YAMAHA

Together, We Set the Rhythm

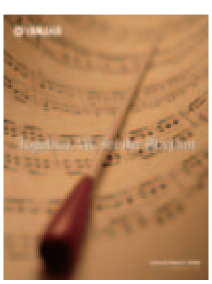
Annual Report 2009

Year ended March 31, 2009

Sharing the Value of Sound and Music With the World

It all started in 1887 when our founder, Torakusu Yamaha, repaired a reed organ. In the more than 120 years that have passed since then, Yamaha has grown into a company that provides value to people around the world, mainly in the fields of sound and music.
Going forward, Yamaha will continue to inspire people and enhance human culture across the globe.

Contents



Together, We Set the Rhythm

Yamaha's intrinsic value derives from our constant efforts to enhance customer satisfaction. The message on the cover of this year's annual report expresses Yamaha's firm intent to treasure our relationships with our customers as we continue to grow.

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.

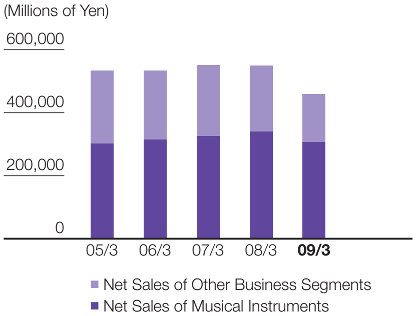
Financial Highlights

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

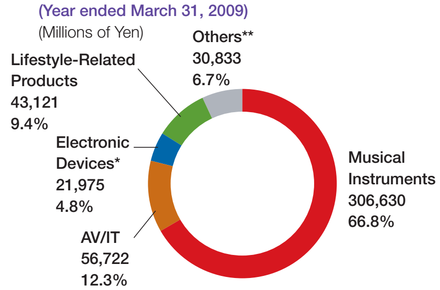
	Millions of Yen					Millions of U.S. Dollars*
	2009	2008	2007	2006	2005	**2009**
For the year:						
Net sales	**¥ 459,284**	¥ 548,754	¥ 550,361	¥ 534,084	¥ 534,079	**$4,675.60**
Operating income	**13,845**	32,845	27,685	24,135	35,695	**140.95**
Net income (loss)	**(20,615)**	39,558	27,866	28,123	19,697	**(209.87)**
Capital expenditures	**22,581**	24,394	25,152	22,882	22,702	**229.88**
Depreciation expenses	**17,912**	20,289	19,956	18,944	18,958	**182.35**
R&D expenses	**23,218**	24,865	24,220	24,055	22,953	**236.36**
Free cash flows	**(28,234)**	79,225	17,305	7,406	26,692	**(287.43)**
At year-end:						
Total assets	**¥ 408,974**	¥ 540,347	¥ 559,031	¥ 519,977	¥ 505,577	**$4,163.43**
Net assets**	**251,841**	343,028	351,398	316,005	275,200	**2,563.79**
Interest-bearing liabilities	**19,192**	21,036	25,551	28,474	46,598	**195.38**
	Yen					U.S. Dollars
Per share:						
Net income (loss)	**¥ (103.73)**	¥ 191.76	¥ 135.19	¥ 136.04	¥ 95.06	**$ (1.06)**
Net assets**	**1,262.42**	1,646.44	1,680.91	1,532.62	1,334.51	**12.85**
Dividends***	**42.50**	50.00	22.50	20.00	20.00	**0.43**
	%					
Ratio:						
Equity ratio**	**60.9%**	62.9%	62.0%	60.8%	54.4%	
ROE (Return on equity)**	**(7.0)**	11.5	8.4	9.5	7.4	
ROA (Return on assets)	**(4.3)**	7.2	5.2	5.5	3.9	
Number of employees	**26,803**	26,517	25,992	25,298	23,828	

* Throughout this annual report, U.S. dollar amounts are translated from yen at the rate of ¥98.23 = U.S.$1.00, the approximate rate prevailing on March 31, 2009.
** Net assets, equity ratio and ROE (return on equity) were classified as shareholders' equity, shareholders' equity ratio and ROE (return on shareholders' equity), respectively, until the year ended March 31, 2006.
*** The dividends per share for the years ended March 2008 and March 2009 include a ¥20 special dividend.

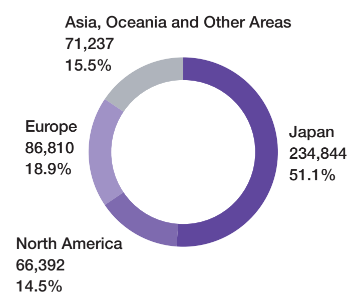
Net Sales
(Millions of Yen)



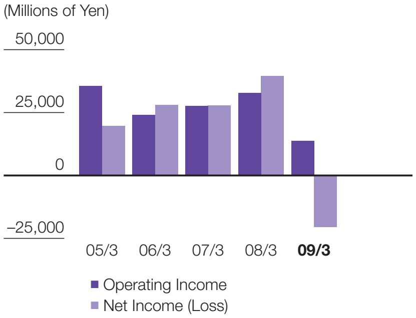
Sales by Business Segment
(Year ended March 31, 2009)
(Millions of Yen)



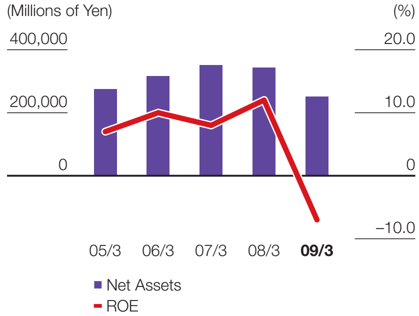
Sales by Region (Year ended March 31, 2009)
(Millions of Yen)



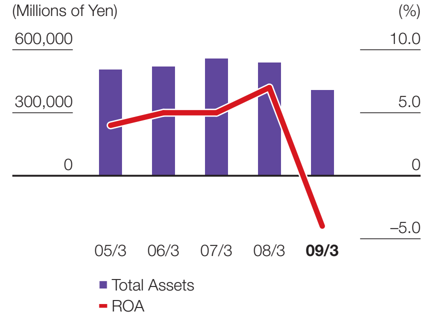
Operating Income/Net Income (Loss)
(Millions of Yen)



Net Assets/ROE
(Millions of Yen)



Total Assets/ROA
(Millions of Yen)



* Following the transfer of the electronic metal products business, the former Electronic Equipment and Metal Products segment was renamed the Electronic Devices segment from the fiscal year ended March 2009.
** Yamaha transferred 4 recreation facilities on October 1, 2007. As a result, starting from the fiscal year ended March 2009, recreation is included in the Others segment.

To Our Shareholders

The fiscal year ended March 31, 2009 was an extremely challenging one for the Yamaha Group in terms of business performance.
Although the business environment for Yamaha has changed dramatically,
we will work harder than ever before to bring satisfaction to the greatest number of customers possible.

Business Performance in Fiscal 2009

In fiscal 2009 (ended March 31, 2009), the Yamaha Group unveiled new products in musical instruments and other businesses, many of which were well received by customers. However, in the first half of the year, rising prices for crude oil and raw materials were coupled with global economic deterioration triggered by the U.S. subprime mortgage crisis, while the second half of the year was marked by external environmental factors such as the sharp and sustained appreciation of the yen. Together, these developments took a serious toll on business performance for the year.

Implementation of Performance Improvement Program

To cope effectively with lower earnings caused by the unanticipated scale of the global economic slowdown, in November 2008 Yamaha formed a Management Reform Committee and embarked on measures across the Company to improve performance. In addition to cost reductions, a review of investments, increases in wholesale prices, and similar initiatives to improve earnings in the short term, we have sought to establish the direction of Yamaha's business portfolio from a medium- to long-term perspective.

Yamaha's Intrinsic Value

Over a history spanning more than 120 years, Yamaha has provided people with a range of value, centered on sound and music. I am convinced that in our relationships with customers, Yamaha's intrinsic value derives from our efforts to raise the level of customer satisfaction. Going forward, we hope to build an even tighter bond with our customers as we do our utmost to meet and surpass their needs.

As always, I ask for your support and understanding of Yamaha as we move forward.

July 2009

Mitsuru Umemura
President and Representative Director

Interview With the President

Question 1

What is your assessment of results for fiscal 2009?

Although we failed to meet our initial targets, we edged ahead in enacting the initiatives outlined in the "YGP2010" medium-term management plan.

We launched a number of new products in fiscal 2009, such as digital musical instruments, acoustic guitars, electronic drums, and AV amplifiers, which were well received by customers. With that said, deterioration in a host of external environmental factors, including the global economic slowdown, soaring prices for raw materials in the first half of the year, and the sharp and rapid appreciation of the yen in the second half, led to tough results for the year. Not only were net sales lower year on year, but we ultimately posted a net loss of ¥20.6 billion for the year. Moreover, we were not sufficiently able to foster new growth in "The Sound Company" business domain, which consists mainly of musical instruments, audio, music entertainment, AV/IT, and semiconductors. This remains an issue.

In musical instruments, sales of high-end grand pianos fell further than anyone predicted in the United States and Japan. Similarly, professional audio (PA) equipment saw business struggle from the second half of the year, especially for the corporate sector. In electronic devices, while we strove to develop new devices that will replace the sound generator LSIs for mobile phones that have led our growth to date, we were unfortunately unable to achieve the kind of outcomes we initially projected.

Ultimately, we had to conclude that under this situation, our quantitative targets for the "YGP2010" medium-term management plan will be practically unattainable. I believe, however, that we were able to promote initiatives in line with the direction outlined in "YGP2010."

To put it differently, we made steady progress in enacting initiatives based on our initial targets. One outcome was the realignment of our piano factories and other production bases for musical instruments. Our guitars and electronic drums proved popular, particularly in the North American market, and the music entertainment business also did well for the most part. Meanwhile in emerging markets, which we see as a priority, we posted double-digit growth, most notably in China.

Business Positioning

"The Sound Company" Business Domain

Musical instruments, audio, music entertainment
AV/IT
Semiconductors

Use sound/music/network-related technologies as a platform to drive Groupwide growth by deepening, expanding and creating business in the fields of musical instruments/audio/music entertainment, AV/IT and devices

Diversification Business Domain

Lifestyle-Related Products	Recreation
PT*	Golf Products

*PT: Productive Technologies (FA, metallic molds, automobile interior wood components)

Contribute to increasing Group corporate value by utilizing the original technologies and insight built up in the course of Yamaha's operations to secure strength in each industry and achieve sound business management

Question 2

Earlier you stated that management has concluded that completing the "YGP2010" medium-term management plan will be practically unachievable. Would you elaborate on how the situation differs from Yamaha's initial expectations?

The magnitude of the global economic slowdown and the yen's rapid appreciation have defied all predictions. Nothing conformed to our initial scenarios.

Fiscal 2010 is slated as the final fiscal year of the "YGP2010" medium-term management plan, but meeting the quantitative targets we were aiming for by then will be exceptionally difficult. Instead, we have opted to treat fiscal 2010 as the year for mounting our response to a drastically changing operating environment, reconfiguring our management base, and deciding the direction for our next medium-term management plan. Furthermore, results were far lower than we expected due to the sudden worsening in market conditions. We also encountered delays in developing new products as well as increasingly fierce competition, and consequently began enacting business structural reforms, including withdrawing from certain businesses.

To understand why we failed to complete "YGP2010" successfully, we need to reflect honestly on a number of points; this includes my own awareness of the business environment, which in retrospect was too optimistic. Nevertheless, there is no change whatsoever in the core pillars of our approach: gaining a footing in musical instruments and sound-related business and improving the earnings potential of our diversification business.

Progress of Growth Strategy in "The Sound Company" Business Domain

Music & Musical Instruments

Piano business (Total Piano Strategy)
- Developed a hybrid piano, the AvantGrand
- Adopted marketing initiatives to realize the Total Piano Strategy

Guitar business
- Improved product quality and strengthened supply capabilities (Manufacturing reforms in China and Indonesia)
- Expanded share with significant growth in electric acoustic guitar sales in North America

Music entertainment business
- Identifying promising artists

Audio

Commercial audio equipment business
- Launched NEXO-brand DSP amplifiers
- Integrated management of commercial audio equipment engineering subsidiaries in Japan

AV products business
- Expanded lineup of front surround system products
- Strengthened business base for desktop audio systems

Sound Networks

Conferencing systems business
- Sales channel development delayed

Semiconductor business
- Recorded growth in sales of digital amplifiers
- Cancelled further activities in the silicon microphone field

Market measures

Emerging markets
- Promoted measures at retail stores and music schools
- Began operating at a subsidiary in Russia
- Began operating at a subsidiary in India

Enhance acoustic instrument manufacturing plants

[Japan] Aim for mother factory functions and pursue added-value products
- Kakegawa Factory: Integrating piano production bases
- Yamaha Music Craft Corporation: Pursued added-value products (wind, string, percussion instruments)

[Indonesia] Strengthen supply and manufacturing capabilities
- YI*: Prepared for increased production and integrated production processes
- YMMI*: Boosted guitar production
- YMMA* and YMPI*: Added value and increased production

[China] Aim for quality, cost control, and supply capability
- Hangzhou Yamaha: Prepared for increased piano and guitar production
- Xiaoshan Yamaha: Realigned production processes for wind instruments

* YI: PT. Yamaha Indonesia
YMMI: PT. Yamaha Music Manufacturing Indonesia
YMMA: PT. Yamaha Music Manufacturing Asia
YMPI: PT. Yamaha Musical Products Indonesia

Question 3

Can you go into more detail on the performance improvement program?

Through the Management Reform Committee, which I personally chair, we are exploring short-term earnings improvements and clarifying the direction of Yamaha businesses over the medium to long term.

In November 2008, we established the Management Reform Committee, of which every director is a member and which I directly chair. This committee is charged with proposing and enacting measures to improve earnings over the short term, as well as clarifying the medium- to long-term direction of Yamaha businesses. From the standpoint of short-term earnings improvement, we took steps to reduce base costs and cut expenses, reviewed investments, and raised wholesale prices to respond to volatility in currency exchange rates. These efforts resulted in the improvements in earnings we recorded in fiscal 2009.

In parallel, we have launched an in-depth review and are examining the direction of each business, and are exploring options for dealing with unprofitable businesses and improving income. One outcome was our decision to withdraw from the magnesium molded parts business for digital single-lens reflex cameras. Another was our decision to cancel further activities in semiconductor silicon microphones. We also chose to close piano production bases Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd., and Kemble & Company Ltd. in the United Kingdom. Beyond these moves, we strove to shore up our business structure by targeting fixed assets and goodwill for impairment. This list of business structural reforms is just the beginning of a process that will continue going forward.

As a side note, we intend to formulate Yamaha's next medium-term management plan, which will clarify our business direction, by the spring of 2010.

Key Business Decisions

Major Business Structural Reforms and Impairment	One-time Charge*	Expected Benefit
Withdrawal from magnesium molded parts business	¥0.8 billion	■ Expected medium-term benefit of approx. ¥2.0 billion
Cancellation of further activities in the semiconductor silicon microphone field	¥0.4 billion	■ Benefit of approx. ¥1.1 billion in fiscal 2010
Piano production base realignment (Closure of piano factories in Taiwan and U.K.)	¥1.7 billion	■ Benefit of approx. ¥0.1 billion in fiscal 2010 ■ Expected medium-term benefit of approx. ¥0.5 billion
Impairment of semiconductor and recreation fixed assets and goodwill	¥18.6 billion	■ Benefit of ¥3.2 billion in fiscal 2010 (Musical instruments: ¥1.4 billion, Semiconductors: ¥1.7 billion, Recreation: ¥0.1 billion)

* One-time charge already recorded in fiscal year ended March 31, 2009

Question 4

What criteria and approach guide your decisions to continue with or withdraw from businesses?

Businesses that are likely to record losses for two consecutive terms are put on the table for deciding whether or not to continue with operations.

In those instances, our decisions are based not only on future earnings potential, but also on whether the business in question offers products and services that are uniquely Yamaha. We also consider how the market evaluates each business, and the contribution it makes to the Yamaha brand.

Question 5

What initiatives are you pursuing to improve earnings in the piano business?

We are scaling back production and integrating or eliminating production sites, while at the same time bolstering efforts to expand sales of the Disklavier™ player piano, and the Silent Piano™.

In fiscal 2009, piano sales saw growth in the Chinese market, as expected, of moderately priced, domestically produced products. However, sales in Japan and the U.S. market of medium- and premium-quality pianos made in Japan fell dramatically due to the economic slowdown. This situation forced a massive scale back in production at our factories in Japan, and caused earnings in the piano business to worsen.

In reviewing our production bases from a global standpoint, we decided to close piano factories in Taiwan and the U.K. in order to further boost production efficiency. Yamaha piano production will now be concentrated at three bases in Japan, China, and Indonesia. Right now, we are focusing our efforts on integrating and consolidating piano factories in Japan, with a target completion date of summer 2010, and we hope to realize integration benefits as soon as possible.

On the sales side, we will bolster efforts to expand sales in areas of strength for Yamaha—namely the Disklavier player piano, and our Silent Piano. In tandem, we are eyeing growth in the domain of premium pianos, based on two key forces: recently acquired Austrian piano manufacturer L. Bösendorfer Klavierfabrik GmbH and Yamaha's concert grand pianos.

Question 6

What is your outlook for fiscal 2010?

The global economic slowdown and the strong yen will continue to make for an adverse market environment in fiscal 2010, so we are projecting both lower sales and operating income year on year. With that said, our goal is to end the year in the black. To do this, along with continuing to pursue the performance improvement program I discussed earlier, we plan to consistently launch high-value-added products tailored to the needs present in each business and region. At the same time, we will concentrate our efforts to build a framework for future growth.

Question 7

In what fields do you expect to see growth going forward?

For one, our electronic drums and electric acoustic guitars are proving extremely popular. We also anticipate growth in emerging markets.

Even in a tough economic climate, the market for electronic drums as a new product category is expanding. In fiscal 2009, year-on-year growth in these products was in the double digits. The market response to our electric acoustic guitars has also been outstanding.

In PA equipment, despite present stagnation caused by a deteriorating economic climate, we anticipate growth in this field over the medium term.

By market, over the medium to long term, we expect to see growth in Asia, Latin America, Russia, and other emerging markets.

In China, along with our goal of another year of double-digit growth in piano sales, we are expanding our activities for Yamaha Music Schools to generate demand, and we plan to vigorously pursue sales of digital musical instruments, PA equipment and other products.

In Latin American markets too, particularly Brazil, we are projecting another year of double-digit growth.

Demand in Eastern European markets, which had been expanding relatively smoothly, has struggled over the last fiscal year. Still, this region is home to a deeply rooted music culture, so we expect business opportunities to blossom once the economic climate improves, and will continue efforts to reinforce our sales network.

We initially had high hopes for the Russian market, but the collapse in resource prices has triggered an abrupt about-face in market conditions. Here, we will push ahead with developing our sales network and human resource training, and will prioritize enhancing our business base to prepare for the next stage of growth.

Question 8

What approach are you taking with respect to the Company's balance sheet?

Given an uncertain business climate and the need for strategic investment, we want first and foremost to boost liquidity at hand.

In fiscal 2009, we experienced a dramatic decrease in cash and bank deposits on hand from a share-buyback, dividend payment, the payment of corporate taxes and capital investment, and increased inventories. Yamaha's current business scale requires around ¥30 billion in funds on hand. However, given growing uncertainty in the business environment, and in order to flexibly meet demand for the funds necessary for business growth, we want to keep liquidity in hand as high as we possibly can.

To this end, in conjunction with expanding profit, we hope to generate cash from operating capital mainly by slashing inventories and reducing fixed assets, and will endeavor to strengthen the Company's financial position. We will also take on loans to procure funds if the situation warrants. From a capital efficiency standpoint, we have no plans at the moment to procure capital through equity financing.

Question 9

Can you share with us your thoughts on mergers and acquisitions?

We will proactively explore any M&A with the potential to accelerate growth through synergies with existing businesses.

With the pace of change in the surrounding business environment growing faster, we view M&As as an essential component of management strategy. In determining the viability of an M&A, the criteria we look for are business development potential not possible with Yamaha's present management resources, and whether the M&A can accelerate growth through synergies with Yamaha's existing businesses. All businesses are run by people and have their own organizational culture, so another major precondition is whether the acquisition target's approach to business meshes well with our own. In fiscal 2008, we welcomed premium piano manufacturing and sales company Bösendorfer of Austria into the Group, alongside Fuji Sound Co., Ltd. of Japan, engaged in the commercial audio equipment business. Both firms have integrated well as Yamaha Group companies. In fiscal 2009, meanwhile, we acquired NEXO S.A., one of France's leading manufacturers and sellers of sound reinforcement loudspeakers. This move is expected to enhance Yamaha's PA equipment business going forward.

Question 10

What is Yamaha's stance with respect to improving shareholder value?

Our comprehensive approach is to appropriately distribute profits through dividends, and to take other measures, including share buybacks as needed to enhance capital efficiency.

In a capitalist society, companies are under pressure to realize sustainable growth. But given the drastic changes in the business environment we face today, our priority must now be on short-term improvement in earnings.

I believe that the source of Yamaha's long-term growth lies in the extent to which we can improve the intrinsic value, if you will, of Yamaha itself. This intrinsic value I'm referring to is actually the role that a company has in society; in other words, to what extent are the products and services that Yamaha offers able to satisfy the customers who use them?

For this reason, our stance is to manage Yamaha in a manner that is customer-oriented, meaning that we always conceptualize, examine, debate and decide from the viewpoint of our customers, and that is quality-conscious, in that Yamaha products and services never compromise on high quality, regardless of the purchase price.

At Yamaha, raising shareholder value is one of our most important management issues. Accordingly, we remain committed to a comprehensive approach that includes the appropriate distribution of profits through dividends, and, as necessary, share buybacks to improve capital efficiency. Our basic policy with respect to dividends is to maintain a consistent and stable dividend, and we strive for a target consolidated payout ratio of 40% in returning profits to shareholders.

For fiscal 2009, we declared an annual dividend of ¥42.5 per share, which includes a special dividend of ¥20 related to the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd. that took place in fiscal 2008. In fiscal 2010, we are projecting a total annual dividend of ¥30 per share, including a special dividend of ¥20.

Special Feature

Together, We Set the Rhythm

Yamaha's intrinsic value derives from our constant efforts to enhance customer satisfaction wherever possible. In this year's special feature, we illustrate the unique relationship between Yamaha and our customers through several insightful examples, each of which offers a better understanding of Yamaha's unseen value.

Communicating the Joy of Music

Music is one of the purest forms of human communication. Music can transcend the boundaries of nationality and language and enables us to share in a common emotional bond and a deeply moving experience. Yamaha, in striving to foster the joy of music in daily life, is committed to communicating this joy to as many people as possible. In the 55 years since the first Yamaha Music School opened, we have shared the joy of music with countless people worldwide.

Yamaha Music Schools

The first Yamaha Music School, opened in Tokyo in 1954, began as a class to give young children firsthand experience playing the organ. Guided by the aim of bringing out children's potential and nurturing their self-expressive capabilities through music, years of practical music school activities since then have culminated in the "Yamaha Music Education System." This system is a unique Yamaha learning method characterized by three key points: "timely education," "group lessons," and "emphasis on creativity." Based on this system, Yamaha offers a comprehensive range of musical instruction at its music schools.

Today, Yamaha Music Schools in Japan share the joy of music with roughly 530,000 students, with more than 5 million graduates to date. Overseas, since the Yamaha Music School opened in Los Angeles in 1965, the school network has expanded to over 40 countries and regions, where 180,000 students are currently studying.

Features of the Yamaha Music Education System

Timely education

In order for children to enjoy music and to absorb and understand the given material easily, Yamaha believes it is best to give them appropriate guidance in accordance with the degree of their physical and mental development.

Group lessons

Group lessons have many advantages that enable children to enjoy rich musical experiences such as making friends through music, developing cooperativeness and deepening understanding of music through participation in ensembles.

Emphasis on creativity

In order to enable students to develop their creative capabilities, it is important to help them develop the ability to express themselves by thinking freely. Yamaha hopes to help them acquire and enhance their sensitivity and imagination, which are both sources of creativity, through Yamaha's comprehensive system of music education.

Accompaniment by parents

From the courses for toddlers (children ages 1 to 3) to the Junior Music Course (ages 4 to 5), parents or guardians accompany children to lessons to give them a warm and friendly atmosphere in participating in the lesson and to encourage an interest in music.

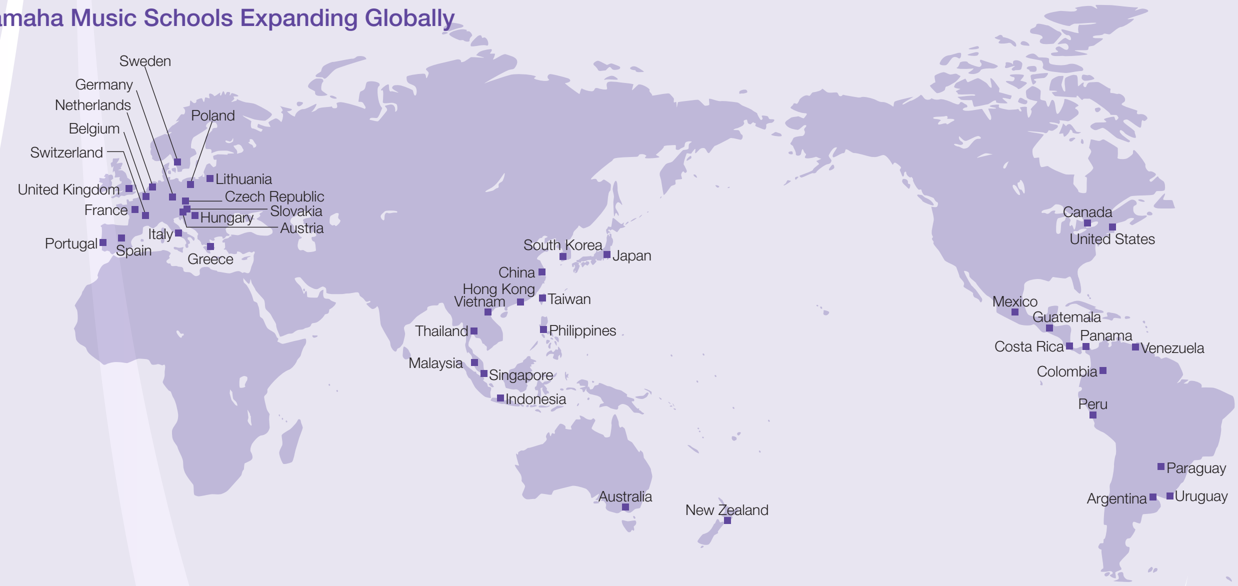
Creating Yamaha Value via Music Schools

School Development in Japan

In Japan, while the environment surrounding children is changing and the birthrate is declining, children and adults alike have increasingly diverse interests and lifestyles. Recently, customers have increasingly been requesting more comfortable lesson environments, flexible lesson times, and a wider variety of course offerings in addition to seeking enjoyable lesson formats. To meet this type of customer request and respond to the changing environment, Yamaha has established nationwide standardized music schools and English language schools in suburban areas and developed schools targeting adult students in city centers close to key rail and subway stations. In tandem, Yamaha is promoting diverse course offerings that encompass instruction in everything from keyboards, wind, string and percussion instruments to vocal training.

Through Yamaha's innovative Music Lesson Online service, students can study a musical instrument via the Internet, while the musical instrument rental system enables them to enjoy performing or taking lessons without the need to purchase their own instrument.

Yamaha Music Schools Expanding Globally



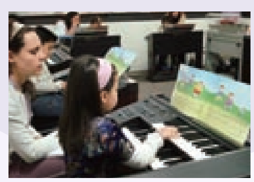
School Development Overseas

Yamaha is dedicated to increasing the number of people around the world who enjoy playing instruments through the global development of music schools based on its unique educational method. In developing this network, Yamaha strives to promote music schools that exist in harmony with the language, culture, customs and public institutions of each country, as well as training local teachers.

Yamaha opened its first music school in Europe in Hamburg, Germany, in 1967. In addition to courses for toddlers, the Junior Music Course, and other courses for children, Yamaha runs a variety of courses for adult students, including pianos, wind instruments, and others.

In Asia, beginning with the opening of a music school in Thailand in 1966, Yamaha has since opened schools in Indonesia, Singapore, and other countries across Southeast Asia. Yamaha's four-decade history in these countries has helped to instill an understanding of the importance of musical education. In South Korea and China, where the opening of Yamaha Music Schools has been relatively recent, ready acceptance of the Yamaha Music Education System is spurring growth in both the number of schools and the number of students. This is especially the case in China, where economic development has sparked keen interest in musical education for children. In response to this demand, Yamaha has established directly managed schools in Shanghai, Beijing, and Guangzhou, and works through these bases to train teachers and provide school management training in order to extend music school development to surrounding cities.


Sweden

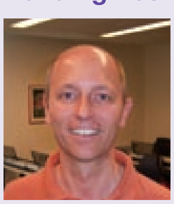

Mexico


Japan


China

COLUMN

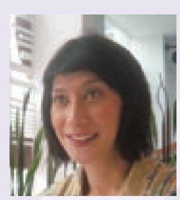
Building ties with students



"Having fun while learning to 'live' music"

Mr. Thomas Öppen
Father of a JMC (Junior Music Course) student
Yamaha Academy of Music, Hamburg, Germany

For my daughter, the most striking effect of the learning process at JMC has been the effect of timely education. After the end of the second year of JMC I could see the creative approach she is taking to music. She has taken up music like a second language, and has an extremely close relationship with music. This is reflected in her daily life through listening, singing and her ability to play back the melodies she hears on the keyboard. At Yamaha, the understanding of music is very natural, without any borders. My daughter "lives" music. This is a very precious gift, and it is thanks to timely education that we have been able to give it to her. I am glad to know that there is much more to come!



"The joy of sharing in my daughter's musical experience"

Mrs. Shelomita Sulistiany Diah
Mother of a JMC (Junior Music Course) student
Yamaha Music School, Jakarta, Indonesia

JMC is an ideal course for children of this age. Thanks to the simple learning method, JMC students can feel excited about learning music together with friends. It is very natural for children. There are so many melodies, lyrics, and rhythms to the songs they use at JMC. Also, parents are involved in JMC classes, which makes me feel more valuable as a mother and has helped bring our relationship closer. My daughter's musical experience will also be my musical experience.

Learning music is an important basic for children because music can calm their soul, help control emotions, and build positive character for overall improvement.

I feel very satisfied with Yamaha Music School.

