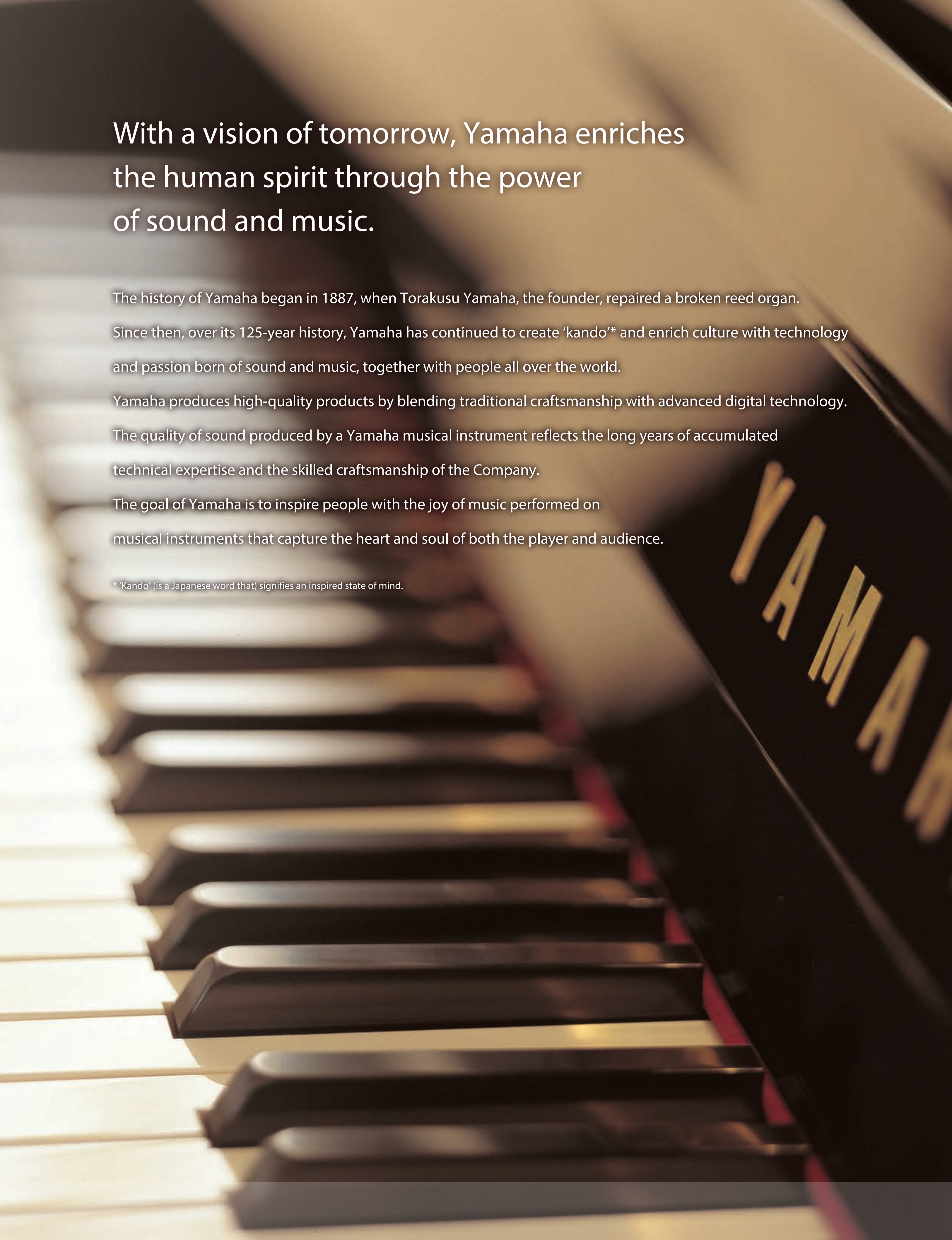
YAMAHA

Designing the New Sound

Annual Report 2014

Year ended March 31, 2014



With a vision of tomorrow, Yamaha enriches the human spirit through the power of sound and music.

The history of Yamaha began in 1887, when Torakusu Yamaha, the founder, repaired a broken reed organ. Since then, over its 125-year history, Yamaha has continued to create 'kando'* and enrich culture with technology and passion born of sound and music, together with people all over the world.

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

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

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

Contents

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.


AHA

The Art of Craftsmanship

Our 125-year pursuit of perfection drives
our insatiable technological quest.
We attain new innovative heights by using the know-how
developed and passed down by our sound engineering experts
to move us into higher states of 'kando.'

Reaching Out to Music Lovers of the World

In a world of constant change and ever-shifting human values, the sound professionals at Yamaha remain consistent in their mission to refine technology to deliver tantalizing sound and music that delight music lovers all over the world.

Designing a Sound Future

To remain a trusted and admired brand loved by people all over the world, Yamaha will design its own future, reaching new heights of growth and bringing new technologies, new sounds, and new states of 'kando' that never fail to delight customers.

To Our Stakeholders

Toward a Quantum Leap in Growth Phase

My name is Takuya Nakata, and I am President and Representative Director of Yamaha.

Yamaha Corporation has started "Yamaha Management Plan 2016 (YMP2016)," its medium-term management plan that covers the three-year period beginning from April 1, 2013. In the fiscal year ended March 31, 2014, the first year of the plan, Yamaha achieved year-on-year increases in sales and earnings by implementing a wide range of measures. These included expanding and upgrading product development and sales channels, the ongoing business structural reforms, and reducing costs.

To achieve the targets outlined in YMP2016, we must be in tune with changing customer values and bring products to market that take advantage of Yamaha's strengths. We must reinforce and expand our domestic and overseas product sales channels. And, we must reduce costs in all processes. It is extraordinarily important that we fully achieve these three steps. We must be clearly aware of what is needed to achieve this plan, and all Yamaha employees in sales, development, and manufacturing, as well as administrative staff must adopt a new approach so that Yamaha becomes a company that steadfastly carries out what it has pledged. By utilizing our strengths and accumulated know-how developed over the years in business domains centered on sound and music, I want us to boldly produce new values while taking on new challenges with out-of-the-box thinking.

The basic focus of Yamaha is to deliver a variety of 'kando' states to customers. We believe that products and services produced from the customer's point of view bring exciting 'kando' states to customers. To achieve our YMP2016 targets in fiscal 2015, the second year of the plan, we will take on new challenges one at a time and attain additional growth in our core business of sound and music based on our corporate objective of CREATING 'KANDO' TOGETHER. Please look forward with anticipation to the new Yamaha.

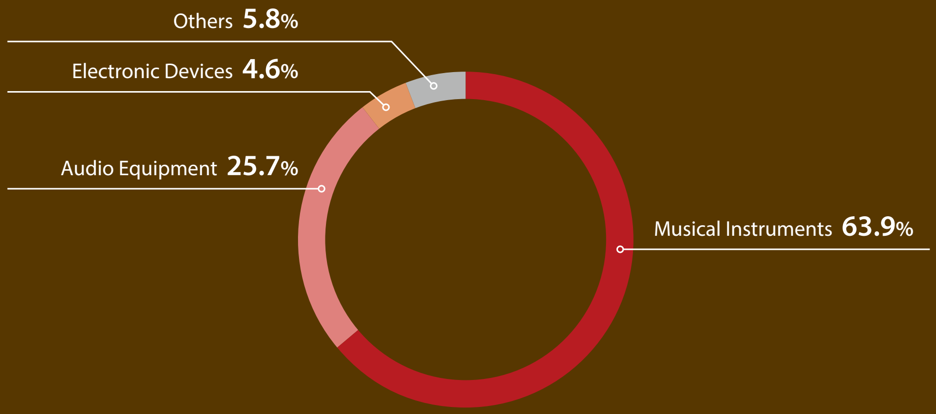
Takuya Nakata
President and Representative Director

Key Figures

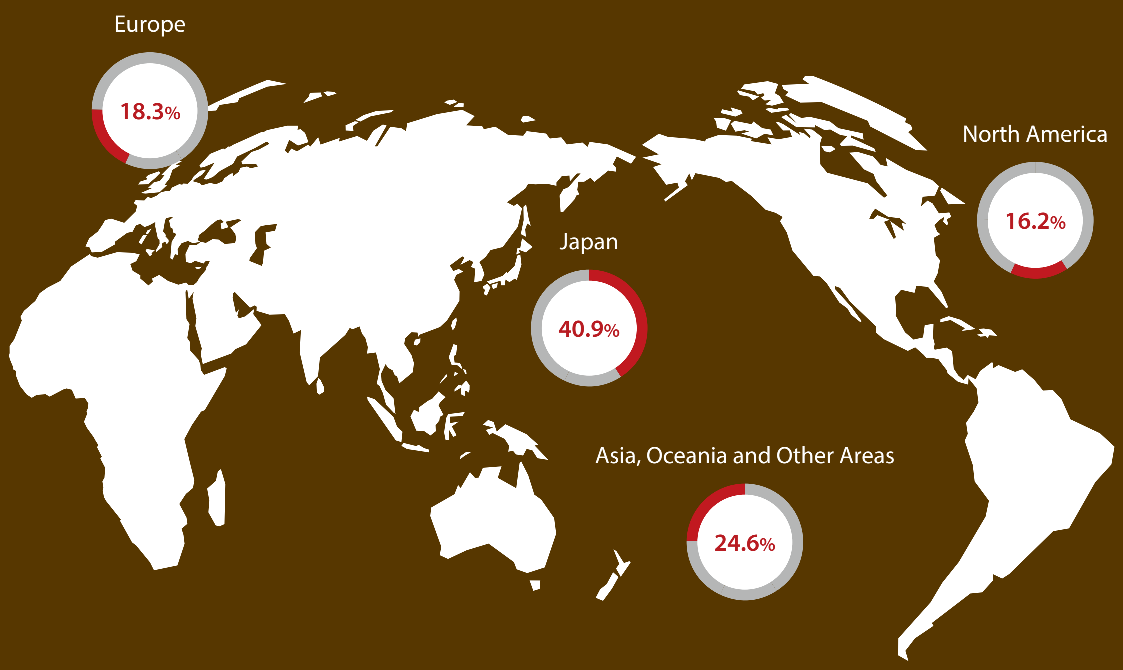
Year ended March 31, 2014

		Change from the previous fiscal year
Net Sales	¥410.3 billion	+11.8 % ↑
Operating Income	¥26.0 billion	182.1 % ↑
Net Income	¥22.9 billion	455.5 % ↑
ROE	9.2 %	+7.3 points ↑
Free Cash Flow	¥10.3 billion	— ↑

Sales by Business Segment



Sales by Region



Reporting Segment Change

Along with the corporate organizational reform, the AV/IT segment was renamed audio equipment segment as of fiscal 2014, and the professional audio equipment business that was previously reported as part of the musical instruments segment was included in the audio equipment segment.

2013

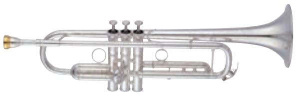
- Musical Instruments
  - Yamaha Musical Instruments Hardware Products
  - Professional Audio Equipment
  - Music Schools, etc.
- AV/IT
  - Audio Products
  - ICT Devices
- Electronic Devices
- Others

2014

- Musical Instruments
  - Yamaha Musical Instruments Hardware Products
  - Music Schools, etc.
- Audio Equipment
  - Audio Products
  - Professional Audio Equipment
  - ICT Devices
- Electronic Devices
- Others

Yamaha at a Glance

Musical Instruments



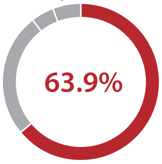
Sales

¥262.3 billion

Operating Income

¥19.7 billion

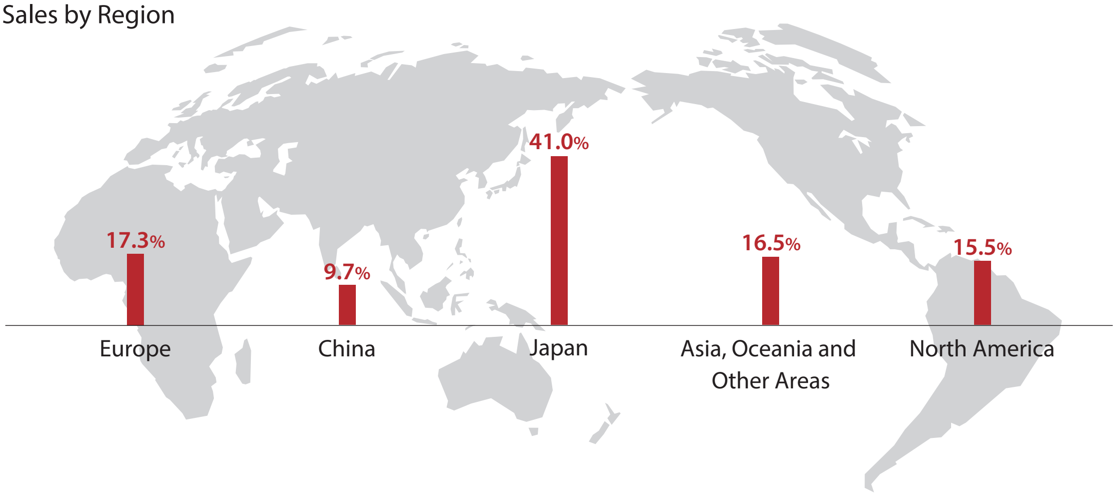
Segment Sales Proportion



Sales by Product Category

Pianos	18.3%
Digital musical instruments	29.3%
Wind instruments	13.5%
String and percussion instruments	8.2%
Music schools, etc.	30.7%

Sales by Region








Business Strengths

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

Major Products & Services

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

Audio Equipment







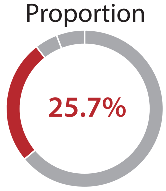

Sales

¥105.5 billion

Operating Income

¥5.9 billion

Segment Sales Proportion



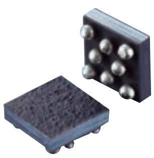
Business Strengths

- ◆ Front surround sound technology for Digital Sound Projector™
- ◆ High-quality sound technology in AV components and HiFi audio products
- ◆ Provision of system solutions using digital network technology for professional audio equipment
- ◆ Router solutions business
- ◆ Signal processing technology for high sound quality and wide coverage of microphone speakers for Web conferencing

Major Products & Services

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

Electronic Devices



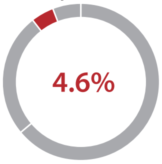
Sales

¥18.8 billion

Operating Income

¥0.8 billion

Segment Sales Proportion



Business Strengths

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

Major Products & Services

- ◆ Semiconductors

Others

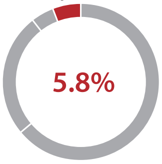
Sales

¥23.7 billion

Operating Loss

-¥0.4 billion

Segment Sales Proportion



Major Products & Services

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

Yamaha Group Medium-Term Management Plan

Yamaha Management Plan 2016

Yamaha Corporation has formulated its new management plan “Yamaha Management Plan 2016 (YMP2016)” that covers the three-year period beginning in April 2013 to follow its Yamaha Management Plan 125 (YMP125), which was completed at the end of March 2013. YMP2016 sets forth Yamaha’s basic management policies, key strategies, and its numerical targets.

Yamaha has positioned the three years under YMP2016 as the first stage of the “quantum leap” phase of its development. During this stage, Yamaha endeavors to secure growth in its existing businesses while actively investing to achieve growth through new business in the next stage.

Under the new management plan, by the fiscal year ending March 2016, Yamaha will aim to reach consolidated net sales of ¥430 billion (which will represent real growth over the three-year period of 14%), operating income of ¥30 billion (which will imply an operating income ratio of 7%), and a return on equity (ROE) of 10%. Over the period of YMP2016, Yamaha plans to make investments for growth of ¥33 billion.

Management Policies

Attain continual growth
Expand sales with a focus on emerging markets and electronics business

Strengthen profitability
Steadily build on results of structural reform

Enhance specialization and professionalism to create new added value
Generate results from function-specific organizational units, foster specialist personnel

Positioning

- The new Medium-Term Management Plan will achieve steady growth in existing businesses as the first stage of the “quantum leap” phase.
- The Company will invest aggressively in new business development with a view to achieving future targets of ¥500 billion in net sales and ¥50 billion in operating income.

Numerical Targets

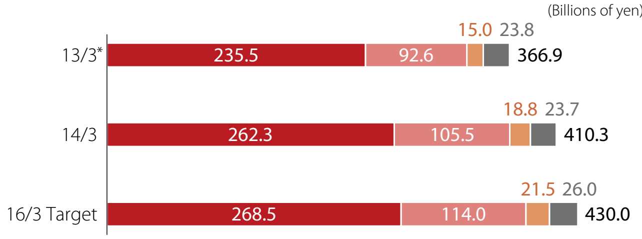
(Billions of yen)	13/3	16/3 Targets	change
Net Sales	366.9	430.0	+63.1
Actual growth rate over three years		+14%	
Operating Income	9.2	30.0	+20.8
Operating income ratio	2.5%	7%	
ROE	1.9%	10%	+8.1

Exchange Rate (Yen)			
Net Sales	US$	83	85
	EUR	107	115
Operating Income	US$	82	85
	EUR	103	115

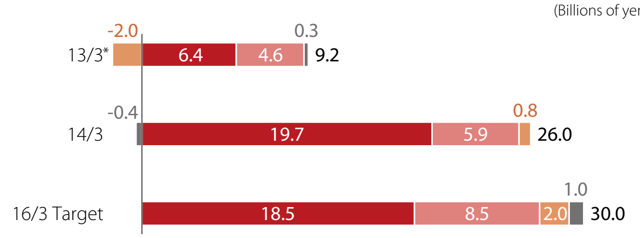
(Billions of yen)	11/3-13/3 (over three years)	14/3-16/3 (over three years)	change
Free Cash Flows	9.9	50.0	+40.1
R&D Expenses	67.4	68.5	+1.1
Capital Expenditures	35.6	46.0	+10.4
(Depreciation)	(36.4)	(41.0)	+4.6
Special Allocation for Growth Investment	–	33.0	–

Targets by Segment

Net Sales



Operating Income (Loss)



Musical instruments Audio equipment Electronic devices Others

[Segment Realignment]

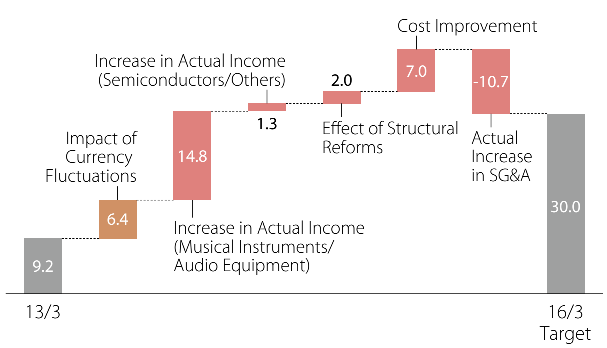
As a result of certain organizational realignments, effective from the first quarter of fiscal 2014, some segments are realigned as follows:

1. AV/IT segment will now be renamed audio equipment segment.
2. PA equipment business, which was previously reported as part of the musical instruments segment will now be reported as part of the audio equipment segment.

* Fiscal 2013 figures have been adjusted to reflect segment composition changes effective from fiscal 2014.

