ 11,076	$ 5,580	$ 128,142	$ —	$ 128,142

Notes: 1. The item "Adjustments" for the year ended March 31, 2011 contains the following:
The sales adjustment item of ¥(1,080) million ($(12,989) thousand), which comprises eliminations of transactions among the Company's business segments.
2. "Segment income" for the year ended March 31, 2011 means the operating income of the segment as presented in the Consolidated Statements of Operations.
3. Among the assets of the "Others," the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheets) were ¥61,917 million ($744,642 thousand).

(d) Information by geographical segment

(i) Sales information based on the geographical location of the customers

	Millions of yen					
		Overseas				
Year ended March 31, 2011	Japan	North America	Europe	Asia, Oceania and other areas	Total	Consolidated
Sales	¥179,574	¥54,635	¥64,678	¥74,978	¥194,292	¥373,866
Sales as a percentage of consolidated net sales	48.0%	14.6%	17.3%	20.1%	52.0%	100.0%

	Thousands of U.S. dollars (Note 3)					
		Overseas				
Year ended March 31, 2011	Japan	North America	Europe	Asia, Oceania and other areas	Total	Consolidated
Sales	$2,159,639	$657,066	$777,847	$901,720	$2,336,645	$4,496,284
Sales as a percentage of consolidated net sales	48.0%	14.6%	17.3%	20.1%	52.0%	100.0%

Notes: 1. Sales information is based on the geographical location of customers, and it is classified by country or region.
2. Main country and regional divisions other than Japan:
(a) North America: U.S.A., Canada
(b) Europe: Germany, France, U.K.
(c) Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

(ii) Sales information based on group locations where sales take place

Year ended March 31, 2011	Millions of yen Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	Consolidated
Sales							
Sales to external customers	¥190,915	¥54,084	¥64,863	¥ 64,003	¥373,866	¥ —	¥373,866
Intersegment sales or transfers	123,943	874	1,453	60,221	186,492	(186,492)	—
Total	314,858	54,958	66,316	124,225	560,359	(186,492)	373,866
Segment income	¥ 1,688	¥ 1,449	¥ 1,668	¥ 8,372	¥ 13,178	¥ (12)	¥ 13,165
Total assets	¥277,595	¥23,820	¥33,469	¥ 74,694	¥409,580	¥ (18,727)	¥390,852
Property, plant and equipment	¥ 87,515	¥ 1,335	¥ 3,582	¥ 15,834	¥108,267	¥ —	¥108,267

Year ended March 31, 2011	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	Consolidated
	Thousands of U.S. dollars (Note 3)						
Sales							
Sales to external customers	$2,296,013	$650,439	$780,072	$ 769,729	$4,496,284	$ —	$4,496,284
Intersegment sales or transfers	1,490,595	10,511	17,474	724,245	2,242,838	(2,242,838)	—
Total	3,786,627	660,950	797,547	1,493,987	6,739,134	(2,242,838)	4,496,284
Segment income	$ 20,301	$ 17,426	$ 20,060	$ 100,686	$ 158,485	$ (144)	$ 158,328
Total assets	$3,338,485	$286,470	$402,514	$ 898,304	$4,925,797	$ (225,219)	$4,700,565
Property, plant and equipment	$1,052,495	$ 16,055	$ 43,079	$ 190,427	$1,302,069	$ —	$1,302,069

Notes: 1. Sales information is based on Group locations where sales take place and it is classified by country or region.

2. Main country and regional divisions other than Japan:
This classification is the same as "Sales information based on the geographical location of the customers."

3. The item "Adjustments" contains the following:
The sales adjustment item of ¥(186,492) million ($(2,242,838) thousand), which comprises eliminations of transactions among the Company's business segments.

4. Consolidated segment income corresponds to operating income presented in the Consolidated Statements of Operations.

(e) Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reporting segment

Since the amounts are not material, this information has been omitted.