Refining Our Expertise

Superior musical instruments are born out of partnership between musicians and instrument designers. Yamaha's artist relations activities are centered on developing close relationships between Yamaha's engineers (many of whom are musicians themselves), and some of the world's leading musical professionals. The end-result speaks for itself, and many around the world thank Yamaha for raising the standards of musical instruments.

Artist Relations at Yamaha

With an unwavering commitment to musicians, an extraordinary fleet of instruments and access to the world's most advanced technology, Yamaha enjoys a rewarding cycle of collaboration with the world's most influential musical artists. Technology, instruments and artist relations are inseparable at Yamaha. Artists choose Yamaha because of quality, innovative products and service, and in turn their support and input elevates the level of Yamaha products and services worldwide.

Yamaha began to develop collaborative relationships in 1969, when pianist Sviatoslav Richter, one of the most respected musicians of the 20th century, began playing Yamaha pianos. Since then, in addition to pianos, Yamaha has expanded its global artist relations networks to include artist services centers for guitars, drums, synthesizers, and brass and woodwind instruments.

Sviatoslav Richter at a Yamaha piano
Photo by Toru Konda
Appears by courtesy of the Sviatoslav Richter estate

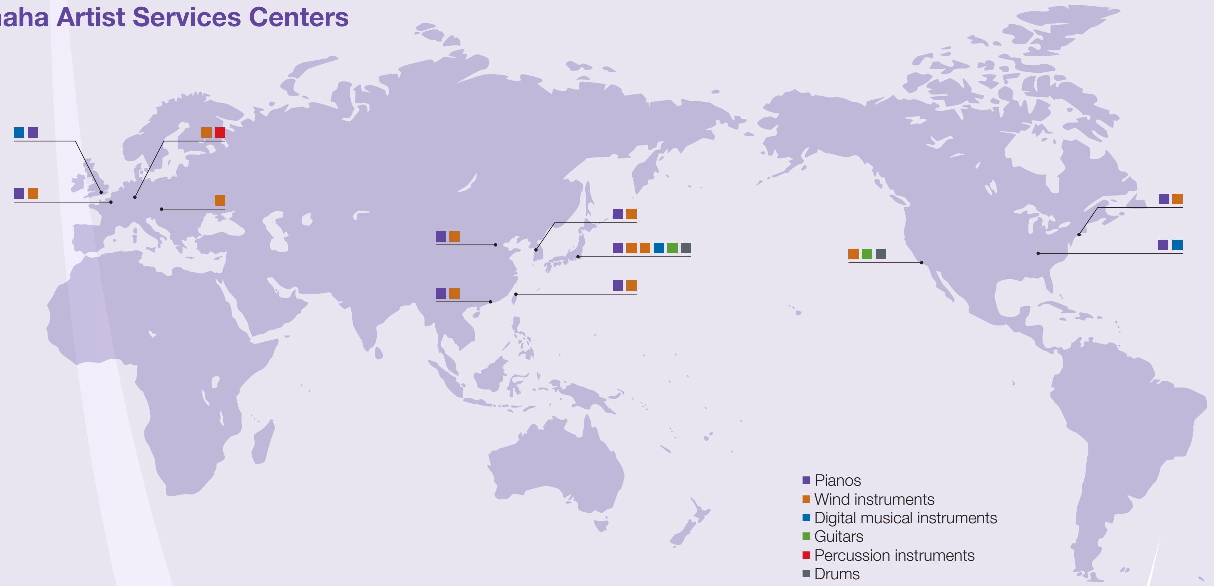
Winning Artists' Trust and Boosting Product Development Capabilities

Knowing that a Yamaha instrument meets the musical needs of a world famous artist can make that same model appealing to average musicians, and many want to emulate their musical hero. The fact that so many renowned artists rely on their Yamaha instruments shows the trust they have for Yamaha. Usage by these artists is an essential element in raising the brand image of high-quality musical instruments.

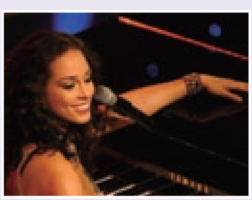
Music may be eternal, but the sounds and performance needs of artists can change according to the trends of the day. Also, each high level artist has their own special musical voice and a unique message they want to convey to the audience. Yamaha cultivates close relationships with artists through its global artist services network, using their feedback and input to improve the expressive capabilities of its musical instruments, so they can deliver the tones and timbres that the musicians seek. Yamaha maintains some strategically located woodwind and brass instrument ateliers both for research and development, as well as to provide for the special needs of top musicians.

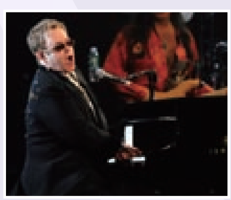
The concert piano technicians at Yamaha's Piano Artist Services, who are renowned for their skill and understanding of what a great pianist wants from their instrument, work closely with pianists, making it possible for audiences around the world to enjoy the best possible performance at every concert. As with wind instruments, the expertise learned while working with great artists is then incorporated into Yamaha's piano designs.

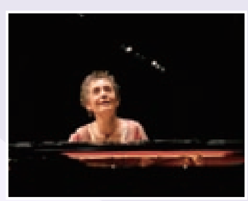
Yamaha Artist Services Centers



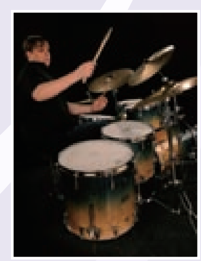
Yamaha's artist relations have been cultivated with guitar, drum, and electric keyboard musicians as well. Yamaha has built close relationships with artists from a wide variety of musical genres. Yamaha Artist Services Hollywood is Yamaha's key base for guitar and drum artists in the U.S., where it plays an invaluable role in product development by communicating with top professional players of electric and acoustic guitars, and premium drums. Yamaha Corporate Artist Affairs, also located in the U.S., maintains ties with very high profile, global artists such as Elton John, Alicia Keys, Paul McCartney, and others.


Alicia Keys (Piano)


Elton John (Piano)


Maria João Pires (Piano)

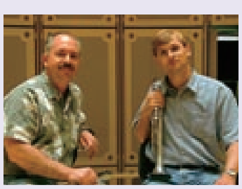

Phil Woods (Saxophone)


Keith Carlock (Drums)


Joe Bonamassa (Guitar)

COLUMN

Creating connections with artists



"Designing a new trumpet"

Mr. John Hagstrom (Right)
Renowned trumpet artist, a member of the Chicago Symphony Orchestra since 1996

I am honored to have been involved in the creation of the 'Chicago Artist Model' trumpets with Yamaha's wonderful professional staff in both the United States and Japan. We have now worked for seven years to develop a family of instruments to be preferred as the best musical tools by professionals around the world. As a result of this hard work, many top professionals now select them as their first choice. I am impressed by the commitment of Yamaha to constantly strive for the highest quality, and I am proud to play these trumpets in the Chicago Symphony Orchestra!

Bob Malone (Left)
Director of Yamaha Artist Services, Inc. and Atelier Los Angeles

We recognized that collaborating with leading artists was essential to further perfecting Yamaha trumpets. We believe this type of mutual effort leads to the successful creation of the ultimate instrument. Open communication and teamwork are critical to the success of any project; we strive to achieve that as the means to effectively leverage the ideas and concepts given to us by top tier artists. Continual daily communication with the artists allows us to understand their needs and utilize their feedback in new designs. Yamaha has many talented people on staff across the world, and I'm convinced that their work to deepen our ties with artists will enable Yamaha to produce brass and woodwind instruments of the highest caliber, today and for years to come.

Forging Strong Partnerships

Yamaha seeks to achieve ideal acoustic spaces in a wide range of fields of music, culture and the arts by creating accurate and comfortable sound environments. Yamaha continues to forge close, long-term relationships with a host of customers by proposing and supporting the acoustic environments that they aim to achieve.

Designing an Optimal Acoustic Space

Yamaha's commercial audio equipment is used in theaters, concert halls, sports facilities and churches worldwide, where it has gained a strong following. Yamaha not only delivers equipment of this kind for facilities, but proposes comprehensive solutions ranging from electrical sound system site surveys and planning, to system design, installation, and maintenance. In this way, Yamaha has a well-developed support system that assists in creating better acoustic spaces.

Business Development in Japan

Yamaha Sound Systems Inc. was established in Japan in April 2009 from the merger of Fuji Sound Co., Ltd. and Yamaha Sound Technologies Inc. The integration of these two companies with long histories in the electrical sound system field, and over 2,000 completed construction projects, including for the National Theater of Japan and the New National Theater, Tokyo, will concentrate the technological capabilities amassed by both companies, coalescing synergies in multiple areas, including in their ability to meet customer requests. Ultimately, this merger will help earn greater trust from customers, and enable Yamaha to provide better quality services.

Earning Trust Through Maintenance Services

In the commercial audio equipment business, the key to earning customers' trust is ongoing maintenance and repair services that continue beyond initial equipment installation. As for audio system maintenance itself, providing thorough maintenance based on direct feedback from the operators who actually use the systems is also vital to creating comfortable acoustic spaces.

Future Business Development

Yamaha Sound Systems already boasts an unrivalled presence in Japan from designing optimal acoustic spaces for theaters and concert halls to domed stadiums, arenas and other sports facilities.

Recently, there is a recognition that needs pertaining to ideal acoustic spaces for comfortably conveying sound have the potential to grow from a variety of angles; for example, large-scale commercial facilities, train stations, schools and other public shared spaces. Yamaha Sound Systems will leverage its expertise in projects for theaters and concert halls to meet these needs, thereby creating better acoustic spaces for these venues.

Yamaha Sound Systems Service Process

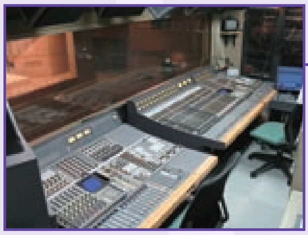
Site Survey and Planning	Proposal		Installation				After-Sales Service	
Site survey/ Planning	Design, Planning	Development	Contract, Start of construction/ Manufacture	Construction	Audio adjustment, Measurement	Inspection, Construction completion/ Delivery	Maintenance	Repair planning, Survey

Installation Examples

Tokyo International Forum   Opened January 1997

This building was built in Tokyo's Marunouchi district both as a symbol of the international city of Tokyo and as a facility to transmit culture and information on a global scale. The building consists of four halls and an exhibition hall, including the more than 5,000-seat Hall A that is among the largest in Japan. This leading convention and performing arts center, which aims to offer the highest level of quality and services, is at the nucleus of efforts to contribute to society by creating an attractive urban environment.

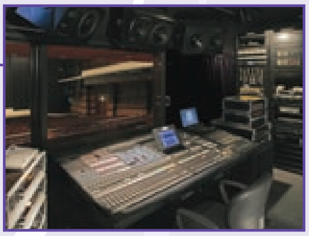
Yamaha's Active Field Control (AFC) system has been adopted for Hall A, using sound field control technologies to control echoes within the space to support optimal acoustics for music performances or speeches.



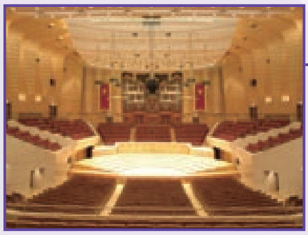
National Theatre (Small Theatre)   Opened November 1966, Remodeled March 2007

This theater is a venue for watching, and thus preserving, traditional Japanese arts like Ningyo Johruri Bunraku (puppet drama) and Kabuki, which have been named as part of the world's intangible cultural heritage. Yamaha Sound Systems' audio file playback system and cutting-edge digital audio system were adopted for the theater when it was remodeled. These digital audio systems assist in delivering the clear theater acoustics which protect such traditional arts.

Iwaki Performing Arts Center "Alios"   Opened April 2008



This community hall was opened as a center of cultural, artistic and other creative activities of the citizens of Iwaki, Japan. As such, the center is not simply used to watch performances, but was designed with functions to make it an everyday relaxation spot. Together with an adjacent art museum and cultural center, Alios forms a zone for cultural interaction. Encompassing a large hall, a medium theater, a small theater, a small music hall, and a well-equipped rehearsal room, Yamaha's full-function digital sound system supports different types of performances across a range of genres.



Suntory Hall   Opened October 1986

Pursuing the world's most beautiful sound as its basic guiding concept, Suntory Hall opened in 1986 as Japan's first full-fledged concert hall with a "vineyard terracing" design. To celebrate the 20th anniversary of its opening, the entire hall was revamped, with the aim of preserving the wonderful acoustics and atmosphere that have become its hallmarks. To achieve this aim, Yamaha Sound Systems delivered a host of equipment, such as mixing tables, amplifiers, and hanging microphone systems.

COLUMN

Connecting to the front line of halls and theaters

"We would like to thank Yamaha for its support in making the most of our acoustics."

Mr. Kazuo Hamamoto
General Manager of Operations & General Affairs, Suntory Hall

Yamaha Sound Systems has been responsible for electrical sound system installation and maintenance at Suntory Hall since the performance venue first opened. Yamaha Sound Systems dealt with extremely tough challenges in selecting the right equipment models and exploring various designs especially during the 20th anniversary major remodeling, which closed the hall from April to August of 2007, when we decided to remodel the main speaker systems that have been used since the hall opened.

When the hall first opened, it was dedicated to classical performances. Having an electrical sound system was not considered as necessary at that time as it is today. In recent years, however, the amount of speech done as part of concerts and concert lectures has been rising, making an electrical sound system all the more important. In a concert hall, where sound tends to resonate, using an electrical sound system to deliver a clear, amplified voice to the audience in all directions is no simple feat. Today, with the system based on Yamaha Sound Systems' continuous research in place, it is now much easier to hear compared to before the remodeling work was done.

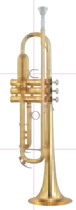
We are grateful for the high quality of service, including maintenance, that we receive from Yamaha.

Company Segments at a Glance

Segment | **Major Products & Services**

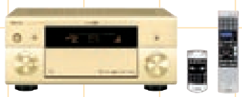
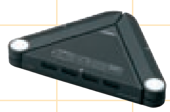
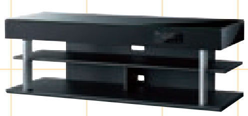
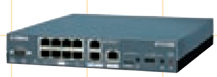
Musical Instruments





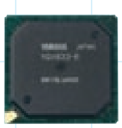

- Pianos
- Digital musical instruments (digital pianos, Electone™, portable keyboards, synthesizers, etc.)
- Wind instruments (trumpets, flutes, saxophones, etc.)
- String instruments (guitars, violins, etc.)
- Percussion instruments (drums, timpani, marimbas, etc.)
- Educational musical instruments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

AV/IT

- Audio products (AV receivers, speaker systems, Digital Sound Projector™, desktop audio systems, etc.)
- Commercial online karaoke equipment
- Routers
- Conferencing systems

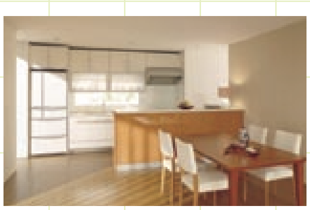
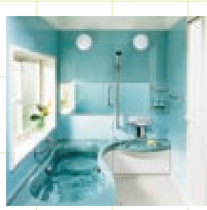
Electronic Devices




- Semiconductors

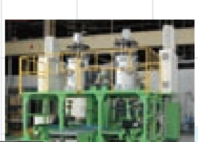
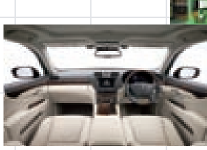
* Following the transfer of the electronic metal products business on November 30, 2007, the former Electronic Equipment and Metal Products segment was renamed the Electronic Devices segment from the fiscal year ended March 2009.

Lifestyle-Related Products

- System kitchens
- System bathrooms
- Washstands

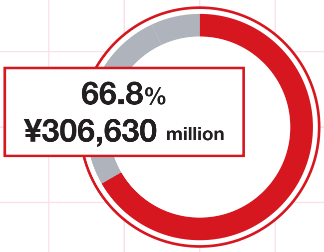
Others

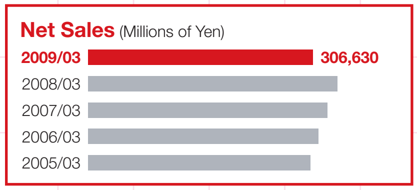




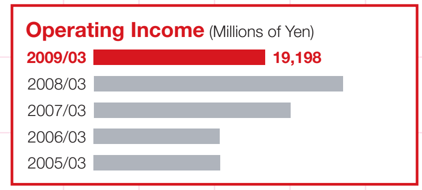

- Golf products
- Automobile interior wood components
- Factory automation (FA) equipment
- Metallic molds and components (magnesium molded parts, plastic molded parts, etc.)
- Recreation (Tsumagoi™, Katsuragi-Kitanomaru™, Katsuragi Golf Club™)

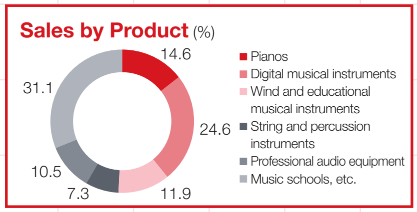
* Following the transfer of four resort facilities on October 1, 2007, the Recreation segment was included in the Others segment in fiscal 2009.

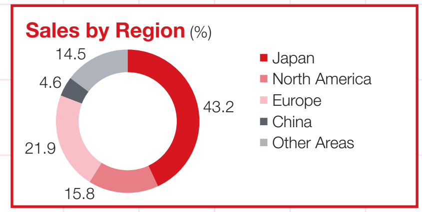
Breakdown of Net Sales

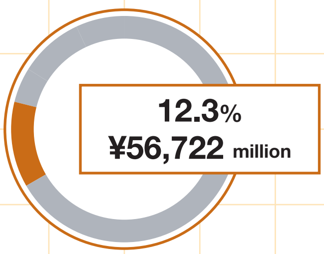


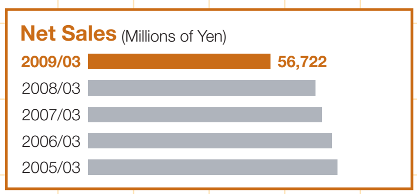


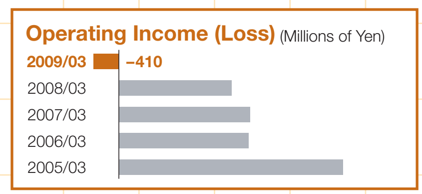


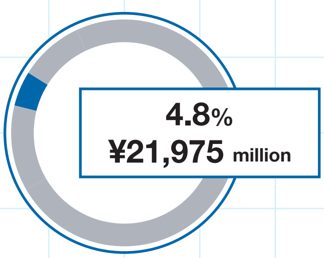


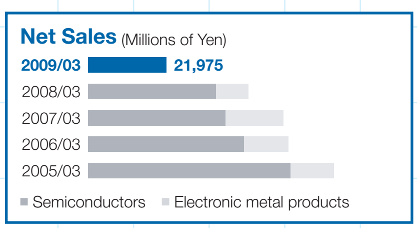


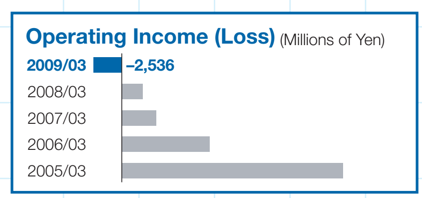


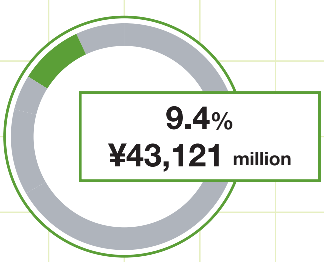


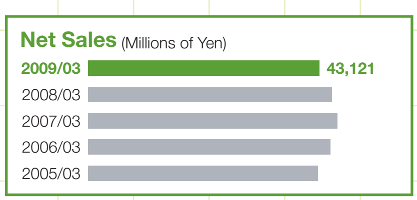


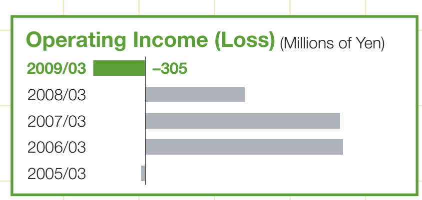


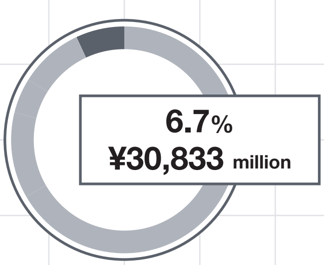


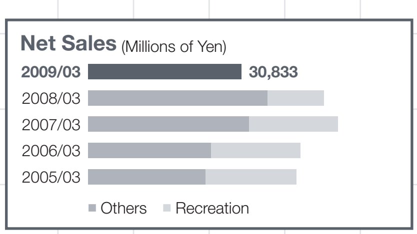


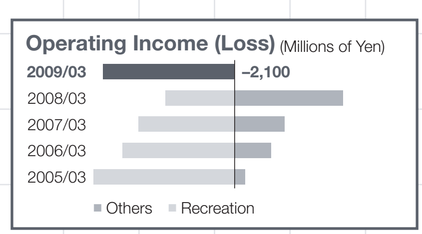












Review of Operations

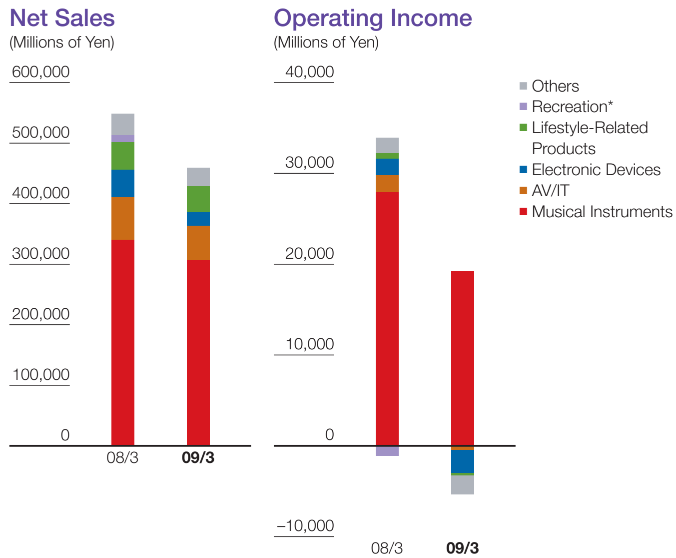
Comprehensive Overview

Sales were lower year on year across all business segments in fiscal year ended March 31, 2009.

In fiscal 2009, Yamaha continued to move within an increasingly severe operating environment to aggressively invest in the development of high-value-added products and growth business domains. In parallel, the Company strove to augment its presence in China and other emerging markets. Additionally, Yamaha took steps to improve its earnings capacity by integrating and eliminating production bases in Japan and overseas, and worked to raise management efficiency through the realignment of sales subsidiaries in Europe.

With respect to sales, while the musical instruments business saw brisk sales mainly of guitars and electronic drums, sales declined year on year across all business segments. Coupled with a roughly ¥34.9 billion drop in sales due to currency exchange rate effects, and a decline of around ¥14.3 billion from the transfer of the electronic metal products business and four recreation facilities in fiscal 2008, consolidated net sales came to ¥459,284 million, representing a year-on-year decrease of 16.3%.

On the income side, operating income fell 57.8% year on year, to ¥13,845 million. In addition to lower sales, the decline in income stemmed largely from lower profits associated with decreased production, higher raw material prices, currency exchange rate effects (approx. ¥6.9 billion), the amortization of shortfall in the Company's retirement benefit provision and goodwill.

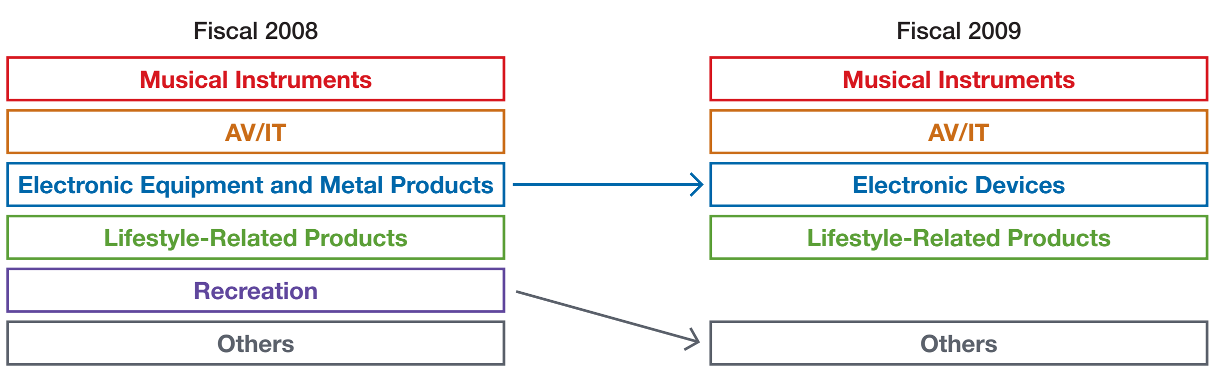


* Following the transfer of four resort facilities on October 1, 2007, the Recreation segment was included in the Others segment in fiscal 2009.

Changes in Business Segments

Accompanying the transfer of the electronic metal products business in fiscal 2008, the name of the former Electronic Equipment and Metal Products segment was changed to Electronic Devices from fiscal 2009.

Furthermore, following the transfer of four of the six facilities in the Recreation segment in fiscal 2008, this business became part of the Others segment in fiscal 2009.



Musical Instruments

Fiscal 2009 Performance Overview

Net sales were ¥306,630 million, down 9.8% year on year, with operating income down 31.3% to ¥19,198 million.

By product, currency exchange rate effects contributed to lower sales across all product categories, with sales down sharply in pianos and wind instruments. By region, sales declined year on year in North America and Japan, but were largely unchanged in Europe. Sales remained firm in China and other emerging markets.

Business Strengths

- Crafting of sound and craftsmanship in acoustic musical instruments such as pianos and wind instruments
- Development of high-quality products by building relationships with artists
- Manufacturing of musical instruments utilizing cutting-edge electronics technology
- Digital network technology for professional audio equipment
- Global strategy built on Yamaha's local sales subsidiaries
- Music popularization activities through the operation of music schools

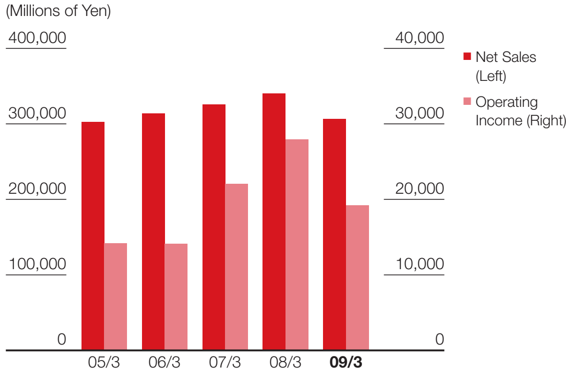
Key Business Indicators

(Millions of Yen)

	05/3	06/3	07/3	08/3	09/3
Net Sales	¥302,617	¥314,078	¥325,989	¥340,021	**¥306,630**
Operating Income	14,183	14,132	22,037	27,924	**19,198**
Capital Expenditures	11,311	11,877	14,817	16,472	**14,793**
Deprecation Expenses	7,819	8,632	9,242	10,156	**10,042**
R&D Expenses	11,183	11,356	11,437	11,597	**10,780**

Net Sales/Operating Income

(Millions of Yen)



Fiscal 2009 Business Results

Review by Major Products

Brisk performance in electric acoustic guitars and electronic drums

In pianos, while sales of high-end products, particularly in Japan and North America, were lower, sales in China continued to grow, reflecting benefits from expansion in Yamaha's sales network and the launch of new products made in China.

In digital musical instruments, the economic slowdown led to lower sales in Japan and North America. Sales in Europe, however, were firm, owing to launch of new portable keyboards.

In wind instruments, sales were down across all regions. In North America, the switch to lackluster sales was especially rapid from the fall of 2008, with demand also contracting in Japan.

In string and percussion instruments (guitar and drum group), sales of electric acoustic guitars and electronic drums rose dramatically, most notably in North America.

In professional audio (PA) equipment, while sales were adversely impacted by the economic slowdown in the second half of the year, actual sales (excluding currency exchange rate effects) were slightly higher for the year due to the consolidation of French sound reinforcement loudspeaker manufacturer NEXO S.A.

b3, upright piano manufactured in Indonesia
The Indonesian-made b3 has earned a strong reputation in European markets for its outstanding cost performance, contributing to growth in Yamaha's market share.

APX/CPX series, electric acoustic guitar
Yamaha's share in electric acoustic guitars has grown substantially, especially in the North American market, thanks to the introduction of appealing new products, proactive efforts to build relationships with artists, and sales network development.

DTXPLORER™, electronic drums
Electronic drums are continuing to form a new market distinct from that of acoustic drums. Yamaha's DTXPLORER recorded robust growth as a longtime seller in this market.

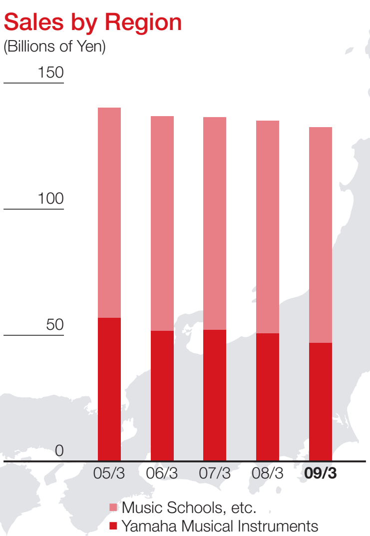
Tyros™3, portable keyboard
In Europe, especially Germany, sales of this product were brisk supported by consistent demand from professional performers.

Japan

Sales declined on contracting demand for large keyboard instruments and lower sales unit prices.

Fiscal 2009 Business Results

Overall demand for high-priced products declined, impacted by the rapid and dramatic worsening in market conditions from the second half of the year. In particular, acoustic pianos took a turn for the worse in fiscal 2009. Similarly, performance in wind instruments, which had been relatively firm to date, saw a contraction in demand centered on medium- to high-end products. PA equipment sales, meanwhile, remained largely on a par with the previous year. Music schools too struggled to spur growth in the number of child and adult students, although sales from English language schools increased. In the music entertainment business, CDs and musical publications held firm for the year.



Market Trends and Characteristics

In Japan, overall demand for musical instruments has been gradually declining. Over the last 30 years, the acoustic piano market, for example, has contracted to less than one-tenth its original size due to a declining birthrate and growing market penetration. In recent years, technological innovation and diversity in digital pianos are leading to the replacement of certain acoustic pianos by these products, as a polarization in terms of high added value versus lower priced products centered on keyboard instruments gains momentum.