Operating Income Analysis

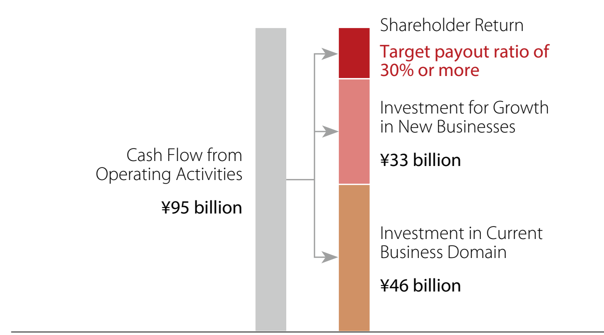
(Billions of yen)



Growth Investment and Return to Shareholders

Actively invest in growth while continuing stable dividends

General overview of three-year cash flow distribution



1 Accelerate Growth in Emerging Countries

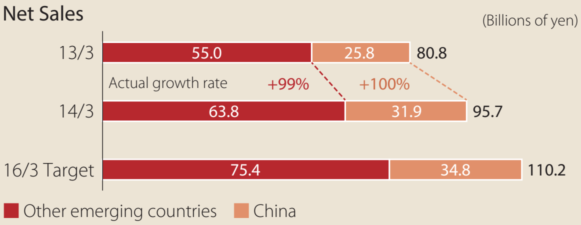
◆ Three-Year Target

Achieve actual growth of +34% in China and other emerging countries

◆ Priority Measures

1. Focus management resources on key areas and expand sales network
2. Increase music-playing population through music popularization activities

Net Sales



Launch models for China and emerging countries

Expand sales mainly of multifunction digital pianos designed exclusively for China

Develop moderately priced entry model with tones suited to local tastes for emerging countries

PSR-F50

Contains 22 local tones including Indian, Arabic, African, Chinese, Celtic and Scottish tones

2 Expand Sales in Electronics Business Domain

◆ Three-Year Target

Achieve actual growth of +28% for digital keyboard instruments, professional audio equipment, and ICT devices

◆ Priority Measures

Digital keyboard instruments

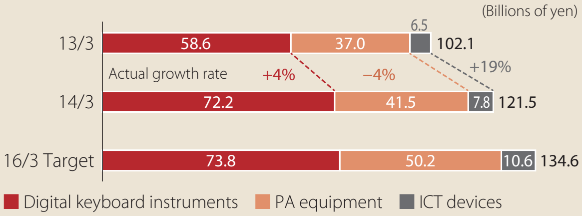
1. Expand market share through product differentiation
2. Further respond to various market demand

PA equipment

1. Enhance development capabilities to maintain solid growth
2. Enter new fields to expand business scale

ICT devices

1. Transform router business into network device solution business
2. Expand Web conferencing USB microphone and speaker business into audio communication device business



New commercial audio equipment launch

QL5

QL1

QL SERIES

All-in-one mixer with condensed elements, the core of our top-of-the-line CL Series

MG Series

Intuitive, user-friendly and robust mixing console with superior sound quality and design

Full-scale entry into the commercial installed sound market

Accommodates all types of facilities, from hotels and convention centers to small and medium-sized commercial spaces.

InterContinental Hotel (Switzerland)

3 Strengthen Cost Competitiveness

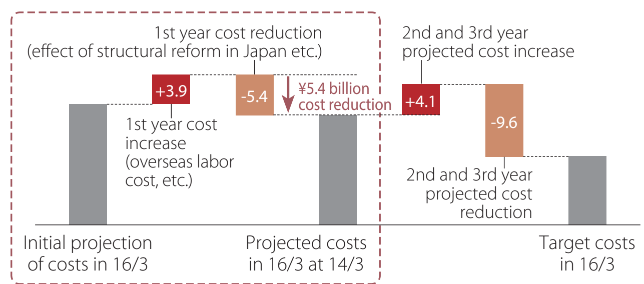
◆Three-Year Target

Further strengthen productivities to exceed sharp rise in labor costs in China and Indonesian factories

◆Priority Measures

1. Increase local procurement and strategically provide components manufactured in overseas factories to Japanese production
2. Reduce personnel expenses through manufacturing automation

Cost reduction plans progressed as scheduled, achieving first-year actual cost reduction of ¥5.4 billion, representing over one-third of the three-year cost reduction target of ¥15 billion



4 M&A Development

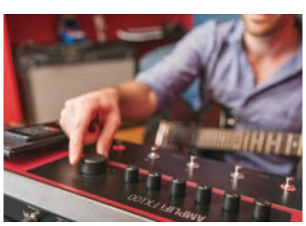
◆Three-Year Target

Develop new businesses to accelerate growth in the quantum leap phase

◆Priority Measures

1. Invest in M&A and capital tie-ups
2. Invest in venture firms
3. Pursue new business projects in-house

Acquired Line 6, Inc. (a U.S. musical instruments and audio equipment manufacturer), and Revolabs, Inc. (a U.S. provider of wireless audio solutions)



Line 6, Inc.

Location:	Calabasas, California, U.S.A.
Date established:	1996
Representative:	Paul Foeckler (President and CEO)
Number of employees:	220
Lines of business:	Development, manufacture, and sale of guitars and guitar peripherals, PA equipment, and wireless systems
Sales:	US$69.0 million (fiscal 2012)

Yamaha has acquired Line 6, Inc. (Headquarters: California, U.S.A.), a company engaged in the development, manufacture, and sale of modeling guitar processing products, professional audio (PA) equipment, wireless microphones, and other products, and made it a wholly owned subsidiary. Through this acquisition, the Yamaha Group will expand its portfolio of modeling guitar processing products and PA equipment product lines to accelerate growth in the musical instruments and audio equipment domains. Yamaha will create new value for customers by combining Line 6's product planning and development capabilities based on modeling and wireless technologies and Yamaha's own accumulated technological capabilities in the acoustic and digital domains, as well as by utilizing the global knowledge of markets and customers amassed by the two companies.

Revolabs, Inc.

Location:	Sudbury, Massachusetts, U.S.A.
Date established:	2005
Representative:	Jean-Pierre Carney (President and CEO)
Number of employees:	70
Lines of business:	Development, manufacture, and sale of wireless conference phones and wireless microphone systems
Sales:	US$25.5 million (fiscal 2013)

Yamaha has acquired Revolabs, Inc. (Headquarters: Massachusetts, U.S.A.), a company engaged in the development, manufacture, and sale of products such as wireless microphone systems for corporate conference rooms and wireless conference phones, and made it a wholly owned subsidiary. By making Revolabs, a company with world-class technology, a wholly owned subsidiary, Yamaha seeks further growth for its corporate audio equipment business in both voice communication devices and professional audio equipment.

Interview with the President

Takuya Nakata
President and Representative Director

With the first year of the Yamaha Management Plan 2016 (YMP2016) completed, we now have a clear view of the road we must take to achieve our goals. Takuya Nakata, President and Representative Director, discusses the goals that need to be achieved over the next two years and the challenges to stable growth that lie even further ahead.

Q Could you describe Yamaha's performance in fiscal 2014?

A Consolidated net sales in fiscal 2014 were ¥410 billion, an increase of 11.8% year on year. Operating income increased a substantial 182.1% to ¥26 billion, and net income came to ¥23 billion. These figures, in each case, surpassed those of the previous fiscal year for the second consecutive year.

Key factors behind this increase were the steady recovery of mature markets, as well as steady progress made in reducing fixed and other costs through successful business structural reforms. In the first year of the medium-term management plan, even with favorable foreign currency translation effects and last-minute demand from the consumption tax increase in Japan, we were able to take a decisive first step to achieving our targets.

Of course, there still remain challenges to the attainment of steady growth, a target of our plan, but we have made explicit those challenges that we need to be aware of in order to achieve our plan and have more clearly defined the direction that we must take in the remaining two years of YMP2016.

Q How do you assess Yamaha's performance after the first year of YMP2016?

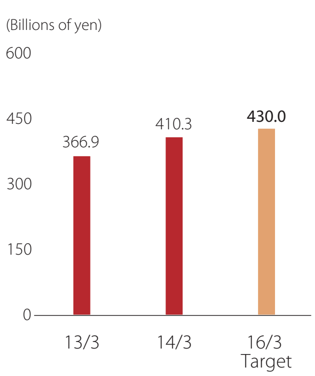
A Sales profit was achieved according to plan, supported by the positive effects of foreign currency translations. We steadily carried out the measures of the first year of the medium-term management plan, the pillars of which include the expansion and upgrading of sales channels, cost reductions, and investments for growth.

In August 2013, we eliminated the divisional system in the musical instrument and audio equipment segments, established manufacturing and development groups, and realigned into a functional organization that includes the existing sales and marketing group. We tore down the walls of individual cultures in each business division that were the by-product of a vertical organization and in their place we created an environment where the various technologies and production facilities owned by Yamaha are utilized across the Company. The challenge facing us from this point forward is how to turn the wealth of potential arising from the interaction of differing internal cultures in varied business domains such as development, manufacturing, and marketing into advantages for Yamaha.

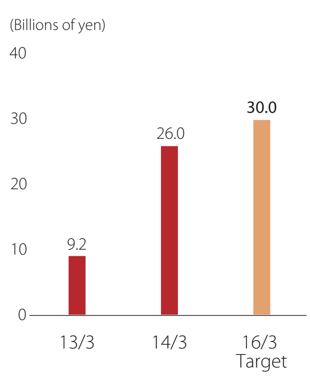
Another major accomplishment was the return to profitability of the electronic devices business. Contributing factors were the reduction of fixed costs through business structural reforms and the rebound in sales. We will continue to focus on new product development that takes advantage of strengths unique to Yamaha while closely monitoring changes in the global semiconductor business.

Numerical Targets

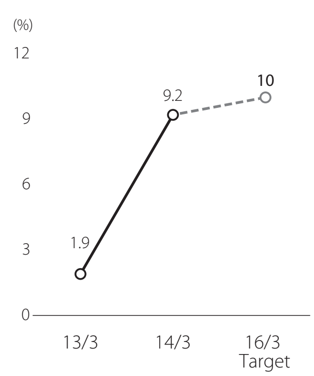
Net Sales



Operating Income



ROE



Q How will you speed up growth in China and other emerging countries, one of the key strategies of YMP2016?

A The numerical targets of YMP2016 for fiscal 2016 are consolidated net sales of ¥430,000 million, operating income of ¥30,000 million, and ROE of 10%. In fiscal 2015, we will continue to work to accelerate growth in China and other emerging countries, which is a priority business strategy for achieving those targets. Our goal is to achieve growth of 30% or more in real terms over the three years leading up to 2016.

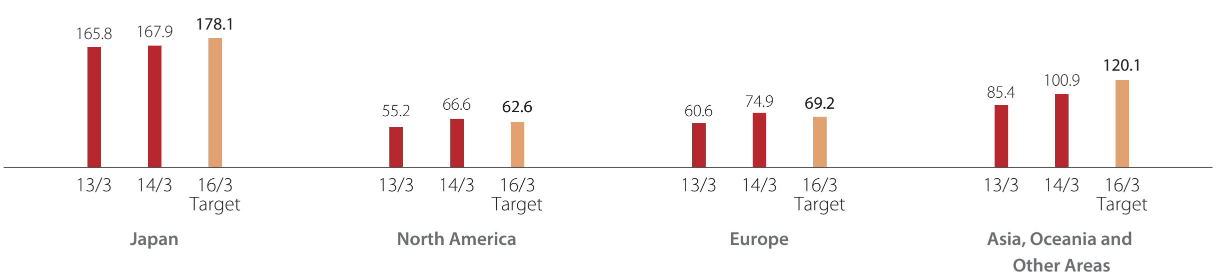
Our basic strategy is the same as in the first year, and that is to have stronger product development tailored to each market and to reinforce sales channels and sales staff. Further, we will continue to aggressively expand Yamaha Music Schools and conduct school music educational activities in China and other emerging countries with the goal of increasing the size of the market.

In China, despite the relative slowdown in the market's overall growth, continued growth of acoustic piano demand is expected. Moreover, we are beginning to see higher growth for digital pianos, so we will also focus on this market.

In emerging markets, we will continue to take a sales strategy that is appropriate for Indonesia, India, Brazil, and Russia and swiftly implement it. To accelerate sales growth, Yamaha has established footholds in Vietnam by setting up a local sales subsidiary, and in South Africa with the establishment of a representative office.

Emerging countries are changing moment to moment, and therefore our challenge is to take the optimal approach after assessing the local business customs of each country. We constantly pursue the most effective measures by turning the PDCA cycle and examining whether the local subsidiary is properly implementing Yamaha's business strategy.

Sales by Region
(Billions of yen)



Music China 2013

Asian Beat Band Competition Grand Final in Indonesia

Yamaha Music Square in India

Yamaha Piano Fair in Moscow

Q What is Yamaha's sales growth strategy in the electronics business domain?

A Another one of our priority business strategies is to expand sales in the electronics business domain. Our goal is to achieve sales growth of about 30% for the duration of YMP2016 in the three fields of digital keyboard instruments, professional audio equipment, and information and communications technology (ICT) devices. In the area of digital keyboard instruments, which includes digital pianos, we have been working to develop appealing products that precisely meet market needs.

Professional audio equipment is a domain in which recent organizational realignment efforts are likely to pay off, so we will continue to aggressively develop and launch new products. To compete with new market entrants who launch products in the lower price segments, we will speed up product development with the focus on planning high value-added products that take advantage of Yamaha's technology and know-how, and its strength in the field of sound. We will deliver the high product reliability and strong product support capabilities required by professional audio equipment and swiftly launch products that meet market needs.

Even though sales are still relatively small, ICT devices are steadily paying off as the product domain expands.

A demonstration of Disklavier™ player piano connected with HiFi audio products at the 2014 International Consumer Electronics Show (CES) in the U.S. to highlight Yamaha's unparalleled expertise in sound and music.

Q How successful has new business development and M&A in particular been?

A In YMP2016, with the goal of promoting business growth through M&A and capital alliances as a priority business strategy, we established a special investment framework for new business development. An investment ceiling of ¥30,000 million was established for investment in M&A and capital alliances, and a ceiling of ¥3,000 million for investment in venture companies. In line with this policy, we turned Line 6, Inc. (Headquarters: California, U.S.A.) and Revolabs, Inc. (Headquarters: Massachusetts, U.S.A.) into wholly owned subsidiaries in fiscal 2014.

Line 6 has an excellent reputation for guitar peripherals, such as amplifiers loaded with the best digital technology, PA equipment, and other products. With overlapping product development capabilities based on strengths Yamaha has developed in both acoustic and digital technologies, along with the modeling and wireless technologies of Line 6, the Yamaha Group is set for even greater growth in the musical instrument and audio equipment domains.

In addition, Revolabs possesses extremely high and unparalleled technological capabilities in the area of wireless microphones and conferencing systems. In our view, the market will expand significantly by merging audio equipment with networking technology. We therefore believe that Revolabs possesses major technological advantages in this domain.

The importance of technology in audio equipment is growing year by year. By combining our products, technologies, and sales channels we will not merely add, but multiply, our strengths, and considering the high potential for generating new values in our business, we expect to make new future investments.

Line 6, Inc. President and CEO Paul Foeckler (left) shakes hands with Yamaha Corporation President and Representative Director Takuya Nakata (right).

Q What efforts are you making to reach the medium-term management plan's cost-cutting target?

A

In YMP2016, we pursue production efficiency improvements and cost reductions with the goal of lowering costs by ¥15,000 million over a three-year period.

Let me cite three areas of cost reduction. The first is production efficiency improvement, the second is procurement cost reduction, and the third is fixed cost reduction. Our major success in the first year was in the first area, where we improved production efficiency by sharing our best practices through organizational realignment. In the second area, as part of our shift to overseas production, we set up a system that reduced procurement costs by raising the rate of local procurement and producing parts locally. In the third area, we successfully reduced fixed costs through the integration of our domestic production facilities.

At the Indonesian plant, efforts to raise the rate of local procurement and locally integrate production have paid off and recently our production capabilities have greatly improved. We will further reduce procurement costs through our procurement department in Shenzhen, China that was incorporated in October 2013 and thereby strengthening our purchasing.

Piano manufacturing in Japan (Kakegawa)

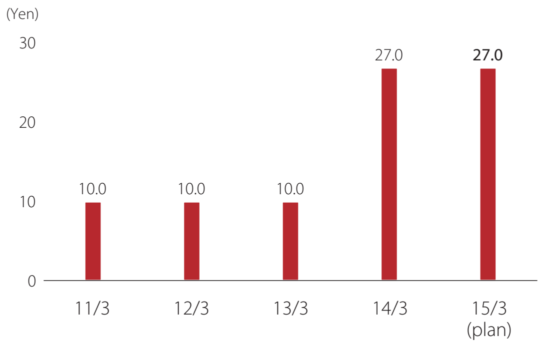
Piano manufacturing in China (Hangzhou)

Q What is your financial strategy and approach to returning profits to shareholders going forward?

A

The Yamaha Group continues to build a solid foundation with an equity ratio of 61.9% at fiscal 2014 year-end. We will firmly adhere to financial policies that balance investments and dividend payments on the basis of maintaining financial stability and soundness. On the other hand, we want to flexibly and expeditiously take on growth investments for the next growth phase. With regard to returning profits to shareholders, Yamaha has set a goal of 30% or more for its consolidated dividend payout ratio based on continuous and stable dividend payment. In fiscal 2014, Yamaha paid an annual dividend of ¥27.0 per share. In fiscal 2015, we plan to pay an annual dividend of ¥27.0 per share.

Dividends per Share



Board of Directors, Corporate Auditors and Executive Officers

(As of June 24, 2014)

(Left to right) Haruo Kitamura, Masato Oike, Takuya Nakata, Yoshikatsu Ota, Motoki Takahashi, Masao Kondo, Hiroyuki Yanagi

Board of Directors

Takuya Nakata
President and Representative Director

1981 Joined Nippon Gakki Co., Ltd.*
2005 General Manager of Pro Audio & Digital Musical Instruments Division
2006 Executive Officer
2009 Director and Executive Officer
2010 Senior Executive Officer of Yamaha Corporation and President of Yamaha Corporation of America
2013 Deputy Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group of Yamaha Corporation
President and Representative Director (to the present)

Motoki Takahashi
Director

1974 Joined Nippon Gakki Co., Ltd.*
1999 President of Yamaha Europe GmbH
2001 Executive Officer of Yamaha Corporation
2006 General Manager of Corporate Planning Division
2007 Director and Executive Officer
2009 Director and Managing Executive Officer (to the present)
2012 Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group

Masao Kondo
Director

1978 Joined Nippon Gakki Co., Ltd.*
2007 General Manager of AV Products Division
2008 Executive Officer
2009 Director and Executive Officer
2010 Senior Executive Officer and Senior General Manager of Sound and IT Business Group
2013 Senior General Manager of Musical Instruments & Audio Products Production Group (to the present)
2014 Director and Senior Executive Officer (to the present)

Masato Oike
Director

1982 Joined Nippon Gakki Co., Ltd.*
2006 President of Yamaha Music Holding Europe GmbH
2008 President of Yamaha Music Europe GmbH
2009 Executive Officer
2011 Senior Executive Officer
2013 Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group (to the present)
2014 Director and Senior Executive Officer (to the present)

Haruo Kitamura
Outside Director (Certified Public Accountant)

1983 Joined Arthur Andersen
1987 Registered as a Certified Public Accountant
2002 Established Kitamura Certified Public Accounting Office (to the present)
2004 Outside Corporate Auditor of Rohm Co., Ltd. (to the present)
2005 Outside Director of MonotaRo Co., Ltd. (to the present)
2006 Supervisory Director, MID REIT, Inc. (to the present)
2009 Outside Corporate Auditor of Yamaha Corporation
2010 Outside Director of Yamaha Corporation (to the present)

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

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

Yoshikatsu Ota
Outside Director
(Special Advisor of Konica Minolta, Inc.)