(f) Information on profit arising from negative goodwill by reporting segment

None

For the year ended March 31, 2010

(a) Business segments

Year ended March 31, 2010	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
	Millions of yen							
I. Sales and operating income (loss)								
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	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
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures								
Total 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
Loss on impairment of fixed assets	¥ 1,330	¥ 150	¥ —	¥ —	¥ 481	¥ 1,962	¥ —	¥ 1,962
Capital expenditures	¥ 11,663	¥ 1,348	¥ 659	¥ 525	¥ 284	¥ 14,480	¥ —	¥ 14,480

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

2. Major products in each business segment:

Business segment	Major products and services
Musical instruments	Pianos, digital musical instruments, wind instruments, string instruments, percussion instruments, educational musical instruments, professional audio equipment, soundproof rooms, music schools, English language schools, music entertainment software, and piano tuning
AV/IT	Audio products, and IT equipment
Electronic devices	Semiconductors
Lifestyle-related products	System bathrooms, system kitchens, and washstands
Others	Golf products, automobile interior wood components, factory automation (FA) equipment, metallic molds and components, and management of accommodation facilities and sports facilities

3. Among the assets of the others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheets) were ¥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 Inc. and other investors, these three companies have been excluded from the scope of consolidation of Yamaha Corporation. Profit and loss accounts and cash flow information were consolidated until the end of period.

(b) Geographical segments

Year ended March 31, 2010	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
	Millions of yen						
I. Sales and operating income (loss)							
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	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
II. Total assets	¥283,038	¥27,255	¥39,586	¥ 71,492	¥421,372	¥ (19,220)	¥402,152

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

(c) Overseas sales

Year ended March 31, 2010	North America	Europe	Asia, Oceania and other areas	Total
	Millions of yen			
Overseas sales	¥57,668	¥70,284	¥68,452	¥196,405
Consolidate net sales				¥414,811
Overseas sales as a percentage of consolidated net sales	13.9%	16.9%	16.5%	47.3%

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

28. Amounts per Share

Years ended March 31	Yen 2011	Yen 2010	U.S. dollars (Note 3) 2011
Net income (loss) per share:			
Basic	¥25.90	¥(24.95)	$0.31
Diluted	—	—	—

As March 31	Yen 2011	Yen 2010	U.S. dollars (Note 3) 2011
Net assets per share	¥1,250.06	¥1,276.35	$15.03

Basic net income (loss) per share is computed based on the net income (loss) and the weighted-average number of shares of common stock outstanding during each year. Diluted net income (loss) per share for the years ended March 31, 2011 and 2010 has not been presented, because the Company recorded net loss for the year ended March 31, 2010, and because there were no potentially dilutive securities at March 31, 2011 and 2010.

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

The calculation of basic net income (loss) per share was determined as follows:

Years ended March 31	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
Basic net income (loss) per share:			
Net income (loss)	¥ 5,078	¥ (4,921)	$61,070
Amounts not attributable to shareholders of common stock	—	—	—
Net income (loss) attributable to shareholders of common stock	5,078	(4,921)	61,070
Weighted-average number of shares outstanding (thousands of shares)	196,062	197,235	

29. Short-Term Loans Payable and Long-Term Debt

Short-term and long-term loans payable, lease obligations, and guarantee deposit as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands U.S. dollars (Note 3)
	2011	2010	2011
Short-term loans payable	¥ 6,597	¥ 8,816	$ 79,339
Current portion of long-term loans payable	3,863	1,023	46,458
Current portion of lease obligations	30	37	361
Long-term loans payable	1,376	5,177	16,548
Lease obligations	254	285	3,055
Guarantee deposits	64	66	770
Total	¥12,188	¥15,406	$146,578

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2011 and 2010 were as follows:

	2011	2010
Short-term loans payable	1.7%	1.8%
Current portion of long-term loans payable	2.6%	1.8%
Long-term loans payable	2.3%	2.7%
Guarantee deposits	3.0%	3.0%

Note: The average interest rate shown above is the weighted average of the interest rates on loans calculated by using the balance of such obligations outstanding at the end of the year. For lease obligations, no average interest rate is shown because the amounts in the consolidated balance sheets include the amounts corresponding to interest paid from total lease payments.

For the middle-term financing purpose, the Company has line-of-credit arrangement with financial institutions at March 31, 2011 and 2010 for a maximum amount of ¥9,200 million ($110,643 thousand) and ¥20,000 million, respectively. At March 31, 2011, there were no borrowings outstanding under these commitment lines.

The assets pledged as collateral for long-term loans payable and certain other current liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands U.S. dollars (Note 3)
	2011	2010	2011
Short-term investment securities	¥450	¥ 370	$5,412
Property, plant and equipment, net of accumulated depreciation	—	207	—
Investment securities	200	450	2,405
	¥650	¥1,028	$7,817

The above assets were pledged as collateral for "Advances received" of ¥617 million ($7,420 thousand) at March 31, 2011, and for "Short-term loans payable" of ¥35 million and "Advances received" of ¥986 million at March 31, 2010.