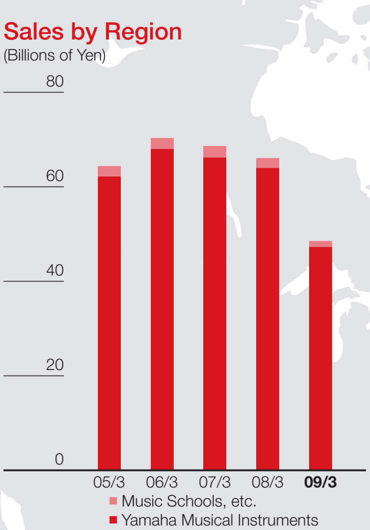
Retail channels too are becoming more diverse, extending beyond existing retailers specializing in musical instruments to include home electronics and camera mass merchandisers, and musical instrument chain stores with nationwide networks.

North America

Sales of keyboard instruments were lower across the board, reflecting the impact of the economic slowdown and weak consumer spending. In contrast, Yamaha recorded healthy performance in electric acoustic guitars and electronic drums.

Fiscal 2009 Business Results

In the U.S. market, sales of acoustic pianos initially struggled due to the housing slump, with declines worsening from the fall of 2008 in the wake of the financial crisis. Sales of portable keyboards were also lower as a result of lackluster consumer spending. In guitars, sales grew atop the successful introduction of electric acoustic guitar models and the reinforcement of sales channels. Performance in the expanding electronic drums market, meanwhile, far outstripped that of the previous year.



Market Trends and Characteristics

The musical instrument market in the United States is projected to see stable growth over the medium term. Consumer spending, however, has come to a virtual standstill due to stagnant economic conditions triggered by the subprime mortgage crisis and a decline in new housing starts. The credit crunch in the retail sector also shows no signs of abating.

Yamaha's main sales channels in the United States are stores specializing in pianos and wind instruments, and large mass merchandisers for musical instruments.

Guitars and drums account for one-third of the total musical instrument market, which is characterized by an exceptionally strong hobby and leisure demand component.

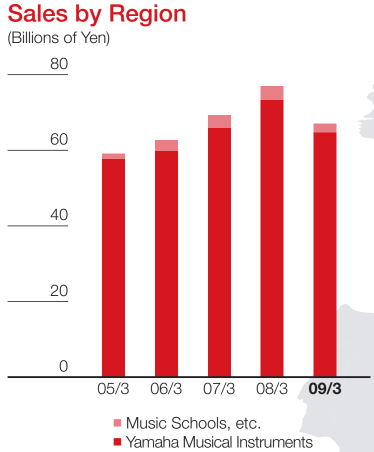
Europe

Despite the adverse impact of economic deterioration, sales in Europe were largely unchanged from the previous year, reflecting benefits from the release of new digital musical instruments. But while performance was healthy in the key German market, the pattern in other regions varied markedly. Growth in Eastern Europe was also subdued in the second half of the year.

Fiscal 2009 Business Results

In acoustic pianos, Yamaha's aggressive launch of affordable, Indonesian-made products kept sales on a par with the previous year. In wind instruments, sales were down, specifically for woodwind instruments. In contrast, Yamaha's lineup of high-quality, multi-functional portable keyboards was highly appreciated and performed favorably during the year.

Sales by Region



Market Trends and Characteristics

Fiscal 2009 saw the yen's dramatic appreciation and European currencies such as the British pound lose further ground against the euro, as well as more intense price competition from growth in online sales. Yamaha's sales channels in Europe are centered mainly on specialized music retailers who handle pianos and wind instruments. More recently, however, sales channels have grown to encompass mass merchandisers that sell home electronics and an array of other products.

In Eastern European countries, while growth has tapered off somewhat, the region's music culture remains deeply entrenched. As such, growth is likely to resume over the medium to long term.

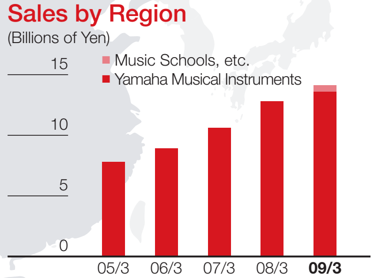
China

In spite of the impact of the global economic recession, Yamaha is steadily raising its market share for pianos in China.

Fiscal 2009 Business Results

Although the global economic crisis caused Chinese domestic demand to cool somewhat, Yamaha recorded double-digit growth in the country in fiscal 2009 again, with growth led by acoustic pianos.

Sales by Region



Market Trends and Characteristics

The scale of the musical instrument market in mainland China is estimated at over ¥60 billion, with acoustic pianos accounting for two-thirds of the total market. A high rate of growth, most notably in pianos, is expected to continue for the foreseeable future.

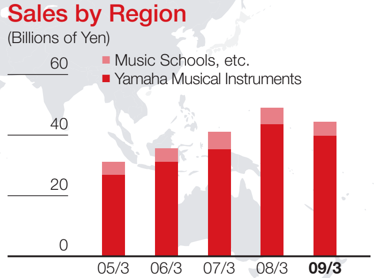
Other Regions

Growth undertones persisted in Asia and Latin America despite slower growth caused by deteriorating market conditions from January 2009.

Fiscal 2009 Business Results

In South Korea, sales increased year on year, overcoming a slowdown that emerged around January 2009. But while sales growth was robust in Indonesia, Latin America, and Australia, performance in Taiwan, Russia and other countries struggled.

Sales by Region



Market Trends and Characteristics

Although a drop in resource prices and global economic weakness have prompted a temporary slowdown in the economies of Russia, the Middle East and Latin America, growth is expected to start again over the medium to long term.

Sales networks in these regions are also beginning to change, as the opening of shopping malls and mass merchandisers gains momentum.

High-Priority Initiatives

Priority Markets

Emerging markets such as China are likely to see lingering adverse conditions from the effects of the global economic crisis. These conditions notwithstanding, Yamaha will strive to develop products tailored to the market and expand sales of high-value-added products in a bid to spur further business growth.

Yamaha's goal in the Chinese market is to expand sales of acoustic pianos, which comprise a substantial portion of sales, and boost market share, as well as increase the percentage of grand pianos and other premium-quality pianos accounted for in the sales mix. Since growth in wind instruments can also be counted on going forward, Yamaha intends to push forward with the development of its sales network and artist relations activities.

In Russia and India, the Company will continue efforts to put a sales infrastructure in place to establish a foundation for growth.

Priority Products

Where acoustic pianos are concerned, issues such as the shift to digital pianos and tougher cost competition are being exacerbated by stagnant consumer spending caused by economic weakness and other factors. For this reason, a full recovery in demand remains unlikely for some time to come.

In this climate, Yamaha will seek to establish and nurture a robust brand position in the medium- to high-end grand piano sectors. At the same time, the Company will push for business expansion in China and other emerging markets by aggressively launching models with outstanding cost performance, produced at its own overseas factories. Production bases will also be consolidated to improve piano profitability.

Yamaha is pressing forward with a "Total Piano Strategy," designed to create new demand through a comprehensive approach encompassing acoustic and digital pianos. The Company intends to underscore the appeal of the AvantGrand™ hybrid piano, unveiled in April 2009, as a pivotal product filling the gap between acoustic and digital pianos.

In guitars, Yamaha has successfully worked over the years to reinforce its guitar factories in Indonesia and China, as well as augment its sales network in North America. Going forward, the Company will continue its pursuit of production innovation, while accelerating the development of new electric acoustic guitars.

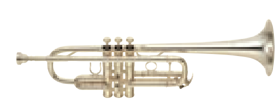
In commercial audio equipment, in addition to digital mixers, an existing area of strength for the Company, Yamaha will reinforce ties with recently acquired sound reinforcement loudspeaker manufacturer NEXO of France to strengthen its hand in amplifiers, speakers and other output-side products.

In the music entertainment business, Yamaha, through the proactive discovery and grooming of new artists, will seek to expand sales of related products, and will continue efforts to strengthen its business base.

N3 AvantGrand™
hybrid piano

CPX15Ⅱ
electric acoustic guitar

GEO systems
NEXO brand line array
loudspeakers

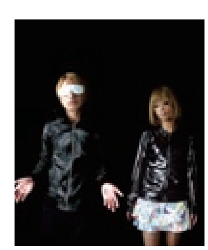


YTR-9445CHS
Xeno™ artist model trumpet

PN-MF01CUSTOM
MODUS™ F01 custom model digital piano

PHX series
system drums

Mao Abe
Yamaha label artist



capsule
Yamaha label artist

AV/IT

Fiscal 2009 Performance Overview

Sales in the AV/IT business declined 19.9% year on year in fiscal 2009 to ¥56,722 million. The segment posted an operating loss of ¥410 million versus operating income of ¥1,839 million in the previous fiscal year.

In audio products, shrinking overall market demand as a result of adverse market conditions led to lower sales for AV receivers. In Japan, front surround systems with furniture stands received high appraisal in the market. In routers, Yamaha maintained its top share enjoying the benefits of its strong market reputation in the SOHO market.

Business Strengths

- Front surround sound technology for Digital Sound Projector™
- Wireless transmitting technology for iPod*1 audio players
- 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

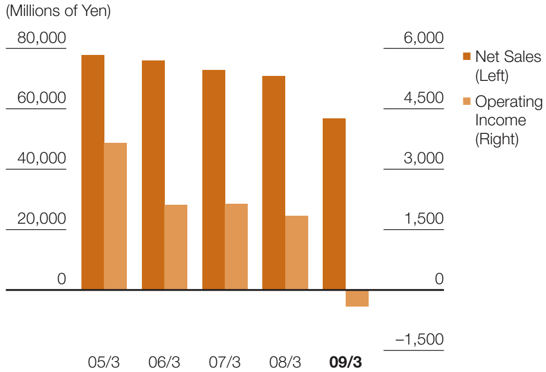
Key Business Indicators

(Millions of Yen)

	05/3	06/3	07/3	08/3	**09/3**
Net Sales	¥77,720	¥75,939	¥72,823	¥70,814	**¥56,722**
Operating Income (Loss)	3,651	2,113	2,137	1,839	**(410)**
Capital Expenditures	1,111	1,129	1,539	2,009	**1,451**
Depreciation Expenses	1,492	1,542	1,610	1,794	**1,631**
R&D Expenses	5,069	4,919	4,858	5,087	**5,257**

Net Sales/Operating Income (Loss)

(Millions of Yen)



Market Trends and Business Strategy

Market Trends

High expectations for desktop audio systems
Shrinking of the SOHO router market continues

In the audio products market, competition in AV receivers and home theater systems is likely to intensify even more due to the worldwide slowdown in consumption. The widespread use of iPods, meanwhile, is expected to spur growth in the desktop audio market. In commercial online karaoke equipment and routers for the SOHO market in Japan, further market contraction is predicted as both markets are well-matured. The market for conferencing systems, by contrast, is expanding as business globalizes and the Internet comes into widespread use. Demand is also likely to grow as corporate users turn to these systems as a means to reduce travel expenses and enhance operational efficiency during the recession.

Business Strategy

Introduce mainstream consumer audio products in a broader range of markets

In audio products, Yamaha is seeking to upgrade its product lineups by introducing mainstream consumer products*2 in a wider range of markets. In addition to medium and moderately priced AV receivers launched in spring 2009, this push will include the entry of new Digital Sound Projector™ models, innovative surround sound systems, and newly designed desktop audio speakers, as well as an enhanced lineup of moderately priced micro-component stereo systems. In parallel, Yamaha will strive to bolster its profitability by paring down manufacturing costs. Specifically, the Company will promote greater in-house production of components and take aggressive steps to reduce materials costs.

In the commercial online karaoke equipment business, Yamaha will endeavor to increase sales and improve earnings through proactive development for next-generation products.

In the routers business, the Company will further apply technologies accumulated over the years to develop products fully compliant with next-generation networks. Complementing this effort is Yamaha's goal of increasing sales through expansion in sales volume for existing models and the new RTX1200.

In the conferencing systems business, Yamaha will focus on building up sales networks, while continuing its effort to provide solutions and broaden its market share in Japan for microphone speakers used in Web conferencing.

*1 iPod is a trademark of Apple Inc. registered in the United States and other countries.
*2 Mainstream consumer products refer to products targeting a broad user base that make it easy to enjoy music with a single unit, rather than several system components.

Electronic Devices

Fiscal 2009 Performance Overview

Sales in the electronic devices segment declined 51.2% year on year, to ¥21,975 million. The segment recorded an operating loss of ¥2,536 million, in contrast to operating income of ¥1,863 million posted a year earlier.

Sales of sound generators for mobile phones fell substantially year on year due to the ongoing shift to the use of sound-generation software in overseas markets, and declining mobile phone sales in Japan. Sales of digital amplifiers, sound generators for amusement equipment (pachinko related products), and graphics controllers for automobiles also fell short of expectations, reflecting adverse market conditions. The decision was made to withdraw from the silicon microphone business, meanwhile, in light of increased competition.

Business Strengths

- 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

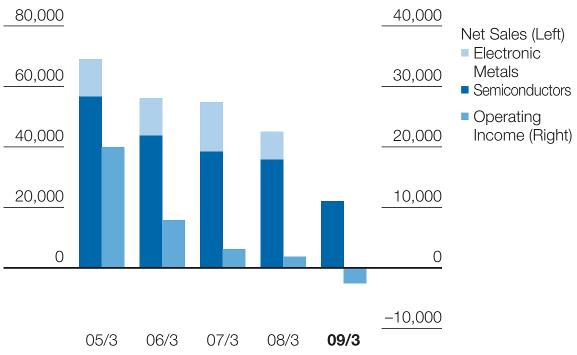
Key Business Indicators

(Millions of Yen)

	05/3	06/3	07/3	08/3	**09/3**
Net Sales	¥69,048	¥56,167	¥54,809	¥45,000	**¥21,975**
Operating Income (Loss)	19,970	7,927	3,101	1,863	**(2,536)**
Capital Expenditures	4,955	5,488	4,395	2,435	**3,247**
Depreciation Expenses	4,183	4,471	4,676	4,618	**3,326**
R&D Expenses	4,473	5,345	5,372	5,387	**4,474**

Net Sales/Operating Income (Loss)

(Millions of Yen)



Market Trends and Business Strategy

Market Trends

Adverse climate to persist from diminished demand for mobile phones

The market for sound generators for mobile phones is witnessing an ongoing shift from hardware-based sound generators to sound-generation software, with this trend most evident overseas. In Japan, actual demand for mobile phones is projected to be weak going forward due to lackluster consumption caused by the economic recession as well as the introduction of an installment sales system for mobile phones, which has led consumers to refrain from buying new handsets. In the amusement equipment sector, the market for pachinko and pachislot machines has contracted in the wake of legal and regulatory changes. In the digital amplifier market, where low heat generation and low power consumption are increasingly in demand, there remains cause for concern regarding slow demand from the flat-panel TV market and lower prices due to greater competition. For graphics controllers for automobiles, tough conditions are likely to persist, reflecting sudden contraction in the automobile market.

Business Strategy

Strengthen expansion of business to replace sound generators

Yamaha will take steps to enhance the semiconductor business as a whole, encompassing mobile phones, amusement equipment, automotive products, and other product areas pursued to date. As competition heats up, the Company will further strengthen relationships with customers by differentiating Yamaha from competitors, including offering customer support and providing software as middleware. In striving to the next stage of growth, Yamaha will also propose new sound devices that create new added value with respect to sound including proposing applications to customers.

Specifically, as stagnation continues in the mobile phone market, Yamaha will offer detailed support to mobile phone operators and handset manufacturers, in addition to improving call sound quality, proposing applications such as musical instruments performance via mobile phone, and expanding sales of non-sound devices such as CODECs and digital amplifiers. These moves will enable Yamaha to offset future contraction in the sound generator business.

In amusement equipment, Yamaha will focus on the sale of two new sound generators with surround-sound embedded, which are receiving appreciation from the market, and graphics controllers with high-compression decoding, and aim to grow market share.

For graphics controllers for automobiles, as stagnation in the automobile market continues, the market is increasingly adopting new products with internal decoding capabilities. Going forward, the Company is committed to heightening its market presence by developing new products incorporating functions that address customer needs.

In parallel with these efforts, Yamaha will forge ahead with business structure reforms, pursuing extensive measures to reduce fixed costs, lower manufacturing costs, and raise development efficiency in a push to improve profitability.

Lifestyle-Related Products

Fiscal 2009 Performance Overview

Sales in Yamaha's lifestyle-related products business, in which Yamaha Livingtec Corporation is the principal Yamaha Group subsidiary, fell 5.3% from the previous year, to ¥43,121 million. The segment posted an operating loss of ¥305 million, compared to ¥588 million in operating income in the previous year.

Although there was an increase in demand for new housing starts owing to the tax incentive scheme for housing loans effective before the end of December 2008, sales declined due to a massive drop in new housing starts once the limit expired, as well as lower home remodeling demand caused by weaker consumer spending. Furthermore, the company has decided to withdraw from the kerosene-fired water heater business in light of tremendous changes in the structure of energy demand and the lack of visible prospects for demand in the future.

Business Strengths

- Artificial marble processing technology (MARBLE CRAFT™)
- Wood processing and coating technologies
- Original design capabilities

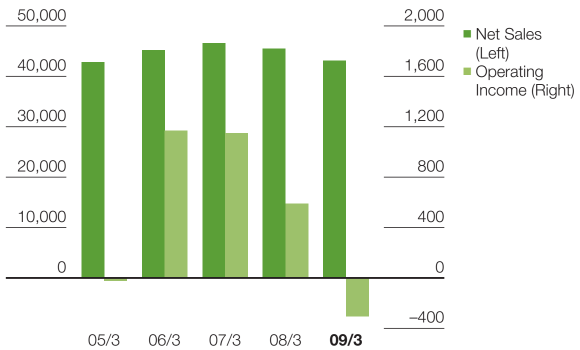
Key Business Indicators

(Millions of Yen)

	05/3	06/3	07/3	08/3	09/3
Net Sales	¥42,844	¥45,214	¥46,573	¥45,520	¥43,121
Operating Income (Loss)	(24)	1,169	1,150	588	(305)
Capital Expenditures	1,195	1,245	1,303	647	1,006
Depreciation Expenses	1,518	1,062	1,007	1,063	1,021
R&D Expenses	1,236	1,260	1,403	1,351	894

Net Sales/Operating Income (Loss)

(Millions of Yen)



Market Trends and Business Strategy

Market Trends

Persistent decline in new housing starts; efforts by all companies to strengthen remodeling business

Consumer sentiment is expected to fall lower amid continued and increasing economic uncertainty. In this climate, competition in the home fixtures and equipment market is expected to increase due to the contraction in Japan's new housing market, which is forecast at around 1 million homes in fiscal 2010, as well as further price drops. Accordingly, companies throughout the industry are channeling their efforts into expanding their respective home remodeling businesses and strengthening business in the Asian market, as well as launching new products and advertising activities, in a race for continued survival. In the remodeling business, it will be vital to build stronger alliances with client companies and to stimulate user demand, as consumer interest in home improvements remains strong.

Business Strategy

Aiming to generate stable earnings in the medium to long term

In the remodeling market, Yamaha Livingtec will promote the material business of "one-point remodeling," encouraging customers to replace their existing kitchen countertops with Yamaha's artificial marble countertop materials. This drive will consist of bolstering initiatives targeting sales channels, mainly through moderately-priced products, in a bid to expand the remodeling business.

For the medium to long term, the company is striving to build a business base capable of generating stable earnings irrespective of new housing demand. To this end, the company will take steps to develop new sales channels for interior building materials, water-related housing equipment, and household equipment, with focus on the remodeling business, as well as energy-related channels, while extensively pursuing efficiency management in all business processes. In particular, the company aims to improve its earnings structure by reducing the retail sales companies' dependence on the manufacturer. To this end, it will clarify the roles of each player and strengthen its links to sales channels that are strong in installations.

The home fixtures and equipment industry is seeing both increased product quality uniformity and more intense price competition. Going forward, the company intends to differentiate its business from competitors by leveraging its strengths in artificial marble processing technology, wood processing and coating technologies, and original design capabilities.

Others

Fiscal 2009 Performance Overview

Sales in this segment declined 34.9% compared with the previous fiscal year, to ¥30,833 million. The segment posted an operating loss of ¥2,100 million, in contrast to operating income of ¥628 million recorded a year earlier.

In the golf products business, both sales and income increased year on year. The overall market slowed from the second half of the year due to worsening economic prospects.

Sales and earnings in the automobile interior wood components business declined on sharply lower orders from manufacturers of finished products.

In the metallic molds and components business, Yamaha decided to withdraw from the magnesium molded parts business.

In the recreation business, earnings improved thanks to the transfer of four facilities that took place in the previous fiscal year.

Key Business Indicators

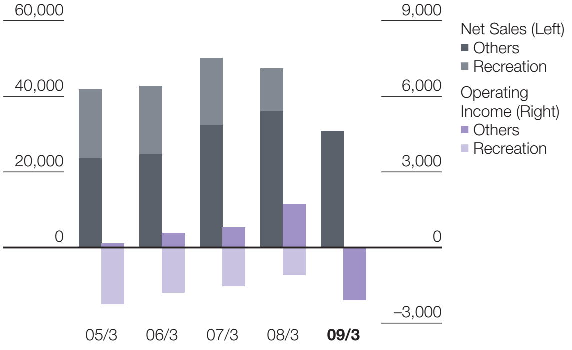
(Millions of Yen)

		05/3	06/3	07/3	08/3	09/3
Net Sales	Others	¥23,557	¥24,671	¥32,365	¥36,044	**¥30,833**
	Recreation	18,290	18,013	17,800	11,353	
Operating Income (Loss)	Others	168	582	794	1,731	**(2,100)**
	Recreation	(2,253)	(1,789)	(1,536)	(1,103)	
Capital Expenditures		4,127	3,141	3,095	2,828	**2,082**
Depreciation Expenses		3,943	3,235	3,419	2,656	**1,889**
R&D Expenses		990	1,173	1,147	1,440	**1,809**

* For the four fiscal years from the year ended March 31, 2005 to the year ended March 31, 2008, capital expenditures, depreciation expenses and R&D expenses were presented in a combined form for the two business segments of Others and Recreation.

Net Sales/Operating Income (Loss)

(Millions of Yen)



Market Trends and Business Strategy

Market Trends

Adverse market conditions persist with no early recovery in sight

As the global economic outlook worsens, no major recovery appears likely in the golf products business in Japan or overseas. In the automobile interior wood components business, while the situation appears to have bottomed out due to ongoing adjustments in manufacturers' inventory, the prospects of a fast recovery remain unlikely. In the factory automation (FA) equipment business, some positive movement has emerged, particularly in products related to environmental measures with the start of a new fiscal year. In recreation, meanwhile, corporate demand continues to decrease and individual demand continues to decline as well amid consumer restraint.

Business Strategy

Yamaha's most urgent issue—Generate stable earnings

In the golf products business, Yamaha will continue to invest in R&D and enhance its current inpres™ brand in a push to expand market share. Most visibly, the Company will respond to strong sales of mid- and premium-grade custom ordered products.

In the automobile interior wood components business, Yamaha will strive to increase its profitability by lowering the breakeven point. Particular attention will be given to minimizing losses stemming from the launch of new products to improve yields.

For the factory automation (FA) equipment business, Yamaha will proactively develop new customers in a drive to boost sales.

In the recreation business, Yamaha aims to post operating income as early as possible. To do this, Yamaha will leverage the appeal of facilities in product planning and proposals. Improving the quality of service and operations through better employee training will be another important measure here. Tsumagoi™, for example, will pursue stronger sales initiatives targeting individual customers, while highlighting its unique features, including both Japan's premier outdoor music facilities and horseback riding facilities. Katsuragi-Kitanomaru™ and the Katsuragi Golf Club™, meanwhile, will take advantage of the marketing benefits from hosting a women's professional golf tournament for a second consecutive year to propose attractive product plans in advance.

R&D and Intellectual Property

Technological expertise underpins the Yamaha Group's broad base of operations. Yamaha invests substantially in research and development (R&D) activities that support its progress in advanced technology. Another prime aim for 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 core technological expertise 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, providing a distinctive customer appeal while boosting the competitiveness of the product range and raising the Yamaha brand profile. Core technical expertise and innovative product design thus constitute important functions for Yamaha.

Going forward, Yamaha will focus attention on developing network-based sound technologies that bring about "sound-filled" lifestyles, as well as materials and devices connected with human senses and emotions. By doing so, Yamaha can generate new business opportunities using its expertise in sound, and continue evolving as "the sound professional" company, even in the realms of human voice and environmental sound. The Company is working, for instance, on blending acoustic, digital signal processing and network technologies to make sound the basis for important aspects of home life, such as security or conveying information.

To support future business of this kind, Yamaha invests in core technology improvement as well as employee training to ensure that these skills are passed on and nurtured within its workforce. Other key aspects of R&D at Yamaha include programs to maintain and upgrade technologies for product development and manufacturing. These efforts strengthen the Yamaha brand and boost the value of the Company's intellectual property and other intangible assets.

R&D Organization

Yamaha's R&D organization consists of two components—Groupwide R&D responsible for enhancing common Groupwide technologies and research and development for new businesses, and division-specific R&D, where research and development are conducted on technologies for the products within each business segment.

Groupwide R&D divisions include the Center for Advanced Sound Technologies, which develops advanced sound, audio and network technology; the Center for Materials and Components Technologies; the *e*Yamaha Division, which applies network technologies Groupwide; and the Center for Production Technology. Yamaha also conducts most of its product design in-house at the Product Design Laboratory, which continually works to bolster its structure with a view to being a leader in high-quality product design based on a fresh, cutting-edge concept. Meanwhile, new business development is the focus as new sound system technologies are developed at the INFO-Sound Division and SA Products Division.

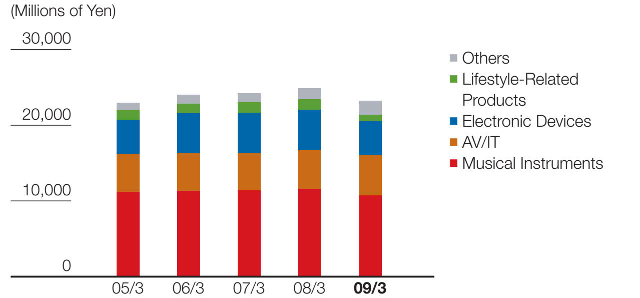
Technology Organizations and Roles

President - - - Development Strategy Committee

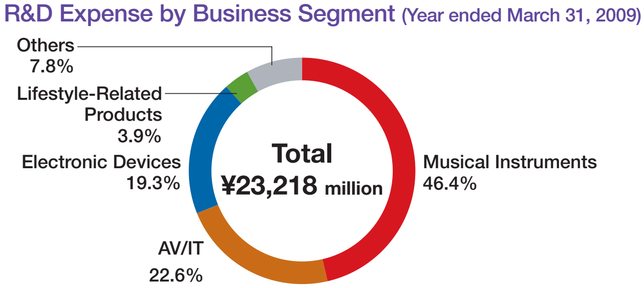
- Technology Planning Division
  Planning coordination and secretariat functions
- Center for Advanced Sound Technologies
  Sound and music technologies and Groupwide technological support
- Center for Materials and Components Technologies
  Materials and components technologies and Groupwide technological support
- *e*Yamaha Division
  Internet technologies and Groupwide Web support
- Production Engineering Development Department of Production Engineering & Planning Division
  Production and manufacturing technologies and Groupwide technological support
- Product Design Laboratory
  Designing of Groupwide product and future-looking concepts
- INFO-Sound Division
  Development of new businesses using sound technologies
- SA Products Division
  Development of new product genre for musical instruments
- Division-specific technology development departments
  Technological development for the products within each business segment

R&D Expenses

(Millions of Yen)



R&D Expense by Business Segment (Year ended March 31, 2009)

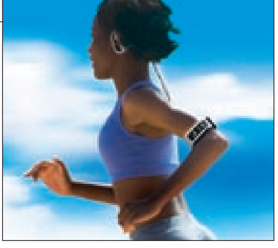


R&D TOPICS

AvantGrand™ Hybrid Piano

The AvantGrand is a new piano that offers a true grand piano experience while solving the traditional problems of where to put a grand piano, or whether sounds will leak into nearby areas.

Making this piano possible is the host of "AvantGrand" technologies found inside. One is the AvantGrand Exclusive Grand Piano Action, offering the real feel of playing a grand piano. Another innovation is a Specialized Grand Piano Pedal for AvantGrand, which recreates the finesse of traditional grand piano foot pedals, as well as Spatial Acoustic Sampling that accurately captures the rich, resounding sound of a grand piano. There is also a Spatial Acoustic Speaker System that comfortably delivers sound to the pianist, along with a Soundboard Resonator that allows a more subtle reproduction of the buildup of sound felt by pianists when playing a grand piano. Then there is the Tactile Response System, which enables players to experience natural reverberations in their hands and feet as one would with a grand piano. Through these technologies, the AvantGrand piano offers a true grand piano experience born as a hybrid of cutting-edge 21st century technology and more than 100 years of piano-crafting experience.



BODiBEAT™ Interactive Music Player

The beat of the run put to music.

BODiBEAT is an innovative, sports-science-based portable music player from Yamaha that integrates music with the body for a more enjoyable running or walking experience.

BODiBEAT comes with exercise programs such as "free workout mode," which automatically selects and plays songs with a tempo matching the user's running or walking pace. Other features are "fitness mode" and "training mode," both of which were supervised by Prof. Senshi Fukashiro, an expert in sports science at the University of Tokyo Graduate School of Arts and Sciences. This mode automatically selects and plays songs for the most effective aerobic workout based on the user's heart rate and age.

If no songs with the proper tempo are in the device's memory, the BODiBEAT Mixer (patent pending), which uses the device's internal sound source and sequencer to create music, will automatically produce a song with a tempo appropriate for the user's running or walking pace.

PDX-50 Portable Player Dock

Yamaha has developed the PDX-50, a wireless portable player dock equipped with the Company's proprietary AirWired™*1 digital wireless transmission technology that users operate by using their iPod*2 as a remote control.

To play their iPod wirelessly through the PDX-50 speaker, users simply attach the bundled transmitter to their portable player. The iPod can then control not only music playback but also power and volume on the PDX-50. The user's iPod effectively becomes a remote control for their music enjoyment.

The use of Yamaha's own AirWired digital wireless technology for the PDX-50 enables wireless playback with a voice delay of just 12 ms. This is the gap between onscreen images and voice that typically goes unnoticed if watched normally. When watching video on the iPod, the PDX-50 is free of the stress sometimes felt with ordinary digital wireless transmission, allowing users to enjoy the true-to-life sound possible with the PDX-50. AirWired also employs uncompressed PCM, a digital sound format that prevents deterioration in sound quality, resulting in clear and natural high-quality sound.