1964 Joined Minolta Camera Co., Ltd.
1991 Director of Minolta Camera Co., Ltd.
1995 Managing Director of Minolta Co., Ltd.
1999 President and Representative Director of Minolta Co., Ltd.
2003 Director, Vice President and Representative Executive Officer of Konica Minolta Holdings, Inc.
2006 Director, President and Chief Executive Officer, Representative Executive Officer of Konica Minolta Holdings, Inc.
2009 Director and Chairman of the Board of Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.)
2012 Outside Director of Yamaha Corporation (to the present)
2014 Special Advisor of Konica Minolta, Inc. (to the present)

Corporate Auditors

Fumio Umeda
Full-Time Corporate Auditor

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

Masahito Hosoi
Full-Time Corporate Auditor

1978 Joined Nippon Gakki Co., Ltd.*
2005 General Manager of Human Resources Division
2009 Executive Officer
2011 General Manager of Staff Business Reform Division
2013 Senior Executive Officer and Senior General Manager of Corporate Administration Group
2014 Full-Time Corporate Auditor (to the present)

Takashi Miyazawa
Outside Corporate Auditor
(Certified Public Accountant)

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

Hirohiko Ikeda
Outside Corporate Auditor (Attorney)

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

Executive Officers

Managing Executive Officer

Motoki Takahashi

Senior Executive Officer

Masao Kondo
Senior General Manager of Musical Instruments & Audio Products Production Group

Masato Oike
Senior General Manager of Musical Instruments & Audio Products Sales & Marketing Group

Yutaka Hasegawa
Senior General Manager of Musical Instruments & Audio Products Development Group

Executive Officer

Akira Iizuka
General Manager of Research & Development Division

Hirofumi Osawa
General Manager of Audio Products Sales & Marketing Division

Hiroshi Sasaki
President of Yamaha Music Europe GmbH

Kazunori Kobayashi
General Manager of Business Development Division

Satoshi Yamahata
General Manager of Corporate Planning Division

Shigeki Fujii
Senior General Manager of IMC Business Group

Seiichi Yamaguchi
General Manager of Business Planning Division

Hitoshi Fukutome
President of Yamaha Corporation of America

Teruhiko Tsurumi
President of Yamaha Music & Electronics (China) Co., Ltd.

Shinobu Kawase
General Manager of Acoustic Musical Instruments Production Division

Kimiyasu Ito
General Manager of Acoustic Musical Instruments Development Division

* Currently Yamaha Corporation

Corporate Governance

Yamaha is taking steps to enhance the oversight functions of the Board of Directors while promoting an executive officer system in order to strengthen business execution functions. Yamaha has also introduced highly independent outside directors and outside corporate auditors to increase the effectiveness of its governance.

Fundamental Concept of Corporate Governance

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

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

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

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

Basic Corporate Governance System

Yamaha is a company with a board of auditors as defined under Japanese law. With the General Shareholders' Meeting as its highest decision-making body, Yamaha has built a corporate governance system (outlined in the diagram below) centered on the oversight and supervision of management's execution of duties by the Board of Directors, and audits by the Board of Auditors. Further, Yamaha has enhanced its governance functions by introducing an executive officer system, setting up a Corporate Directors Personnel Committee, Risk Management Committee, and corporate committees, convening twice a month (in principle) Managing Council meetings, and establishing an internal control system. In conjunction with consistent audits conducted by the Company's system of full-time auditors, these help raise the effectiveness of governance through fair and equitable audits by highly independent outside corporate auditors.

Board of Directors

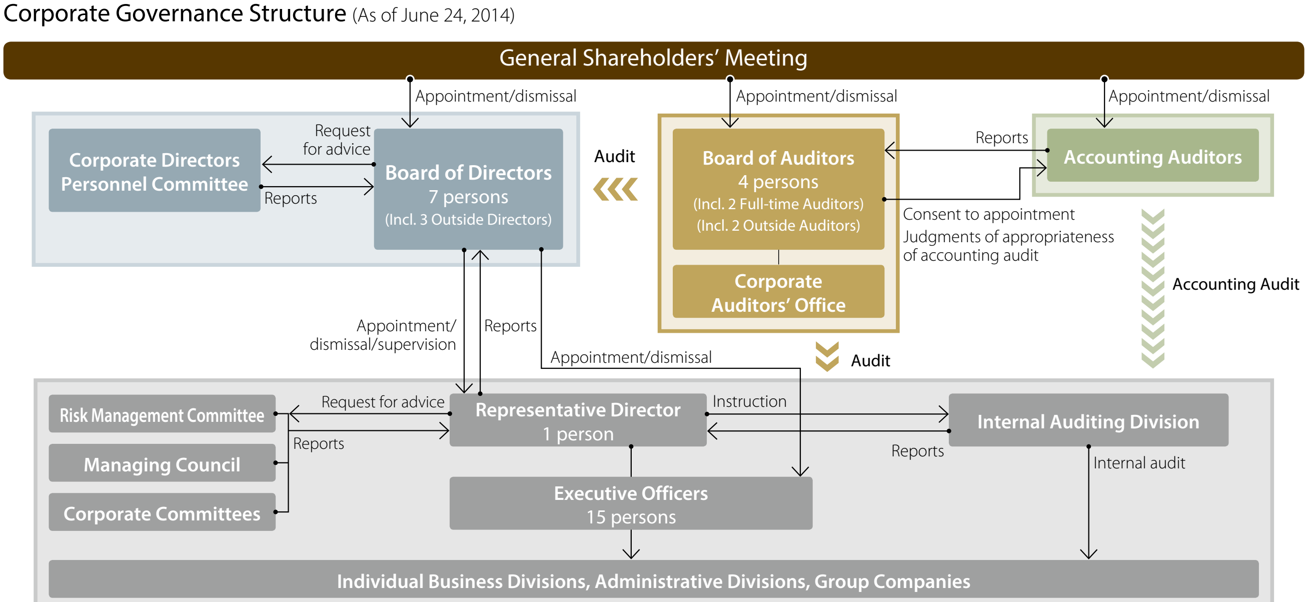
As of June 24, 2014, Yamaha had seven directors, including three outside directors. In principle, the Board of Directors convenes once monthly, and is responsible for the Group's management functions, such as strategy planning, monitoring the business execution of each division, and providing guidance. Outside Directors are elected to enhance the supervisory function of the Board of Directors from an objective standpoint, for increasing transparency of the management, and gain good advice by utilizing their management experience in various industries and advanced expertise.

In order to clarify directors' management responsibilities, directors are appointed for a term of one year.

Representative Director

As of June 24, 2014, Yamaha had one representative director who acts as President and Representative Director. The President and Representative Director is the chief officer in charge of business execution and represents the Company.

Corporate Governance Structure (As of June 24, 2014)



Reorganization of System and Structure to Strengthen Corporate Governance

- **2001** ➢ Adopted an executive officer system to separate management decision-making/supervision and execution functions
- **2003** ➢ Reduced the number of full-time directors from nine to eight, appointed an outside director, increased the number of outside corporate auditors from one to two, and established a Corporate Auditors' Office
- **2005** ➢ Clearly defined directors' management responsibilities and reduced the term of directors from two years to one year to create a system that can swiftly respond to changing business environments
- **2010** ➢ Decreased the number of full-time directors from eight to three, increased the number of outside directors from one to two, and registered one outside director as an independent officer as stipulated by Japan's financial instruments exchange
- **2011** ➢ Reorganized Internal Auditing Division to centralize audit functions and to promote comprehensive audits
- **2012** ➢ Increased the number of outside directors from two to three

Auditors and the Board of Auditors

As of June 24, 2014, Yamaha had four auditors, including two outside corporate auditors. In principle, the Board of Auditors convenes once monthly. Based on audit plans, auditors periodically perform comprehensive audits of all business divisions, administrative divisions and Group companies, and participate in Board of Directors' meetings and other important meetings such as the Managing Council.

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

In Yamaha, people with knowledge of finance and accounting assume full-time auditor positions. To ensure good judgment with respect to the reasonableness of business and accounting audits, one of the full-time auditors is an expert in finance and accounting. To ensure objectively fair and equitable audits, outside corporate auditors are appointed and include specialists (CPAs and attorneys) who hold positions independent from that of the Company.

Yamaha has also established a Corporate Auditors' Office (with two staff members as of June 24, 2014) that is dedicated to supporting auditors so as to ensure an environment conducive to performing effective audits.

Corporate Directors Personnel Committee

Yamaha established the Corporate Directors Personnel Committee as an advisory body to the Board of Directors. The Committee deliberates on director personnel issues and reports its findings to the Board of Directors. The Committee, in which more than half of its members are outside directors, ensures transparency and fairness.

Risk Management Committee

Yamaha established the Risk Management Committee as an advisory body to the President and Representative Director. The Committee discusses risk management-related matters from a Companywide perspective and reports its findings to the President and Representative Director.

Managing Council and Corporate Committees

Managing Council meetings are held, in principle, twice a month for the purpose of discussing and forming a consensus about management issues when they arise. Attending the Managing Council are the President and Representative Director, managing executive officer, senior executive officers, and full-time auditors. To encourage deeper discussion about important management strategic issues, corporate committees have been set up to address each issue.

Executive Officers

Yamaha has adopted an executive officer system, with the purpose of strengthening consolidated Group management and business execution functions. As of June 24, 2014, the executive officer system comprised 15 executive officers, including one managing executive officer and three senior executive officers. The managing executive officer supports the president, who is the chief officer in charge of business execution. The senior executive officers, in principle, preside over the business and administrative groups as heads of those groups in accordance with the importance of these responsibilities. These officers are responsible for the business performance of the groups they preside over and manage and direct in such a way that the group functions to its maximum potential. Moreover, executive officers are assigned to divisions that are responsible for key management issues in each group.

Internal Audits

Yamaha established the Internal Auditing Division (nine staff members as of June 24, 2014) under the direct control of the President and Representative Director. Its role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company from the standpoint of legality and reasonableness.

The Internal Auditing Division provides the President and Representative Director, divisions subject to audit, and supervisory divisions with information based on the evaluation along with suggestions and proposals for rationalization and improvement. In parallel, Yamaha strives to boost audit efficiency by encouraging close contact and coordination among the corporate auditors and the accounting auditors.

Principal Internal Audit Activities in Fiscal 2014

1. Performed visiting audits of divisions and Group companies (Japan and overseas; paper audits were also performed)
2. Evaluated the status of Company-level internal controls, audited Company regulations, its operation compliance, and updates thereof
3. Presided over audits of subsidiaries by their auditors
4. Audited the status and content of monitoring conducted by the administrative divisions of Yamaha Corporation and provided advice for improvement of monitoring quality
5. Performed follow-up audits to confirm that corrective action had been taken

Support System for Outside Directors and Outside Corporate Auditors

The meeting to discuss and confirm management issues is held, in principle, monthly for the purpose of sharing important management proposals between all directors and auditors and gaining a better understanding about management's execution of its duties.

A Division Meeting has been set up for reporting by the general managers on business activities. When necessary, outside directors are individually provided with explanations about proposals and reports to be submitted to the Board of Directors.

With respect to agenda items at meetings of the Board of Directors and the Board of Auditors to be attended by outside corporate auditors, full-time staff members send documents and other

Fiscal 2014 Outside Directors and Outside Corporate Auditors

Outside Directors

Name	Independent Officer	Reasons for Appointment	Views on their Independence	Board of Directors Meetings Attended
Haruo Kitamura	✓	A director with excellent character and insight A CPA with expertise in finance and accounting He can be counted on to strengthen Yamaha's governance functions and provide objective advice	Has many years of experience as a CPA, but is under no advisory agreement with Yamaha. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	14 of 14
Hiroyuki Yanagi	—	A director with excellent character and insight Has management experience in other industries He can be counted on to advise and direct Yamaha management for the purpose of raising brand value	Although he is the president and CEO of a company in which Yamaha is a major shareholder, since Yamaha is not in a position that can exert significant influence over the management team of the company, he is unlikely to pose a conflict of interest with Yamaha's general shareholders.	12 of 14
Yoshikatsu Ota	✓	A director with excellent character and insight Has management experience in other industries He can be counted on to strengthen Yamaha's governance functions and provide objective advice	Although he has many years of corporate management experience, he and the companies that he has managed at have not been major business partners. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	13 of 14

Outside Corporate Auditors

Name	Independent Officer	Reasons for Appointment	Views on their Independence	Board of Directors and Board of Auditors Meetings Attended
Takashi Miyazawa	✓	An auditor with excellent character and insight A CPA with expertise in corporate accounting He can be counted on to provide equitable and fair audits from an objective point of view	Although previously affiliated with Yamaha's accounting auditor Ernst & Young ShinNihon LLC, he did not participate in Yamaha's accounting audits and has not been nor is he now in a position that can influence accounting audit work at Ernst & Young ShinNihon LLC. Moreover, Ernst & Young ShinNihon LLC is unlikely to influence his accounting work as an outside corporate auditor. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	Board of Directors Meetings 14 of 14 Board of Auditors Meetings 14 of 14
Hirohiko Ikeda	✓	An auditor with excellent character and insight An attorney with expertise in laws and regulations He can be counted on to provide equitable and fair audits from an objective point of view	Though he has worked for many years as an attorney, he is of independent social and economic standing, and is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	Board of Directors Meetings 13 of 14 Board of Auditors Meetings 13 of 14

* To gain valuable human resources from outside the Company, Yamaha has concluded agreements with outside directors and outside corporate auditors that limit liability under Article 423, paragraph 1 of the Companies Act. The liability limit based on said agreements is the minimum amount established by law.

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

Registration of Independent Officers

Yamaha has registered outside directors Haruo Kitamura and Yoshikatsu Ota, and outside corporate auditors Takashi Miyazawa and Hirohiko Ikeda as independent officers under the provisions of the Tokyo Stock Exchange.

Policy on Determining Remuneration for Directors and Corporate Auditors

Yamaha sets the policy that determines remuneration for directors at a meeting of the Corporate Directors Personnel Committee, in which more than half of its members are outside directors. The policy on determining remuneration for corporate auditors is decided at a meeting of the Board of Auditors.

Remuneration for Directors

Remuneration for directors, though based on a compensation framework predetermined at the General Shareholders' Meeting, is to be decided in accordance with the following standards, taking into account compensation levels primarily at other listed companies and relevant employment standards.

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

(ii) In addition to the compensation framework predetermined at the General Shareholders' Meeting, bonuses are paid to directors (excluding outside directors) depending on the level of consolidated net income based on the annual base salary and are paid after obtaining approval at the Ordinary General Shareholders' Meeting. The amounts of the bonuses paid to directors are decided at the Board of Directors Meeting.

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

Remuneration for Corporate Auditors

Remuneration for corporate auditors, though based on a compensation framework predetermined at the General Shareholders' Meeting, is not linked to business performance. However, amounts are determined through consultation with the corporate auditors, taking into account such factors as whether said remuneration is in balance with that of directors and the scale of Yamaha Corporation's business.

Other

At the 182nd Ordinary General Shareholders' Meeting held on June 27, 2006, a resolution was approved abolishing payment of retirement allowances to executive officers. Yamaha does not maintain a stock option system.

Remuneration for Directors and Corporate Auditors in Fiscal 2014

(Millions of yen)

Classification	Total Compensation	Compensation by Type				Number of Directors and Corporate Auditors
		Basic Compensation	Stock Options	Bonuses	Retirement Benefits	
Directors (Excluding outside directors)	222	169	—	53	—	4
Corporate Auditors (Excluding outside corporate auditors)	60	60	—	—	—	2
Outside Directors and Outside Corporate Auditors	32	32	—	—	—	5

Depending on consolidated results and individual performance, the annual base salary for directors other than outside directors rose or was lowered by up to 20%. Directors' bonuses are entirely performance-based.

Accounting Auditors

Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor. Shinji Tamiya and Hidetake Kayama, CPAs of said accounting auditor firm, have performed Yamaha's accounting audit. Ernst & Young ShinNihon have voluntarily adopted a rotating system for its managing partners and have taken measures to ensure that the number of continuous years of service do not exceed a fixed period of time. In addition, 10 CPAs, and 16 staff assist with the audits.

Remuneration for CPAs in Fiscal 2014 and 2013

(Millions of yen)

Classification	Fiscal 2014		Fiscal 2013	
	Compensation based on auditing services	Compensation based on non-auditing services	Compensation based on auditing services	Compensation based on non-auditing services
Filing company	69	—	71	—
Consolidated affiliates	27	17	7	27
Total	96	17	78	27

Notes:
Other important remuneration
Fiscal 2014: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 13 other companies paid ¥100 million in compensation based on auditing services and ¥27 million based on non-auditing services to Ernst & Young, which is affiliated with the same CPA network as Yamaha Corporation.
Fiscal 2013: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 13 other companies paid ¥83 million in compensation based on auditing services and ¥18 million based on non-auditing services to Ernst & Young, which is affiliated with the same CPA network as Yamaha Corporation.

Basic Concept of the Internal Control System

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

Further, Yamaha established the Group Management Charter to clarify Group management policies. Also, divisions with jurisdiction over subsidiaries are responsible for providing proper guidance and assistance with management in Group companies under their jurisdiction based on Group company management rules and regulations. Subsidiaries shall confer and consult in advance with said divisions, while administrative divisions of Yamaha Corporation shall support this process.

Yamaha has developed and put into operation internal controls for financial reporting based on implementation standards for internal control reporting systems (Financial Instruments and Exchange Law). We will maintain and more firmly establish this internal control system to ensure the reliability of our financial reporting.

Compliance Framework

Not only does the Yamaha Group observe laws and regulations, it seeks strict compliance management that addresses social norms and corporate ethics. The Working Group for Compliance was established as a subordinate body to the Risk Management Committee, an advisory body to the president, to promote and strengthen compliance in cooperation with the staff and departments in charge of laws and regulations.

In 2003, Yamaha established the Compliance Code of Conduct, which is disseminated to all Group officers and employees (including part-time and contract employees) through worksite briefings. Since then, we have localized the Code by creating overseas and regional versions based on the laws, regulations, and social norms of the countries in which our Group companies are based, and have had them translated into local languages. In 2011, we revised the Compliance Code of Conduct, carried out routine employee training in the revised Code and rigorously disseminated it throughout the Group.

Further, Yamaha conducts routine compliance surveys with the goal of raising Group employee awareness and gaining a better understanding of potential risks.

As a system for handling compliance-related inquiries and reports from employees, Yamaha has established a Compliance Help Line that connects to the Working Group for Compliance executive office and an outside attorney. The Compliance Help Line accepts inquiries not only from employees, but also from interested parties including business partners. In fiscal 2014, the Help Line received a total of 35 inquiries and reports including from overseas Group company employees. Since its inception, it has resolved problems by responding to 517 inquiries and reports over an 11-year period.