30. Subsequent Events

None

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Report of Independent Auditors

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

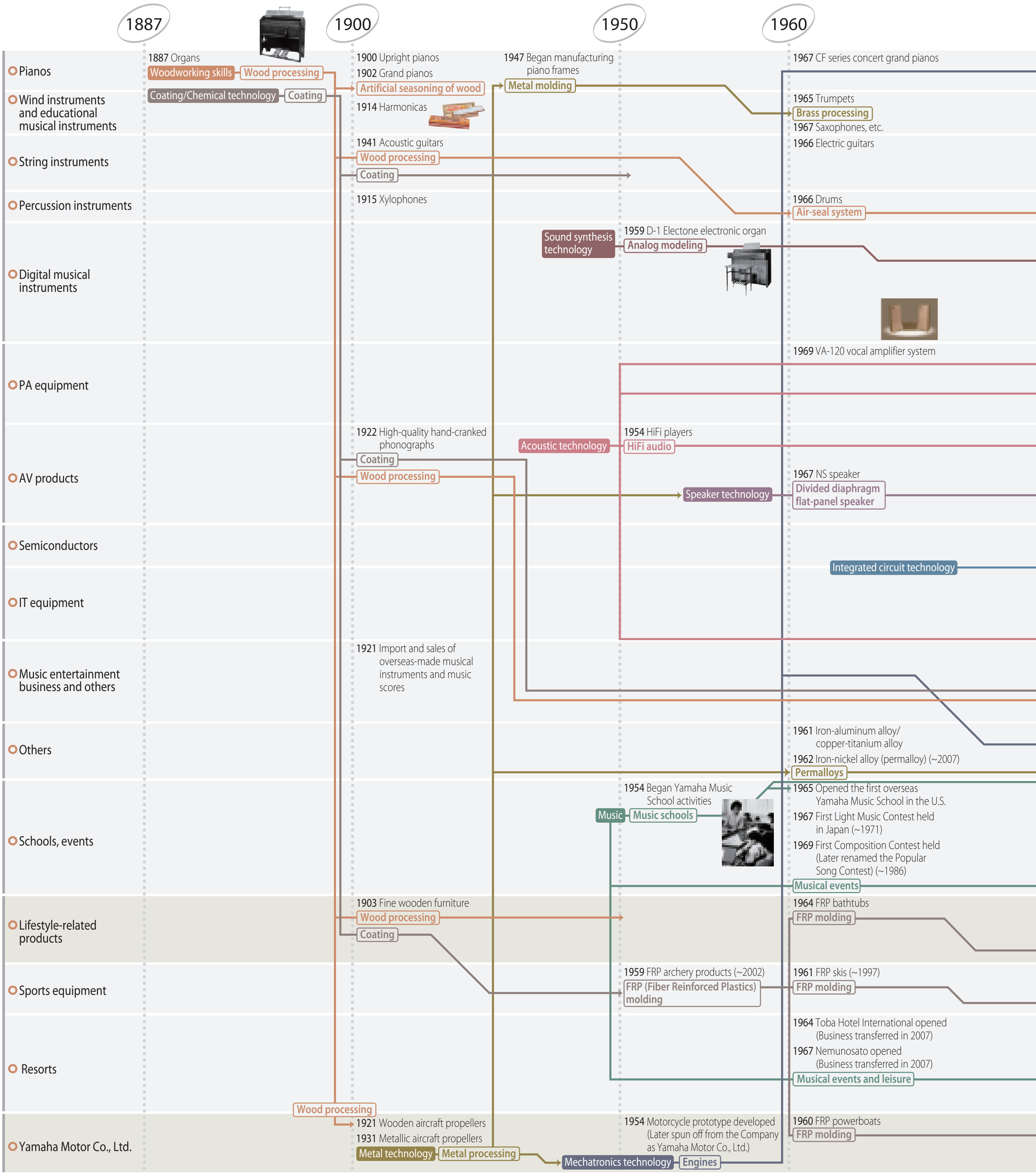
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 27, 2011

Ernst & Young ShinNihon LLC

Yamaha Product History



1970 | 1980 | 1990 | 2000 | 2010

Digital + acoustic technologies
1982 Disklavier player piano
Player piano technology
1991 CFIIIS concert grand piano
1993 SILENT Piano
Silencing technology
1995 SILENT BRASS system (pickup mute)
2010 CFX concert grand piano