*1 yAired™ in the North American region

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

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, enacting a number of measures designed to maximize the contribution of intellectual property to business operations.

Patents

Yamaha has formulated patent strategies specifically tailored to operations in business segments and identified target technical fields for patent acquisition in the strategies and is striving to build a strong patent portfolio through concentration in its core competence.

In each business segment, patents are utilized primarily for commercial distinction, and to help Yamaha operations secure and maintain their competitive edge. The Company also promotes licensing to third parties in certain fields.

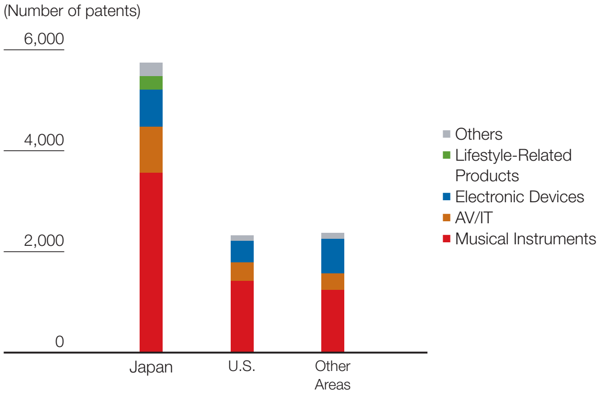
From the standpoint of asset optimization, Yamaha annually assesses its full portfolio of patents held within and outside of Japan, determining the state of usage and evaluating patent rights in terms of present and future potential, ultimately retaining only those deemed most beneficial.

As of March 31, 2009, the Yamaha Group owned a total of approximately 5,700 patents and utility models in Japan. Outside of Japan, the Group held roughly 4,600 patents, mainly in the United States, Europe and China.

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 in order to counter counterfeit products. The Yamaha Group held some 700 design rights in Japan and overseas as of March 31, 2009.

Patent Owned by Yamaha (as of March 31, 2009)



Copyrights

Besides industrial property rights, such as patents, designs and trademarks, the Yamaha Group generates numerous intellectual property rights in the form of copyrighted works, mostly in the field of sound and music. Music-related copyrights are of particular importance to Yamaha in terms of intellectual property. As such, the Company strives to ensure their proper management and use, taking legal measures 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, also setting up a Companywide brand management committee and refining rules regarding brand representation to ensure appropriate usage. Going forward, Yamaha will develop and utilize its brands more strategically by extending rigorous management beyond the main Yamaha brand to product- and service-related sub-brands.

Anti-Counterfeiting Measures

For more than a decade, Yamaha has pursued a proactive policy against the counterfeiting of its products. Using bureaucratic and legal routes, Yamaha has vigorously combated counterfeiting with some success. Going forward, Yamaha plans to adopt a more aggressive legal posture, including filing lawsuits against infringers, to preserve its brand value and to retain consumer trust in the Yamaha brand.

Patent Management Systems

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

Corporate Governance and Corporate Social Responsibility (CSR)

Corporate Governance

Yamaha is making continuous efforts to systematically upgrade the internal control system of the entire Group, while at the same time preparing frameworks that will enable a swift response in times of emergency through the formulation of a Business Continuity Plan (BCP).

Fundamental Concept of Corporate Governance

Yamaha positions the enhancement of corporate governance as an important issue within its business management, and is striving to enhance corporate governance in a proactive manner.

The Company's corporate policy 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." In accordance with this policy, Yamaha will strive to improve the effectiveness of its management and attain global competitiveness and profitability. At the same time, the Company will increase its corporate and brand value by fulfilling its corporate social responsibility in areas such as compliance, environment, safety and contribution to society.

To achieve its goal, Yamaha aims to establish high-quality management that is also transparent and efficient by improving its business structures and systems, by implementing all necessary measures, and by disclosing information in an appropriate manner.

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

Creating a Management Structure Through the Board of Directors and Executive Officers

As of June 25, 2009, Yamaha's Board of Directors comprises nine directors, including one outside director. The Board convenes once monthly in principle, and is responsible for the Group's management functions, including proposing Group strategy and the monitoring and directing of business execution carried out by divisions. Directors are appointed for a term of one year.

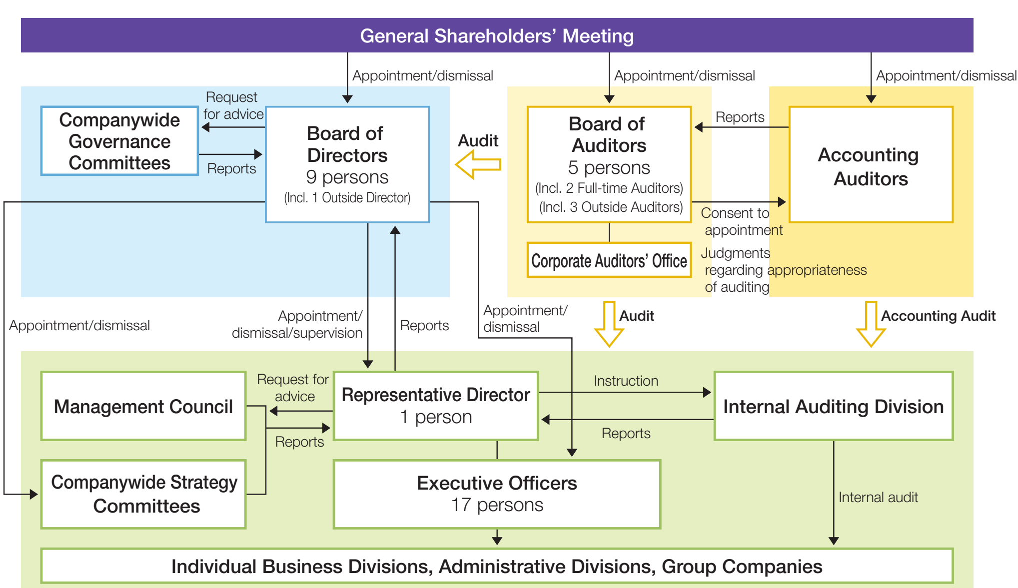
Yamaha also employs an executive officer system, with the purpose of strengthening consolidated Group management and business execution functions by divisions. As of June 25, 2009, the executive officer system comprises 17 executive officers, including two managing executive officers, who support the President, the chief officer in charge of business execution. Recognizing the importance of accountability, executive officers, who double as Company directors, are principally responsible for overseeing groups of business and administrative divisions. As group managers, they are responsible for the performance of groups within the Company, and manage and direct in a manner appropriate for bringing the functions of each group to the fore. Under the group manager, an executive officer, distinct from the aforementioned, is assigned to each division, with responsibility for a key management theme.

An Audit System to Ensure Fair and Transparent Business Practices

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 and also by setting up Companywide Governance Committees and an internal control system. These actions, in conjunction with consistent audits conducted by the Company's system of full-time auditors, combine to raise the effectiveness of governance.

Corporate Governance Structure

(As of June 25, 2009)



As of June 25, 2009, Yamaha has five auditors, including three outside auditors. In principle, the Board of Auditors convenes once monthly. Based on audit plans, auditors periodically perform comprehensive audits of all divisions and Group companies, and participate in Board of Directors' meetings and other important meetings such as management councils. With respect to accounting audits, the suitability of such audits is determined based on periodic progress reports from the accounting auditors of their audits of the Company's financial statements. Yamaha has also established a Corporate Auditors' Office (with one staff member as of June 25, 2009) as a dedicated staff for the auditors, to ensure an environment conducive for performing effective audits.

The role of Internal Auditing Division (11 staff members as of June 25, 2009) is to closely examine and evaluate systems pertaining to management and operations, as well as operational execution, for all management activities undertaken by the Company from the perspective of legal compliance and rationality. The evaluation results are then used to provide information for the formulation of 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.

Fiscal 2009 Activities by Outside Directors and Outside Corporate Auditors

After his appointment, outside director Takashi Kajikawa attended 8 of the 11 meetings of the Board of Directors held in fiscal 2009. Utilizing his ample experience and considerable insight as a representative director of a publicly owned company, he made necessary statements as appropriate during the consideration of meeting agenda items.

Outside corporate auditor Kunio Miura attended 13 of the 14 meetings of the Board of Directors held in fiscal 2009. He also attended all 14 Board of Auditors' meetings, and made statements mainly from his specialist standpoint as an attorney.

Outside corporate auditor Yasuharu Terai attended all 14 of the meetings of the Board of Directors held in fiscal 2009. He also attended all 14 Board of Auditors' meetings, making statements based primarily on his experience and insight as a management executive.

Remuneration for Directors and Corporate Auditors

The aggregate amount of remuneration paid to directors and corporate auditors in fiscal 2009 is outlined below.

Directors: 10 persons ¥430 million
(including ¥4 million to 2 outside directors)

Corporate Auditors: 5 persons ¥70 million
(including ¥9 million to 2 outside corporate auditors)

Notes:
1. The remuneration amount stated above includes compensation paid to a director (outside director) and an auditor who retired at the conclusion of the 184th Ordinary General Shareholders' Meeting held on June 25, 2008.
2. In addition to the abovementioned payments, at the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, a resolution was approved regarding the lump-sum payment of retirement allowances to directors and corporate auditors upon the abolition of the retirement allowance system. Based on that resolution, retirement allowances calculated based on the term of office served through June 30, 2006 were paid. Specifically, an amount of ¥1 million in retirement allowances was paid to one director (outside director) and ¥24 million to one corporate auditor who retired from office upon the conclusion of the 184th Ordinary General Shareholders' Meeting. Furthermore, Yamaha paid an aggregate amount of ¥356 million in retirement allowances to three directors who retired as of the conclusion of the 185th Ordinary General Shareholders' Meeting held on June 25, 2009.

Support System for Outside Director and Outside Corporate Auditors

For agenda items at meetings of the Board of Directors and the Board of Auditors to be attended by outside corporate auditors, a full-time staff member working for the corporate auditors sends documents and other materials to the outside corporate auditors

Message From Newly-Appointed Outside Corporate Auditor

Outside Corporate Auditor
Haruo Kitamura

Over the course of my career as a CPA, I have been involved in promoting accounting and internal control measures for many different companies. Furthermore, as a consultant, I was involved in initiatives targeting management administration. Finally, as an outside director and outside corporate auditor for many companies, I have had many opportunities to experience firsthand how corporate governance works.

In order to grow, companies must generally tackle a variety of new ventures and conduct the related investment required. In my appointment as an outside corporate auditor for Yamaha, I am of course responsible for helping to ensure the legal and regulatory compliance of these activities. But I also hope to consistently perform audits from my objective viewpoint that will contribute to the kind of economic rationalization that will raise corporate value.

Yamaha is a renowned company with a long and illustrious history, and the Yamaha brand too is highly prized. My goal as an outside corporate auditor is to perform my reviews and audits with a highly critical eye, so as to support the enhancement of the Yamaha brand and achieve new heights throughout the world.

prior to the meeting and provides explanations as necessary to enable them to perform a complete preliminary study. With regard to other material matters, the Company strives at all times to maintain an effective auditing environment, including by providing information, supplying materials, listening to opinions, and supporting research and data collection.

When necessary, the outside director is also individually provided explanations regarding proposals and reports to be submitted to the Board of Directors.

Fundamental 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. Along with pursuit of the optimal corporate governance for enhancing both corporate value and the Yamaha brand, the Company endeavors to qualitatively enhance the internal control system, in recognition that doing so will improve the efficiency of business activities, increase the trustworthiness of Yamaha's accounting and financial data, and lead to stronger compliance, asset soundness, and risk management capabilities.

The Yamaha Group has defined an internal control system policy as a specific measure pertaining to the Groupwide internal control system. In line with this policy, the Company is standardizing the rules in place at its subsidiaries, and implementing Company-wide monitoring liaison committees in connection with the internal control system operated by corporate staff divisions, with the goal of making monitoring activities more comprehensive.

Business Continuity Plan (BCP)

From fiscal 2009, Yamaha has embarked on the development of a Business Continuity Plan (BCP), designed to enable it to quickly resume operations in the event of an earthquake in Japan's Tokai region or other major natural disasters that could cause damage to its structures or facilities. Yamaha has formulated its "BCP Guidelines" as a fundamental Company-wide policy in this regard.

In April 2009, Yamaha established the BCP Strategy Committee, chaired by the President and Representative Director. With this step, the Company has begun developing its BCP policy among all operational sites and at Group companies, all while putting the necessary systems and countermeasures in place to respond to new flu strains and various other risks.

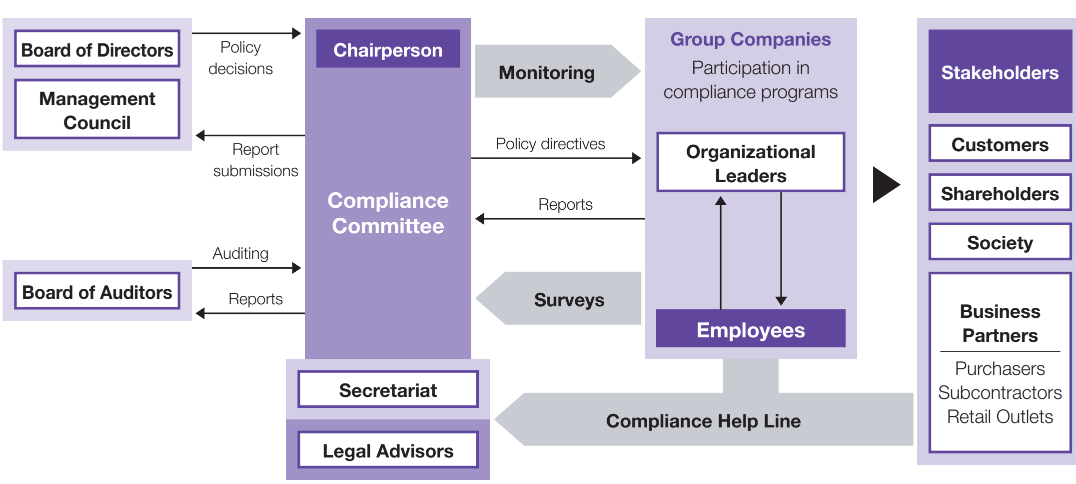
Promoting Compliance in Management

Yamaha began conducting compliance activities in Japan in 2003 with the establishment of a Compliance Committee and the formulation of the Compliance Code of Conduct*. Revisions were made to the Compliance Code of Conduct in fiscal 2007, including additions regarding the prohibition of forced and child labor, and other information essential for Group Companies with overseas business interests in order to contribute to the establishment of a structure suitable for global business development. In April 2008 Yamaha enhanced this structure to incorporate unified principles and guidelines for the entire Yamaha Group, including completion of codes of conduct that reflect the various local laws and regulations governing overseas Group companies.

Furthermore, in a bid to enhance compliance effectiveness, the Company has established a Compliance Help Line. The line received 51 consultation inquiries and reports during fiscal 2009, including some from overseas Group companies. In the six years since the program was launched, the Company has worked to respond to and resolve each of the 301 inquiries and reports that have been received.

* For details on the Compliance Code of Conduct please visit:
http://www.yamaha.co.jp/about/corporate/compliance/ (in Japanese only)

Compliance Management Structure



Corporate Philosophy and CSR

Yamaha's Corporate Philosophy

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.

Corporate Philosophy

YAMAHA

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.

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

Yamaha's Approach to CSR

Yamaha's CSR activities embody its corporate philosophy: an effort to create 'kando' and enrich culture. This mission entails a constant search to develop operations in a sustainable manner, drawing upon technologies and resources accumulated in the Company's core businesses to deepen communication with its diverse stakeholders.

For people, the experience of music can be a soothing, moving, and emotionally uplifting. As a company whose core operations are centered on "sound and music," Yamaha recognizes that the more its businesses develop, the more they can enrich the world, and thus the greater their contribution to society. Among Yamaha's advantages are technical expertise honed over more than 120 years of tradition, cutting-edge digital technologies, and abundant creativity and sensitivity with respect to sound and music, as well as an understanding of lifestyles and cultures found in regions across the world. Leveraging these strengths, Yamaha is assisting in the development of humanity's musical heritage and bringing enrichment to life by providing products and services that, at every turn, deliver satisfaction to anyone who enjoys music.

Alongside these efforts, Yamaha works to ensure proper returns to shareholders by maintaining sound business performance. At the same time, the Company strives to further understanding of its activities and to improve satisfaction among shareholders by disclosing management data as part of its proactive and consistent approach to communication.

For the people who work with the Yamaha Group, without whom the Group could not exist, Yamaha supports them in attaining a proper work-life balance, and has well-developed personnel, educational and training systems in place that give each person's individual talents and capacity the chance to be put to use, encourage growth, and enable the collective prosperity of the individuals and the Company.

The Group also promotes initiatives for the cultural and educational development of local communities, pursues the development and production of products that use natural resources more efficiently with lower environmental impact, and works to revitalize forests. Through these and other actions, the Group addresses social and environmental issues by emphasizing activities that are uniquely Yamaha.

Initiatives for Society

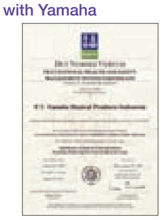
Donating musical instruments to nursing facilities using charity proceeds

Sharing the wonders of the sound and music with children

Supporting patients' musical activities

Initiatives for Those Who Work with Yamaha

Recognition for promoting gender equality initiatives



YMPI (Indonesia) the first Group company overseas to acquire OHSAS 18001 certification for its occupational health and safety management system

Initiatives for the Environment

Fourth year of "Yamaha Forest" reforestation activities in Indonesia

Installation of natural gas cogeneration system

Support for coastal forest revitalization activities

Initiatives for Customers

Universability testing to provide intuitive and easy-to-use products

Initiatives for Shareholders

Yamaha has been included in the FTSE4Good Global Index.

For more in-depth reporting on Yamaha's CSR activities, please visit "CSR/Environmental & Social Activities" on Yamaha's website: http://www.global.yamaha.com/about/csr/

Board of Directors, Corporate Auditors and Executive Officers

Board of Directors

President and Representative Director
Mitsuru Umemura
1975 Joined Nippon Gakki Co., Ltd.*1
2000 President of Yamaha Corporation of America
2001 Executive Officer of Yamaha Corporation
2003 Senior Executive Officer and General Manager of Musical Instruments Group of Yamaha Corporation
2006 Managing Director
2007 President and Representative Director (to present)

Director
Hiroo Okabe
1974 Joined Nippon Gakki Co., Ltd.*1
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, Musical Instruments Business Group (to present)

Director
Motoki Takahashi
1974 Joined Nippon Gakki Co., Ltd.*1
1999 President of Yamaha Europe GmbH
2001 Executive Officer of Yamaha Corporation
2006 General Manager of Corporate Planning Division of Yamaha Corporation
2007 Director and Executive Officer
2009 Director and Managing Executive Officer, Corporate Planning Group (to present)

Outside Director
President and Representative Director of Yamaha Motor Co., Ltd.
Takashi Kajikawa
1969 Joined Yamaha Motor Co., Ltd.
1997 Director*2
2001 Managing Director*2
2003 Senior Managing Director*2
2005 President and Representative Director*2
2007 President, Chief Executive Officer and Representative Director*2 (to present)
2008 Outside Director of Yamaha Corporation (to present)

Director
Yasushi Yahata
1978 Joined Nippon Gakki Co., Ltd.*1
2004 General Manager of Production Engineering Group
2005 Director
2007 Director and Executive Officer (to present)
2009 Productive Technology Business Group, Process Management Group, Golf HS Division (to present)

Director
Tsutomu Sasaki
1975 Joined Nippon Gakki Co., Ltd.*1
2002 General Manager of Purchasing & Logistics Division
2005 Executive Officer
2008 Director and Executive Officer, General Manager of General Administration Division (to present)
2009 Finance and Administration Group (to present)

Director
Masao Kondo
1978 Joined Nippon Gakki Co., Ltd.*1
2004 Department Manager of Toyooka Production Department, Pro Audio & Digital Musical Instruments Division
2005 President of Hangzhou Yamaha Musical Instruments Co., Ltd.
2007 General Manager of AV Products Division of Yamaha Corporation (to present)
2008 Executive Officer
2009 Director and Executive Officer, Sound and IT Business Group (to present)

Director
Yoshihiro Doi
1980 Joined Nippon Gakki Co., Ltd.*1
2000 President of Yamaha Canada Music Ltd.
2003 President of Yamaha Corporation of America
2006 Executive Officer of Yamaha Corporation
2007 General Manager of Domestic Sales & Marketing Division of Yamaha Corporation (to present)
2009 Director and Executive Officer, Musical Instruments & AV Products Marketing Group (to present)

Director
Takuya Nakata
1981 Joined Nippon Gakki Co., Ltd.*1
2005 General Manager of Pro Audio & Digital Musical Instruments Division (to present)
2006 Executive Officer
2009 Director and Executive Officer (to present)

Corporate Auditors

Full-Time Auditor
Tokihisa Makino
1968 Joined Nippon Gakki Co., Ltd.*1
2001 Executive Officer
2003 Director
2006 Adviser
2007 Full-Time Auditor (to present)

Full-Time Auditor
Hisashi Yabe
1974 Joined Nippon Gakki Co., Ltd.*1
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 Auditor (to present)

Outside Auditor (Attorney)
Kunio Miura
1979 Appointed as judge
1988 Retired from bench
Registered as Attorney (Osaka Bar Association)
1997 Established the Kawamoto & Miura Law Office (to present)
2003 Outside Auditor of Yamaha Corporation (to present)

Outside Auditor
Yasuharu Terai
1974 Joined Yamaha Motor Co., Ltd.
1999 Director*2
2001 Director of YEC Co., Ltd.*3
2005 President of Alpha Information Systems Co., Ltd.
2006 Outside Auditor of Yamaha Corporation (to present)
President of Yamaha Motor Solutions Co., Ltd.*4
2008 Adviser of Yamaha Motor Solutions Co., Ltd.
2009 Resigned as Adviser of Yamaha Motor Solutions Co., Ltd.

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

*1 Present Yamaha Corporation
*2 Yamaha Motor Co., Ltd.
*3 Present Yamaha Motor Engineering Co., Ltd.
*4 Changed name from Alpha Information Systems Co., Ltd.

Executive Officers

Hiroo Okabe
Managing Executive Officer, Musical Instruments Business Group

Tsutomu Sasaki
Executive Officer, Finance and Administration Group, General Manager of General Administration Division

Takuya Nakata
Executive Officer, General Manager of Pro Audio & Digital Musical Instruments Division

Takashi Onoda
Executive Officer, General Manager of Piano Division

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

Hirofumi Osawa
Executive Officer, President of Yamaha Corporation of America

Motoki Takahashi
Managing Executive Officer, Corporate Planning Group

Masao Kondo
Executive Officer, Sound and IT Business Group, General Manager of AV Products Division

Tatsumi Ohara
Executive Officer, General Manager of Sound Network Division

Masahito Kato
Executive Officer, General Manager of Corporate Planning Division

Masahito Hosoi
Executive Officer, General Manager of Human Resources Division

Masato Oike
Executive Officer, President of Yamaha Music Europe GmbH

Yasushi Yahata
Executive Officer, Productive Technology Business Group, Process Management Group, Golf HS Division

Yoshihiro Doi
Executive Officer, Musical Instruments & AV Products Marketing Group, General Manager of Domestic Sales & Marketing Division

Masaaki Koshiba
Executive Officer, President of Yamaha Music & Electronics (China) Co., Ltd.

Wataru Miki
Executive Officer, General Manager of Public Relations Division

Akira Iizuka
Executive Officer, General Manager of INFO-Sound Division

(As of July 1, 2009)

Eleven-Year Summary

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen			
	2009	2008	2007	2006
For the year:				
Net sales	**¥ 459,284**	¥ 548,754	¥ 550,361	¥ 534,084
Cost of sales	**290,381**	343,688	352,381	341,816
Gross profit	**168,902**	205,066	197,980	192,267
Selling, general and administrative expenses	**155,057**	172,220	170,295	168,132
Operating income (loss)	**13,845**	32,845	27,685	24,135
Income (loss) before income taxes and minority interests	**(12,159)**	62,510	33,101	35,842
Net income (loss)	**(20,615)**	39,558	27,866	28,123
Capital expenditures	**22,581**	24,394	25,152	22,882
Depreciation expenses	**17,912**	20,289	19,956	18,944
R&D expenses	**23,218**	24,865	24,220	24,055
Cash flows from operating activities	**(2,235)**	37,225	39,732	25,510
Cash flows from investing activities	**(25,999)**	41,999	(22,427)	(18,104)
Free cash flows	**(28,234)**	79,225	17,305	7,406
At year-end:				
Total assets	**¥ 408,974**	¥ 540,347	¥ 559,031	¥ 519,977
Total current assets	**202,097**	275,754	231,033	209,381
Total current liabilities	**90,050**	120,174	136,656	117,047
Interest-bearing liabilities	**19,192**	21,036	25,551	28,474
Net assets*	**251,841**	343,028	351,398	316,005

	Yen			
Per share:				
Net income (loss)	**¥ (103.73)**	¥ 191.76	¥ 135.19	¥ 136.04
Net assets*	**1,262.42**	1,646.44	1,680.91	1,532.62
Dividends**	**42.50**	50.00	22.50	20.00

	%			
Ratios:				
ROE (Return on equity)*	**(7.0)**	11.5	8.4	9.5
ROA (Return on assets)	**(4.3)**	7.2	5.2	5.5
Equity ratio*	**60.9**	62.9	62.0	60.8
Interest coverage (Times)	**26.74**	34.56	47.83	36.89
Current ratio	**224.4**	229.5	169.1	178.9
Dividend payout ratio	**–**	26.1	16.6	14.7

* Net assets, equity ratio and ROE (return on equity) were classified as shareholders' equity, shareholders' equity ratio and ROE (return on shareholders' equity), respectively, until the year ended March 31, 2006.
** The dividends per share for the year ended March 2008 and March 2009 include a ¥20 special dividend.

Millions of Yen						
2005	2004	2003	2002	2001	2000	1999
¥ 534,079	¥ 539,506	¥ 524,763	¥504,406	¥519,104	¥ 527,897	¥563,751
335,483	337,813	338,307	340,411	346,200	371,758	402,239
198,595	201,693	186,456	163,994	172,904	156,140	161,511
162,899	156,637	154,413	152,951	149,902	148,057	161,608
35,695	45,056	32,043	11,043	23,001	8,082	(97)
33,516	47,456	22,612	(5,784)	23,491	(47,601)	(6,532)
19,697	43,541	17,947	(10,274)	13,320	(40,777)	(15,879)
22,702	21,160	16,883	16,627	14,770	18,544	34,342
18,958	17,522	17,586	18,767	17,310	28,635	36,446
22,953	22,503	22,441	22,539	21,158	22,588	20,700
39,588	58,349	33,052	29,016	(9,089)	10,851	–
(12,896)	(18,775)	(21,645)	(10,437)	(5,441)	12,474	–
26,692	39,574	11,407	18,579	(14,530)	23,325	–

¥ 505,577	¥ 508,731	¥ 512,716	¥509,663	¥522,486	¥ 543,088	¥ 532,852
225,581	201,704	221,089	211,140	231,872	205,979	212,911
145,820	123,596	158,148	144,498	175,371	178,281	189,386
46,598	48,871	90,436	96,166	103,304	88,167	97,318
275,200	259,731	214,471	201,965	196,733	221,750	214,896

Yen						
¥ 95.06	¥ 210.63	¥ 86.65	¥ (49.75)	¥ 64.50	¥ (197.45)	¥ (76.89)
1,334.51	1,259.28	1,040.06	978.15	952.62	1,073.75	1,040.56
20.00	15.00	10.00	8.00	7.00	3.00	6.00

%						
7.4	18.4	8.6	(5.2)	6.4	(18.7)	(7.1)
3.9	8.5	3.5	(2.0)	2.5	(7.6)	(2.9)
54.4	51.1	41.8	39.6	37.7	40.8	40.3
44.62	36.51	19.97	5.07	8.82	4.46	1.26
154.7	163.2	139.8	146.1	132.2	115.5	112.4
21.0	7.1	11.5	–	10.9	–	–

Management's Discussion and Analysis

- Sales and earnings in fiscal 2009 declined year on year
  The Company posted its first net loss in seven business terms due to the decline in operating income, coupled with extraordinary losses accompanying business structural reforms
- The impact of a worsening economic climate and a strong yen pulled sales and earnings lower than the previous year in every segment
- The Company bought back and cancelled ¥18 billion of treasury stock
- The Company built a stronger management position from restructuring for enacting structural reforms and impairment measures for certain fixed assets and goodwill

Overview

Economic Environment

In fiscal 2009, ended March 31, 2009, the financial crisis triggered by the U.S. subprime loan problem spread to the broader global economy, leading to a worldwide economic slowdown that engulfed not only the United States, but also Europe and Japan. From the fall of the year, the collapse of a major financial institution sparked widespread financial instability, leading to a serious and simultaneous global recession that caused the emerging markets, which have driven global economic growth for some time, to lose momentum. Similarly, Japan saw corporate earnings deteriorate dramatically due to escalating crude oil and raw material prices in the first half of the year, and the yen's rapid and sharp appreciation in the second. Amid broader employment instability stemming from production cutbacks and mounting uncertainty, consumer spending ground nearly to a halt, resulting in grave economic conditions.

Business Environment for the Yamaha Group

Impacted by an adverse macroeconomic environment, in the second half of the year the Company witnessed an increasingly pronounced economic slowdown in its mainstay musical instruments, AV products, and other businesses where it interacts directly with customers, as slumping sales in the U.S. market gradually spread to Japan, Europe and emerging markets.

Businesses targeting the corporate sector, meanwhile, were affected by inventory adjustments accompanying weak sales of products such as automobiles, mobile phones and digital cameras. Accordingly, orders for automobile interior wood components for luxury cars, magnesium molded parts, sound generators for mobile phones, and other products fell sharply in the run up to the second half of the year.

Furthermore, earnings deterioration was brought about by high prices for raw materials in the first half of the year, especially for copper, nickel, steel, plastic and other materials used in the production of musical instruments, as well as the yen's fast and dramatic appreciation.

Business Performance Summary

Faced with a harsh business environment in fiscal 2009, Yamaha worked to develop high-value-added products and invested aggressively in growth business domains. In parallel, the Company strove to expand sales in the Chinese market and build a presence in emerging markets. Steps were also taken to boost earnings power by consolidating and shuttering production sites in Japan and overseas, and to enhance management efficiency by realigning sales subsidiaries in Europe. At the same time, the Company formed a Management Reform Committee to cope with the worse-than-expected global economic slowdown, sought to improve earnings power in the short term by cutting management costs, reviewing capital investments, reducing prices for materials and raw materials, and raising wholesale prices in response to foreign currency exchange rate fluctuations. In conjunction, Yamaha is reviewing and examining the future direction of each business, reassessing its structure from a medium- to long-term standpoint.