Business Continuity Plan (BCP)

The Risk Management Committee and its subsidiary body, the Working Group for BCP and Disaster Prevention Management have put the necessary systems and countermeasures in place to respond to a wide range of risks.

In fiscal 2009, Yamaha formulated the BCP Guidelines, its basic Companywide policy for its business continuity plan, which is designed to enable the immediate resumption of operations in the event of an earthquake in Japan's Tokai region where Yamaha headquarters are located or other major natural disaster that could cause damage to its buildings or facilities. In January 2012, Yamaha established various guidelines including the BCP/Disaster Basic Countermeasures, Earthquake Countermeasures, and Fire Countermeasures, which update and supersede the BCP Guidelines.

Risk Factors

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

❑ 1 Economic Conditions

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

❑ 2 Price Competition

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

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

❑ 3 New Technology Development

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

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

❑ 4 Business Investment

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

❑ 5 Business Alliances

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

❑ 6 Dependence on Materials and Parts Business Customers

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

❑ 7 International Business and Overseas Expansion

The Yamaha Group has established a global presence, with manufacturing and marketing bases in various parts of the world. Of the Group's 62 consolidated subsidiaries, 38 are foreign corporations, of which 16 are manufacturing companies, with principal bases of operation in China, Indonesia, and Malaysia. Overseas sales comprise 59.1% of the Group's net sales.

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

(a) Political and economic turmoil, terrorism, and war
(b) Introduction of adverse policies or imposition of, or changes in regulations
(c) Unexpected changes in laws or regulations
(d) Difficulty in recruiting personnel
(e) Sharp rises in personnel expenses and commodity prices
(f) Difficulty in procuring raw materials and parts as well as issues related to the level of technology
(g) Interruption of distribution due to harbor strikes, etc.
(h) Imposition of taxes under transfer pricing regulations
(i) Labor disputes including strikes

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

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

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

❑ 9 Declining Birthrates

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

❑ 10 Recruitment and Training of Personnel

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

❑ 11 Protection and Use of Intellectual Property

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

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

❑ 12 Defects in Products and Services

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

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

❑ 13 Legal Regulations

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

❑ 14 Environmental Regulations

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

❑ 15 Information Leakage

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

❑ 16 Fluctuations in Foreign Currency Exchange Rates

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

❑ 17 Earthquakes and Other Natural Disasters

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

❑ 18 Data Network Systems

The use of data network systems and its importance have been increasing in the Yamaha Group's business activities. In the event that the functioning of the Group's data network systems is disrupted due to computer virus infections, cyber attacks, and other threats, this could adversely affect the Group's performance and financial position.

❑ 19 Items Related to Changes in Financial Position

a. Valuation of Investment Securities

The companies of the Yamaha Group hold available-for-sale securities with market value (acquisition cost: ¥15.8 billion; consolidated balance sheet value: ¥84.2 billion, as of March 31, 2014). Since available-for-sale securities with market value are valued at the market price at the settlement date based on the mark-to-market valuation method, the recorded balance sheet value of these securities may fluctuate depending on the price of the securities at the settlement date. This may, in turn, have an impact on the Company's net assets. Further, when the market value of these securities falls markedly relative to their acquisition cost, the value of said securities may be subject to impairment.

b. Unrealized Losses on Land Valuation

As of March 31, 2014, the market value of the Group's land, revalued in accordance with the Law Concerning Revaluation of Land, was ¥8.4 billion below the book value of said land after revaluation. In the event of the sale or disposal of said land, this unrealized loss may be recognized.

c. Retirement Benefit Obligations and Expenses

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

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

Corporate Social Responsibility (CSR)

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

YAMAHA

Yamaha's Corporate Philosophy

Corporate Objective

"CREATING 'KANDO' TOGETHER"

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

Management Philosophy

Customer-Oriented and Quality-Conscious Management

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

Transparent and Sound Management

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

Valuing People

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

Harmony with Society

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

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

Yamaha Corporation Group CSR Policy

Our aim is "CREATING 'KANDO' TOGETHER"

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

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

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

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

The Yamaha Group's Approach to CSR

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

In 2011, Yamaha signed the Global Compact that comprises the basic principles of CSR, as advocated by the United Nations. Based on the 10 principles of the Global Compact in addition to the Yamaha Corporation Group CSR Policy established in 2010, we will further promote CSR activities across the entire Group.

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

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


9th year of collaboration in Indonesian reforestation activities at Yamaha Forest


Fund raising for a U.S. children's hospital through Yamaha Cares' participation in charity marathon


Creating music learning opportunities for children by providing recorder education for musical instructors under our Sopro Novo music program in Brazil


Provided music lessons at Chinese migrant workers' primary schools after donating these musical instruments


Yamaha Symphonic Band participates in Charity Concert for Reconstruction after the Great East Japan Earthquake


Promoting universal design for digital musical instruments with visibility feature that uses color combinations that are easy to distinguish for people with poor color vision


Saving resources and lowering CO_2 emissions by using returnable racks for shipping grand piano frames


Performing environmental audits of Indonesian factories

Yamaha's inclusion in SRI indices

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

R&D and Intellectual Property

Based on its corporate objective of CREATING 'KANDO' TOGETHER and corporate philosophy of a quality-conscious approach, Yamaha conducts its business activities driven by both products and services centered on sound and music. To support this objective, Yamaha has identified technologies it has amassed in the fields of sound and music as core technologies and is conducting research and development with the aim of further advancing and extending these technologies. Yamaha is also sharpening its competitive edge by linking R&D with its design and intellectual property strategies.

Research and Development

Yamaha carried out organizational reform in August 2013. In the musical instruments and audio equipment businesses, the acoustic, electronic devices, and R&D divisions were dissolved, and a functional organization including production, development, and sales divisions was established.

The reform takes the product development functions that had resided in each business division and the R&D functions for improving the Company's foundational elemental technology and creating new businesses that had resided in the R&D division and integrates them into the development division. The purpose of the reform is to promote closer cooperation between those functions and revitalize the organization through their interaction. Moreover, the new business development functions that had resided in the R&D division were transferred to the newly established business development division, which reports directly to the president. This move will enable Yamaha to actively use internal and external resources and speed up the Company's growth strategy.

Yamaha's R&D domain encompasses acoustics, materials, electronic devices, sound generators, voice and acoustic signal processing, music information processing, operating systems, communications and networks; that is, from the inlet to the outlet of sound, as well as its multipurpose uses.

In fiscal 2014, Yamaha selected sound, music, networks, and devices as areas that it needs to further strengthen. The Company has therefore focused on R&D to accelerate growth in the domains of acoustic environments and space, the acquisition of voice recognition, synthesis and song recognition, synthesis technologies, as well as the development of elemental technologies for next-generation musical instruments and audio equipment including those that are wireless and network-related.

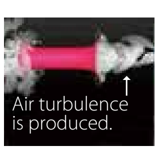
R&D Achievements

Twisted Flare Port™

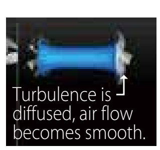
Twisted Flare Port is an aerodynamic sound control technology that reduces air turbulence noise, a challenge in subwoofer bass reproduction. Utilizing aerodynamic sound analysis and flow visualization measurement technology, Yamaha has identified the noise generating mechanism and developed a method to reduce it. The Twisted Flare Port's flared and gently twisted shape enables a clear and rich low-frequency reproduction with less noise than before by reducing air turbulence on both ends of the port.

This technology is being newly adopted for use in audio subwoofers and will also be incorporated in HiFi speakers, PA systems, electronic keyboards, and other products. VORART™, the technology that reduces air turbulence — the basis of this system — will be deployed in acoustic products including woodwind instruments.

Air turbulence on both ends of the port creates noise



Conventional Port



Twisted Flare Port

Music Information Processing Technology

Yamaha is pursuing R&D in the field of music information processing. The results of this R&D include the following technologies: Automated song composition technology (used in the automated song composition software as a service VOCALODUCER™) that generates a melody line by simply specifying a template according to a musical theme. This is accomplished by creating an algorithm of song composition know-how along with templates for rhythm patterns, pitch changes, and chord progressions. Music search technology (used in the Hiichao Kensaku™ application for iPhone* and iPod Touch*) that finds music including similar sounding melodies by compiling the world's musical compositions into a database and developing and employing a melody verification function. Chord progression analysis technology (used in the Mobile Music Sequencer V3.0 application for iPad* and iPhone*) that identifies chord progressions by analyzing music performance data. Yamaha is taking these technologies based on music information processing R&D and actively incorporating them in its music software products.

* iPhone, iPad and iPod Touch are trademarks 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 by implementing a number of measures designed to maximize the contribution of intellectual property to business earnings.

Patents

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

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

As of March 31, 2014, the Yamaha Group owned a total of approximately 5,800 patents and utility models in Japan. Outside of Japan, the Group held roughly 5,200 patents, mainly in the United States, Europe and China. Yamaha is working to increase the number of patents held in China in particular.

Designs

Yamaha views design as a critical element in setting its products apart in the market, and makes every effort to properly safeguard and utilize these assets. In recent years, Yamaha has taken bolder steps to acquire design rights in China to protect against counterfeit products. The Yamaha Group held some 855 design rights in Japan and overseas as of March 31, 2014.

Copyrights

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

Brands

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

Anti-Counterfeiting Measures

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

Intellectual Property Management Systems

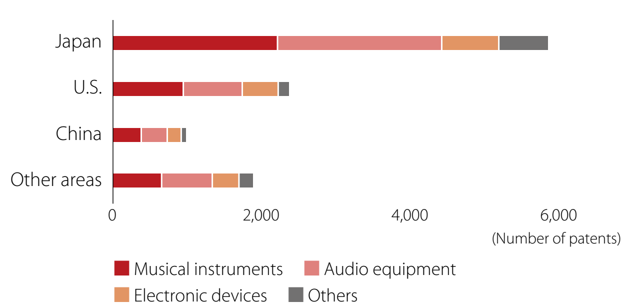
Corporate staff are assigned to the Intellectual Property Division to oversee the integrated management of all intellectual property held by the Yamaha Group. In addition, specialists responsible for intellectual property are assigned to each business and R&D division to ensure the Company's intellectual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

Achievement in Protection of Intellectual Property Rights

VOCALOID™

VOCALOID is a singing voice synthesizer technology and its software application that can produce music vocals by simply entering lyrics and a melody into a computer. New technology created during the development of VOCALOID-related technology as well as product names are fully protected by intellectual property rights. At present, Yamaha has applied for nearly 190 patents and 80 trademarks related to this technology in Japan and abroad. Among these, Japan patent number 4153220 "Singing voice synthesis technology with natural and distinctive sound" received in 2013 the President's Award of the Japan Patent Attorneys Association at a National Commendation for Invention of the Japan Institute of Invention and Innovation. Yamaha also received the Invention Implementation Achievement Award for its implementation of the awarded invention.

Patents Owned by Yamaha (As of March 31, 2014)



Main Networks

(As of July 1, 2014)

Overseas Network

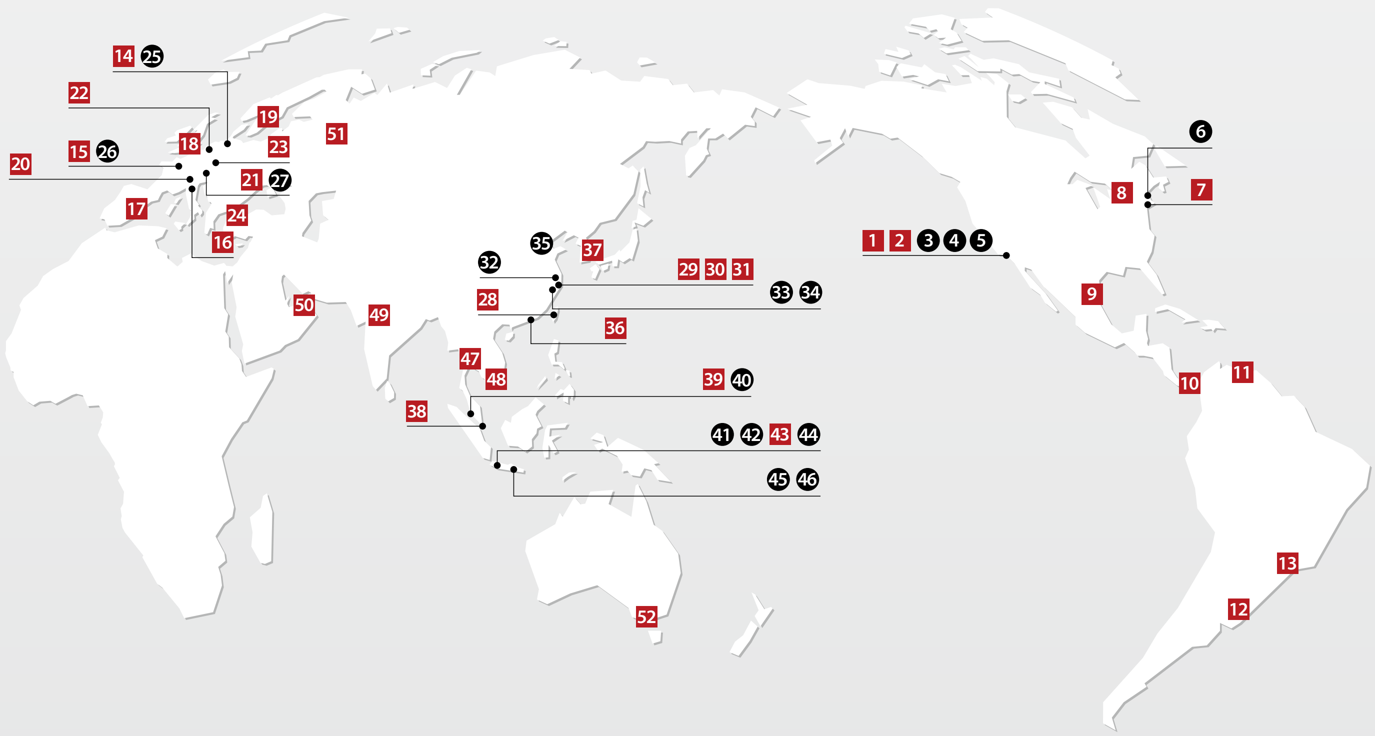
Company name	Location
1 Yamaha Corporation of America	California, U.S.A.
2 Yamaha Commercial Audio Systems, Inc.	California, U.S.A.
3 Yamaha Music InterActive, Inc.	California, U.S.A.
4 YMH Digital Music Publishing, LLC*1	California, U.S.A.
5 Line 6, Inc.	California, U.S.A.
6 Revolabs, Inc.	Massachusetts,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

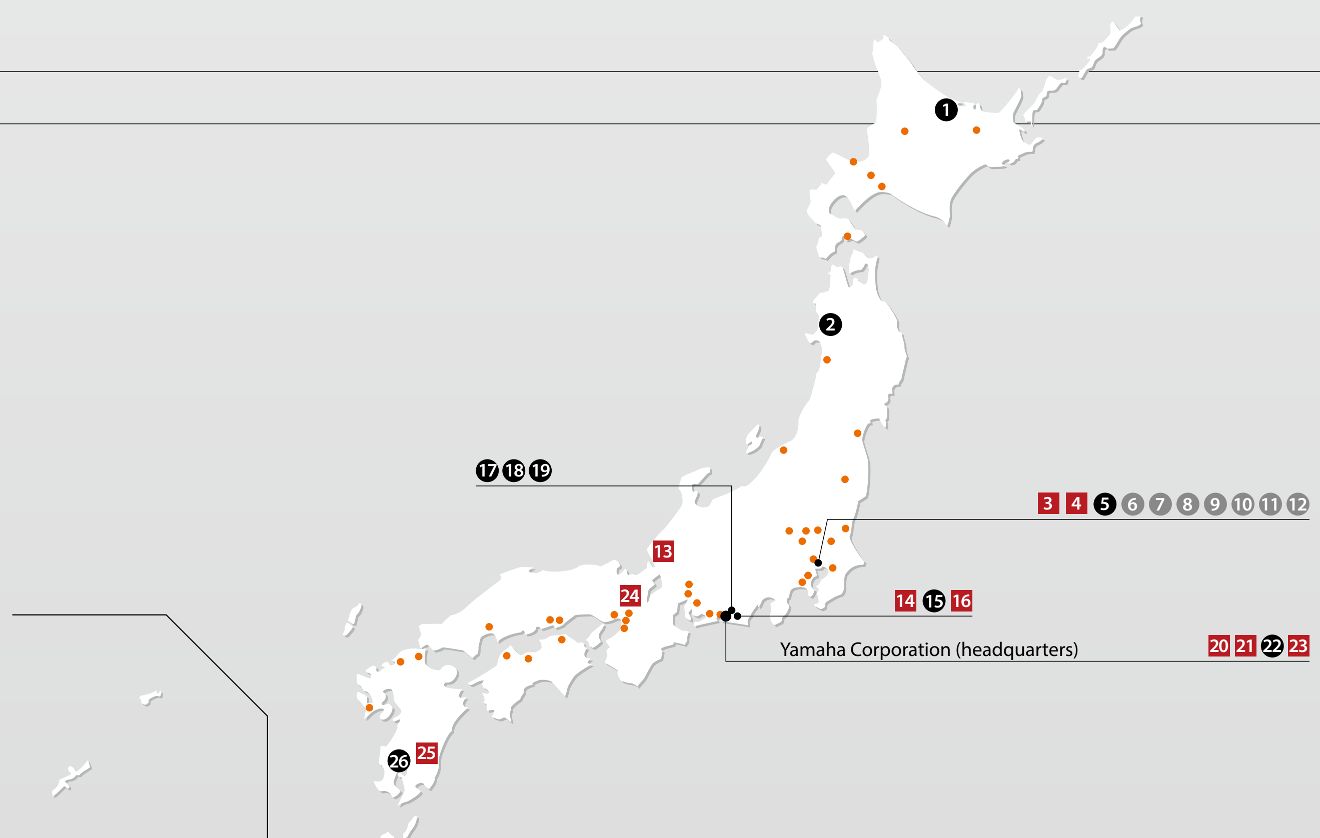
Domestic Network

Company name	Location
1 Kitami Mokuzai Co., Ltd.	Mombetsu-gun, Hokkaido, Japan
2 Sakuraba Mokuzai Co., Ltd.	Kitaakita, Akita, Japan
3 Yamaha Music Japan Co., Ltd.	Minato, Tokyo, Japan
4 Yamaha Music Retailing Co., Ltd.	Minato, Tokyo, Japan
5 Yamaha Sound Systems Inc.	Chuo, Tokyo, Japan
6 Yamaha Music Entertainment Holdings, Inc.	Shibuya, Tokyo, Japan
7 Yamaha Music Communications Co., Ltd.	Shibuya, Tokyo, Japan
8 Yamaha Music Artist, Inc.	Shibuya, Tokyo, Japan
9 Yamaha Music Publishing, Inc.	Shibuya, Tokyo, Japan
10 Yamaha Music and Visuals, Inc.	Shibuya, Tokyo, Japan
11 Yamaha Music Media Corporation	Toshima, Tokyo, Japan
12 Epicurus Corporation	Toshima, Tokyo, Japan
13 Matsukiya Co., Ltd.	Fukui, Japan
14 Yamaha Piano Service Co., Ltd.	Kakegawa, Shizuoka, Japan
15 Yamaha Piano Manufacturing Japan Co., Ltd.	Kakegawa, Shizuoka, Japan
16 Yamaha Resort Inc.	Kakegawa, Shizuoka, Japan
17 Yamaha Musical Products Japan Co., Ltd.	Iwata, Shizuoka, Japan
18 Yamaha Music Electronics Japan Co., Ltd.	Iwata, Shizuoka, Japan
19 Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
20 Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
21 Yamaha Ai Works Co., Ltd.*2	Hamamatsu, Shizuoka, Japan
22 Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
23 Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
24 Jeugia Corporation*1	Kyoto, Japan
25 Nishimuragakki Co., Ltd.	Miyazaki, Japan
26 Yamaha Kagoshima Semiconductor Inc.	Aira-gun, Kagoshima, Japan

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

■ Sales companies, etc
● Manufacturing/production companies, etc.
● Music entertainment business companies
● Retail shops (Yamaha Music Retailing Co., Ltd.)