1973 Pianica

1983 Electric acoustic guitars
1997 SILENT Violin

2000 Braviol acoustic violin
2001 SILENT Guitar
2008 L36ARE and L26ARE acoustic guitars
Wood reforming technology

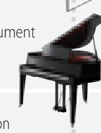
1986 PMC1 electronic drum
1996 SILENT Session Drum

1974 CSY-1 synthesizer
1975 GX-1 Electone electronic organ
Polyphonic synthesis

1980 Portable keyboards
1983 DX7 digital synthesizer

FM synthesis
1983 Clavinova digital piano
1987 WX7 wind MIDI controller
1993 VL series virtual acoustic synthesizers

Physical modeling synthesis
PCM synthesis
2001 MOTIF music production synthesizer
2002 EZ-EG EZ guitar (self-teaching guitar)
2004 STAGEA Electone electronic organ
2006 H01 MODUS digital piano
2008 TENORI-ON digital musical instrument
2009 AvantGrand hybrid piano
Hybrid piano technology

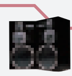


1974 PM-1000 mixing console
Analog mixers
1994 ProMix 01 digital mixing console
Digital mixers
2000 AW4416 digital audio workstation
Audio workstations
1985 SPX90 digital multi effects processor
Digital effect
2001 PM1D digital audio mixing system
2008 POCKETRAK CX pocket recorder

1974 B-1 power amplifier
Power-FET
1982 CD-1 CD player

1986 DSP-1 digital sound field processor
DSP
1995 Theater sound system
Theater surround
2004 YSP-1 Digital Sound Projector
Sound beam control speaker

1974 NS-1000M speaker with a beryllium diaphragm



Speaker with a beryllium diaphragm
1988 AST-1 speaker incorporated Yamaha Active Servo Technology (YST)
YST
2006 SR-Bass Speaker NX-A01
SR-Bass

1972 Sound generator LSIs for the Electone electronic organ
LSI for musical instruments
1983 FM synthesizer LSIs
1983 Graphics controller LSIs
LSI for PC/video games
1999 Sound generator LSIs for mobile phones
LSI for mobile phones
2002 LSIs for digital amplifiers
LSI for digital amplifiers

Information processing technology
1983 MSX personal computers
Computers
1993 CD recorders (~2003)
1993 Online karaoke equipment
Online karaoke equipment
1995 Remote routers
Routers
2006 IP conferencing systems
Teleconference

Architectural acoustics
1974 Computer-generated architectural acoustic simulation
1986 SRS (Sound Room System) music room for home use
1989 Avitecs soundproof room
Soundproof room
Online services
2000 Mobile phone ringtone distribution service
2000 Digital sheet music distribution service
2003 VOCALOID singing synthesis software
DTM
2009 BODiBEAT interactive music player
2010 Sound modulation panels

1984 Industrial robots
Robots
1989 Automobile interior wood components
Automobile interior wood components
1991 Thin-film magnetic heads (~2000)
Thin film deposition
1997 Magnesium cases (~2010)
Magnesium molding

1972 Sponsored the first Junior Original Concert (JOC)
1986 Began Popular Music School
1987 Began English language school
English language schools
Musical instrument rental service
2003 Musical instrument rental service
2005 Opened Yamaha Music School in China
2006 Started music lessons online service
Online lessons

1987 First Teens' Music Festival (~2006)
Musical events
2007 First Music Revolution contest held
Musical events

1975 Unit furniture (~2005)
1976 System kitchens
1977 New marble artificial marble countertops
Artificial marble
1982 System bathrooms
2002 System kitchens with artificial marble sinks
Marble sinks
Lifestyle-related products business transferred in 2010

1973 Tennis rackets (~1997)
1982 Golf clubs
Titanium casting
1986 Acuras series carbon composite golf club
Carbon composite
2002 inpres golf clubs

1974 Tsumagoi opened
1976 Katsuragi Golf Club opened
1978 Katsuragi Kitanomaru opened
1979 Haimurubushi opened (Business transferred in 2007)
Musical events and leisure
1991 Kiroro opened (Business transferred in 2007)

1974 FRP pools
FRP molding
1994 PAS electrically power assisted bicycle
2002 Electric commuter motorcycle

YAMAHA

CREATING 'KANDO' TOGETHER

YAMAHA CORPORATION

Corporate Planning Division

URL: http://www.yamaha.com/

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