As a result of the foregoing, net sales for the year ended March 31, 2009 declined by 16.3% year on year to ¥459,284 million, with operating income down 57.8% to ¥13,845 million. The Company recorded a net loss for the year of ¥20,615 million, compared with net income of ¥39,558 million in the previous fiscal year, due to impairment losses related to fixed assets and goodwill, as well as business restructuring expenses posted as extraordinary losses.

Business Structure Reforms

Yamaha has formed a Management Reform Committee and is reviewing and examining the future direction of each business in an effort to reassess its business structure from a medium- to long-term standpoint.

In fiscal 2009, the Company booked ¥4,863 million in expenses related to structural reforms as extraordinary losses. In this context, and as a follow-up to the 2007 closure of its piano and wind instrument factories in the U.S., Yamaha made a decision to dissolve piano manufacturing subsidiaries in the United Kingdom and Taiwan. This decision will leave Yamaha with three piano manufacturing bases, with one each in Japan, China and Indonesia. In Japan, closure of the factories at the headquarters and integration with the factory in Kakegawa are scheduled for summer 2010. Elsewhere, the Company opted to withdraw from the business of magnesium molded parts for digital single-lens reflex cameras. Similarly, in lifestyle-related products, Yamaha has exited from the manufacture and sale of kerosene-fired water heaters, and is pursuing greater selectivity and focus in this business segment. In electronic devices, Yamaha has chosen to cancel further activities in the silicon microphone business, having deemed the prospects of profitability to be difficult at this time due to delays in the development of its long-awaited silicon microphone, as well as drops in sales prices brought on by intensifying competition.

In addition to structural reforms, Yamaha recognized impairments on certain fixed assets and goodwill and implemented other initiatives, with the aim of realizing early improvement of earnings power in each business. In the consolidated statements of operations, these actions resulted in the posting of extraordinary losses consisting of ¥15,323 million in impairment losses, and a loss on valuation of investments in capital of subsidiaries and affiliates of ¥3,301 million.

Going forward, Yamaha will continue to conduct Groupwide reviews and consideration of profit plans, particularly in unprofitable businesses, and press ahead with further structural reforms as required.

Analysis of Management Performance

Net Sales

Sales by Business Segment

Net sales in fiscal 2009 declined ¥89,469 million, or 16.3% year on year, to ¥459,284 million. Lower sales stemmed from transfer of the electronic metal products business and transfer of four recreation facilities in the recreation business enacted in fiscal 2008 (approx. ¥14.3 billion), as well as foreign currency effects (approx. ¥34.9 billion). In addition, sales fell in musical instruments and across all segments due to adverse economic conditions, with the most severe declines noted in the electronic devices and the others business segments.

Musical Instruments

Sales in fiscal 2009 decreased by ¥33,390 million, or 9.8%, to ¥306,630 million. Excluding declines resulting from foreign currency effects (approx. ¥27.6 billion), sales (including approx. ¥5.1 billion from new consolidations) on a real basis declined by roughly ¥5.8 billon year on year, or 1.7%.

By product, piano sales declined year on year with sales growth in China unable to fully compensate for lower demand in the U.S. and Japanese markets. Sales volume for pianos worldwide declined by roughly 1,100 units from the previous year to around 94,200 units. While sales of medium-priced and premium pianos made in Japan declined, sales of affordable-price-range pianos made in China increased, accelerating the decline in unit sales prices. In digital musical instruments, sales were lower, most notably in the North American market. In wind instruments, sales were lackluster overall, but in string and percussion instruments, acoustic guitars recorded firm sales. Growth in electric acoustic guitars was especially strong, particularly in the United States. The same was true for electronic drums, where sales increased in the North American market. Sales of professional audio equipment, most notably digital mixers for which growth had been anticipated, ended flat for the year due to worsening economic conditions. Sales in the music entertainment business were favorable, reflecting healthy performance in the musical entertainment media business, including CDs, as well as the musical publications field.

By region, and on a local currency basis, sales in Japan were lower year on year. In North America, adverse economic conditions caused sales to decline significantly from the previous fiscal year. In contrast, sales in Europe were on a par with the previous year, reflecting sales benefits from new digital musical instruments. In other regions, sales grew as growth undertones continued to emerge in Latin America. In China, piano production at Hangzhou Yamaha Musical Instruments Co., Ltd. (Hangzhou Yamaha) increased as this market maintained double-digit year-on-year growth.

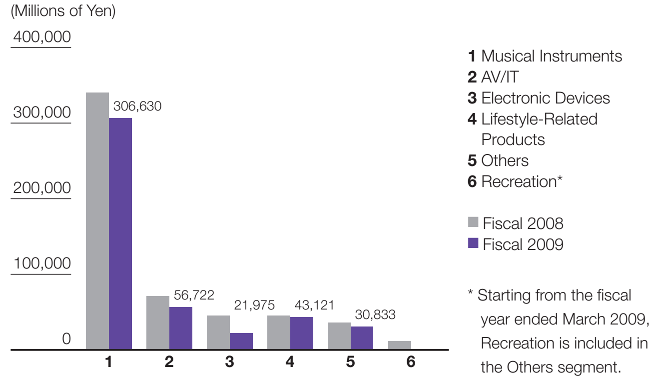
AV/IT

Sales in fiscal 2009 declined ¥14,091 million, or 19.9% year on year, to ¥56,722 million. In AV products, sales of AV receivers and home theater products struggled in the key markets of North America and Europe, reflecting the impact of the global economic slowdown. In front surround system products, shipments of the YRS-1000, Digital Sound Projector™ YSP series TV stands with built-in subwoofers, held firm in the Japanese market, while sales in the European and U.S. markets declined. Sales of routers and commercial online karaoke equipment produced on an OEM basis were also lower compared to the previous year. Delays in sales channel development, meanwhile, led to sluggish sales of conferencing systems.

Electronic Devices

In fiscal 2009, sales decreased by ¥23,024 million, or 51.2% year on year, to ¥21,975 million. Sales in the semiconductor business alone, excluding the impact of transfer of the electronic metal products business in the previous fiscal year (approx. ¥9.2 billion), declined by roughly ¥13.9 billion, or 38.7%. In semiconductors, sales of sound generators for mobile phones fell sharply, reflecting lower sales volumes for mobile phones in the Japanese market, and the ongoing shift to sound-generation software for mobile phones in overseas markets. Shipments of audio and graphic controllers used in amusement equipment were also lower year on year, hit hard by deteriorating market conditions. Sales of digital amplifiers used in flat-panel TVs and mobile phones ended the year flat, as development delays prevented expansion in shipment targets. Yamaha opted to withdraw from full-scale entry into the silicon microphone business, new devices that were expected to replace sound generators for mobile phones, after determining that it would be difficult to secure earnings given falling unit sales prices stemming from increased competition.

Sales by Business Segment
(Millions of Yen)



* Starting from the fiscal year ended March 2009, Recreation is included in the Others segment.

Lifestyle-Related Products

Sales in fiscal 2009 decreased by ¥2,398 million, or 5.3% year on year, to ¥43,121 million. Sales of system kitchens and system bathrooms were on a growth trajectory around mid-year. This was caused by an increase in demand for new housing starts owing to the tax incentive scheme for housing loans effective before the end of December 2008, which followed a lessening of the drop in new housing starts due to enforcement of Japan's revised Building Standards Law in June 2007. Sales fell from the start of 2009, however, with the expiration of the incentive scheme, causing the number of new housing starts to tumble dramatically compared to the same period a year earlier. In this context, the company took steps to strengthen the remodeling business, continuing its drive to enhance convenience by creating and relocating showrooms, sponsor events, and develop sales channels. Despite these efforts, however the percentage of segment sales accounted for by remodeling remained largely unchanged year on year, at 21%.

Others

Sales in fiscal 2009 fell ¥16,564 million, or 34.9% year on year, to ¥30,833 million. Excluding lower sales from the transfer of four recreation facilities in the previous fiscal year (approx. ¥5.1 billion), sales declined by approximately ¥11.5 billion, or 27.1%. Sales of golf products were up year on year on brisk sales in Japan during the first half of the year. Sales were substantially lower, however, for automobile interior wood components for luxury cars and magnesium molded parts for single-lens reflex digital cameras. Similarly, sales in the factory automation (FA) business declined year on year due to erosion in corporate capital investments caused by the weak economic conditions. Furthermore, the Company has chosen to withdraw from the magnesium molded parts business by fiscal 2010 in order to fulfill existing orders from manufacturers.

Sales by Region

In fiscal 2009, sales in Japan declined ¥41,770 million, or 15.1%, to ¥234,844 million. This outcome reflected lower sales both at the four recreation facilities and in electronic metal products due to the transfer of businesses, as well as across all business segments. Declines were particularly severe in semiconductors, automobile interior wood components for luxury cars, and magnesium molded parts.

Outside of Japan, sales decreased by ¥47,698 million, or 17.5% year on year, to ¥224,440 million. Along with declines due to a strong yen, sales of musical instruments, AV products and other products were lower on a real basis compared to the previous year due to the impact of the worldwide recession. Sales in overseas markets accounted for 48.9% of net sales, edging down 0.7 of a percentage point from the 49.6% noted a year ago.

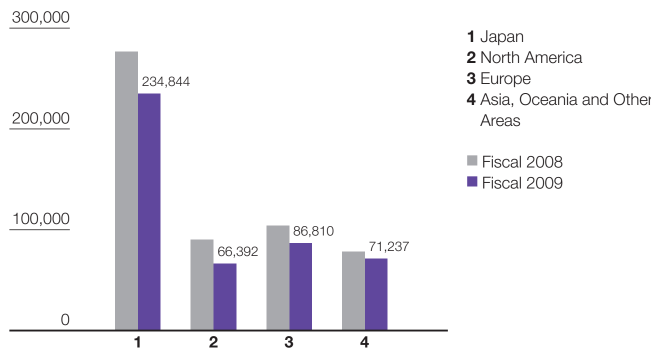
By region, sales in North America decreased by ¥23,511 million, or 26.2% year on year, to ¥66,392 million. Sales of products such as pianos, portable keyboards and AV products declined due to foreign currency effects from the yen's appreciation and the economic slowdown. Excluding foreign currency effects, sales in North America declined approximately ¥13.7 billion, or 15.2%, from the previous year.

In Europe, sales declined ¥17,304 million, or 16.6%, to ¥86,810 million. This figure was the result of lower sales due to a weak euro and decreased sales of AV products year on year. In contrast, including sales from new consolidations (roughly ¥1.5 billion), sales of musical instruments were virtually unchanged from the previous year. Excluding foreign currency effects, real sales in Europe were down roughly ¥4.1 billion, or 3.9%.

Sales in Asia, Oceania and other areas decreased by ¥6,883 million, or 8.8% year on year, to ¥71,237 million. Sales in the musical instruments business continued to grow, notably in Latin America. Double-digit sales growth also continued in China, particularly in the musical instruments business, with increased piano production by Hangzhou Yamaha contributing to improved sales. In contrast, sales in South Korea, formerly a sales leader in Asia, declined in step with a weaker won. Overall, real sales (sales excluding foreign currency effects) increased by around ¥5.0 billion, or 6.3% year on year.

Sales by Region

(Millions of Yen)



Cost of Sales and Selling, General and Administrative Expenses

The cost of sales in fiscal 2009 decreased by ¥53,304 million, or 15.5% compared to the previous fiscal year, to ¥290,381 million. The cost of sales rose due to increases in the price of raw materials (approx. ¥3.1 billion). However, in addition to lower sales, the yen's appreciation, as well as the transfer of the electronic metal products business and four recreation facilities resulted in a reduction in costs. The cost of sales ratio rose by 0.6 of a point compared to the previous fiscal year, from 62.6% to 63.2%.

Consequently, gross profit decreased by ¥36,163 million, or 17.6% year on year, to ¥168,902 million. The gross profit ratio declined by 0.6 of a point compared to the previous fiscal year, from 37.4% to 36.8%.

Selling, general and administrative (SG&A) expenses decreased by ¥17,163 million, or 10.0% from the previous fiscal year, to ¥155,057 million. Advertising expenses and sales promotion expenses declined by ¥6,178 million, or 21.3% from ¥29,033 million in the previous year, to ¥22,855 million. Personnel expenses decreased by ¥4,341 million, or 6.4% from ¥67,487 million, to ¥63,145 million. Transport expenses also decreased by ¥1,275 million, or 7.3% from ¥17,359 million in the previous year, to ¥16,083 million. The ratio of SG&A expenses to net sales recorded an increase of 2.4 points year on year, rising to 33.8%. Excluding foreign currency effects from a strong yen, selling, general and administrative expenses on a real basis decreased by about ¥9.7 billion compared to the previous year. If effects from the transfer of the electronic metal products business and four recreation facilities (approx. ¥5.3 billion) and new consolidations (approx. ¥3.4 billion) are considered, selling, general and administrative expenses actually decreased by ¥7.8 billion, or 4.5%.

Operating Income

Operating income for fiscal 2009 decreased by ¥18,999 million, or 57.8% year on year, to ¥13,845 million. Excluding roughly ¥6.9 billion of this decline due to foreign currency effects from a strong yen, operating income decreased by around ¥12.1 billion, or 37.0%. Key factors in this decline included lower profits from decreased production, higher prices for raw materials (approx. ¥3.1 billion), amortization of shortfall in retirement benefits provision (approx. ¥2.1 billion), and amortization of goodwill. These factors outweighed major cost reductions, upward revisions in wholesale prices, and other efforts taken by Yamaha to shore up income.

Operating Income (Loss) by Business Segment

By segment, operating income in the musical instruments segment in fiscal 2009 was ¥19,198 million, ¥8,726 million, or 31.3%, lower than the fiscal 2008 figure of ¥27,924 million. In addition to decreased sales year on year stemming from the economic slowdown, the gross profit ratio declined from foreign currency effects accompanying a strong yen and increased costs due to higher prices for raw materials, among other factors.

The AV/IT segment recorded an operating loss of ¥410 million, a decline of ¥2,249 million from operating income of ¥1,839 million in the previous year. This outcome resulted from a decrease in sales of AV products, centered on the European and U.S. markets, due to the effects of global economic weakness.

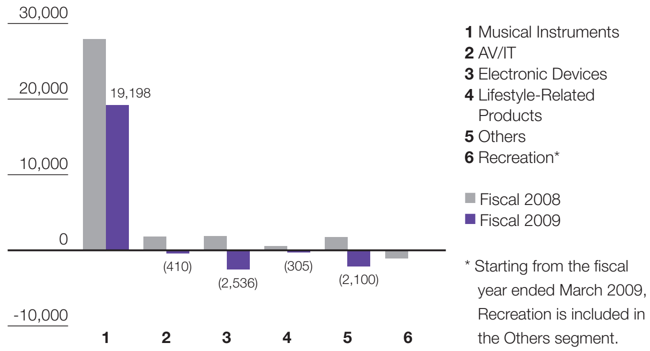
Similarly, the electronic devices segment posted an operating loss of ¥2,536 million, a decline of ¥4,400 million from operating income of ¥1,863 million in the previous year. Income fell as sales continued to decline in this segment due to the ongoing shift to sound-generation software over sound generator devices for mobile phones, coupled with lower sales volumes for mobile phones in the Japanese market.

The lifestyle-related products segment also recorded an operating loss of ¥305 million, down ¥894 million from ¥588 million in operating income in the previous year. The loss was mainly the result of decreased sales and a higher cost of sales due to higher prices for raw materials.

The others segment also posted an operating loss of ¥2,100 million, down ¥2,729 million from operating income of ¥628 million a year earlier. While profitability initially improved on the transfer of four recreation facilities in the previous year, income from automobile interior wood components for luxury cars and magnesium molded parts decreased on sharply lower sales.

Operating Income (Loss) by Business Segment

(Millions of Yen)



* Starting from the fiscal year ended March 2009, Recreation is included in the Others segment.

Operating Income (Loss) by Region

By region, in fiscal 2009, the Company recorded an operating loss of ¥1,647 million for Japan, representing a year-on-year decrease of ¥16,218 million. In addition to foreign currency losses due to a strong yen, income fell on lower sales in semiconductors, lifestyle-related products, and others business.

In North America, operating income declined by ¥3,030 million year on year to ¥1,863 million, primarily due to substantially lower sales of musical instruments and AV products.

In Europe, decreased sales of AV products caused operating income to decline by ¥646 million to ¥5,160 million.

In Asia, Oceania and other areas, operating income declined by ¥162 million year on year to ¥7,796 million.

Non-Operating Income and Expenses

In fiscal 2009, non-operating income decreased by ¥2,336 million, or 37.7% year on year, from ¥6,192 million to ¥3,856 million. Of this amount, interest and dividend income decreased by ¥1,323 million, or 33.7%, to ¥2,601 million, compared to ¥3,925 million the previous fiscal year. Other non-operating income decreased by ¥866 million, or 40.9% year on year, from ¥2,120 million to ¥1,254 million.

Non-operating expenses decreased by ¥731 million, or 11.3% year on year, from ¥6,453 million to ¥5,722 million. Of this amount, interest expenses decreased by ¥453 million, or 42.4% year on year, from ¥1,068 million to ¥615 million. Sales discounts due to early payment declined from ¥4,105 million to ¥3,416 million, a decrease of ¥688 million, or 16.8%, in year-on-year terms. Other non-operating expenses rose from ¥1,278 million to ¥1,690 million, an increase of ¥411 million, or 32.2%.

Extraordinary Income and Losses

Extraordinary income for fiscal 2009 was ¥793 million, down ¥31,932 million, or 97.6%, from ¥32,725 million the previous fiscal year. This primarily reflects the absence of ¥29,756 million posted as gain on sales of investments in subsidiaries and affiliates from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd. in the previous year. Gain on sales of property, plant and equipment decreased by ¥1,371 million from ¥1,656 million in the previous year, to ¥284 million. Similarly, gain on sales of investment securities decreased by ¥758 million year on year from ¥763 million, to ¥5 million. The Company also posted ¥231 million as a gain on liquidation of subsidiaries due to the sale of assets of subsidiaries targeted for liquidation.

Extraordinary losses were up ¥22,133 million year on year to ¥24,932 million, compared to ¥2,799 million in the previous year. This mainly resulted from business restructuring expenses (¥4,863 million), a loss on impairment of fixed assets (¥15,323 million), and a loss on valuation of investments in capital of subsidiaries and affiliates (¥3,301 million). The impairment loss consisted largely of ¥5,559 million for the impairment of fixed assets related to the semiconductor business, as well as charges related to the impairment of fixed assets in the recreation business (¥3,918 million), and the amortization of goodwill (¥5,665 million). Business restructuring expenses are estimated based primarily on expenses related to the dissolution of piano manufacturing subsidiaries in the U.K. and Taiwan (¥1,663 million), the realignment of distribution centers in Europe (¥1,660 million), the Company's withdrawal from the magnesium molded parts business (¥808 million), and cancellation of further activities in the semiconductor silicon microphone business (¥439 million), all of which were booked as extraordinary losses. The Company also posted a loss on valuation of investments in capital of subsidiaries and affiliates of ¥3,301 million related to investments in unconsolidated subsidiaries.

Income Before Income Taxes and Minority Interests

In fiscal 2009, the Company posted a loss before income taxes and minority interests of ¥12,159 million, a decrease of ¥74,670 million from pre-tax income of ¥62,510 million in the previous year. This outcome was attributable to a decline in operating income, coupled with sharply higher extraordinary losses. The ratio of loss before income taxes and minority interests to net sales fell from 11.4% to negative 2.6%, a year-on-year decrease of 14.0 points.

Current Income Taxes and Deferred Income Taxes

Current, deferred income taxes, inhabitants' taxes and enterprise tax declined by ¥13,548 million, or 60.9% on a year-on-year basis, to ¥8,714 million, compared to ¥22,263 million in the previous year.

Minority Interests in Income

Minority interests in income in fiscal 2009 ended in a loss of ¥258 million, a decrease of ¥947 million compared to a positive ¥689 million recorded in the previous year.

Net Income

As a result of the foregoing, the Company recorded a net loss for the year ended March 31, 2009 of ¥20,615 million, a decline of ¥60,173 million from net income of ¥39,558 million in the previous year. The ratio of net income to net sales fell 11.7 points to negative 4.5%, down from 7.2% in the previous year. The net loss per share equaled ¥103.73, compared with net income per share of ¥191.76 in fiscal 2008.

Fluctuation in Foreign Exchange Rates and Risk Hedging

Yamaha conducts business operations on a global scale centered 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 bear out the fact that various currencies, among them the U.S. dollar, the euro, the Australian dollar, the Canadian dollar, and the British pound, are impacted by foreign currency effects stemming from risks associated with currency translation and transactions denominated in those currencies. Of these risks, currency translation risks only materialize when consolidated subsidiaries translate their financial statements for a specified period or on a specified date into Japanese yen. Transaction-related risks materialize when earnings and expenses and/or assets and liabilities are denominated in different currencies. For this reason, the Company has risk hedges in place for transaction-related risks only. Specifically, U.S.-dollar-related currency fluctuation risks are hedged by marrying risk associated with dollar receipts from sales of exports with risk associated with dollar payments for imported products. The Company hedges the value of risks associated with the euro and the Australian and Canadian 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 2009, the yen rose by ¥13 against the U.S. dollar compared with the previous year, to ¥100 per U.S.$1. The year-on-year effect of this change was a decrease of approximately ¥10.9 billion in sales at overseas consolidated subsidiaries. The yen appreciated by ¥17 against the euro year on year for an average exchange rate of ¥144 to €1, resulting in a decrease of roughly ¥8.4 billion in sales. Overall, the net effect on sales of foreign exchange rate movements, including the downward effect of approximately ¥15.6 billion in fluctuations of the yen against such other currencies as the Australian and Canadian dollars, was a substantial decline of around ¥34.9 billion compared with fiscal 2008.

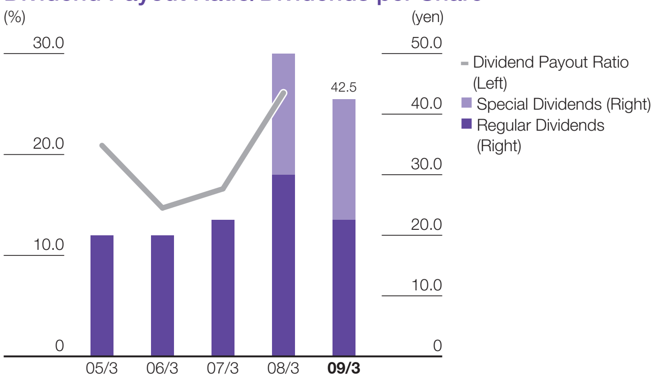
In operating income, for the U.S. dollar, benefits from the aforementioned marriage of risks related to the currency enabled the Company to largely hedge the effects of currency exchange rates stemming from fluctuations in settlement rates. The translation of operating income figures by overseas subsidiaries, however, caused income to decline by approximately ¥0.4 billion. The average settlement rate against the euro was ¥153 to €1, an appreciation of just ¥5, due in part to forward buying contracts. However, operating income decreased by around ¥1.7 billion, due primarily to exchange rate fluctuations. Including the approximate ¥4.7 billion effect of currencies other than the U.S. dollar and the euro, the net effect on operating income of exchange rate movements was a decline of roughly ¥6.9 billion compared with the previous fiscal year.

Dividends

Total dividends per share in fiscal 2009 amounted to ¥42.5. This figure included a special dividend of ¥20, with a regular dividend per share of ¥22.5, down ¥7.5 compared to the previous year due to worsening business performance.

The special dividend is from the sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd., for which Yamaha has decided to issue dividends of ¥20 per share for the three years from fiscal 2008 to fiscal 2010.

Dividend Payout Ratio/Dividends per Share



Acquisition and Cancellation of Treasury Stock

In fiscal 2009, the Company used proceeds from the abovementioned sale of a portion of its equity holdings in Yamaha Motor Co., Ltd. to purchase 9,033,800 of its own shares (4.4% of its issued shares), and cancelled 9,269,601 shares of treasury stock (4.5% of its issued shares) during the year.

Analysis of Financial Position

Financing Policy

The Yamaha Group finances its capital needs with respect to working capital used for business activities and 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 estimates that present liquidity in hand is equivalent to approximately one month of consolidated net sales, a figure covered by the ¥41,373 million in cash and cash equivalents recorded as of March 31, 2009. However, to ensure fund availability over the medium term, Yamaha has established commitment lines with financial institutions with a total value of ¥20.0 billion.

In principle, each subsidiary is responsible for meeting its own requirements with respect to fund procurement. However, Yamaha Corporation, when necessary, takes part in bank negotiations on the 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)	AA- (stable)

Assets

Total assets at March 31, 2009 amounted to ¥408,974 million, a decrease of ¥131,372 million, or 24.3%, from ¥540,347 million at the end of the previous fiscal year. Of these, current assets decreased by ¥73,656 million, or 26.7% year on year, from ¥275,754 million to ¥202,097 million. Net property, plant and equipment, and investments and other assets together totaled ¥206,876 million, down ¥57,715 million, or 21.8%, from the previous year-end figure of ¥264,592 million.

Current Assets

Current assets at March 31, 2009 totaled ¥202,097 million, down ¥73,656 million, or 26.7%, from the end of the previous fiscal year. Key factors included decreases in cash and deposits and short-term investment securities (including negotiable deposits) resulting largely from the payment of income taxes, share-buyback, payment of dividends and the acquisition of companies, and decrease in notes and accounts receivable.

Cash and deposits declined ¥32,246 million, or 43.8% year on year, to ¥41,373 million. Notes and accounts receivable (after allowance for doubtful accounts) declined by ¥14,590 million, or 22.4%, to ¥50,536 million. Short-term investment securities amounted to ¥1,280 million, down ¥29,919 million, or 95.9%, due to a decrease in negotiable deposits. Inventories amounted to ¥80,694 million, a year-on-year increase of ¥4,390 million or 5.8%. This figure includes a decrease in inventory of roughly ¥6.1 billion due to currency translation effects. Excluding this factor, the increase in inventory on a real basis was roughly ¥10.5 billion, or 13.8%. Lower sales of musical instruments and semiconductors led to the increase in inventory. Inventory in other segments was at close to appropriate levels. Deferred tax assets declined by ¥6,736 million, or 38.2%, to ¥10,905 million. Other current assets rose by ¥5,446 million, or 45.9%, to ¥17,307 million. The current ratio at the fiscal 2009 year-end was 224%, virtually on a par with the figure of 229% from a year earlier, sustaining liquidity at a high level during fiscal 2009.

Net Property, Plant and Equipment

Net property, plant and equipment as of March 31, 2009 was ¥127,613 million, down ¥11,962 million or 8.6% compared to the end of the previous fiscal year. The primary contributor was impairment measures largely targeting land and manufacturing facilities.

Construction in progress presently consists mainly of the Company's Ginza Building under reconstruction, Kakegawa piano factory, where plans to consolidate piano factories in Japan are to be completed in the summer of 2010, and the piano factory in Hangzhou, China to expand floor space.

Investments and Other Assets

Investments and other assets excluding intangible assets as of March 31, 2009 amounted to ¥75,667 million, a year-on-year decrease of ¥46,877 million or 38.3%. This primarily reflects a decrease in investment securities compared with the previous fiscal year.

Investment securities decreased by ¥52,812 million, or 48.0% year on year, to ¥57,131 million. This was primarily due to a decrease in the value of Yamaha Motor Co., Ltd. stock and other listed stocks held. Deferred tax assets increased ¥7,501 million to ¥9,566 million.

Intangible assets as of March 31, 2009 increased by ¥1,125 million, or 45.5% year on year, to ¥3,596 million.

Goodwill was ¥306 million, down ¥998 million, or 76.5%, from ¥1,304 million at the previous fiscal year-end. Other intangible assets, however, increased ¥2,123 million from ¥1,166 million a year earlier, to ¥3,290 million. The increase in other intangible assets resulted from the posting as intangible assets of land usage rights of certain subsidiaries, reported as "land" until the end of previous fiscal year, accompanying the application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements."

Liabilities

Total liabilities as of March 31, 2009 amounted to ¥157,133 million, a decrease of ¥40,184 million, or 20.4%, from the previous year-end figure of ¥197,318 million. Current liabilities decreased by ¥30,124 million, or 25.1%, to ¥90,050 million. Noncurrent liabilities decreased by ¥10,060 million, or 13.0% to ¥67,083 million.

Current Liabilities

Current liabilities as of March 31, 2009 were ¥90,050 million, a decrease of ¥30,124 million, or 25.1%, compared to the figure at the end of the previous fiscal year. Major contributors to this decrease were declines in notes and accounts payable and accrued expenses and income taxes payable.

Notes and accounts payable were ¥25,625 million, ¥9,391 million, or 26.8%, less than at the end of the previous fiscal year. Short-term loans payable and the current portion of long-term loans payable decreased by ¥3,191 million to ¥15,700 million, down 16.9% compared to the end of fiscal 2008. Total accrued expenses amounted to ¥34,012 million, down by ¥7,430 million, or 17.9% year on year. Due to the payment of corporation tax, income taxes payable totaled ¥2,090 million, a decrease of ¥12,826 million, or 86.0%, from the previous year. The Company also posted ¥3,161 million as a provision for charges related to the closure of piano factories in the U.K. and Taiwan.

Noncurrent Liabilities

Noncurrent liabilities as of March 31, 2009 amounted to ¥67,083 million, down ¥10,060 million, or 13.0%, compared to the end of the previous fiscal year, primarily due to a decrease in noncurrent deferred tax liabilities accompanying the lower market valuation of investment securities.

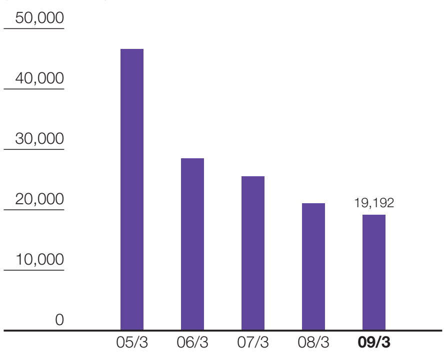
Long-term loans payable rose ¥1,345 million to ¥3,491 million, representing a year-on-year increase of 62.7%. Noncurrent deferred tax liabilities declined by ¥13,872 million, or 99.1%, to ¥126 million. Similarly, long-term deposits received decreased by ¥316 million, or 1.9%, to ¥16,723 million following the refund of resort membership deposits in the recreation business.