Investor Information

(As of March 31, 2014)

◆ **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)

19,851 (Excludes average number of temporary employees: 7,863)

◆ **Number of Consolidated Subsidiaries**

62

◆ **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 Sumitomo Mitsui Trust Bank, Limited
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
DR Exchange: OTC
Ticker Symbol: YAMCY
Ratio: 1 share of common stock = 1 ADR
U.S. Securities Code: 984627109
Type: Level 1 with sponsor bank

◆ **Public Notices**

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

◆ **Ordinary General Shareholders' Meeting**

June

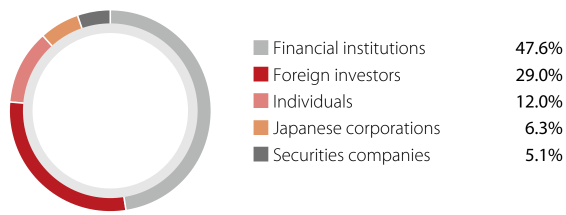
◆ **Accounting Auditors**

Ernst & Young ShinNihon LLC

◆ **Number of Shareholders**

24,788

◆ **Shareholder Composition** (Number of shares)



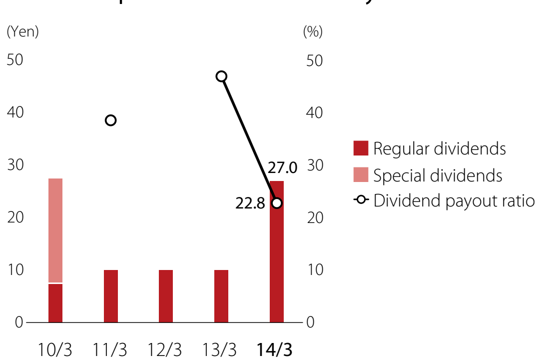
◆ **Main Shareholders**

	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust a/c)	8.04
Japan Trustee Services Bank, Ltd. (trust a/c)	6.72
Yamaha Motor Co., Ltd.	5.33
Mizuho Bank, Ltd.	4.42
The Shizuoka Bank, Ltd.	4.31
Mitsui Sumitomo Insurance Co., Ltd.	4.14
Sumitomo Life Insurance Company	3.77
Nippon Life Insurance Company	2.97
State Street Bank and Trust Company 505223	2.06
BNP Paribas Securities (Japan) Limited	1.80

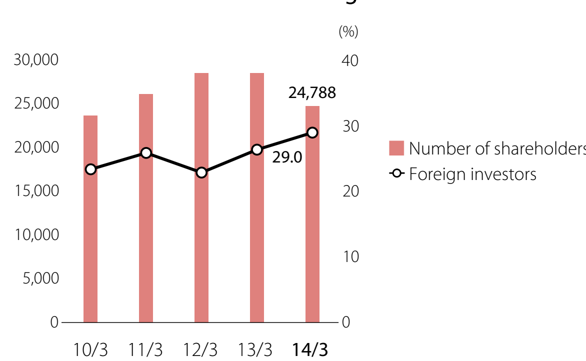
Note: The shareholding ratio is calculated by excluding treasury stock amounting to 3,628,117 shares from total outstanding shares.

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

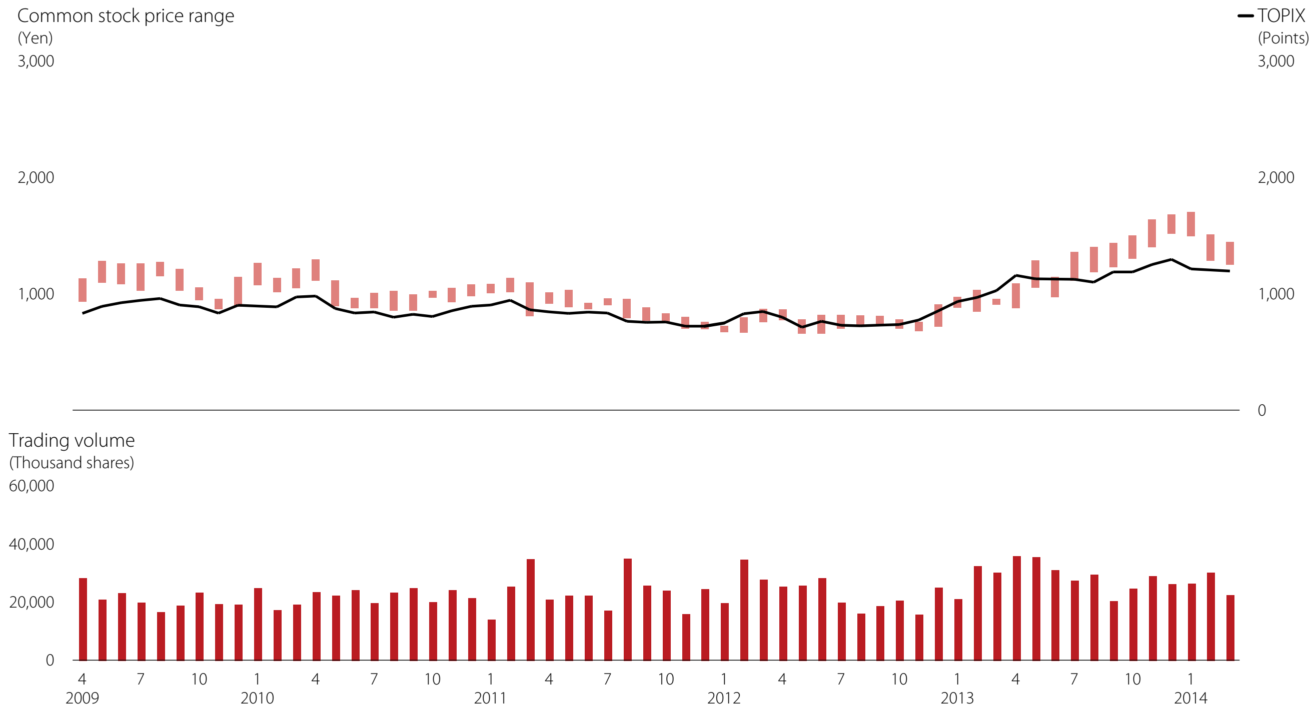
Dividends per Share / Dividend Payout Ratio



Number of Shareholders / Foreign Investors



Common Stock Price Range and Trading Volume

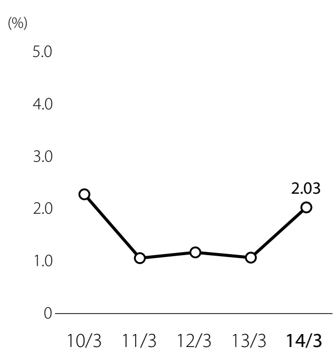


Fiscal year ended	10/3	11/3	12/3	13/3	14/3
Share price at the end of fiscal year (Yen)	1,207	943	858	934	**1,329**
Share price — high (Yen)	1,282	1,295	1,034	1,035	**1,705**
Share price — low (Yen)	865	805	663	654	**873**
Trading volume (Million shares)	252	280	291	281	**340**

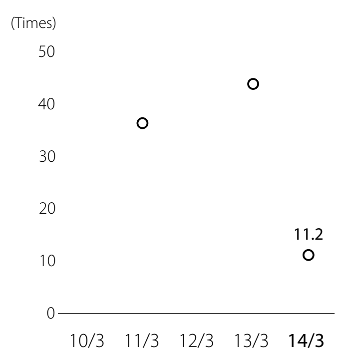
Fiscal year ended	10/3	11/3	12/3	13/3	14/3
Dividend yield (%)	2.28	1.06	1.17	1.07	**2.03**
Price to earnings ratio (Times)	—	36.4	—	43.9	**11.2**
Price to book value ratio (Times)	0.95	0.75	0.82	0.80	**0.95**
Number of shares issued (Thousand shares)	197,255	197,255	197,255	197,255	**197,255**
Market capitalization at the end of fiscal year (Millions of yen)	238,086	186,011	169,244	184,236	**262,152**
Percentage of shares owned by foreign investors (%)	23.4	25.9	22.9	26.4	**29.0**

A special dividend of ¥20 is included in the dividends per share for the year ended March 31, 2010.

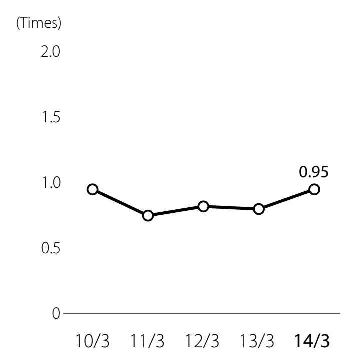
Dividend Yield



Price to Earnings Ratio



Price to Book Value Ratio



Management's Discussion and Analysis

Contents

Consolidated Financial Statements

Contents

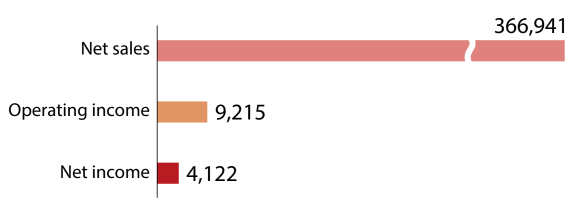
Fiscal 2014 Summary

- In fiscal 2014, sales increased and earnings rose substantially
- Fourth quarter earnings were strong due to last-minute demand prior to the consumption tax rate increase in Japan
- Electronic devices business returned to profitability due to higher sales and structural reform effects

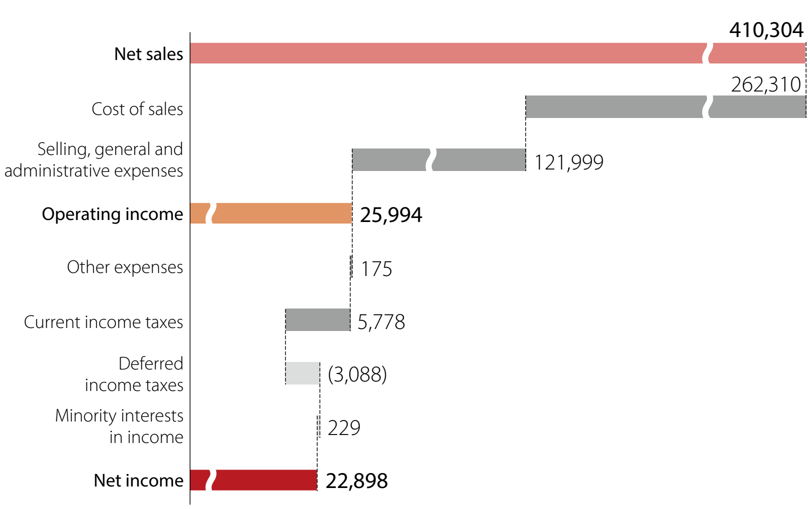
Consolidated Statement of Operations Summary

(Millions of yen)

Fiscal 2013



Fiscal 2014

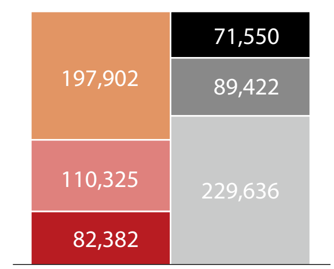


Consolidated Balance Sheet Summary

(Millions of yen)

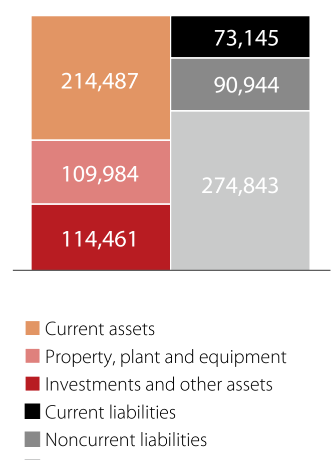
Fiscal 2013

Total assets
390,610



Fiscal 2014

Total assets
438,932



Eleven-Year Summary

Yamaha Corporation and consolidated subsidiaries

Years ended March 31	2004	2005	2006	2007
For the year:				
Net sales	¥539,506	¥534,079	¥534,084	¥550,361
Cost of sales	337,813	335,483	341,816	352,382
Gross profit	201,693	198,595	192,267	197,980
Selling, general and administrative expenses	156,637	162,899	168,132	170,295
Operating income	45,056	35,695	24,135	27,685
Income (loss) before income taxes and minority interests	47,456	33,516	35,842	33,101
Net income (loss)	43,541	19,697	28,123	27,866
Capital expenditures	21,160	22,702	22,882	25,152
Depreciation expenses	17,522	18,958	18,944	19,956
R&D expenses	22,503	22,953	24,055	24,220
Cash flows from operating activities	58,349	39,588	25,510	39,732
Cash flows from investing activities	(18,775)	(12,896)	(18,104)	(22,427)
Free cash flow	39,574	26,692	7,406	17,305
At year-end:				
Total assets	¥508,731	¥505,577	¥519,977	¥559,031
Total current assets	201,704	225,581	209,381	231,033
Total current liabilities	123,596	145,820	117,047	136,656
Interest-bearing liabilities	48,871	46,598	28,474	25,551
Net assets*2	259,731	275,200	316,005	351,398
Per share:				
Net income (loss)	¥ 210.63	¥ 95.06	¥ 136.04	¥ 135.19
Net assets*2	1,259.28	1,334.51	1,532.62	1,680.91
Dividends*3	15.00	20.00	20.00	22.50
Key indicators:				
Operating income to net sales	8.4	6.7	4.5	5.0
ROE (Return on equity)*2	18.4	7.4	9.5	8.4
ROA (Return on assets)	8.5	3.9	5.5	5.2
Equity ratio*2	51.1	54.4	60.8	62.0
D/E ratio (Times)	0.19	0.17	0.09	0.07
Interest coverage (Times)	36.51	44.62	36.89	47.83
Current ratio	163.2	154.7	178.9	169.1
Dividend payout ratio	7.1	21.0	14.7	16.6

*1. U.S. dollar amounts are translated from yen at the rate of ¥102.92 = U.S.$1.00, the approximate rate prevailing on March 31, 2014.

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

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

2008	2009	2010	2011	2012	2013	Millions of yen 2014	% 2013/2014	Thousands of U.S. dollars*[1] 2014
¥548,754	¥459,284	¥414,811	¥373,866	¥356,616	¥366,941	**¥410,304**	+11.8	$3,986,630
343,686	290,381	268,380	237,313	231,659	238,261	**262,310**	+10.1	2,548,679
205,066	168,902	146,431	136,553	124,957	128,680	**147,994**	+15.0	1,437,952
172,220	155,057	139,602	123,387	116,846	119,465	**121,999**	+2.1	1,185,377
32,845	13,845	6,828	13,165	8,110	9,215	**25,994**	+182.1	252,565
62,510	(12,159)	(201)	6,802	6,971	7,795	**25,818**	+231.2	250,855
39,558	(20,615)	(4,921)	5,078	(29,381)	4,122	**22,898**	+455.5	222,483
24,394	22,581	14,480	10,439	11,337	13,844	**10,799**	-22.0	104,926
20,289	17,912	14,139	12,814	11,973	11,613	**12,759**	+9.9	123,970
24,865	23,218	21,736	22,416	22,819	22,149	**22,561**	+1.9	219,209
37,225	(2,235)	39,870	22,646	10,880	7,755	**33,213**	+328.3	322,707
41,999	(25,999)	(12,711)	(9,740)	(9,004)	(12,617)	**(22,950)**	—	(222,989)
79,225	(28,234)	27,159	12,906	1,875	(4,862)	**10,263**	—	99,718

2008	2009	2010	2011	2012	2013	2014	% 2013/2014	2014
¥540,347	¥408,974	¥402,152	¥390,852	¥366,610	¥390,610	**¥438,932**	+12.4	$4,264,788
275,754	202,097	193,260	194,717	188,952	197,902	**214,487**	+8.4	2,084,017
120,174	90,050	75,182	74,836	72,829	71,550	**73,145**	+2.2	710,698
21,036	19,192	15,017	11,838	11,295	10,013	**8,755**	-12.6	85,066
343,028	251,841	254,591	245,002	206,832	229,636	**274,843**	+19.7	2,670,453

2008	2009	2010	2011	2012	2013	Yen 2014	U.S. dollars*[1] 2014
¥ 191.76	¥ (103.73)	¥ (24.95)	¥ 25.90	¥ (151.73)	¥ 21.29	**¥ 118.26**	$ 1.15
1,646.44	1,262.42	1,276.35	1,250.06	1,052.01	1,171.67	**1,403.12**	13.63
50.00	42.50	27.50	10.00	10.00	10.00	**27.00**	0.26

2008	2009	2010	2011	2012	2013	% 2014
6.0	3.0	1.6	3.5	2.3	2.5	**6.3**
11.5	(7.0)	(2.0)	2.1	(13.2)	1.9	**9.2**
7.2	(4.3)	(1.2)	1.3	(7.8)	1.1	**5.5**
62.9	60.9	62.6	61.9	55.6	58.1	**61.9**
0.06	0.08	0.06	0.05	0.05	0.04	**0.03**
34.56	26.74	16.88	40.38	31.84	40.64	**130.19**
229.5	224.4	257.1	260.2	259.4	276.6	**293.2**
26.1	—	—	38.6	—	47.0	**22.8**

Overview

Economic Environment

In fiscal 2014, ended March 31, 2014, the United States continued to show signs of a modest economic recovery. The European market was mostly weak as the mature markets of Central Europe remained sluggish, despite an economic upswing in Southern Europe. In China, the economy was largely sluggish on a slower economic growth rate than in the past. In emerging markets, the economy also slowed down due in part to the effects of the relaxation of U.S. economic stimulus measures, even though the effects were different in each country. In Japan, aided by the depreciation of the yen triggered by the economic stimulus policies enacted after the new prime minister assumed office in 2012, recovery is virtually assured, especially in export-related companies. Although the second half of the fourth quarter saw last-minute demand prior to the consumption tax rate increase, with a temporary economic slowdown expected after the tax increase, future economic prospects should be closely watched.

Performance Review and Japan's Business Structural Reforms

Sales in fiscal 2014 got off to a tough start with mediocre musical instrument sales in every market in the first half, especially the first quarter. Not only in developed markets, but also in China, which had been growing at a fast pace, and in emerging markets, business performance was down year on year on a local currency basis.

Subsequently, from the second quarter, the markets of North America and China turned toward recovery, but our performance in Europe and other markets fell below that of fiscal 2013 in real terms, excluding currency exchange effects.

By business, in the musical instruments segment, string instrument sales were down year on year in real terms due to the production suspension at the guitar manufacturing plant in Indonesia caused by an employee strike that affected product supply. However, this was offset by increased sales of digital musical instruments including digital pianos, as well as higher sales of pianos and wind instruments. As a result of these factors, musical instrument sales were generally fair. In audio equipment, sales decreased in real terms due to intense competition in audio products. The PA equipment business, for which high growth had been anticipated, was unable to deliver expected results as adverse conditions persisted throughout the fiscal year. This was mainly due to slower economic growth in China and emerging markets, lower public-sector demand, intense competition, and delays in product development. Sales of electronic devices were up on brisk demand for geomagnetic sensors and LSIs for amusement equipment, primarily in the first half. Sales of other businesses were mostly unchanged from the previous fiscal year, as golf product revenue increased, but automobile interior wood components revenue decreased.

Operating income in the musical instruments business rose substantially year on year, from ¥6,451 million to ¥19,728 million. This was attributable to foreign currency effects, real revenue growth, and business structural reforms such as the reduction of fixed costs. Audio equipment profits were up, despite harsh conditions in overseas sales. Electronic devices, which recorded an operating loss in fiscal 2013, saw a significant profit increase and returned to profitability thanks to higher sales, business structural reforms implemented at the production subsidiary in the previous fiscal year, consigned production to overseas suppliers, and the focusing of business resources on competitive products. Structural reforms taken in our Japanese business beginning from the previous fiscal year yielded ¥2,300 million in restructuring effects year on year including restructuring of administrative divisions. Foreign currency effects of ¥13,700 million, manufacturing costs improvement of ¥2,700 million, and a decrease in SG&A expenses of ¥1,000 million, along with other factors contributed to substantially higher earnings.

As a result, net sales in fiscal 2014 increased 11.8% year on year, to ¥410,304 million, due to higher revenue in all segments excluding the others segment. Operating income jumped 182.1%, to ¥25,994 million, and net income surged 455.5%, to ¥22,898 million. Depreciation of the yen also had a positive effect on full-year earnings.

Analysis of Management Performance

Net Sales

¥410,304 million +11.8%

Net sales in fiscal 2014 climbed ¥43,363 million, or 11.8%, to ¥410,304 million. This was attributable to various factors including a sales increase of about ¥42,700 million caused by foreign currency effects and higher sales of electronic devices.

Sales by Region

Fiscal 2014 sales in Japan increased ¥2,113 million, or 1.3%, to ¥167,903 million. In the musical instruments business, sales for pianos, digital musical instruments including digital pianos, and wind instruments were firm. As a result, sales for the full fiscal year remained largely the same year on year. Audio equipment sales were also unchanged from the previous fiscal year thanks to firm demand for routers and conferencing systems, despite lower sales for audio products, professional audio equipment, and commercial online karaoke equipment. Although sales of golf products, automobile interior wood components and factory automation equipment were weak, sales in the resort business were flat year on year. Other businesses were sluggish overall. In the electronic devices business, solid demand for geomagnetic sensors for smartphones and tablet PCs, as well as audio codecs and audio and graphic LSIs for amusement equipment resulted in higher sales in the region overall.

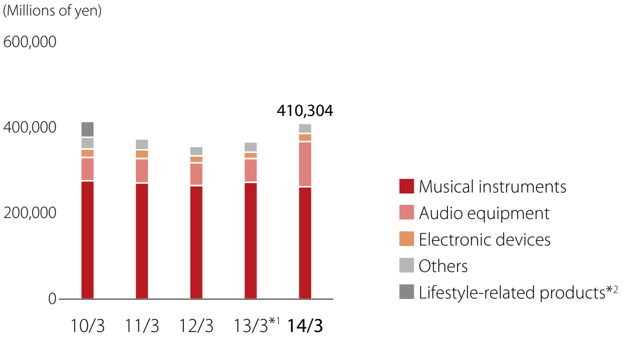
Outside of Japan, sales climbed ¥41,249 million, or 20.5%, to ¥242,400 million. On a local currency basis, even though sales in North America and emerging markets surpassed those of the previous year, in Europe and China, they were largely unchanged. Nevertheless, sales were up in each region due to substantial foreign currency effects. The ratio of overseas sales to net sales was 4.3 percentage points higher than in fiscal 2013, rising from 54.8% to 59.1%.

By region, sales in North America rose ¥11,479 million, or 20.8%, year on year, to ¥66,635 million. Sales of musical instruments, excluding string and percussion instruments, increased in real terms. However, audio equipment sales declined overall in real terms owing to lower audio products sales from intense competition and sluggish commercial audio equipment sales in PA equipment. If we exclude the approximately ¥11,000 million increase from foreign currency translation effects, sales increased roughly ¥400 million, or 0.8%, in real terms.

In Europe, sales climbed ¥14,251 million, or 23.5%, to ¥74,863 million. Under adverse economic conditions, digital musical instrument sales increased with the release of a new flagship portable keyboard, but piano, wind instrument, string and percussion instrument sales declined. With the positive effect of the almost ¥15,400 million in foreign currency translation, sales decreased nearly ¥1,100 million, or 1.9%, in real terms.

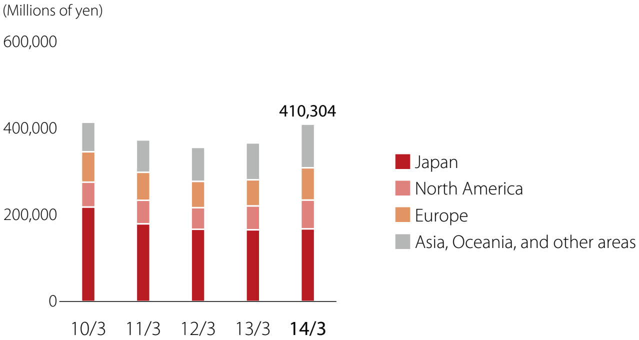
Sales in Asia, Oceania and other areas increased ¥15,518 million, or 18.2%, to ¥100,901 million. In China, piano sales remained unchanged year on year in real terms due primarily to slower economic growth, more intense competition, and increased market inventories. However, sales of digital musical instruments and string and percussion instruments were brisk and enjoyed double-digit growth in real terms. The audio equipment market, facing generally adverse conditions, experienced declining year-on-year sales, in real terms. In other regions, harsh conditions continued, with piano sales falling below those of the previous year. If we exclude the approximately ¥15,200 million increase from foreign currency translation effects, in the region as a whole, sales increased roughly ¥300 million, or 0.3%, in real terms.

Sales by Segment



*1 Fiscal 2013 figures have been adjusted to reflect segment composition changes effective from fiscal 2014.
*2 Following the handover of the lifestyle-related products business on March 31, 2010, this segment has been excluded from consolidation from the year ended March 31, 2011.

Sales by Region



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales in fiscal 2014 climbed ¥24,049 million, or 10.1%, to ¥262,310 million, mainly due to foreign currency effects and the reallocation of a part of selling, general and administrative expenses (SG&A) to cost of sales after reviewing the manufacturing functions of the Company and its consolidated subsidiaries in fiscal 2014. The cost of sales ratio improved one percentage point year on year to 63.9%.

Gross profit increased ¥19,313 million, or 15.0%, to ¥147,994 million. The gross profit ratio improved one percentage point, to 36.1%.

SG&A expenses increased ¥2,534 million, or 2.1%, to ¥121,999 million due to foreign currency effects and other factors, despite a decrease caused by the aforementioned reallocation. Of this amount, advertising expenses and sales promotion expenses increased ¥2,144 million, or 13.7%, from ¥15,680 million to ¥17,825 million. Personnel expenses also increased ¥166 million, or 0.3%, from ¥49,817 million to ¥49,984 million. The ratio of SG&A expenses to net sales declined 2.9 percentage points, to 29.7%.

Major Items Included in Selling, General and Administrative Expenses

	Millions of yen		%
	13/3	14/3	Change
Sales commissions	¥ 1,239	**¥ 1,388**	+12.0
Transport expenses	11,263	**12,292**	+9.1
Advertising expenses and sales promotion expenses	15,680	**17,825**	+13.7
Allowance for doubtful accounts	(15)	**(199)**	—
Provision for product warranties	426	**570**	+33.8
Retirement benefit expenses	4,270	**3,545**	−17.0
Provision for directors' bonuses	21	**53**	+152.4
Salaries and benefits	49,817	**49,984**	+0.3
Rent	3,682	**3,435**	−6.7
Depreciation and amortization	3,156	**2,712**	−14.1

Operating Income

¥25,994 million +182.1%

Operating income in fiscal 2014 increased ¥16,779 million, or 182.1%, year on year, to ¥25,994 million. The primary factors behind the increase in earnings were substantially higher profit in the mainstay musical instruments segment, as well as return to profitability in the electronic devices segment from the effects of structural reforms and a higher gross profit margin due to sales increases and changes to the product mix. Earnings increased significantly year on year as the negative factors of manufacturing cost increases (about ¥2,700 million) caused by rising labor costs at overseas production bases and the suspension of production at the guitar manufacturing plant in Indonesia (roughly ¥800 million) were more than offset by such positive factors as foreign currency translation effects (approximately ¥13,700 million), structural reforms in Japanese sales and marketing and the semiconductor business (about ¥2,300 million), and a decrease in real SG&A expenses (nearly ¥1,000 million).

Non-Operating Income and Expenses

In fiscal 2014, non-operating income increased ¥1,198 million, or 51.9%, year on year, from ¥2,309 million, to ¥3,507 million. Of this amount, interest and dividend income increased ¥769 million, or 57.5%, to ¥2,108 million, compared with ¥1,339 million in the previous fiscal year. Other non-operating income increased ¥428 million, or 44.2%, year on year, from ¥970 million to ¥1,398 million. Of this amount, patent royalty revenue of ¥353 million was recorded in fiscal 2014.

Non-operating expenses increased ¥411 million, or 14.0%, from ¥2,943 million to ¥3,355 million. Of this amount, interest expenses decreased ¥43 million, or 16.7%, from ¥259 million to ¥216 million. Sales discounts due to early payment increased from ¥1,980 million to ¥2,404 million, an increase of ¥424 million, or 21.4%. Other non-operating expenses rose from ¥703 million to ¥734 million, an increase of ¥30 million, or 4.3%. Of these, foreign exchange losses increased ¥69 million, or 120.0%, from ¥57 million to ¥126 million.

Extraordinary Income and Losses

Extraordinary income in fiscal 2014 decreased ¥1,377 million, or 46.6%, year on year, from ¥2,955 million to ¥1,578 million. Of this amount, gain on sales of investment securities decreased ¥98 million, or 9.1%, from ¥1,089 million to ¥990 million. Gain on sales of property, plant and equipment declined ¥1,270 million, or 68.4%, to ¥587 million, compared with ¥1,857 million in the previous fiscal year when idle assets such as land formerly occupied by industrial plants were sold off.

Extraordinary loss was down ¥1,834 million, or 49.0%, to ¥1,906 million, compared with ¥3,740 million in the same period of the previous fiscal year. Of this amount, in fiscal 2013, ¥3,059 million in personnel costs and an impairment loss on assets in connection with the consolidation of sales bases in Japan, and personnel costs in the semiconductor business was recorded as business structural reform expenses. In fiscal 2014, ¥869 million in personnel costs and an impairment loss on assets in connection with the consolidation and concentration of stores and music schools in Japan was recorded. In addition, a ¥525 million loss caused by the suspension of production at the Indonesian guitar manufacturing plant was recorded.

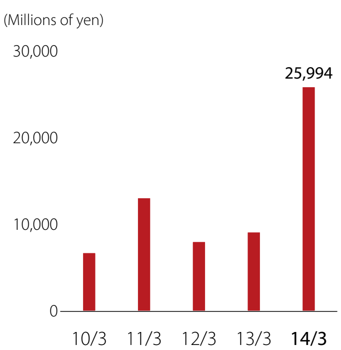
Income before Income Taxes and Minority Interests

Income before income taxes and minority interests in fiscal 2014 came to ¥25,818 million, an increase of ¥18,022 million, or 231.2%, from ¥7,795 million in the previous fiscal year. The ratio of income before income taxes and minority interests to net sales increased from 2.1% to 6.3%.

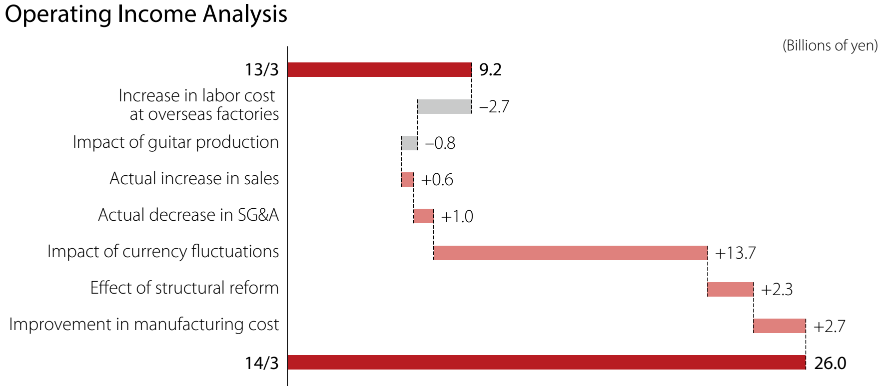
Current Income Taxes and Deferred Income Taxes

Current income taxes and deferred income taxes in fiscal 2014 decreased ¥765 million year on year, to ¥2,690 million, compared with ¥3,455 million in the previous fiscal year. In light of recent performance trends, as a result of conducting a careful review of the collectability of deferred tax assets, we recorded additional deferred tax assets in fiscal 2014. Accordingly, we recorded deferred income taxes of ¥3,088 million.

Operating Income



Operating Income Analysis



Minority Interests in Income

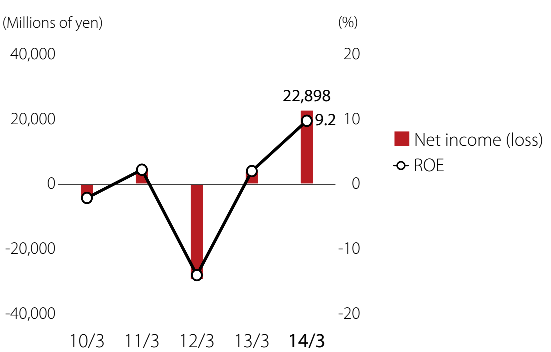
In fiscal 2014, minority interests in income increased ¥12 million, or 5.6%, year on year, from ¥217 million to ¥229 million.

Net Income

¥22,898 million +455.5%

As a result of the foregoing, the Company recorded net income in fiscal 2014 of ¥22,898 million, an improvement of ¥18,776 million, or 455.5%, from the ¥4,122 million in the previous fiscal year. Net income per share was ¥118.26 compared with ¥21.29 in fiscal 2013.

Net Income (Loss) / ROE



Fluctuation in Foreign Exchange Rates and Risk Hedging

Yamaha conducts business on a global scale with a focus on musical instruments and audio equipment. As such, the Company's business structure is relatively vulnerable to the effects of fluctuations in foreign currency exchange rates. The Company's consolidated financial statements are affected by foreign currency translation effects stemming from risks associated with currency translation and transactions denominated in those currencies, including the U.S. dollar, the euro, the Canadian dollar, the Australian dollar, and the Chinese yuan. Of these risks, currency translation risks are incurred when consolidated subsidiaries translate their financial statements for a specified period or on a specified date into Japanese yen. Transaction-related risks are incurred when earnings and expenses and/or assets and liabilities are denominated in different currencies. For this reason, transaction-related risks are subject to risk hedges.

Specifically, U.S. dollar-related currency fluctuation risks are hedged by marrying risk associated with dollar receipts from export sales with risk associated with dollar payments for imported products. The Company hedges the value of risks associated with the euro and the Canadian and Australian dollars by projecting related export revenues and purchasing relevant three-month currency forwards.

Sales at overseas consolidated subsidiaries are calculated using the average exchange rates recorded during the year. On this basis, in fiscal 2014, the yen depreciated ¥17 against the U.S. dollar compared with the previous fiscal year, to ¥100 per U.S.$1. The year-on-year effect of this change was an increase of approximately ¥14,400 million in sales. The yen depreciated by ¥27 against the euro year on year, for an average exchange rate of ¥134 to €1, resulting in an increase of roughly ¥15,400 million in sales. Overall, the net effect on sales of foreign exchange rate movements, including the upward effect of approximately ¥13,000 million in fluctuations of the yen against such other currencies as the Canadian and Australian dollars, was an increase of around ¥42,800 million compared with fiscal 2013.

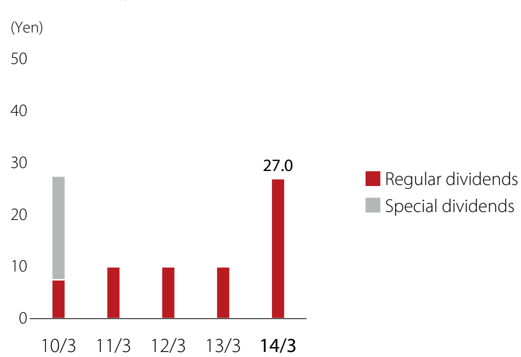
In terms of operating income, for the U.S. dollar, benefits from the aforementioned marriage of risks related to the currency enabled the Company to largely hedge the effects of currency exchange rates stemming from fluctuations in settlement rates. However, the translation of operating income figures by overseas subsidiaries caused income to increase by approximately ¥1,800 million. The average settlement rate against the euro was ¥129 to €1, a depreciation of ¥26, resulting in an approximately ¥9,700 million increase in operating income. The net effect on operating income of exchange rate movements was an increase of roughly ¥13,700 million compared with the previous fiscal year.

Dividends

¥27.0

In fiscal 2014, a regular dividend of ¥27.0 was paid due to the earnings increase.

Dividends per Share



Review of Operations

Musical Instruments

Sales

¥262,310 million **+11.4%**

Operating Income

¥19,728 million **+205.8%**

Fiscal 2014 Performance Overview

Sales in fiscal 2014 climbed ¥26,803 million, or 11.4%, to ¥262,310 million. Excluding increases resulting from foreign currency effects (approximately ¥27,600 million), sales decreased in real terms by roughly ¥800 million, or 0.4%, year on year.

Operating income jumped ¥13,277 million, or 205.8%, year on year, from ¥6,451 million to ¥19,728 million.

Review of Major Products

Piano sales in Japan surpassed those of the previous fiscal year and were also strong in North America. In China, where growth weakened on the back of a deteriorating market, sales were slow as a result of more intense competition. In Europe and in other markets, adverse conditions remained. However, piano sales, as a whole, surpassed the previous fiscal year's, in real terms, excluding foreign currency effects.

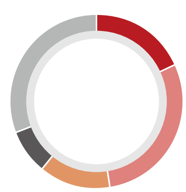
Digital musical instrument sales were generally firm due to the following: 1) double-digit growth of digital pianos in Japan, China and other markets, in real terms, excluding foreign currency translation effects, and higher sales in North America and Europe; and 2) strong sales of a new flagship portable keyboard in Europe and other regions.