Net Interest-Bearing Liabilities

In terms of interest-bearing liabilities as of March 31, 2009, short-term loans payable and long-term loans payable totaled ¥19,192 million. Cash and deposits were ¥41,373 million, resulting in cash and cash equivalents, less the net of short-term and long-term loans of ¥22,180 million. This figure represents a decrease of ¥60,801 million, or 73.3%, from ¥82,982 million (including negotiable deposits recorded under short-term investment securities on the consolidated balance sheets) at the previous fiscal year-end. This outcome largely resulted from the payment of income tax and other tax payments, a share-buyback, the payment of dividends, and payments for the acquisition of companies to stimulate future business growth.

Interest-Bearing Liabilities

(Millions of Yen)



Net Assets

Net assets as of March 31, 2009 totaled ¥251,841 million, a decrease of ¥91,187 million, or 26.6%, compared to the figure of ¥343,028 million at the end of fiscal 2008. Retained earnings declined by ¥52,567 million, or 22.9%, to ¥176,739 million, reflecting, in addition to the net loss of ¥20,615 million, ¥10,581 million in dividend payments, and ¥18,328 million for the purchase and cancellation of treasury stock. The valuation difference on available-for-sale securities fell by ¥29,128 million to ¥19,817 million, representing a decrease of 59.5%. This was due to a decrease brought about by market valuation of shares held in Yamaha Motor Co., Ltd. and other listed companies.

Appreciation of the yen resulted in a year-on-year decrease in foreign currency translation adjustments of ¥12,555 million, amounting to ¥34,495 million. The equity ratio was 60.9% at March 31, 2009, a decrease of 2.0 percentage points from 62.9% at the previous year-end.

Return on equity (ROE) was negative 7.0%.

Cash Flows

Net cash used in operating activities in fiscal 2009 was ¥2,235 million, in contrast to net cash of ¥37,225 million provided in the previous year. In addition to sharply lower earnings, this was due mainly to an increase in income tax and other tax payments.

Net cash used in investing activities was ¥25,999 million. In fiscal 2008, the Company recorded a gain of ¥67,778 million as a result of the sale of investments in subsidiaries and affiliates, including the sale of a portion of Yamaha's equity holdings in Yamaha Motor Co., Ltd., which that year resulted in net cash provided of ¥41,999 million. In fiscal 2009, however, in addition to the purchase of property, plant and equipment, the Company purchased French sound reinforcement loudspeaker manufacturer NEXO S.A. during the year under review.

Net cash used in financing activities totaled ¥31,041 million, representing an increase of ¥11,726 million from the fiscal 2008 figure of ¥19,314 million. This primarily reflected the share-buyback and cash dividends paid.

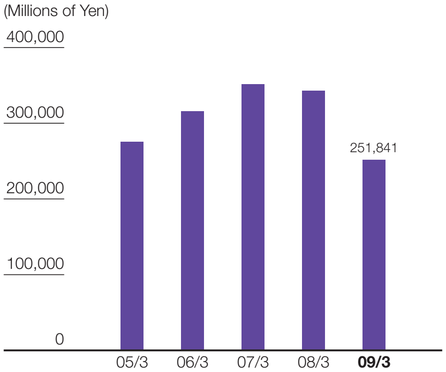
As a result of the above, the fiscal 2009 year-end balance of cash and cash equivalents amounted to ¥41,223 million, including the net effect of exchange rate fluctuations and changes in the scope of consolidation, representing a year-on-year decrease of ¥62,147 million.

Capital Expenditures and Depreciation Expenses

Capital expenditures in fiscal 2009 declined to ¥22,581 million from ¥24,394 million, a decrease of ¥1,813 million, or 7.4% year on year. This outcome primarily reflects a review of investments, including the postponement or cancellation of non-urgent investments, taken as part of measures to improve business performance in the second half of the year. Of this total, the musical instruments segment posted a year-on-year decrease of ¥1,679 million, to ¥14,793 million from ¥16,472 million in fiscal 2008. This reflects investment in molds for new products, investments to increase piano production capacity at Hangzhou Yamaha, the consolidation of piano manufacturing bases in Japan at the Company's factory in Kakegawa, investment for the building of an employee dormitory, and the reconstruction of the Ginza Building.

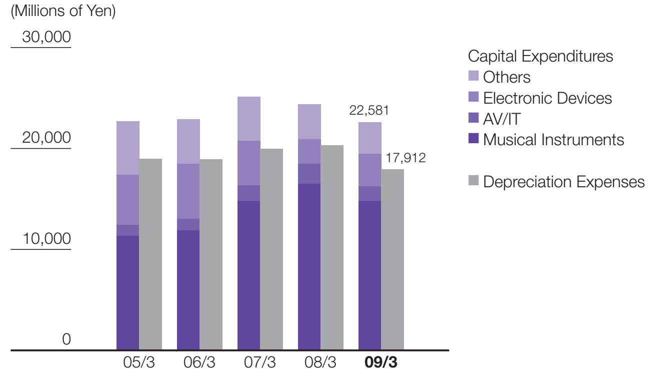
Net Assets

(Millions of Yen)



Capital Expenditures/Depreciation Expenses

(Millions of Yen)



Capital expenditures in the electronic devices segment were ¥3,247 million, up ¥812 million from ¥2,435 million in the previous fiscal year. This increase reflected investment for the upgrade and refurbishment of Yamaha Kagoshima Semiconductor Inc. In the lifestyle-related products segment, capital expenditures were ¥1,006 million, an increase of ¥359 million from ¥647 million in the previous year, due mainly to investment in showrooms.

Total depreciation and amortization expenses amounted to ¥17,912 million, decreasing by ¥2,377 million, or 11.7%, from the fiscal 2008 figure of ¥20,289 million.

R&D Expenses

R&D expenses in fiscal 2009 decreased by ¥1,647 million, or 6.6% year on year, to ¥23,218 million. The ratio of R&D expenses to net sales was 0.6 points higher than in fiscal 2008, rising from 4.5% to 5.1%.

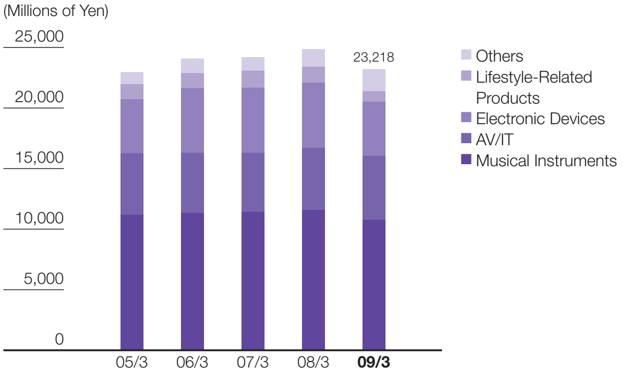
Most of this spending was directed at product development in digital musical instruments, and in the AV/IT and semiconductor businesses. Specifically, the spending supported research and product development of hybrid pianos that blend acoustic and digital technologies, as laid out in Yamaha's Total Piano Strategy; development of digital products leveraging digital network technology; and development of high-value-added semiconductors that integrate MEMS* technology with analog and digital technologies.

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

* Micro Electro Mechanical Systems (MEMS) are devices in which components such as sensors, actuators and electronic circuitry are integrated on a single silicon substrata. Specific examples include silicon microphones, sensors, etc.

R&D Expenses

(Millions of Yen)



Forecast for Fiscal Year 2010

Performance Forecasts

The yen is expected to remain strong in the year ending March 31, 2010, and the operating environment surrounding Yamaha's businesses will remain as uncertain as the previous year. In this climate, sales are projected to struggle in the first half of the year due to the economic slowdown. However, the economy is likely to mount a recovery in the second half of the year with inventory adjustments having run their course. Prices for raw materials should also trend gradually lower.

Business forecasts for fiscal 2010 assume exchange rates for the full year of ¥95 per U.S.$1, ¥120 per €1, ¥60 per AUD1, ¥75 per CAD1, and U.S.$6.80 per CNY1. Net sales are expected to decline year on year due to the effects of the global economic slowdown and the yen's appreciation. A similar decline is likely for operating income where, in addition to the yen's appreciation, income will be impacted by negative factors that include lower sales volumes and decreased production stemming from inventory adjustments. These factors are expected to outweigh Groupwide cost reductions and efforts to raise wholesale prices, particularly for musical instruments, as well as benefits gained from lower prices for raw materials and structural reforms enacted in the previous year. In contrast, the Company is projecting net income for the year, reflecting extraordinary losses taken in the previous year.

Capital Expenditure Forecast

Management is projecting total capital expenditures of ¥18,300 million in fiscal 2010, down ¥4,281 million, or 19.0%, from the fiscal 2009 figure of ¥22, 581 million, as the Company further restricts investments in a deteriorating economic climate.

Major items contributing to capital spending will be regular investment in molds for production of new products, investment for facility upgrade and refurbishment, investment related to sales and marketing, R&D investment, and rationalization-related expenses, as well as investment for the consolidation of piano factories in Japan, investment for increased piano production in China, and investment for reconstruction of the Ginza Building.

Depreciation and amortization expenses are forecast to decrease by ¥2,712 million in fiscal 2010 to ¥15,200 million, compared with ¥17,912 million in fiscal 2009.

Profit Distribution Policy (Dividend Forecast)

Prefaced on the aim of boosting consolidated return on equity (ROE), Yamaha's basic policy is to distribute profits in line with consolidated performance, while, based on prospective levels of medium-term consolidated earnings, also setting aside an appropriate amount of retained earnings to strengthen the Company's management position through investments in R&D and capital expenditure to drive corporate growth. Specifically, Yamaha will endeavor to sustain consistent and stable dividend payments and has set a goal of 40% for its consolidated dividend payout ratio. Based on this policy, Yamaha plans to pay a total dividend of ¥30 per share for the full fiscal year of 2010, including interim dividend payments of ¥15 per share. The ¥30 comprises a regular dividend per share of ¥10, as well as a special dividend of ¥20 from the past sale of a portion of the Company's equity holdings in Yamaha Motor Co., Ltd.

Risk Factors

Among the risks stated in this annual report, the following are those risks deemed to have a potentially critical impact on investment decisions. 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 operates its business activities globally and therefore is subject to the influence of economic conditions in Japan and other countries. Recessions in world markets and accompanying declines in demand may have an adverse effect on the Group's business results and the development of its business activities.

2. Price Competition

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

Also, in the AV/IT segment, products manufactured in China are gaining a stronger presence in the market, as are competitors, leading to heightened price competition. Depending on reforms in distribution and trends in new technology, this business may be exposed to even more intense price competition, which could have an adverse effect on the Group's current strong position in this area.

3. Development of New Technologies

The Yamaha Group is focusing management resources on "The Sound Company" business domain and endeavors to create an unassailably strong position as the world's leading full-line musical instrument manufacturer. Meanwhile, the Group also operates an AV/IT segment, focusing mainly on HiFi AV products, and an electronic devices segment, concentrating on the semiconductor business centered on sound generators.

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

4. Business Investment

The Yamaha Group makes investments in its businesses to promote their expansion. In making such investment decisions the Group understands the potential risks and returns qualitatively and quantitatively and makes careful, considered judgments. Nonetheless, under certain circumstances, the Group may be unable to recover a portion or the full amount of its investments or may decide to withdraw from the business. In such cases, the value of assets invested in such businesses may have to be written down.

5. Business Alliances

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

6. Reliance on Customers in Selling Materials and Parts

The Yamaha Group's manufacturing and sale of its products—including semiconductors, lifestyle-related products such as system kitchens, automobile interior wood components, and materials and parts—are dependent on the performance of its customers. When the bonds of trust between such customers and Group companies are impaired by disagreement over delivery schedules, quality, or other issues, this could have an adverse impact on future orders. Moreover, Group companies may be requested by customers to pay compensation in the event of quality problems or other defects.

7. Expansion of Business Operations Into International Markets

The Yamaha Group has established manufacturing and marketing bases in various parts of the world and operates its businesses globally. Of the Group's 88 consolidated subsidiaries, 46 are foreign corporations, and of this total, 19 companies are manufacturers. Principal manufacturing bases are concentrated in China, Indonesia and Malaysia, and 48.9% of the Group's net sales are generated overseas.

There are a number of risks inherent in these overseas operations.

If such risks should materialize, the difficulties of having manufacturing facilities concentrated in certain regions could mean that the Group may not be able to continue providing products in a stable manner. Such risks include:

(a) Political and economic turmoil, terrorism and war
(b) The introduction of disadvantageous government policies, new regulations or changes in existing regulations
(c) Unexpected changes in laws and 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) Logistics problems due to harbor strikes, etc.

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

The Yamaha Group makes use of raw materials in manufacturing its products, including lumber, metals such as copper, and plastics for parts. Increases in the prices of these materials can cause increases in manufacturing costs. In addition, certain kinds of material are obtained from specified suppliers. Unfavorable supply conditions for such materials may have an adverse effect on the Group's manufacturing activities.

Moreover, if logistics costs rise as a result of an increase in crude oil prices, this may cause increases in manufacturing costs and the cost of sales.

9. Effects of Declining Birthrate

In the Yamaha Group's core business of musical instruments, regular schools constitute an important sales channel in addition to the Group's music schools and English language schools, which are primarily attended by children. Going forward, declining birthrates, particularly in Japan, may lead to a decline in sales through these channels.

10. Recruitment and Training of Personnel

The average age of the Yamaha Group's workforce is relatively high, with a significant number of workers in the upper age brackets and a great number of employees approaching the official retirement age. The Group therefore faces some important issues: transferring skills in manufacturing musical instruments and other products to the next generation; recruiting and training the next generation of employees; and dealing with changes in the Group's employment structure. If the Group is unable to respond sufficiently to changes in its employment structure, the future growth of its business activities may be impeded.

11. Protection and Use of Intellectual Property

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

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

12. Defects in Products and Services

The Yamaha Group supervises the quality of its products in accordance with its corporate rules for quality assurance. However, there is no guarantee that all products will be free of defects. Moreover, the Group takes out insurance against product liability claims, but there is no guarantee that this insurance will be sufficient to cover payment of damages. If issues related to product liability arise, then it is likely that insurance rates will increase. In addition, if costs related to product recovery, exchange and repair, and design changes increase significantly, or the reputation of the Group in society should be damaged, a decline in sales may result. Such circumstances may have an adverse effect on the Group's performance and financial position.

Furthermore, the Group pays careful attention to safety and sanitation at the retail stores, music schools, recreation establishments and other facilities that it operates. In the unlikely event that an accident should occur, the Group anticipates that temporary cessation of operations at the store, music school, or facility in question could be required, and the reputation of the Group in society could be damaged, resulting in a decline in sales.

13. Legal Regulations

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

14. Environmental Regulations

There is a trend toward more stringent environmental regulations governing business activities, and corporations are being requested to fulfill their corporate social responsibilities by implementing voluntary environmental programs. The Yamaha Group works to implement policies that exceed the requirements of environmental regulations as regards products, packaging materials, energy conservation and the processing of industrial waste. However, there is no guarantee that the Group can completely prevent or reduce the occurrence of accidents in which restricted substances are released into the environment at levels exceeding established regulations.

Moreover, in cases where soil pollution has occurred on the land formerly occupied by industrial plants, it may be necessary to spend substantial amounts of money for soil remediation when the land is sold in the future, or it may be impossible to sell the land. There is also a possibility that the soil on land that has already been sold to third parties may release restricted substances, thus resulting in pollution of the air or underground water and requiring expenditures for cleaning and remediation.

15. Information Leakage

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

16. Fluctuations in Foreign Currency Exchange Rates

The Yamaha Group conducts manufacturing and sales activities in many parts of the world, and Group company transactions denominated in foreign currencies may be affected by fluctuations in currency rates. The Group makes use of forward currency hedge transactions to minimize the impact of foreign exchange rate fluctuations in the short term. However, there may be instances where the Group cannot achieve its initial business plans due to exchange rate fluctuations. Especially in the case of profit and loss, the euro-yen exchange rate has a strong influence: a one-yen change will have an impact on profitability of about ¥0.4 billion.

17. Earthquakes and Other Natural Disasters

In the event of earthquakes and other natural disasters, the production plants of the Yamaha Group may be damaged. In particular, the Company's headquarters, domestic plants, and major subsidiaries are concentrated in Shizuoka Prefecture, which is located in the Tokai region of Japan, where a major earthquake has been forecast for some years. In addition, the Group's overseas manufacturing plants are concentrated in China, Indonesia and Malaysia, where there is concern about the occurrence of unexpected natural disasters. In the event of such natural disasters, the Yamaha Group may suffer damage to its facilities and may also be obliged to suspend or postpone operations as well as incur major costs for returning these facilities to operating condition.

18. Matters Related to Changes in Financial Position

a. Valuation of Investment Securities

The companies of the Yamaha Group hold stock and other securities issued by their corporate customers and other companies that have quoted market values (representing acquisition costs of ¥17.1 billion and recorded on the consolidated balance sheets as ¥49.9 billion as of March 31, 2009). Since other securities with quoted market values are revalued at each balance sheet date based on the mark-to-market valuation method, there is a possibility that the value of such securities may fluctuate from period to period. As a result, this may have an impact on the Company's net assets. Moreover, in cases where the market value of these securities falls markedly in comparison to their acquisition cost, the value of such securities may have to be written down.

b. Unrecognized Losses on Land Valuation

At the end of the fiscal year under review, the market value of the Group's land, revalued in accordance with relevant legal regulations, including the Law Concerning Revaluation of Land, was ¥12.1 billion below the carrying value of such land on the Group's balance sheets. In the event of the sale, or other disposal, of such land, this unrealized loss will be recognized and this may have an adverse effect on the Yamaha Group's business results and financial position.

c. Retirement Benefit Obligation and Related Expenses

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

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

Consolidated Balance Sheets

Yamaha Corporation and Consolidated Subsidiaries
At March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and deposits (Note 16)	**¥ 41,373**	¥ 73,619	**$ 421,185**
Notes and accounts receivable — trade	**51,938**	68,680	**528,739**
Short-term investment securities (Notes 7 and 22)	**1,280**	31,200	**13,031**
Inventories (Notes 2 and 5)	**80,694**	76,304	**821,480**
Deferred tax assets (Note 14)	**10,905**	17,642	**111,015**
Other	**17,307**	11,861	**176,189**
Allowance for doubtful accounts	**(1,401)**	(3,554)	**(14,262)**
Total current assets	**202,097**	275,754	**2,057,386**
Property, plant and equipment, net of accumulated depreciation (Notes 6, 7 and 9):			
Buildings and structures, net	**38,885**	42,602	**395,857**
Machinery and equipment, net	**23,196**	31,710	**236,140**
Land (Note 8)	**56,690**	61,134	**577,115**
Leased assets, net (Note 2)	**521**	—	**5,304**
Construction in progress	**8,318**	4,129	**84,679**
Total property, plant and equipment, net of accumulated depreciation	**127,613**	139,575	**1,299,125**
Investments and other assets:			
Investment securities (Notes 4, 7 and 22)	**57,131**	109,943	**581,604**
Long-term loans receivable	**436**	265	**4,439**
Lease and guarantee deposits	**6,234**	6,264	**63,463**
Deferred tax assets (Note 14)	**9,566**	2,065	**97,384**
Goodwill	**306**	1,304	**3,115**
Other	**5,587**	5,172	**56,877**
Total investments and other assets	**79,263**	125,016	**806,912**
Total assets	**¥408,974**	¥540,347	**$4,163,433**

LIABILITIES	Millions of Yen 2009	2008	Thousands of U.S. Dollars (Note 3) 2009
Current liabilities:			
Notes and accounts payable — trade	**¥ 25,625**	¥ 35,017	**$ 260,867**
Short-term loans payable (Note 7)	**14,216**	14,419	**144,722**
Current portion of long-term loans payable (Note 7)	**1,483**	4,472	**15,097**
Accounts payable - other and accrued expenses	**34,012**	41,443	**346,249**
Income taxes payable	**2,090**	14,916	**21,277**
Advanced received	**1,385**	1,840	**14,100**
Deferred tax liabilities (Note 14)	**64**	7	**652**
Provision for directors' bonuses	**—**	120	**—**
Provision for product warranties	**3,380**	3,755	**34,409**
Provision for business restructuring expenses (Note 11)	**3,161**	—	**32,180**
Other	**4,628**	4,181	**47,114**
Total current liabilities	**90,050**	120,174	**916,726**
Noncurrent liabilities:			
Long-term loans payable (Note 7)	**3,491**	2,145	**35,539**
Deferred tax liabilities (Note 14)	**126**	13,999	**1,283**
Deferred tax liabilities for land revaluation (Note 8)	**16,776**	16,811	**170,783**
Provision for retirement benefits (Note 18)	**27,628**	25,311	**281,258**
Long-term deposits received	**16,723**	17,040	**170,243**
Other	**2,336**	1,836	**23,781**
Total noncurrent liabilities	**67,083**	77,144	**682,918**
Contingent liabilities (Note 19)			
NET ASSETS			
Shareholders' equity (Note 17):			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2009 — 197,255,025 shares	**28,534**	—	**290,482**
2008 — 206,524,626 shares	**—**	28,534	**—**
Capital surplus	**40,054**	40,054	**407,757**
Retained earnings	**176,739**	229,307	**1,799,236**
Treasury stock	**(29)**	(326)	**(295)**
Total shareholders' equity	**245,298**	297,570	**2,497,180**
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**19,817**	48,945	**201,741**
Deferred gains or losses on hedges	**(394)**	207	**(4,011)**
Revaluation reserve for land (Note 8)	**18,769**	14,861	**191,072**
Foreign currency translation adjustments	**(34,495)**	(21,940)	**(351,166)**
Total valuation and translation adjustments	**3,697**	42,074	**37,636**
Minority interests	**2,845**	3,383	**28,963**
Total net assets	**251,841**	343,028	**2,563,789**
Total liabilities and net assets	**¥408,974**	¥540,347	**$4,163,433**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Net sales	¥459,284	¥548,754	$4,675,598
Cost of sales (Notes 5 and 10)	290,381	343,688	2,956,134
Gross profit	168,902	205,066	1,719,454
Selling, general and administrative expenses (Note 10)	155,057	172,220	1,578,510
Operating income	13,845	32,845	140,945
Other income (expenses):			
Interest and dividend income	2,601	3,925	26,479
Equity in earnings of affiliates	—	145	—
Interest expenses	(615)	(1,068)	(6,261)
Sales discounts	(3,416)	(4,105)	(34,776)
Gain (loss) on sales or disposal of property, plant and equipment, net	(621)	786	(6,322)
Gain on sales of investment securities	5	763	51
Gain on sales of subsidiaries' and affiliates' stock, net	—	29,057	—
Special retirement expenses (Note 12)	(96)	(814)	(977)
Loss on impairment of fixed assets (Note 9)	(15,323)	—	(155,991)
Business restructuring expenses (Notes 5 and 11)	(4,863)	—	(49,506)
Loss on valuation of investments in capital of subsidiaries and affiliates	(3,301)	(66)	(33,605)
Other, net (Note 13)	(373)	1,042	(3,797)
	(26,004)	29,665	(264,726)
Income (loss) before income taxes and minority interests	(12,159)	62,510	(123,781)
Income taxes (Note 14):			
Current	3,790	17,552	38,583
Deferred	4,924	4,710	50,127
	8,714	22,263	88,710
Income (loss) before minority interests	(20,873)	40,247	(212,491)
Minority interests in income (loss)	(258)	689	(2,626)
Net income (loss)	¥ (20,615)	¥ 39,558	$ (209,865)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen											
	Shareholders' Equity					Valuation and Translation Adjustments						
	Capital stock (Note 15)	Capital surplus	Retained earnings (Note 15)	Treasury stock (Note 15)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	¥28,534	¥40,054	¥260,555	¥ (339)	¥328,804	¥ 13,718	¥(406)	¥18,116	¥(13,765)	¥ 17,662	¥4,931	¥351,398
Changes of items during the period:												
Dividends from retained earnings			(7,736)		(7,736)							(7,736)
Net income			39,558		39,558							39,558
Change of scope of consolidation			(656)		(656)							(656)
Change of scope of equity method			(60,275)	43	(60,232)							(60,232)
Reversal of revaluation reserve for land			(2,137)		(2,137)							(2,137)
Purchases of treasury stock				(29)	(29)							(29)
Net changes of items other than shareholders' equity						35,227	614	(3,254)	(8,175)	24,411	(1,547)	22,864
Total changes of items during the period	—	—	(31,247)	13	(31,234)	35,227	614	(3,254)	(8,175)	24,411	(1,547)	(8,369)
Balance at March 31, 2008	¥28,534	¥40,054	¥229,307	¥ (326)	¥297,570	¥ 48,945	¥ 207	¥14,861	¥(21,940)	¥ 42,074	¥3,383	¥343,028
Changes of items during the period:												
Dividends from retained earnings			**(10,581)**		**(10,581)**							**(10,581)**
Net loss			**(20,615)**		**(20,615)**							**(20,615)**
Change of scope of consolidation			**981**		**981**							**981**
Reversal of revaluation reserve for land			**(3,907)**		**(3,907)**							**(3,907)**
Purchases of treasury stock				**(18,032)**	**(18,032)**							**(18,032)**
Retirement of treasury stock			**(18,328)**	**18,328**	**—**							**—**
Other			**(115)**		**(115)**							**(115)**
Net changes of items other than shareholders' equity						**(29,128)**	**(601)**	**3,907**	**(12,555)**	**(38,377)**	**(538)**	**(38,916)**
Total changes of items during the period	**—**	**—**	**(52,567)**	**296**	**(52,271)**	**(29,128)**	**(601)**	**3,907**	**(12,555)**	**(38,377)**	**(538)**	**(91,187)**
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**

	Thousands of U.S. Dollars (Note 3)											
	Shareholders' Equity					Valuation and Translation Adjustments						
	Capital stock (Note 15)	Capital surplus	Retained earnings (Note 15)	Treasury stock (Note 15)	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$290,482	$407,757	$2,334,389	$ (3,319)	$3,029,319	$ 498,269	$ 2,107	$151,288	$(223,353)	$ 428,321	$34,440	$3,492,090
Changes of items during the period:												
Dividends from retained earnings			**(107,717)**		**(107,717)**							**(107,717)**
Net loss			**(209,865)**		**(209,865)**							**(209,865)**
Change of scope of consolidation			**9,987**		**9,987**							**9,987**
Reversal of revaluation reserve for land			**(39,774)**		**(39,774)**							**(39,774)**
Purchases of treasury stock				**(183,569)**	**(183,569)**							**(183,569)**
Retirement of treasury stock			**(186,583)**	**186,583**	**—**							**—**
Other			**(1,171)**		**(1,171)**							**(1,171)**
Net changes of items other than shareholders' equity						**(296,529)**	**(6,118)**	**39,774**	**(127,812)**	**(390,685)**	**(5,477)**	**(396,172)**
Total changes of items during the period	**—**	**—**	**(535,142)**	**3,013**	**(532,129)**	**(296,529)**	**(6,118)**	**39,774**	**(127,812)**	**(390,685)**	**(5,477)**	**(928,301)**
Balance at March 31, 2009	**$290,482**	**$407,757**	**$1,799,236**	**$ (295)**	**$2,497,180**	**$ 201,741**	**$(4,011)**	**$191,072**	**$(351,166)**	**$ 37,636**	**$28,963**	**$2,563,789**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamaha Corporation and Consolidated Subsidiaries

Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Net cash provided by (used in) operating activities:			
Income (loss) before income taxes and minority interests	¥ (12,159)	¥ 62,510	$ (123,781)
Depreciation and amortization	17,912	20,289	182,348
Loss on impairment of fixed assets	15,323	—	155,991
Amortization of goodwill	1,422	539	14,476
Decrease in allowance for doubtful accounts	(116)	(366)	(1,181)
Loss on sale of investments in capital of subsidiaries and affiliates	—	21	—
Loss on valuation of stocks of subsidiaries and affiliates	163	63	1,659
Loss on valuation of investments in capital of subsidiaries and affiliates	3,301	66	33,605
Loss on valuation of investment securities	277	263	2,820
Increase (decrease) in provision for retirement benefits	2,456	(1,276)	25,003
Interest and dividends income	(2,601)	(3,925)	(26,479)
Interest expenses	615	1,068	6,261
Foreign exchange losses (gains)	(144)	393	(1,466)
Equity in (earnings) losses of affiliates	7	(145)	71
Gain on sales of investment securities	(4)	(763)	(41)
Gain on sales of subsidiaries' and affiliates' stock, net	—	(29,057)	—
Loss (gain) on sales or disposal of property, plant and equipment, net	621	(786)	6,322
Business restructuring expenses	4,863	—	49,506
Special retirement expenses	96	814	977
Gain on liquidation of subsidiaries	(231)	—	(2,352)
Decrease in notes and accounts receivable-trade	13,432	3,093	136,740
Increase in inventories	(8,859)	(3,844)	(90,186)
Decrease in notes and accounts payable-trade	(9,540)	(1,800)	(97,119)
Other, net	(7,433)	(4,040)	(75,669)
Subtotal	19,399	43,118	197,485
Interest and dividend income received	2,649	3,912	26,967
Interest expenses paid	(638)	(1,079)	(6,495)
Income taxes paid	(23,646)	(8,725)	(240,721)
Net cash provided by (used in) operating activities	(2,235)	37,225	(22,753)
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	423	(298)	4,306
Payments for purchases of property, plant and equipment	(20,522)	(25,364)	(208,918)
Proceeds from sales of property, plant and equipment	1,397	6,316	14,222
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 16)	(8,073)	—	(82,185)
Payments for purchase of investment securities	(99)	(84)	(1,008)
Proceeds from sales and redemption of investment securities	3,015	811	30,693
Payments for purchase of subsidiaries' and affiliates' stock	(630)	(2,268)	(6,414)
Proceeds from sales of subsidiaries' and affiliates' stock	60	67,778	611
Payments for purchase of investments in capital of subsidiaries and affiliates	(869)	(3,020)	(8,847)
Decrease due to exclusion of subsidiaries from consolidation resulting from sales of equity investments	—	(3)	—
Other, net	(702)	(1,866)	(7,146)
Net cash provided by (used in) investing activities	(25,999)	41,999	(264,675)
Net cash provided by (used in) financing activities:			
Net increase in short-term loans payable	176	190	1,792
Proceeds from long-term loans payable	2,756	2,212	28,057
Repayment of long-term loans payable	(4,622)	(4,256)	(47,053)
Proceeds from deposits received from membership	17	13	173
Repayments for deposits received from membership	(485)	(9,483)	(4,937)
Purchases of treasury stock	(18,032)	(29)	(183,569)
Cash dividends paid	(10,581)	(7,736)	(107,717)
Cash dividends paid to minority shareholders	(228)	(224)	(2,321)
Other, net	(41)	—	(417)
Net cash used in financing activities	(31,041)	(19,314)	(316,003)
Effect of exchange rate changes on cash and cash equivalents	(3,668)	(2,398)	(37,341)
Net increase (decrease) in cash and cash equivalents	(62,943)	57,512	(640,772)
Cash and cash equivalents at beginning of period	103,371	45,926	1,052,336
Increase in cash and cash equivalents from newly consolidated subsidiary	1,107	41	11,269
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(311)	(108)	(3,166)
Cash and cash equivalents at end of period (Note 16)	¥ 41,223	¥103,371	$ 419,658

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

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. The Company and all consolidated subsidiaries are referred to herein as the "Yamaha Group." Effective April 1, 2008, the Company has applied the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force, No. 18, issued by the ASBJ on May 17, 2006). Under the new accounting standard, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States as adjusted for certain items. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with accounting principals generally accepted in their countries of domicile. See Note 2 (3). The accompanying 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 88 consolidated subsidiaries for the year ended March 31, 2009 and 87 consolidated subsidiaries for the year ended March 31, 2008. All significant intercompany balances and transactions have been eliminated in consolidation. 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 two affiliates were accounted for by the equity method for the year ended March 31, 2009, and one affiliate was accounted for by the equity method for the year ended March 31, 2008. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost. Certain overseas subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company; however, all necessary adjustments between the fiscal year end of these overseas subsidiaries and that of the Company have been made, thus enabling them to report financial results equivalent to those as of and for the Company's fiscal year end. 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) 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 if not hedged by forward foreign exchange contracts, or at the contracted rates of exchange when hedged by forward foreign exchange contracts. 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.

(d) 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.

(e) 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. Non-marketable 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 an impairment loss unless the fair value is deemed recoverable. The Company has established a policy for the recognition of impairment loss 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.

(f) 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 last-in, first-out 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 (1).

(g) Depreciation

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

Estimated useful lives:

Buildings:	31 - 50 years (structures attached to buildings: 15 years)
Structures:	10 - 30 years
Machinery and equipment:	4 - 9 years
Tools, furniture and fixtures:	5 - 6 years (molds: 2 years)

Starting from April 1, 2008, pursuant to the revision of the Corporate Tax Law of Japan in fiscal year 2008, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of their property, plant and equipment. As a result, the useful lives of machinery and equipment included among property, plant and equipment have been changed from the previous 4- to 11-year range to the 4- to 9-year range.

The effect of this change on profit and loss for the year ended March 31, 2009 was not material.

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 zero.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. 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 collectibility of individual receivables.

(i) Provision for directors' bonuses

To provide for the payment of bonuses to directors, the projected amount of such bonuses is set aside as a provision.

(j) 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.

(k) Provision for business restructuring expenses

To provide for expenses arising from business reorganization and so forth, the projected amount of such expenses is set aside as a provision.

(l) 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.

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

In the case of finance leases where the Company or a consolidated subsidiary is the lessor in the transaction, other than those for which the ownership transfers to the lessee, the leased assets are entered under lease investment assets which is included in the item "Other" under "Current assets." Sales and cost of sales related to finance lease transactions are recognized at the time the lease fees are received.

(n) 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.

(o) Derivative financial instruments

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which the unrealized gain or loss is deferred as an asset or a liability. Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which is utilized to hedge against risk arising from fluctuation in foreign exchange rates. The Yamaha Group does not conduct an assessment of the effectiveness of its hedging activities because the relationship between the anticipated cash flows fixed by the hedging activities and the avoidance of market risk is so clear that there is no need to evaluate the performance of each hedge against that of the underlying hedged item.

2. CHANGES IN METHODS OF ACCOUNTING

(1) Method of Measurement of Inventories

Starting from April 1, 2008, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued by the ASBJ on July 5, 2006) and the method of measurement of inventories was changed from the lower of cost or market method to the cost method (reducing book value of inventories when their contribution to profitability declines), cost being determined by the last-in, first-out method. This change had no effect on profit and loss for the year ended March 31, 2009.

(2) Accounting Standards for Lease Transactions

Starting from April 1, 2008, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, originally issued by the Business Accounting Council, First Session on June 17, 1993, and the final revision issued on March 30, 2007), and "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, originally issued by the Accounting Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, with the final revision issued on March 30, 2007). As a result, the accounting treatment for finance leases in which ownership is not transferred to the lessee has been changed from methods applicable to ordinary lease transactions to methods applicable to ordinary buying and selling transactions.

For finance leases in which ownership is not transferred to the lessee commencing on or before March 31, 2008, the Company maintains its accounting treatments applicable to operating lease transaction. The effect of this change on profit and loss for the year ended March 31, 2009 was not material.

(3) Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Starting from April 1, 2008, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force, No. 18, issued by the ASBJ on May 17, 2006), and the necessary revisions have been made in the consolidated financial statements.

The effect on profit and loss for the year ended March 31, 2009 and retained earnings at March 31, 2009 was not material.

In previous fiscal years, the landrights at certain overseas consolidated subsidiaries were included and presented in the item "Land," however, they are now included in the item "Other" item under "Investments and other assets," and amounted to ¥1,503 million ($15,301 thousand) as of March 31, 2009.

(4) Change in Method of Depreciation

Effective the previous fiscal year, pursuant to the revision of the Corporate Tax Law of Japan (the "Tax Law") which went into effect on April 1, 2007, the Company and its domestic consolidated subsidiaries have adopted the declining-balance method for calculating depreciation of tangible fixed assets acquired on or after April 1, 2007, using a rate that is 2.5 times that which would have been used if the straight-line method had been applied.

As a result of this change, for the year ended March 31, 2008, operating income, and income before income taxes and minority interests both decreased by ¥529 million and net income decreased by ¥349 million from the corresponding amounts which would have been recorded under the previous method.

The effect of this change on segment information is disclosed in Note 24.

In addition, pursuant to the revision of the Tax Law which went into effect on April 1, 2007, effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or before March 31, 2007 to depreciating the residual value of such assets which have been fully depreciated to their respective depreciable limits under the Tax Law to nominal value over a period of five years based on the straight-line method.

As a result of this change, for the year ended March 31, 2008, operating income, and income before income taxes and minority interests both decreased by ¥927 million and net income decreased by ¥588 million from the corresponding amounts which would have been recorded under the previous method.

The effect of this change on segment information is disclosed in Note 24.

3. U.S. DOLLAR AMOUNTS

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2009 have been presented in U.S. dollars by translating all yen amounts at ¥98.23 = U.S.$1.00, the exchange rate prevailing on March 31, 2009. 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. INVESTMENT SECURITIES

Investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Investments in and advances to unconsolidated subsidiaries and affiliates	¥ 2,269	¥ 2,573	$ 23,099
Other	54,862	107,370	558,506
Investment securities	¥57,131	¥109,943	$581,604

5. INVENTORIES

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Merchandise and finished goods	¥56,580	¥50,699	$575,995
Work in process	13,526	16,150	137,697
Raw materials and supplies	10,588	9,453	107,788
	¥80,694	¥76,304	$821,480

By adopting the “Accounting Standard for Measurement of Inventories” starting from April 1, 2008, the Company reduced the book value of “Cost of sales” and “Business restructuring expenses” in “Other income (expenses)” by ¥1,625 million ($16,543 thousand) and ¥67 million ($682 thousand) respectively for the year ended March 31, 2009.

6. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2009 and 2008 amounted to ¥216,107 million ($2,200,010 thousand) and ¥215,202 million, respectively.

7. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable consisted of unsecured loans payable to banks at weighted-average interest rates of 1.8% and 2.7% per annum at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Long-term loans payable from banks at average interest rates of 3.9% and 2.4% for the current and noncurrent portions, respectively	**¥4,975**	¥6,618	**$50,646**
Lease obligations	**550**	—	**5,599**
Less: Current portion of long-term loans payable	**1,483**	4,472	**15,097**
Less: Current portion of lease obligations	**48**	—	**489**
	¥3,993	¥2,145	**$40,649**

The assets pledged as collateral for long-term loans payable and certain other current liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Marketable securities	**¥ 695**	¥ 600	**$ 7,075**
Property, plant and equipment, net of accumulated depreciation	**204**	207	**2,077**
Investment securities	**370**	695	**3,767**
	¥1,270	¥1,503	**$12,929**

The aggregate annual maturities of long-term loans payable subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2010	¥1,483	$15,097
2011	1,001	10,190
2012	2,330	23,720
2013	114	1,161
2014 and thereafter	45	458
	¥4,975	$50,646

The aggregate annual maturities of lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2010	¥ 48	$ 489
2011	52	529
2012	43	438
2013	40	407
2014	29	295
2015 and thereafter	335	3,410
	¥550	$5,599

For middle and long-term financing purposes, the Company has line-of-credit agreements with certain banks for a maximum amount of ¥20,000 million ($203,604 thousands). At March 31, 2009, there were unused lines of credit of ¥20,000 million ($203,604 thousands) outstanding and available.

8. LAND REVALUATION

For the years ended March 31, 2009 and 2008, the Company, and one consolidated subsidiary have carried over the revaluation of their landholdings at the following dates in accordance with the "Law Concerning the Revaluation of Land" (Law No. 34 published on March 31, 1998):

	Dates of Revaluation
One consolidated subsidiary	March 31, 2000
The Company	March 31, 2002

The Company and one consolidated subsidiary determined the value of their 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 the balance sheet dates is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Excess of revalued carrying amount of land over market value	**¥(12,129)**	¥(13,246)	**$(123,476)**

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2009:

Group of Fixed Assets	Location	Impaired Assets	Millions of Yen **2009**	Thousands of U.S. Dollars (Note 3) **2009**
Semiconductor business assets	Aira-gun, Kagoshima Prefecture Iwata-shi, Shizuoka Prefecture	Buildings and structures	**¥ 2,070**	**$ 21,073**
		Machinery and equipment	**3,264**	**33,228**
		Land	**222**	**2,260**
		Total	**5,559**	**56,592**
Recreation business assets	Katsuragi recreation facility Fukuroi-shi, Shizuoka Prefecture	Buildings and structures	**1,132**	**11,524**
		Land	**2,785**	**28,352**
		Total	**3,918**	**39,886**
Goodwill	Goodwill related to subsidiaries NEXO and Steinberg	Goodwill	**5,665**	**57,671**
		Total	**5,665**	**57,671**
Idle assets	Hamamatsu-shi, Shizuoka Prefecture	Buildings and structures	**0**	**0**
		Machinery and equipment	**179**	**1,822**
		Total	**180**	**1,832**
		Buildings and structures	**3,203**	**32,607**
		Machinery and equipment	**3,445**	**35,071**
		Land	**3,008**	**30,622**
Total		Goodwill	**5,665**	**57,671**
		Total	**¥15,323**	**$155,991**

Method of grouping assets

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

Background leading to the recognition of impairment losses

Regarding the valuation of assets related to the semiconductor business and the recreation business as well as goodwill, the Company recognizes impairment losses on the assets in those businesses that report continuing losses in their operations or are forecast to report losses.

In addition, the Company recognizes impairment losses on idle assets that are not expected to be utilized.

Method for computing the recoverable amount

The recoverable amounts for the semiconductor and recreation business segments are measured with use value, which is computed using future cash flows discounted at a rate of 10.0% and 7.5%, respectively. The recoverable amounts of goodwill related to NEXO S.A. and Steinberg Media Technologies GmbH are measured based on the latest business plan for groups of assets of the related goodwill. The present values of future cash flows are calculated using discount rates of 11.9% and 11.8% respectively.

The recoverable amounts of idle assets are measured according to their net realizable values based on independent third party appraisals.

10. R&D EXPENSES

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2009 and 2008, amounted to ¥23,218 million ($236,364 thousand) and ¥24,865 million, respectively.

11. BUSINESS RESTRUCTURING EXPENSES

These expenses include costs accompanying the decision to dissolve overseas manufacturing subsidiaries Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd., and Kemble & Company Ltd.; expenditures incurred for the realignment of the distribution centers in Europe; expenses in connection with the withdrawal from the magnesium molded parts business; expenditures related to the cancellation of activities in the silicon microphone business; and expenses incurred in connection with the withdrawal from the water heater business.

12. SPECIAL RETIREMENT EXPENSES

Additional retirement payments were made due to the implementation of a special early retirement program.

13. OTHER INCOME (EXPENSES)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Reversal of provision for business restructuring expenses	**¥ —**	¥ 260	**$ —**
Loss on valuation of investment securities	**(277)**	(263)	**(2,820)**
Loss on sale of investments in capital of subsidiaries and affiliates	**—**	(21)	**—**
Loss on valuation of stocks of subsidiaries and affiliates	**(163)**	(63)	**(1,659)**
Other, net	**67**	1,130	**682**
	¥(373)	¥1,042	**$(3,797)**

14. 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, 2009 and 2008. 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, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Deferred tax assets:			
Write-downs of inventories	**¥ 2,693**	¥ 1,868	**$ 27,415**
Unrealized gain on inventories and property, plant and equipment	**567**	4,007	**5,772**
Allowance for doubtful accounts	**677**	1,495	**6,892**
Depreciation	**10,241**	9,492	**104,255**
Loss on impairment of fixed assets	**12,123**	8,479	**123,414**
Loss on valuation of investment securities	**4,595**	3,113	**46,778**
Accrued employees' bonuses	**2,993**	3,655	**30,469**
Provision for product warranties	**1,170**	1,186	**11,911**
Provision for retirement benefits	**10,837**	9,571	**110,323**
Tax loss carryforwards	**6,527**	1,540	**66,446**
Other	**6,553**	8,779	**66,711**
Gross deferred tax assets	**58,981**	53,191	**600,438**
Valuation allowance	**(23,228)**	(12,858)	**(236,465)**
Total deferred tax assets	**35,753**	40,332	**363,972**
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	**(1,543)**	(1,640)	**(15,708)**
Reserve for special depreciation	**(131)**	(217)	**(1,334)**
Valuation difference on available-for-sale securities	**(12,971)**	(32,031)	**(132,047)**
Other	**(826)**	(742)	**(8,409)**
Total deferred tax liabilities	**(15,471)**	(34,631)	**(157,498)**
Net deferred tax assets	**¥ 20,281**	¥ 5,701	**$ 206,464**

A reconciliation between the statutory tax rate and the effective tax rates for the year ended March 31, 2008 is as follows:

	2008
Statutory tax rate	39.5%
Non-temporary differences not deductible for tax purposes	(0.5)
Per capita inhabitants' taxes and other	0.3
Tax credit for R&D expenses and other	(2.0)
Change in valuation allowance	(21.2)
Recognition of equity in earnings of subsidiaries and affiliates	20
Differences in tax rates of overseas subsidiaries and other	(0.5)
Effective tax rates	35.6%

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2009 has been omitted because the Company recorded a net loss for the year.

15. 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, 2009 and 2008:

(a) Common stock

Number of shares	2009	2008
Beginning of the year	**206,524,626**	206,524,626
Increase	**—**	—
Decrease	**9,269,601*1**	—
End of the year	**197,255,025**	206,524,626

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

(b) Treasury stock

Number of shares	2009	2008
Beginning of the year	**234,581**	406,347
Increase	**9,052,481*1**	11,697*3
Decrease	**9,269,601*2**	183,463*4
End of the year	**17,461**	234,581

*1 Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 9,033,800 shares
Increase owing to purchase of outstanding shares less than one trading unit: 18,681 shares
*2 Decrease owing to cancellation of treasury stock based on the resolution of the Board of Directors: 9,269,601 shares
*3 Increase owing to purchases of outstanding fractional shares of less than one trading unit: 11,697 shares.
*4 Decrease owing to exclusion of affiliates from application of equity method: 183,463 shares

(c) Subscription Right to Shares

None issued

(d) Cash dividends

(1) Amount of dividend payments

2009

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, 2008 (Annual General Meeting of Shareholders)	Common stock	**¥5,157**	**$52,499**	**¥25.00**	**$0.25**	Mar. 31, 2008	Jun. 26, 2008
Oct. 31, 2008 (Board of Directors)	Common stock	**¥5,424**	**$55,217**	**¥27.50**	**$0.28**	Sept. 30, 2008	Dec. 10, 2008

Note: Dividends per share of ¥25.00 ($0.25) approved on June 25, 2008 consisted of regular dividends of ¥15.00 ($0.15) and special dividends of ¥10.00 ($0.10).
Dividends per share of ¥27.50 ($0.28) approved on October 31, 2008 consisted of regular dividends of ¥17.50 ($0.18) and special dividends of ¥10.00 ($0.10).

2008

Date of approval	Type of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 26, 2007 (Annual General Meeting of Shareholders)	Common stock	¥2,578	¥12.50	Mar. 31, 2007	Jun. 27, 2007
Oct. 31, 2007 (Board of Directors)	Common stock	¥5,157	¥25.00	Sept. 30, 2007	Dec. 10, 2007

Note: Dividends per share of ¥25.00 approved on October 31, 2007 consisted of regular dividends of ¥15.00 and special dividends of ¥10.00.

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

2009

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. 25, 2009 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	**¥2,958**	**$30,113**	**¥15.00**	**$0.15**	Mar. 31, 2009	Jun. 26, 2009

Note: Dividends per share of ¥15.00 ($0.15) approved on June 25, 2009 consisted of regular dividends of ¥5.00 ($0.05) and special dividends of ¥10.00 ($0.10).

2008

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 25, 2008 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥5,157	¥25.00	Mar. 31, 2008	Jun. 26, 2008

Note: Dividends per share of ¥25.00 approved on June 25, 2008 consisted of regular dividends of ¥15.00 and special dividends of ¥10.00.

16. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Cash and deposits	**¥41,373**	¥ 73,619	**$421,185**
Time deposits with a maturity of more than three months	**(149)**	(648)	**(1,517)**
Short-term (securities) investments with maturities of three months or less when purchased	**—**	30,400	**—**
Cash and cash equivalents	**¥41,223**	¥103,371	**$419,658**

Breakdown of principal assets and liabilities of NEXO S.A. (as of July 1, 2008), which is newly consolidated by the purchase of its shares by the Company for the year ended March 31, 2009:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Current assets	¥ 1,974	$ 20,096
Noncurrent assets	1,491	15,179
Goodwill	4,537	46,188
Current liabilities	(1,036)	(10,547)
Noncurrent liabilities	(46)	(468)
Subtotal	6,920	70,447
Shares held prior to acquisition of a controlling interest and others	(888)	(9,040)
Expenditures for acquisition of NEXO S.A. shares	¥(6,032)	$(61,407)

Expenditures for the acquisition of additional shares after the consolidation of the company have amounted to ¥2,041 million ($20,778 thousand).

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. 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, 2009 and 2008 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Retirement benefit obligation	**¥(150,109)**	¥(150,685)	**$(1,528,138)**
Plan assets at fair value	**82,281**	102,705	**837,636**
Unfunded retirement benefit obligation	**(67,828)**	(47,980)	**(690,502)**
Unrecognized actuarial gain or loss	**42,784**	25,783	**435,549**
Unrecognized prior service cost	**(2,444)**	(2,601)	**(24,880)**
Net retirement benefit obligation at transition	**(27,488)**	(24,798)	**(279,833)**
Prepaid pension expenses	**139**	512	**1,415**
Provision for retirement benefits	**¥ (27,628)**	¥ (25,311)	**$ (281,258)**

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Service cost	**¥ 4,907**	¥ 5,318	**$ 49,954**
Interest cost	**2,935**	2,997	**29,879**
Expected return on plan assets	**(4,060)**	(4,696)	**(41,332)**
Amortization of prior service cost	**(157)**	(157)	**(1,598)**
Amortization of actuarial gain or loss	**4,849**	3,218	**49,364**
Additional retirement benefit expenses	**1,545**	1,407	**15,728**
Total	**¥10,020**	¥ 8,089	**$102,005**

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

	2009	2008
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**4.0%**	4.0%
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)

19. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2009:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Export bills discounted with banks	¥354	$3,604
Guarantees of indebtedness of others	592	6,027

20. AMOUNTS PER SHARE

	Yen		U.S. Dollars (Note 3)
Years ended March 31	2009	2008	2009
Net income (loss) per share:			
Basic	¥ (103.73)	¥ 191.76	$ (1.06)
Diluted	—	—	—

	Yen		U.S. Dollars (Note.3)
At March 31	2009	2008	2009
Net assets per share	¥1,262.42	¥1,646.44	$12.85

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 is computed based on the net income (loss) and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued. Diluted net income (loss) per share for the years ended March 31, 2009 and 2008 has not been presented because there were no potentially dilutive securities at March 31, 2009 and 2008 respectively.

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 and diluted net income (loss) per share were determined as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
Years ended March 31	2009	2008	2009
Basic net income (loss) per share:			
Net income (loss)	¥ (20,615)	¥ 39,558	$(209,865)
Amounts not attributable to shareholders of common stock	—	—	—
Amounts attributable to shareholders of common stock	(20,615)	39,558	(209,865)
Weighted-average number of shares outstanding (thousands of shares)	198,748	206,295	
Diluted net income (loss) per share:			
Adjustments arising from dilution:			
Equity in earnings of unconsolidated subsidiaries and affiliates	¥ —	¥ —	$ —
Increase in number of shares outstanding	—	—	—
Dilution arising from potential shares of common stock to be issued	—	—	—

21. LEASES

2009

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2009 on uncancellable leases are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2010	¥ 660	$ 6,719
2011 and thereafter	2,315	23,567
Total	¥2,975	$30,286

Finance Lease Transactions in Which Ownership Is Not Transferred to the Lessee Commencing on or Before March 31, 2008

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

	Millions of Yen				Thousands of U.S. Dollars (Note 3)			
As of March 31, 2009	Buildings and structures	Tools, furniture, and fixtures	Other	Total	Buildings and structures	Tools, furniture, and fixtures	Other	Total
Acquisition costs	**¥2,917**	**¥709**	**¥50**	**¥3,677**	**$29,696**	**$7,218**	**$509**	**$37,433**
Accumulated depreciation	**969**	**394**	**28**	**1,391**	**9,865**	**4,011**	**285**	**14,161**
Net book value	**¥1,948**	**¥315**	**¥22**	**¥2,285**	**$19,831**	**$3,207**	**$224**	**$23,262**

Amounts corresponding to the acquisition cost include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant, and equipment as of the balance sheet date.

(2) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2009

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2010	¥ 348	$ 3,543
2011 and thereafter	1,936	19,709
Total	¥2,285	$23,262

Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(3) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2009	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Lease payments	¥ 375	$ 3,818
Depreciation	375	3,818

(4) 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 zero.

Lessors' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2009 on uncancellable leases are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 3)
2010	¥ 444	$ 4,520
2011 and thereafter	429	4,367
Total	¥ 873	$ 8,887

2008

Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2008, which would have been reflected in the accompanying consolidated balance sheets at March 31, 2008 if the finance leases currently accounted for as operating leases had been capitalized:

	Millions of Yen		
As of March 31, 2008	Tools and equipment	Other	Total
Acquisition costs	¥1,558	¥144	¥1,703
Accumulated depreciation	854	81	935
Net book value	¥ 704	¥ 63	¥ 767

Lease expenses relating to finance leases accounted for as operating leases amounted to ¥498 million for the year ended March 31, 2008.

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

Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets relating to finance leases accounted for as operating leases at March 31, 2008:

As of March 31, 2008	Millions of Yen
Acquisition costs	¥5,060
Accumulated depreciation	3,673
Net book value	¥1,386

Lease income and depreciation expenses relating to finance leases accounted for as operating leases amounted to ¥874 million and ¥552 million, respectively, for the year ended March 31, 2008.

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

22. SECURITIES

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

	Millions of Yen			Thousands of U.S. Dollars (Note 3)		
As of March 31, 2009	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	¥ 670	¥ 672	¥ 2	$ 6,821	$ 6,841	$20
Corporate bonds	199	200	0	2,026	2,036	0
Other	399	400	0	4,062	4,072	0
	1,269	1,272	2	12,919	12,949	20
Securities whose estimated fair value does not exceed their carrying value:						
Government and municipal bonds	99	99	(0)	1,008	1,008	(0)
Corporate bonds	200	199	(0)	2,036	2,026	(0)
Other	99	99	(0)	1,008	1,008	(0)
	400	399	(0)	4,072	4,062	(0)
Total	¥1,669	¥1,671	¥ 1	$16,991	$17,011	$10

As of March 31, 2008	Millions of Yen Carrying value	 Estimated fair value	 Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥ 300	¥ 300	¥ 0
Other	299	300	0
	600	601	1
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	399	398	(1)
Corporate bonds	399	398	(1)
Other	699	698	(1)
	1,499	1,496	(3)
Total	¥2,099	¥2,097	¥(2)

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

As of March 31, 2009	Millions of Yen Acquisition costs	 Carrying value	 Unrealized gain (loss)	Thousands of U.S. Dollars (Note 3) Acquisition costs	 Carrying value	 Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	**¥15,927**	**¥48,960**	**¥33,032**	**$162,140**	**$498,422**	**$336,272**
Other	**—**	**—**	**—**	**—**	**—**	**—**
	15,927	**48,960**	**33,032**	**162,140**	**498,422**	**336,272**
Securities whose carrying value does not exceed their acquisition costs:						
Stock	**843**	**631**	**(212)**	**8,582**	**6,424**	**(2,158)**
Other	**348**	**319**	**(28)**	**3,543**	**3,247**	**(285)**
	1,192	**950**	**(241)**	**12,135**	**9,671**	**(2,453)**
Total	**¥17,119**	**¥49,911**	**¥32,791**	**$174,275**	**$508,103**	**$333,819**

As of March 31, 2008	Millions of Yen Acquisition costs	 Carrying value	 Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥16,491	¥97,568	¥81,076
Other	—	—	—
	16,491	97,568	81,076
Securities whose carrying value does not exceed their acquisition costs:			
Stock	689	628	(61)
Other	68	57	(10)
	757	685	(72)
Total	¥17,248	¥98,253	¥81,004

(c) Available-for-sale securities sold during the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Sales of available-for-sale securities	**¥15**	¥805	**$153**
Gain on sales	**5**	763	**51**
Loss on sales	**0**	—	**0**

(d) Securities without fair market value

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Available-for-sale securities:			
Unlisted securities	**¥4,499**	¥ 7,600	**$45,801**
Negotiable deposits	**—**	30,400	**—**

(e) Schedule for redemption of available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)	
As of March 31, 2009	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds:				
Government and municipal bonds	**¥299**	**¥470**	**$ 3,044**	**$4,785**
Corporate bonds	**299**	**99**	**3,044**	**1,008**
Other	**399**	**99**	**4,062**	**1,008**
Total	**¥999**	**¥670**	**$10,170**	**$6,821**

	Millions of Yen	
As of March 31, 2008	Due in one year or less	Due after one year through five years
Bonds:		
Government and municipal bonds	¥300	¥ 399
Corporate bonds	—	399
Other	499	499
Total	¥800	¥1,299

23. DERIVATIVES AND HEDGING ACTIVITIES

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

The Yamaha Group may, from time to time, enter into foreign forward exchange agreements in order to manage the risk arising from adverse fluctuation in foreign exchange transactions. The Yamaha Group has implemented internal regulations under which any significant foreign exchange risk will be hedged.

No specific disclosure for derivatives has been made as the Yamaha Group, as a matter of principle, holds only derivatives positions which meet the criteria for deferral hedge accounting.

24. SEGMENT INFORMATION

The business and geographical segments and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 are outlined as follows:

Business Segments

	Millions of Yen							
Year ended March 31, 2009	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)								
Sales to external customers	**¥306,630**	**¥56,722**	**¥21,975**	**¥43,121**	**¥30,833**	**¥459,284**	**¥ —**	**¥459,284**
Intersegment sales or transfers			**1,036**			**1,036**	**(1,036)**	**—**
Total	**306,630**	**56,722**	**23,012**	**43,121**	**30,833**	**460,321**	**(1,036)**	**459,284**
Operating expenses	**287,432**	**57,132**	**25,548**	**43,426**	**32,934**	**446,476**	**(1,036)**	**445,439**
Operating income (loss)	**¥ 19,198**	**¥ (410)**	**¥ (2,536)**	**¥ (305)**	**¥ (2,100)**	**¥ 13,845**	**¥ —**	**¥ 13,845**
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures								
Total assets	**¥271,159**	**¥31,589**	**¥18,227**	**¥18,207**	**¥69,791**	**¥408,974**	**¥ —**	**¥408,974**
Depreciation and amortization	**10,042**	**1,631**	**3,326**	**1,021**	**1,889**	**17,912**	**—**	**17,912**
Loss on impairment of fixed assets	**5,665**		**5,559**		**4,099**	**15,323**	**—**	**15,323**
Capital expenditures	**14,793**	**1,451**	**3,247**	**1,006**	**2,082**	**22,581**	**—**	**22,581**

	Millions of Yen								
Year ended March 31, 2008	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)									
Sales to external customers	¥340,021	¥70,814	¥45,000	¥45,520	¥11,353	¥ 36,044	¥548,754	¥ —	¥548,754
Intersegment sales or transfers			1,316				1,316	(1,316)	—
Total	340,021	70,814	46,316	45,520	11,353	36,044	550,070	(1,316)	548,754
Operating expenses	312,096	68,974	44,452	44,931	12,456	34,313	517,225	(1,316)	515,908
Operating income (loss)	¥ 27,924	¥ 1,839	¥ 1,863	¥ 588	¥ (1,103)	¥ 1,731	¥ 32,845	¥ —	¥ 32,845
II. Total assets, depreciation and amortization and capital expenditures									
Total assets	¥311,642	¥43,861	¥33,086	¥21,585	¥ 8,062	¥122,109	¥540,347	¥ —	¥540,347
Depreciation and amortization	10,156	1,794	4,618	1,063	926	1,730	20,289	—	20,289
Capital expenditures	16,472	2,009	2,435	647	600	2,228	24,394	—	24,394

Year ended March 31, 2009	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
	Thousands of U.S. Dollars (Note 3)							
I. Sales and operating income (loss)								
Sales to external customers	$3,121,551	$577,441	$223,710	$438,980	$313,886	$4,675,598	$ —	$4,675,598
Intersegment sales or transfers			10,547			10,547	(10,547)	—
Total	3,121,551	577,441	234,267	438,980	313,886	4,686,155	(10,547)	4,675,598
Operating expenses	2,926,112	581,615	260,083	442,085	335,274	4,545,210	(10,547)	4,534,653
Operating income (loss)	$ 195,439	$ (4,174)	$ (25,817)	$ (3,105)	$ (21,378)	$ 140,945	$ —	$ 140,945
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures								
Total assets	$2,760,450	$321,582	$185,554	$185,351	$710,486	$4,163,433	$ —	$4,163,433
Depreciation and amortization	102,229	16,604	33,859	10,394	19,230	182,348	—	182,348
Loss on impairment of fixed assets	57,671		56,592		41,729	155,991	—	155,991
Capital expenditures	150,596	14,771	33,055	10,241	21,195	229,879	—	229,879

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

The major products and services are described in the accompanying "Review of Operations."