Wind instrument sales exceeded those of the previous fiscal year as last-minute demand prior to the consumption tax increase in Japan generated sales including for mid-range to high-end instruments. North American sales were also strong.

Sales of string and percussion instruments declined due to mainstay guitar supply delays in each market caused by the suspension of production due to a strike at our guitar manufacturing subsidiary in Indonesia.

Revenue from music and English language schools was down on decreased student enrollment. Sales of music school course materials were up but sales were down in the music entertainment business as a whole.

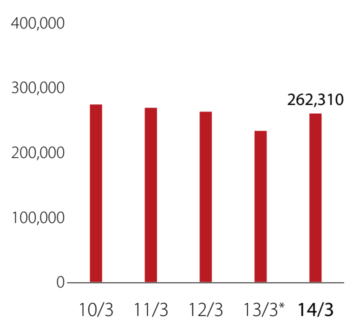
Fiscal 2014 Sales by Product Category



Pianos	18.3%
Digital musical instruments	29.3%
Wind instruments	13.5%
String and percussion instruments	8.2%
Music schools, etc.	30.7%

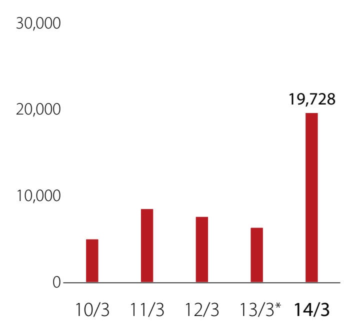
Sales

(Millions of yen)



Operating Income

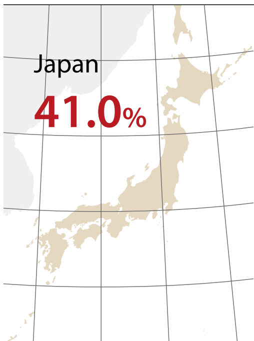
(Millions of yen)



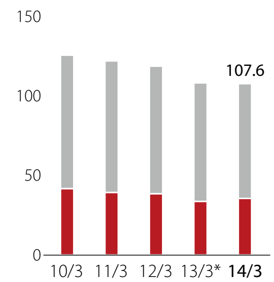
* Fiscal 2013 figures have been adjusted to reflect segment composition changes effective from fiscal 2014.

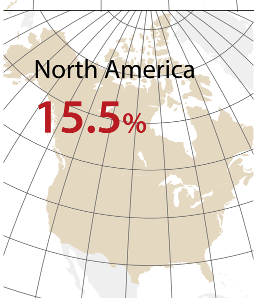
Review by Region

Percentage of Sales by Region | Market Trends and Fiscal 2014 Performance | Sales by Region (Billions of yen)

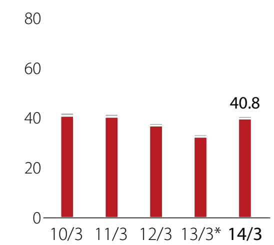


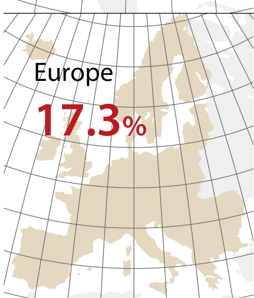
- Demand for musical instruments in Japan has been declining steadily. An example of this trend is the drastic reduction in the market for acoustic pianos over the past three decades. The high piano ownership rate and low birthrate are both responsible for this trend.
- Even though the Japanese economy showed signs of recovery, the musical instruments market was stagnant overall since sales in this market do not directly correlate to economic recovery. With the last-minute demand prior to the consumption tax increase appearing for pianos, digital musical instruments, wind instruments, and music school course materials in the fourth quarter, full fiscal 2014 sales were flat year on year.



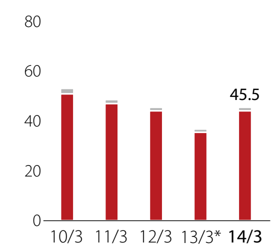


- The U.S. musical instruments market, showing no bias toward any particular instrument category, is clearly oriented toward hobbies and entertainment, where a wide range of musical instruments are used. Due to the impact of a record-breaking cold wave in the second half, economic recovery in the U.S. was stagnant until February. Nevertheless, full fiscal 2014 performance was up year on year.
- By product category, hybrid piano and digital piano sales were firm and wind instrument and guitar sales were strong.

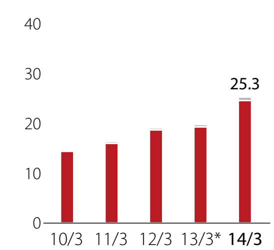




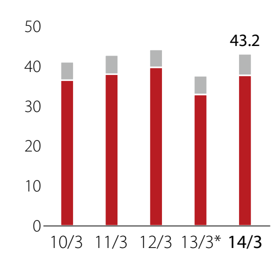
- In Europe, musical tastes and musical instrument use vary by country. The market grew increasingly uncertain as a whole due to the economic slowdown triggered by the debt crisis in southern Europe in the summer of 2011, the effects of which are just now appearing in Germany.
- By country and region, Spain, Italy, France and other southern European countries in particular showed gradual signs of recovery, despite continuing difficult conditions in Germany, a core market. By product category, aside from brisk sales in the new portable keyboard products and other digital musical instruments, sales decreased year on year, in real terms.



- China’s musical instruments market is distinctive, with acoustic piano sales accounting for more than half of its market. However, recent trends of sales for digital musical instruments, and string and percussion instruments, though small in scale, have also begun to see high growth rates.
- With slower economic growth and higher sales channel inventory due to more intense competition with Chinese manufacturers for pianos, the growth rate was stagnant. However, in real terms, sales increased in the market as a whole thanks to digital piano, portable keyboard, and other product growth.



- Influenced by the United States’ cutback of its economic easing policy and economic slowdown in China, the growth rate of musical instrument markets in key emerging countries has largely slowed.
- By product category, digital musical instruments, of which digital pianos grew in double digits, and wind instruments all sustained higher year-on-year growth in real terms, but sales of pianos and string and percussion instruments declined. For the region as a whole, sales decreased in real terms.



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

Audio Equipment

Sales

¥105,485 million **+14.0%**

Operating Income

¥5,866 million **+28.8%**

Fiscal 2014 Performance Overview

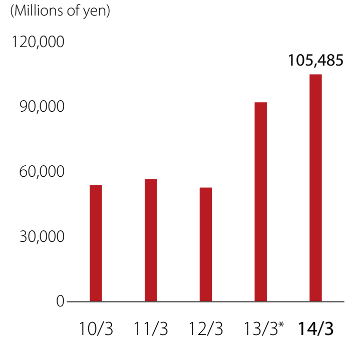
Sales in fiscal 2014 climbed ¥12,914 million, or 14.0%, to ¥105,485 million. Excluding increases resulting from foreign currency effects (approximately ¥14,000 million), sales decreased in real terms by roughly ¥1,000 million, or 1.2%, year on year.

Despite weak sales due to intensifying competition in TV peripheral and desktop audio products, sales of audio products increased year on year on the yen's depreciation. In PA equipment, while sales of commercial audio equipment were slack from intensified competition for digital mixers, sales of speakers with built-in amplifiers increased in Europe and North America, and sales of music composition interface devices and software were also strong. Commercial online karaoke equipment saw revenue decrease, despite higher-than-expected sales. Router shipments were down due to market inventory adjustments at the beginning of the fiscal year, but subsequently sales increased on rising commercial demand in Japan.

Operating income jumped ¥1,313 million, or 28.8%, year on year, from ¥4,553 million to ¥5,866 million.

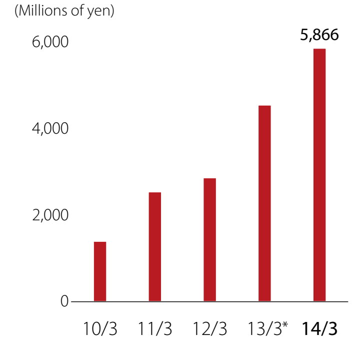
Sales

(Millions of yen)



Operating Income

(Millions of yen)



* Fiscal 2013 figures have been adjusted to reflect segment composition changes effective from fiscal 2014.

Electronic Devices

Sales

¥18,828 million **+25.2%**

Operating Income

¥770 million **—**

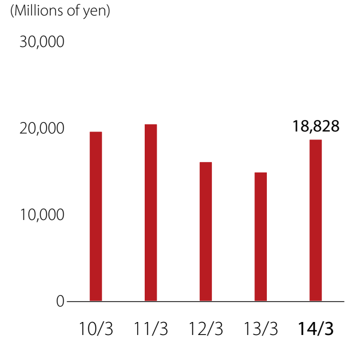
Fiscal 2014 Performance Overview

Sales in fiscal 2014 climbed ¥3,790 million, or 25.2%, to ¥18,828 million. Sales of geomagnetic sensors for smartphones and tablet PCs, as well as audio codecs and audio and graphics LSIs used in amusement equipment increased year on year.

The electronic devices segment recovered from an operating loss of ¥2,044 million in fiscal 2013 and returned to profitability in fiscal 2014 with operating income ¥770 million, an improvement of ¥2,814 million. The turnaround was attributable to higher sales, the business structural reforms and other factors.

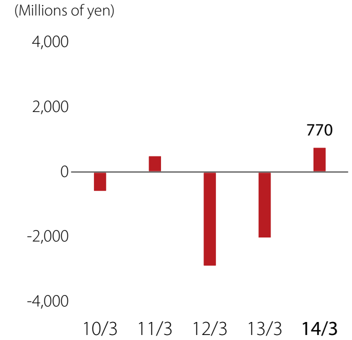
Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



Others

Sales

¥23,679 million –0.6%

Operating Loss

¥370 million —

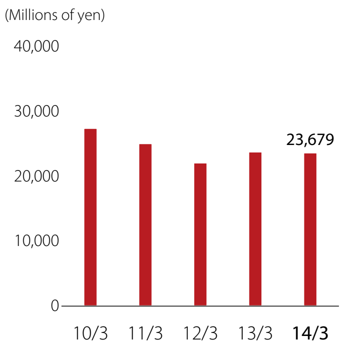
Fiscal 2014 Performance Overview

Sales in fiscal 2014 decreased ¥144 million, or 0.6%, to ¥23,679 million.

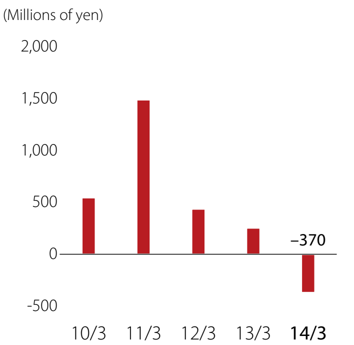
Golf product revenue was up overall thanks to the market recovery in South Korea and new product launches. Sales of automobile interior wood components decreased due to lower demand caused by the absence of car model changes in the previous fiscal year, even though sales to European luxury automobile makers increased. Sales in the factory automation (FA) business were sluggish. This was because, despite sales growth for leak testers, parts manufacturers, to which we deliver our precision machines, completed their round of investments on their business. In the resorts business, sales were largely unchanged, even though our plan for attracting winter customers did not meet expectations.

Operating income declined ¥624 million, from ¥254 million to an operating loss of ¥370 million.

Sales



Operating Income (Loss)



Key Business Indicators

Years ended March 31	2010	2011	2012	2013*	Millions of yen 2014	Millions of U.S. dollars 2014
Sales						
Musical instruments	¥276,252	¥271,124	¥265,089	¥235,507	**¥262,310**	$2,548.68
Audio equipment	54,409	57,023	53,165	92,571	**105,485**	1,024.92
Electronic devices	19,745	20,610	16,233	15,038	**18,828**	182.94
Others	27,461	25,108	22,128	23,823	**23,679**	230.07
Operating income (loss)						
Musical instruments	¥ 5,117	¥ 8,616	¥ 7,713	¥ 6,451	**¥ 19,728**	$ 191.68
Audio equipment	1,405	2,547	2,872	4,553	**5,866**	57.00
Electronic devices	(606)	510	(2,913)	(2,044)	**770**	7.48
Others	546	1,490	437	254	**(370)**	(3.60)
Capital expenditures						
Musical instruments	¥ 11,663	¥ 8,008	¥ 8,251	¥ 8,928	**¥ 6,621**	$ 64.33
Audio equipment	1,348	1,044	1,059	2,467	**2,788**	27.09
Electronic devices	659	921	736	1,381	**216**	2.10
Others	284	464	1,290	1,068	**1,172**	11.39
Depreciation expenses						
Musical instruments	¥ 9,511	¥ 9,678	¥ 9,065	¥ 8,597	**¥ 8,519**	$ 82.77
Audio equipment	1,436	1,361	1,248	1,592	**2,647**	25.72
Electronic devices	981	900	976	669	**761**	7.39
Others	1,323	873	684	754	**830**	8.06
R&D expenses						
Musical instruments	¥ 9,910	¥ 11,557	¥ 12,704	¥ 8,088	**¥ 8,078**	$ 78.49
Audio equipment	5,605	5,752	4,898	9,219	**10,011**	97.27
Electronic devices	3,630	3,931	3,979	3,374	**3,094**	30.06
Others	1,661	1,174	1,237	1,466	**1,376**	13.37

For more detailed information, please refer to Financial Data 2014.

* Fiscal 2013 figures have been adjusted to reflect segment composition changes effective from fiscal 2014.

Analysis of Financial Position

Financing Policy

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

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

The Company tries to ensure that liquidity on hand is equivalent to approximately one month of consolidated net sales, a figure covered by the ¥60,558 million in cash and deposits recorded as of March 31, 2014.

To promote efficient fund utilization for the entire Group, Group finance is carried out.

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.

Credit Ratings

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

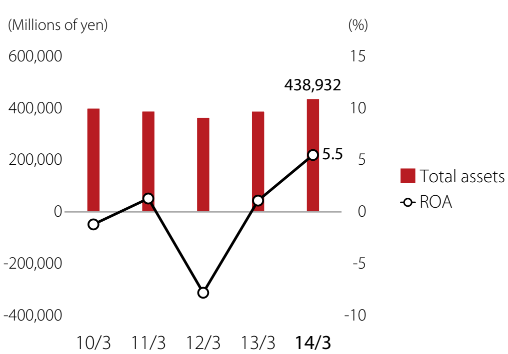
* As of March 31, 2014

Total Assets

¥438,932 million **+12.4%**

Total assets as of March 31, 2014 amounted to ¥438,932 million, an increase of ¥48,322 million, or 12.4%, from the previous fiscal year-end figure of ¥390,610 million. Of this amount, current assets totaled ¥214,487 million, up ¥16,584 million, or 8.4%, from the previous fiscal year-end figure of ¥197,902 million. Noncurrent assets came to ¥224,445 million, an increase of ¥31,737 million, or 16.5%, from the previous fiscal year-end figure of ¥192,707 million.

Total Assets / ROA



Current Assets

Current assets as of March 31, 2014 totaled ¥214,487 million, up ¥16,584 million, or 8.4%, from the end of the previous fiscal year.

This was attributable to increases in cash and deposits, notes and accounts receivable–trade, inventories and deferred tax assets. Cash and deposits increased ¥9,112 million, or 17.7%, year on year, to ¥60,558 million. Notes and accounts receivable–trade (after deduction of allowance for doubtful accounts) increased ¥5,729 million, or 11.2%, to ¥56,710 million. Inventories increased ¥676 million, or 0.8%, to ¥82,690 million. This figure included an increase of roughly ¥5,000 million due to currency translation effects. Excluding this factor, inventories decreased by about ¥4,300 million, or 5.3%, in real terms. Deferred tax assets increased ¥2,536 million, or 113.2%, to ¥4,778 million. Other current assets declined ¥1,220 million, or 11.1%, to ¥9,749 million. The ratio of current assets to current liabilities at fiscal 2014 year-end was 293%, compared with 277% from a year earlier, sustaining liquidity at a high level during fiscal 2014.

Property, Plant and Equipment

Property, plant and equipment as of March 31, 2014 were ¥109,984 million, down ¥341 million, or 0.3%, year on year. Construction in progress was ¥1,768 million, down ¥336 million.

Investments and Other Assets

Investments and other assets as of March 31, 2014 amounted to ¥114,461 million, a year-on-year increase of ¥32,078 million, or 38.9%.

Investment securities amounted to ¥103,170 million, up ¥31,602 million, or 44.2%. This was mainly due to increases in value of available-for-sale securities. Deferred tax assets increased ¥227 million, or 17.6%, to ¥1,517 million. Intangible assets as of March 31, 2014 increased ¥82 million, or 2.6% year on year, to ¥3,307 million.

Total Liabilities

¥164,089 million **+1.9%**

Total liabilities as of March 31, 2014 came to ¥164,089 million, an increase of ¥3,115 million, or 1.9%, from the previous year-end figure of ¥160,973 million. Current liabilities came to ¥73,145 million, an increase of ¥1,594 million, or 2.2%, from the previous fiscal year-end figure of ¥71,550 million. Noncurrent liabilities increased ¥1,521 million, or 1.7%, to ¥90,944 million from ¥89,422 million.

Current Liabilities

Current liabilities as of March 31, 2014 came to ¥73,145 million, up ¥1,594 million, or 2.2%, year on year. This was due to increases in notes and accounts payable–trade, accounts payable–other and accrued expenses, and income taxes payable, which outweighed decreases in short-term loans payable and the current portion of long-term loans payable. Notes and accounts payable–trade were ¥21,595 million, an increase of ¥1,255 million, or 6.2%, from the previous fiscal year-end figure. Accounts payable–other and accrued expenses amounted to ¥31,805 million, up ¥495 million, or 1.6%, year on year. Income taxes payable rose ¥1,203 million, or 76.1%, to ¥2,786 million. Short-term loans payable declined ¥769 million, or 8.2%, to ¥8,590 million, and the current portion of long-term loans payable decreased ¥453 million, or 93.3%, to ¥32 million.

Noncurrent Liabilities

Noncurrent liabilities as of March 31, 2014 increased ¥1,521 million, or 1.7% year on year, to ¥90,944 million. This was due to decreases in long-term loans payable, deferred tax liabilities for land revaluation, long-term deposits received, and net defined benefit liabilities, which were outweighed by an increase in deferred tax liabilities. Long-term loans payable amounted to ¥133 million, down ¥32 million, or 19.8%. Deferred tax liabilities for land revaluation decreased ¥23 million, or 0.2%, to ¥12,415 million. Deferred tax liabilities increased ¥5,567 million, or 30.1%, to ¥24,059 million.

Due to the early adoption of the revised Accounting Standard for Retirement Benefits, the accounting item "Provision for retirement benefits" was changed to "Net defined benefit liabilities." Further, due to a decrease of ¥7,062 million in the beginning of fiscal year balance resulting from a change in the method for calculating retirement benefit obligations and to an increase of ¥3,871 million in the fiscal year-end balance from the recording of unrecognized liabilities, net defined benefit liabilities decreased ¥4,698 million, or 11.4%, to ¥36,450 million. Long-term deposits received decreased ¥106 million, or 0.7%, to ¥15,339 million following the repayment of deposits received from resort memberships.