(3) Changes in segment names:

During the year ended March 31, 2008, the Company sold its electronic metal products business, and beginning with the year ended March 31, 2009, the name of the former electronic equipment and metal products segment has been changed to the electronic devices segment.

(4) Changes in business segment classification:

During the year ended March 31, 2008, the Company sold four of its six recreation facilities, and, in view of the decline in materiality of the recreation business for the Company's consolidated accounts, beginning with the year ended March 31, 2009, changes have been made to include the recreation business in the others segment. As a result, the figures for the others segment include ¥6,104 million ($62,140 thousand) in sales, ¥310 million ($3,156 thousand) in operating loss, ¥4,231 million ($43,072 thousand) in assets, ¥363 million ($3,695 thousand) in depreciation, ¥3,918 million ($39,886 thousand) of loss on impairment of fixed assets, and ¥182 million ($1,853 thousand) of capital expenditure related to the recreation business that were applicable to the year ended March 31, 2009.

(5) 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 as follows:

2009 ¥37,312 million ($379,843 thousand)

2008 ¥78,206 million

(6) Changes in methods of accounting

Effective the previous fiscal year, pursuant to the changes in method of accounting described in "2. Changes in Methods of Accounting, (4) Change in Method of Depreciation," the Company and its domestic consolidated subsidiaries have adopted the declining-balance method for calculating depreciation of tangible fixed assets acquired on or after April 1, 2007, using a rate that is 2.5 times that which would have been used if the straight-line method had been applied. As a result of this change, for the year ended March 31, 2008, operating expenses increased and operating income decreased as compared to the corresponding amounts which would have been recorded under the previous method.

Specifically, by segment, operating expenses increased for musical instruments by ¥213 million, for AV/IT by ¥55 million, for electronic equipment and metal products by ¥162 million, for lifestyle-related products by ¥35 million, for recreation by ¥9 million, and for others by ¥52 million over the corresponding amounts which would have been recorded under the previous method. At the same time, operating income (loss) for each segment decreased (increased) by the same amount as that of the corresponding increase in operating expenses as a result of this change from the amount which would have been recorded under the previous method.

In addition, pursuant to the changes in method of accounting described in "2. Changes in Methods of Accounting, (4) Change in Method of Depreciation," effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or before March 31, 2007 to depreciating the residual value of such assets which have been fully depreciated to their respective depreciable limits under the Corporate Tax Law to nominal value over a period of five years based on the straight-line method. As a result of this change, operating expenses increased and operating income decreased as compared to the corresponding amounts which would have been recorded under the previous method. Specifically, by segment, operating expenses increased for musical instruments by ¥457 million, for

AV/IT by ¥37 million, for electronic equipment and metal products by ¥319 million, for lifestyle-related products by ¥49 million, for recreation by ¥31 million, and for others by ¥33 million over the corresponding amounts which would have been recorded under the previous method. At the same time, operating income (loss) for each segment decreased (increased) by the same amount as that of the corresponding increase in operating expenses as a result of this change from the amount which would have been recorded under the previous method.

Geographical Segments

	Millions of Yen						
Year ended March 31, 2009	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)							
Sales to external customers	**¥ 247,583**	**¥ 66,295**	**¥ 86,316**	**¥ 59,088**	**¥ 459,284**	**¥ —**	**¥459,284**
Intersegment sales or transfers	**144,913**	**1,449**	**1,473**	**66,631**	**214,468**	**(214,468)**	**—**
Total	**392,497**	**67,745**	**87,790**	**125,720**	**673,752**	**(214,468)**	**459,284**
Operating expenses	**394,144**	**65,881**	**82,629**	**117,923**	**660,579**	**(215,140)**	**445,439**
Operating income (loss)	**¥ (1,647)**	**¥ 1,863**	**¥ 5,160**	**¥ 7,796**	**¥ 13,173**	**¥ 672**	**¥ 13,845**
Total assets	**¥ 296,737**	**¥ 30,126**	**¥ 37,589**	**¥ 63,364**	**¥ 427,818**	**¥ (18,843)**	**¥408,974**

	Millions of Yen						
Year ended March 31, 2008	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income							
Sales to external customers	¥ 293,384	¥ 89,828	¥102,156	¥ 63,384	¥ 548,754	¥ —	¥548,754
Intersegment sales or transfers	165,336	1,729	1,134	75,318	243,519	(243,519)	—
Total	458,721	91,558	103,290	138,702	792,273	(243,519)	548,754
Operating expenses	444,150	86,664	97,484	130,743	759,042	(243,134)	515,908
Operating income	¥ 14,571	¥ 4,893	¥ 5,806	¥ 7,959	¥ 33,230	¥ (385)	¥ 32,845
Total assets	¥ 421,207	¥ 31,368	¥ 44,801	¥ 62,638	¥ 560,015	¥ (19,668)	¥540,347

	Thousands of U.S. Dollars (Note 3)						
Year ended March 31, 2009	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss)							
Sales to external customers	**$2,520,442**	**$674,896**	**$878,713**	**$ 601,527**	**$4,675,598**	**$ —**	**$4,675,598**
Intersegment sales or transfers	**1,475,242**	**14,751**	**14,995**	**678,316**	**2,183,325**	**(2,183,325)**	**—**
Total	**3,995,694**	**689,657**	**893,719**	**1,279,853**	**6,858,923**	**(2,183,325)**	**4,675,598**
Operating expenses	**4,012,461**	**670,681**	**841,179**	**1,200,478**	**6,724,819**	**(2,190,166)**	**4,534,653**
Operating income (loss)	**$ (16,767)**	**$ 18,966**	**$ 52,530**	**$ 79,365**	**$ 134,104**	**$ 6,841**	**$ 140,945**
Total assets	**$3,020,839**	**$306,688**	**$382,663**	**$ 645,058**	**$4,355,268**	**$ (191,825)**	**$4,163,433**

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

Overseas Sales

Year ended March 31, 2009	North America	Europe	Asia, Oceania and other areas	Total
	Millions of Yen			
Overseas sales	**¥ 66,392**	**¥ 86,810**	**¥ 71,237**	**¥ 224,440**
Consolidated net sales				**459,284**
Overseas sales as a percentage of consolidated net sales	**14.5%**	**18.9%**	**15.5%**	**48.9%**

Year ended March 31, 2008	North America	Europe	Asia, Oceania and other areas	Total
	Millions of Yen			
Overseas sales	¥ 89,903	¥104,114	¥ 78,121	¥ 272,139
Consolidated net sales				548,754
Overseas sales as a percentage of consolidated net sales	16.4%	19.0%	14.2%	49.6%

Year ended March 31, 2009	North America	Europe	Asia, Oceania and other areas	Total
	Thousands of U.S. Dollars (Note 3)			
Overseas sales	**$675,883**	**$883,742**	**$725,206**	**$2,284,842**
Consolidated net sales				**4,675,598**
Overseas sales as a percentage of consolidated net sales	**14.5%**	**18.9%**	**15.5%**	**48.9%**

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

25. SUBSEQUENT EVENTS

None

Ernst & Young ShinNihon LLC
Nihon Seimei Hamamatsu Center Bldg.
319-28, Kajimachi, Naka-ku
Hamamatsu City
Shizuoka 430-0933, Japan

Tel: +81 53 453 0390
Fax: +81 53 452 2257

Report of Independent Auditors

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to 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.

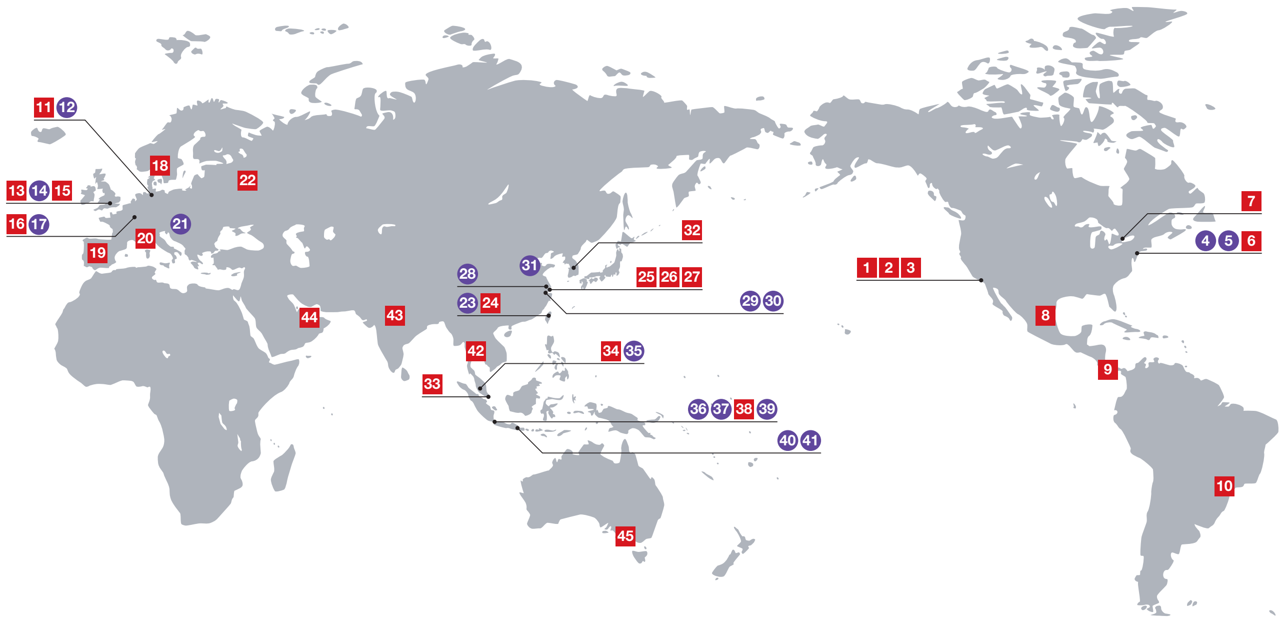
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years 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, 2009 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 26, 2009 Ernst & Young ShinNihon LLC

Main Networks

Overseas Network



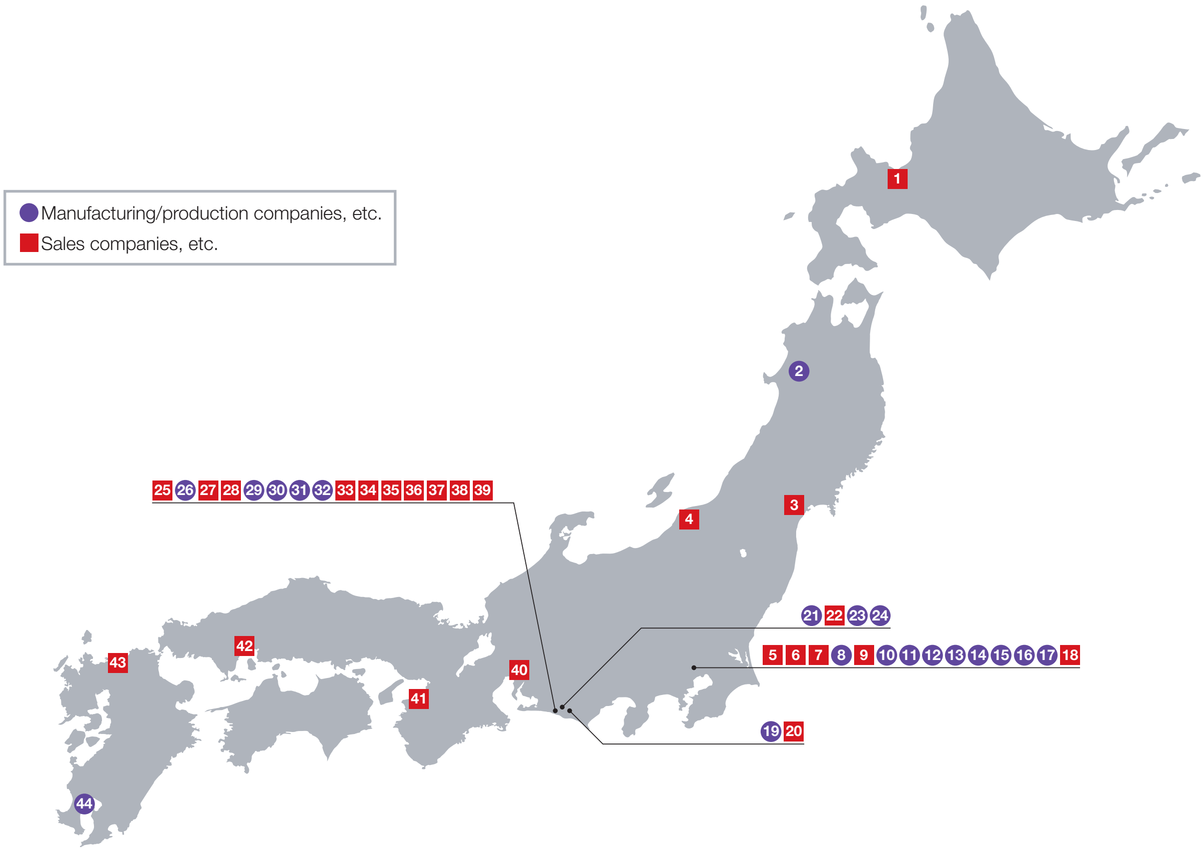
● Manufacturing/production companies, etc.
■ Sales companies, etc.

	Company Name	Location
1	Yamaha Corporation of America	Buena Park, California, U.S.A.
2	Yamaha Electronics Corporation, USA	Buena Park, California, U.S.A.
3	Yamaha Commercial Audio Systems, Inc.	Buena Park, 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	Yamaha Musical do Brasil Ltda.	São Paulo, Brazil
11	Yamaha Music Europe GmbH	Rellingen, Germany
12	Steinberg Media Technologies GmbH	Hamburg, Germany
13	Yamaha Music UK Ltd.	Milton Keynes, U.K.
14	Kemble & Company Ltd.	Milton Keynes, U.K.
15	Kemble Music Ltd.	London, U.K.
16	Yamaha Musique France	Croissy-Beaubourg, France
17	Nexo S.A.	Paris, France
18	Yamaha Scandinavia AB	Gothenburg, Sweden
19	Yamaha Música Ibérica, S.A. Unipersonal	Madrid, Spain
20	Yamaha Musica Italia S.p.A.	Milan, Italy
21	L. Bösendorfer Klavierfabrik GmbH[*3]	Vienna, Austria
22	Yamaha Music (Russia) LLC. [*3]	Moscow, Russia

	Company Name	Location
23	Taiwan Yamaha Musical Instruments Manufacturing Co., Ltd.	Taoyuan, Taiwan
24	Yamaha KHS Music Co., Ltd.	Taipei, Taiwan
25	Yamaha Music & Electronics (China) Co., Ltd.	Shanghai, China
26	Yamaha Music Technical (Shanghai) Co., Ltd.	Shanghai, China
27	Yamaha Trading (Shanghai) Co., Ltd.	Shanghai, China
28	Yamaha Electronics (Suzhou) Co., Ltd.	Suzhou, China
29	Xiaoshan Yamaha Musical Instrument Co., Ltd.	Hangzhou, China
30	Hangzhou Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
31	Tianjin Yamaha Electronic Musical Instruments, Inc.	Tianjin, China
32	Yamaha Music Korea Ltd.	Seoul, South Korea
33	Yamaha Music (Asia) Pte Ltd	Singapore
34	Yamaha Music (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia
35	Yamaha Electronics Manufacturing (M) Sdn Bhd	Chemor, Malaysia
36	PT. Yamaha Indonesia	East Jakarta, Indonesia
37	PT. Yamaha Music Manufacturing Indonesia	East Jakarta, Indonesia
38	PT. Yamaha Musik Indonesia (Distributor)	Central Jakarta, Indonesia
39	PT. Yamaha Music Manufacturing Asia	Bekasi, Indonesia
40	PT. Yamaha Musical Products Indonesia	Pasuruan, Indonesia
41	PT. Yamaha Electronics Manufacturing Indonesia	Pasuruan, Indonesia
42	Siam Music Yamaha Co., Ltd.[*2]	Bangkok, Thailand
43	Yamaha Music India Pvt. Ltd.[*2]	Gurgaon, India
44	Yamaha Music Gulf FZE	Dubai, U.A.E.
45	Yamaha Music Australia Pty. Ltd.	Melbourne, Australia

*1 Equity-method affiliates
*2 Non-consolidated subsidiaries and affiliates
*3 Consolidated from fiscal 2010
*4 In April 2009, Yamaha Sound Technologies Inc. (consolidated) merged with Fuji Sound Co., Ltd. (non-consolidated) to form Yamaha Sound Systems Inc. which is included in consolidation from fiscal 2010.

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.*4	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. *3	Shibuya, Tokyo, Japan
16 Yamaha Music Media Corporation	Toshima, Tokyo, Japan
17 Epicurus Corporation*3	Toshima, Tokyo, Japan
18 Bösendorfer Japan Co., Ltd.*3	Nakano, Tokyo, Japan
19 Yamanashi Kogei Co., Ltd.	Kakegawa, Shizuoka, Japan
20 Tsumagoi Co., Ltd.	Kakegawa, Shizuoka, Japan
21 D.S. Corporation	Fukuroi, Shizuoka, Japan
22 Katsuragi Co., Ltd.	Fukuroi, Shizuoka, Japan

Company Name	Location
23 Yamaha Music Winds Corporation	Iwata, Shizuoka, Japan
24 Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
25 Yamaha Piano Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
26 Yamaha Music Craft Corporation	Hamamatsu, Shizuoka, Japan
27 Yamaha Credit Corporation	Hamamatsu, Shizuoka, Japan
28 Yamaha Music Lease Corporation	Hamamatsu, Shizuoka, Japan
29 Yamaha Livingtec Corporation	Hamamatsu, Shizuoka, Japan
30 Yamaha Living Products Corporation	Hamamatsu, Shizuoka, Japan
31 Joywell Home Corporation	Hamamatsu, Shizuoka, Japan
32 Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
33 Yamaha Media Works Corporation	Hamamatsu, Shizuoka, Japan
34 Yamaha Ai Works Co., Ltd.*2	Hamamatsu, Shizuoka, Japan
35 Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
36 Yamaha Insurance Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
37 Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
38 Yamaha Facility Management Corporation	Hamamatsu, Shizuoka, Japan
39 Yamaha Office Link Co., Ltd.	Hamamatsu, Shizuoka, Japan
40 Yamaha Music Tokai Co., Ltd.	Nagoya, Aichi, Japan
41 Yamaha Music Osaka Co., Ltd.	Osaka, Japan
42 Yamaha Music Chushikoku Co., Ltd.	Hiroshima, Japan
43 Yamaha Music Kyushu Co., Ltd.	Fukuoka, Japan
44 Yamaha Kagoshima Semiconductor Inc.	Aira-gun, Kagoshima, Japan

(As of July 1, 2009)

History of the Yamaha Group

Key Events

1887

1887 Torakusu Yamaha began his business by repairing a broken reed organ
Foundation of the Company

1889 Established partnership firm Yamaha Organ Works

1897 Nippon Gakki Co., Ltd. incorporated

1890 Headquarter Factory established

1937 Tenryu Factory established (Yamaha Fine Technologies established in 1987)

1908 Dalian Branch established in China

1909 Tokyo Branch established

1950

1953 Opened Yamaha Hall

1954 Began Yamaha Music School activities

1955 Established Yamaha Motor Co., Ltd. (Split off the motorcycle division)

1959 Miyatake Factory established (~2000)

1958 Subsidiary established in Mexico

1960

1965 Opened the first overseas Yamaha Music School in the U.S.

1966 Established Yamaha Music Foundation

1967 First Light Music Contest held in Japan (~1971)

1968 Issued shares at market price (The first such issuance in Japan)

1969 First Composition Contest held (Renamed Popular Song Contest from the 4th contest in 1972) (~1986)

1963 Nishiyama Factory established (Now dedicated to products of Yamaha Livingtec Corporation, founded in 1991)

1965 Kakegawa Factory established

1966 Iwata Factory established (Split-off into the electronic metal products business in 1991)

1969 Began musical instrument manufacturing in Taiwan (~2009)

1960 Subsidiary established in the U.S.

1966 Subsidiary established in Germany

1969 Subsidiary established in Canada

1970

1970 Acquired Nippon Wind Instrument Co., Ltd.

1970 First Tokyo International Music Festival held (Renamed World Popular Song Festival from the 2nd festival) (~1989)

1972 Sponsored the first Junior Original Concert (JOC)

1970 Saitama Factory established

1970 Toyooka Factory established

1974 Began musical instrument manufacturing in the U.S. (~2007)

1974 Toyohashi Factory established (~1995)

1976 Kagoshima Factory established (Now dedicated to products of Yamaha Kagoshima Semiconductor Inc., founded in 1987)

1977 Began musical instruments manufacturing in Indonesia

1973 Subsidiary established in France

1973 Subsidiary established in Brazil

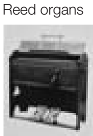
1975 Subsidiary established in Sweden

1975 Subsidiary established in Panama

Key Products

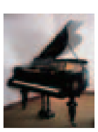
1887

1887 Reed organs



1900 Upright pianos

1902 Grand pianos



1914 Harmonicas

1921 Import and sales of overseas-made musical instruments and music scores

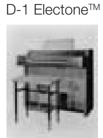
1903 Fine wooden furniture

1921 Wooden aircraft propellers

1931 Metallic aircraft propellers

1950

1959 D-1 Electone™ electronic organ



1954 HiFi players (AV products business started)

1954 Motorcycle prototype developed (Later spun off from the Company as Yamaha Motor Co., Ltd.)

1959 FRP (Fiber Reinforced Plastics) archery goods (~2002)

1960

1965 Trumpets (Wind instruments business started)

1966 Electric guitars, drums

1969 VA-120 vocal amplifier system (Pro Audio equipment business started)

1960 Powerboats (Later transferred to Yamaha Motor Co., Ltd.)

1961 FRP skis (~1997)

1961 Specialty alloys (~2007)

1964 Toba Hotel International opened (Business transferred in 2007)

1964 FRP bathtubs

1967 Nemunosato opened (Business transferred in 2007)

1968 NS speakers

1970

1973 Pianica™

1974 PM-1000 mixing console

1972 Semiconductor in-house production began

1973 Tennis rackets (~1997)

1974 Tsumagoi opened

1974 NS-1000M speaker with a beryllium diaphragm

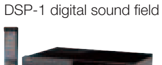
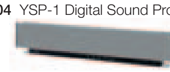
1975 Unit furniture (~2005)

1976 System kitchens (The first artificial marble countertop made in Japan)

1976 Katsuragi Golf Club opened

1978 Katsuragi Kitanomaru opened

1979 Haimurubushi opened (Business transferred in 2007)

1980	1990	2000	2009
1980 Established Piano Technical Academy, a piano tuner training school  1986 Began Popular Music School 1987 The Company name was changed to Yamaha Corporation 1987 Began English language school 1987 First Teens' Music Festival (~2006)		2003 Established a Level 1 American Depositary Receipt (ADR) program 2005 Acquired Steinberg Media Technologies GmbH 2005 Opened Yamaha Music School in China 2007 Acquired Fuji Sound Co., Ltd. 2007 Established Yamaha Music Entertainment Holdings, Inc. 2007 First Music Revolution contest held 2008 Acquired L. Böesendorfer Klavierfabrik GmbH 2008 Held Yamaha Ladies Open Katsuragi golf tournament  2008 Acquired NEXO S.A.	
	1990 Began musical instruments manufacturing in China 1992 Began AV products manufacturing in Malaysia 1999 Began AV products manufacturing in Indonesia	2003 Began AV products manufacturing in China	
1984 Subsidiary established in the U.K. 1986 Subsidiary established in Spain 1986 Subsidiary established in Australia	1990 Subsidiary established in Italy 1997 Subsidiary established in the U.A.E.	2001 Subsidiary established in Korea 2002 Holding company established in China 2002 European holding company established 2007 Subsidiary established in Russia 2008 Subsidiary established in India	
1980 Portable keyboards 1982 Disklavier player piano 1983 Clavinova digital piano 1983 DX7 digital synthesizer  1987 WX7 wind MIDI controller  1989 AVITECS soundproof room	1991 CFⅢS concert grand piano  1993 Silent Piano™ 1995 Silent Brass™ system (pickup mute) 1996 Silent Session Drum™ 1997 Silent Violin™ 	 2000 Mobile phone ringtone distribution service 2000 Braviol acoustic violin 2001 MOTIF music production synthesizer 2001 Silent Guitar™ 2002 EZ-EG EZ guitar (self-teaching guitar) 2003 VOCALOID singing synthesis software 2003 Musical instrument rental service 2006 CPX900 and APX900 electric acoustic guitars 2006 H01 MODUS digital piano 2008 TENORI-ON digital musical instrument 	2009 BODiBEAT interactive music player 2009 AvantGrand hybrid piano 
1982 System bathrooms 1982 Golf clubs 1982 CD-1 CD player 1983 LSI external sales began 1983 FM generator LSIs 1983 Graphics controller LSIs 1984 Industrial robots  1986 DSP-1 digital sound field processor  1989 Automobile interior wood components	1991 Kiroro opened (Business transferred in 2007) 1991 Thin-film magnetic heads (~2000) 1993 CD recorders (~2003) 1993 Online karaoke equipment 1995 Remote routers 1997 Magnesium cases (Business withdrawal is scheduled in 2010) 1999 Sound generator LSIs for mobile phones	2002 inpres golf clubs 2002 System kitchens with artificial marble sinks 2004 YSP-1 Digital Sound Projector  2006 Conferencing systems	

Organization Chart

- Board of Directors
  - President
    - Corporate Committees
    - Managing Council
- Board of Auditors
  - Corporate Auditors' Office

- Musical Instruments Business Group
  - Piano Division
  - Wind, String & Percussion Instruments Division
  - Sound Proofing Division
  - Pro Audio & Digital Musical Instruments Division
  - SA Products Division
- Sound and IT Business Group
  - AV Products Division
  - Sound Network Division
  - Semiconductor Division
- Musical Instruments & AV Products Marketing Group
  - Domestic Sales & Marketing Division
  - Asia–Pacific Sales & Marketing Group
  - Yamaha Corporation of America
  - Yamaha Music Europe GmbH
  - Yamaha Music & Electronics (China) Co., Ltd.
- Yamaha Music Entertainment Holdings, Inc.
- Productive Technology Business Group
  - Center for Materials Components Technologies
  - Yamaha Fine Technologies Co., Ltd.
- Golf HS Division
- Corporate Planning Group
  - Corporate Planning Division
  - Internal Auditing Division
  - Public Relations Division
- Finance and Administration Group
  - General Administration Division
  - Human Resources Division
  - Accounting & Finance Division
  - Legal & Intellectual Property Division
  - Yamaha Insurance Service Co., Ltd.
  - Yamaha Travel Service Co., Ltd.
- Process Management Group
  - Production Engineering & Planning Division
  - Logistics Division
  - Information Systems Division
- Center for Advanced Sound Technologies
- INFO-Sound Division
- Product Design Laboratory
- Technology Planning Division
- eYamaha Division
- Yamaha Livingtec Corporation
- Katsuragi Co., Ltd.
- Tsumagoi Co., Ltd.

(As of July 1, 2009)

Investor Information

(As of March 31, 2009)

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)

26,803
(Includes average number of temporary employees: 6,735)

Number of Consolidated Subsidiaries

88

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 ADR = 1 share of common stock
Type: Level 1 with sponsor bank
Symbol: YAMCY
U.S. Securities Code: 984627109

Public Notices

Shall be issued electronically at http://www.yamaha.co.jp/ (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

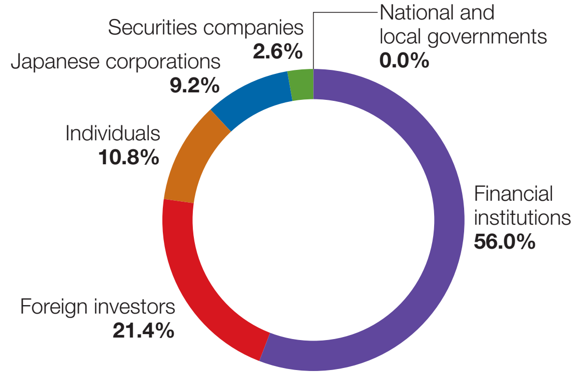
Accounting Auditors

Ernst & Young ShinNihon LLC

Number of Shareholders

24,355

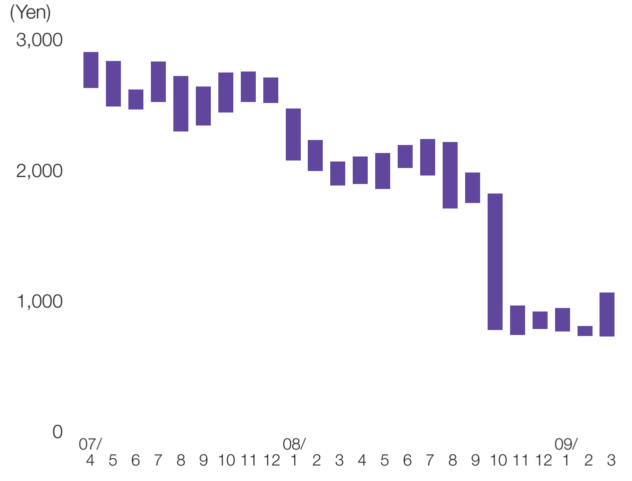
Shareholder Composition (Number of shares)



Main Shareholders

Japan Trustee Services Bank, Ltd. (trust a/c)	6.77%
The Master Trust Bank of Japan, Ltd. (trust a/c)	5.69%
Yamaha Motor Co., Ltd.	5.18%
Japan Trustee Services Bank, Ltd. (trust a/c 4G)	5.14%
Mitsui Sumitomo Insurance Co., Ltd.	4.52%
Mizuho Bank, Ltd.	4.45%
The Shizuoka Bank, Ltd.	4.23%
Sumitomo Life Insurance Company	3.70%
Nippon Life Insurance Company	3.29%
Mizuho Corporate Bank, Ltd.	2.93%

Stock Price Movement



IR Contact

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

CREATING 'KANDO' TOGETHER

YAMAHA CORPORATION

Corporate Planning Division

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

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. CU-COC-809822
© 1996 Forest Stewardship Council

Waterless Printing. Naturally.

PRINTED WITH SOY INK
Trademark of American Soybean Association

2009/8 – CM092

Printed in Japan on FSC-approved paper using soy-based inks and waterless printing processes.