Net Interest-Bearing Liabilities

As of March 31, 2014, long- and short-term loans payable, which are interest-bearing liabilities, totaled ¥8,756 million. Cash and deposits were ¥60,558 million, resulting in net cash and deposits, less long- and short-term loans payable, of ¥51,801 million, a ¥1,036 million increase compared with ¥41,431 million at the previous fiscal year-end.

Net Assets

¥274,843 million **+19.7%**

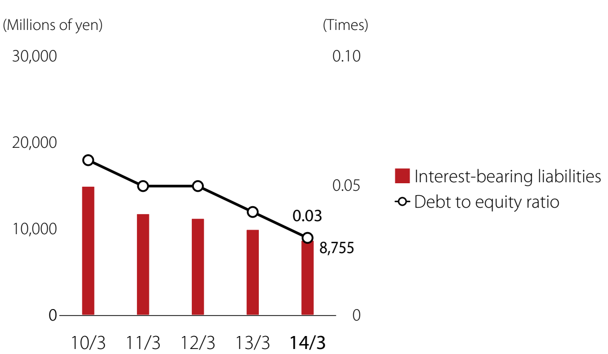
Total assets as of March 31, 2014 amounted to ¥274,843 million, an increase of ¥45,206 million, or 19.7%, from the previous fiscal year-end figure of ¥229,636 million. This was the result of an increase in retained earnings due to the recording of net income in fiscal 2014, a higher valuation difference on available-for-sale securities, and changes in foreign currency translation adjustments. The loss recorded under foreign currency translation adjustments was reduced by ¥10,096 million year on year. Retained earnings increased ¥27,864 million, or 19.8%, to ¥168,338 million, reflecting net income of ¥22,898 million, effects from the early adoption of the revised Accounting Standard for Retirement Benefits of ¥7,062 million, dividend payments of ¥2,420 million, and other factors. Valuation difference on available-for-sale securities increased ¥10,730 million, or 30.8%, to ¥45,540 million, reflecting a rise in the value of securities held. Revaluation reserve for land decreased ¥44 million, or 0.3%, to ¥17,139 million.

Minority interests increased ¥396 million, or 14.4%, year on year, to ¥3,161 million.

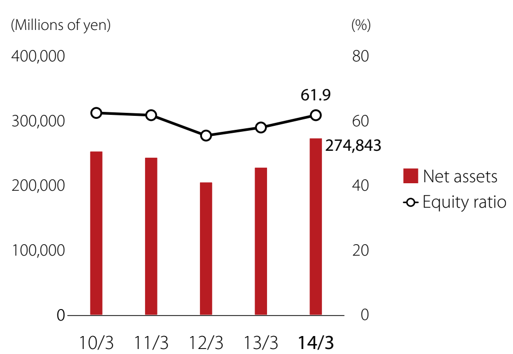
The equity ratio was 61.9% as of March 31, 2014, a 3.8 percentage point increase, from 58.1% at the previous fiscal year-end.

Return on equity (ROE) was 9.2%, a 7.3 percentage point increase, from 1.9%.

Interest-Bearing Liabilities / Debt to Equity Ratio



Net Assets / Equity Ratio



Cash Flows

Net cash provided by operating activities in fiscal 2014 was ¥33,213 million, in contrast to net cash of ¥7,755 million provided in the previous fiscal year. This represented a ¥25,458 million increase in cash provided.

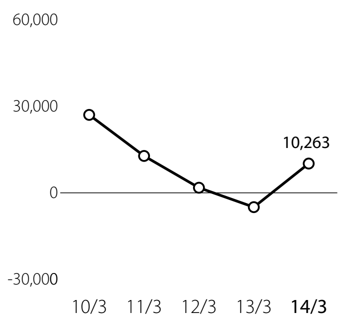
Net cash used in investing activities was ¥22,950 million, in contrast to net cash of ¥12,617 million used in the previous fiscal year. This represented a ¥10,332 million increase in cash used, reflecting increased purchases of investment securities.

Net cash used in financing activities was ¥4,745 million, in contrast to net cash of ¥5,536 million used in the previous fiscal year. This represented a ¥791 million decrease in cash used, reflecting the decrease in repayment of loans.

As a result, the fiscal 2014 year-end balance of cash and cash equivalents amounted to ¥57,524 million, representing a year-on-year increase of ¥8,060 million.

Free Cash Flow

(Millions of yen)



Capital Expenditures/Depreciation and Amortization

Capital expenditures in fiscal 2014 came to ¥10,799 million, a decrease of ¥3,045 million, or 22.0%, from ¥13,844 in the previous fiscal year. Capital expenditures in the musical instruments segment decreased ¥2,306 million, or 25.8%, year on year, from ¥8,927 million to ¥6,621 million. In the audio equipment segment, capital expenditures were up ¥321 million, or 13.0%, from ¥2,467 million to ¥2,788 million. In the electronic devices segment, capital expenditures were down ¥1,165 million, or 84.3%, year on year, from ¥1,381 million to ¥216 million. Capital expenditures increased in the others segment, rising ¥104 million, or 9.8%, from ¥1,068 million to ¥1,172 million.

Depreciation and amortization amounted to ¥12,759 million, an increase of ¥1,146 million, or 9.9%, from ¥11,613 million in fiscal 2013.

R&D Expenses

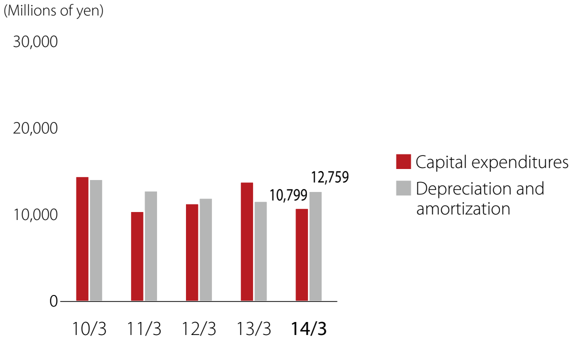
R&D expenses in fiscal 2014 increased ¥412 million, or 1.9%, from ¥22,149 million to ¥22,561 million. The ratio of R&D expenses to net sales was 0.5 percentage points lower than in fiscal 2013, falling from 6.0%, to 5.5%.

Most of this spending was directed at product development primarily in digital musical instruments, professional audio equipment, communications equipment and semiconductor businesses. Specifically, the spending supported elemental technology research and product development for hybrid pianos that blend acoustic and digital technologies, development efforts to make digital musical instruments more competitive, development of new commercial audio equipment for the professional audio equipment market leveraging digital network technology, and development of products to expand the audio equipment category, and new products such as commercial online karaoke equipment and routers. In semiconductors, spending was used for development of high value-added analog and hybrid semiconductors and development of geomagnetic sensors for mobile phones, new amusement equipment and smartphones.

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

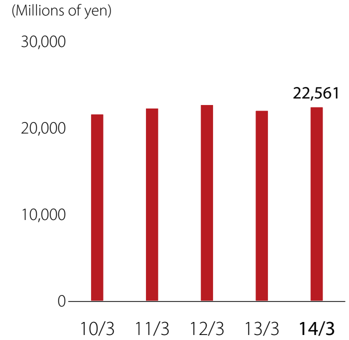
Capital Expenditures / Depreciation and Amortization

(Millions of yen)



R&D Expenses

(Millions of yen)



Forecast for Fiscal 2015

Performance Forecast

Net Sales

¥430,000 million +4.8%

Operating Income

¥29,000 million +11.6%

Net Income

¥21,000 million –8.3%

In fiscal 2015, world affairs were in a state of rising tensions caused by situation in the Ukraine among other factors.

Nevertheless, we knew that the outlook for North America was steady economic recovery, despite our concerns over the economic effects of fiscal austerity. In Europe, signs of recovery from the previous year have emerged and solid performance is expected. Despite a slowdown in the first quarter of the previous fiscal year, China is gradually showing signs of recovery and is expected to remain relatively stable. Other emerging markets appear to need more time to fully recover, though the situation differs depending on the region, but will show steady growth overall. In addition to the future outlook for this market, the yen is expected to remain at current levels, so product exports should be mostly positive, even with the risk of sharply rising materials and parts procurement costs.

By business segment, in the musical instruments segment, we will continue to upgrade our sales network in China and other emerging markets and aggressively expand business. Above all, in China, we will respond flexibly to the changing market, which is beginning to show sales growth for various products including digital musical instruments and wind instruments. Also, in developed markets such as North America, we will expand sales by taking a flexible approach to market changes while maximizing the impact of new product launches. We will also create synergies with Line 6, Inc., a manufacturer of guitar peripherals that was made a wholly owned subsidiary in fiscal 2014. Through these efforts, we expect to increase sales and earnings year on year in the entire musical instruments segment.

The audio equipment business will seek growth by launching products that meet existing demand trends for audio products. In professional audio equipment, having missed an opportunity to increase expected sales from new product launches in fiscal 2014 due to product development delays, we have set our sights on increasing sales by improving our development capabilities, speeding up operations, expanding our product lineup and fully entering the commercial installed sound market. In the commercial router business, we will take advantage of our excellent reputation in the market and expand our product domain for switches, access points, and other products. We also plan to increase sales of Information and Communication Technology (ICT) devices as a whole by bringing microphone speakers for Web conferencing into the audio communication device business.

In the audio equipment segment, we have brought Revolabs, Inc., a manufacturer of conference microphones with high technology in the area of digital wireless communications, under our corporate umbrella. This move will help us expand sales by effectively sharing product lines and leveraging sales channels while pursuing synergistic effects in product development.

In the electronic devices segment, we will maintain and improve our earning capacity, which enabled a return to profitability in fiscal 2014, and aggressively propose to customers products with promising growth potential such as LSIs for amusement equipment and geomagnetic sensors.

In the others segment, with the Japanese market for golf products remaining adverse, we will work to expand sales by releasing new products. In parallel with this effort, we will develop overseas markets including South Korea, a market of continued focus, and China, a market with high growth potential. In the automobile interior wood components business, with the aim of raising our manufacturing capabilities by reducing lead time, we will work to achieve a stable supply to customers. In the resort business, we expect to increase revenue by continuing to take stronger measures to attract customers during the winter season. In the others segment as a whole, sales are expected to increase.

As a result of the foregoing, exchange rate assumptions for fiscal 2015 are: JP¥100 per US$1, JP¥135 per €1, JP¥90 per AU$1, JP¥95 per CA$1, and JP¥15.9 per CN¥1. In fiscal 2015, we forecast increases in both sales and operating income over fiscal 2014.

Capital Expenditures Forecast

In fiscal 2015, capital expenditures are expected to rise. Major items contributing to the rise 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 plant rationalization-related expenses. Depreciation and amortization expenses are expected to be in line with those of fiscal 2014.

Profit Distribution Policy (Dividend Forecast)

Yamaha's basic policy is to distribute profits in line with consolidated performance, while also making suitable investments and setting aside an appropriate amount of retained earnings to strengthen the Company's business foundation through investments in R&D, sales and capital expenditures, based on prospective levels of medium-term consolidated earnings. Specifically, seeking to return profits to shareholders, Yamaha has set a goal of 30% or more for its consolidated dividend payout ratio based on continuous and stable dividend payments. Under this policy, Yamaha plans to pay a total dividend of ¥27.0 per share for fiscal 2015, including an interim dividend payment of ¥13.5 per share.

Consolidated Balance Sheet

Yamaha Corporation and its consolidated subsidiaries At March 31, 2014	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 5) 2014
Assets			
Current assets:			
Cash and deposits (Notes 21 and 23)	¥ 60,558	¥ 51,445	$ 588,399
Notes and accounts receivable — trade (Notes 23 and 31)	57,890	52,069	562,476
Short-term investment securities (Notes 23, 24 and 30)	—	250	—
Inventories (Note 10)	82,690	82,014	803,440
Deferred tax assets (Note 27)	4,778	2,241	46,424
Other	9,749	10,969	94,724
Allowance for doubtful accounts	(1,179)	(1,088)	(11,455)
Total current assets	214,487	197,902	2,084,017
Property, plant and equipment, net of accumulated depreciation (Notes 6, 14 and 30):			
Buildings and structures, net	36,238	36,845	352,099
Machinery, equipment and vehicles, net	22,066	21,405	214,400
Land (Note 9)	49,595	49,634	481,879
Leased assets, net	315	336	3,061
Construction in progress	1,768	2,104	17,178
Total property, plant and equipment, net of accumulated depreciation	109,984	110,325	1,068,636
Investments and other assets:			
Investment securities (Notes 7, 23, 24 and 30)	103,170	71,568	1,002,429
Long-term loans receivable	156	365	1,516
Net defined benefit assets (Notes 2 and 26)	4	—	39
Deferred tax assets (Note 27)	1,517	1,290	14,740
Lease and guarantee deposits	4,730	5,019	45,958
Goodwill	279	356	2,711
Other	4,735	4,374	46,007
Allowance for doubtful accounts	(133)	(591)	(1,292)
Total investments and other assets	114,461	82,382	1,112,136
Total assets	¥438,932	¥390,610	$4,264,788

See Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Liabilities			
Current liabilities:			
Notes and accounts payable — trade (Notes 23 and 31)	**¥21,595**	¥ 20,339	$209,823
Short-term loans payable (Notes 23 and 30)	**8,590**	9,360	83,463
Current portion of long-term loans payable (Note 30)	**32**	486	311
Accounts payable — other and accrued expenses (Note 23)	**31,805**	31,309	309,026
Income taxes payable	**2,786**	1,582	27,070
Advances received (Note 30)	**—**	14	—
Deferred tax liabilities (Note 27)	**7**	625	68
Provision for product warranties	**2,539**	2,596	24,670
Provision for directors' bonuses	**53**	21	515
Other	**5,733**	5,213	55,703
Total current liabilities	**73,145**	71,550	710,698
Noncurrent liabilities:			
Long-term loans payable (Notes 23 and 30)	**133**	165	1,292
Deferred tax liabilities (Note 27)	**24,059**	18,491	233,764
Deferred tax liabilities for land revaluation (Note 9)	**12,415**	12,439	120,628
Provision for retirement benefits (Note 26)	**—**	41,148	—
Net defined benefit liabilities (Notes 2 and 26)	**36,450**	—	354,159
Long-term deposits received (Note 23)	**15,339**	15,445	149,038
Other	**2,547**	1,732	24,747
Total noncurrent liabilities	**90,944**	89,422	883,638
Contingent liabilities (Note 8)			
Net Assets			
Shareholders' equity (Note 20):			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2014 — 197,255,025 shares	**28,534**	—	277,244
2013 — 197,255,025 shares	**—**	28,534	—
Capital surplus	**40,054**	40,054	389,176
Retained earnings	**168,338**	140,473	1,635,620
Treasury stock	**(3,705)**	(3,699)	(35,999)
Total shareholders' equity	**233,222**	205,363	2,266,051
Accumulated other comprehensive income:			
Unrealized holding gain on securities	**45,540**	34,810	442,480
Unrealized loss from hedging instruments	**(101)**	(41)	(981)
Revaluation reserve for land (Note 9)	**17,139**	17,184	166,527
Foreign currency translation adjustments	**(20,347)**	(30,443)	(197,697)
Remeasurements of defined benefit plans	**(3,771)**	—	(36,640)
Total accumulated other comprehensive income	**38,459**	21,508	373,679
Minority interests	**3,161**	2,764	30,713
Total net assets	**274,843**	229,636	2,670,453
Total liabilities and net assets	**¥438,932**	¥390,610	$4,264,788

Consolidated Statement of Operations

Yamaha Corporation and its consolidated subsidiaries	Millions of yen		Thousands of U.S. dollars (Note 5)
Year ended March 31, 2014	2014	2013	2014
Net sales	¥410,304	¥366,941	$3,986,630
Cost of sales (Notes 4, 10 and 12)	262,310	238,261	2,548,679
Gross profit	147,994	128,680	1,437,952
Selling, general and administrative expenses (Notes 4, 11 and 12)	121,999	119,465	1,185,377
Operating income	25,994	9,215	252,565
Other income (expenses):			
Interest and dividend income	2,108	1,339	20,482
Patent royalty revenue	353	—	3,430
Interest expenses	(216)	(259)	(2,099)
Sales discounts	(2,404)	(1,980)	(23,358)
Gain on sales or disposal of property, plant and equipment, net (Note 13)	285	1,604	2,769
Gain on sales of investment securities	990	1,089	9,619
Loss on impairment of fixed assets (Note 14)	(192)	(293)	(1,866)
Business structural reform expenses (Note 15)	(869)	(3,059)	(8,443)
Loss on closure of operations (Note 16)	(525)	—	(5,101)
Other, net (Note 17)	293	139	2,847
	(175)	(1,419)	(1,700)
Income before income taxes and minority interests	25,818	7,795	250,855
Income taxes (Note 27):			
Current	5,778	3,635	56,141
Deferred	(3,088)	(179)	(30,004)
	2,690	3,455	26,137
Income before minority interests	23,128	4,339	224,718
Minority interests in income	229	217	2,225
Net income	¥ 22,898	¥ 4,122	$ 222,483

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Yamaha Corporation and its consolidated subsidiaries	Millions of yen		Thousands of U.S. dollars (Note 5)
Year ended March 31, 2014	2014	2013	2014
Income before minority interests	¥23,128	¥ 4,339	$224,718
Other comprehensive income:			
Unrealized holding gain on securities	10,711	7,474	104,071
Deferred gains or losses on hedges	(59)	326	(573)
Foreign currency translation adjustments	10,481	13,607	101,836
Remeasurements of defined benefit plans	6,944	—	67,470
Share of other comprehensive income (loss) of affiliates accounted for using equity method	(5)	0	(49)
Total other comprehensive income (Note 18)	28,073	21,408	272,765
Comprehensive income	¥51,201	¥25,747	$497,483
(Composition)			
Comprehensive income attributable to owners of the parent	¥50,717	¥25,091	$492,781
Comprehensive income attributable to minority interests	¥484	¥656	$4,703

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Yamaha Corporation and its consolidated subsidiaries	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income							
Year ended March 31, 2014	Capital stock (Note 19)	Capital surplus	Retained earnings (Notes 2 and 19)	Treasury stock (Note 19)	Total shareholders' equity (Notes 2 and 19)	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Notes 2 and 19)	Total accumulated other comprehensive income (Notes 2 and 19)	Minority interests	Total net assets
Balance as of April 1, 2012	¥28,534	¥40,054	¥138,152	¥(3,690)	¥203,050	¥27,337	¥(367)	¥17,304	¥(43,611)	¥ —	¥ 662	¥3,118	¥206,832
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance at the beginning of the period after adjustments	28,534	40,054	138,152	(3,690)	203,050	27,337	(367)	17,304	(43,611)	—	662	3,118	206,832
Changes of items during the period:													
Dividends from surplus (Note 19)			(1,936)		(1,936)								(1,936)
Net income			4,122		4,122								4,122
Change in the scope of consolidation			14		14								14
Reversal of revaluation reserve for land			120		120								120
Purchase of treasury stock				(9)	(9)								(9)
Net changes of items other than shareholders' equity						7,472	326	(120)	13,167	—	20,845	(353)	20,492
Total changes of items during the period	—	—	2,321	(9)	2,312	7,472	326	(120)	13,167	—	20,845	(353)	22,804
Balance as of April 1, 2013	¥28,534	¥40,054	¥140,473	¥(3,699)	¥205,363	¥34,810	¥ (41)	¥17,184	¥(30,443)	¥ —	¥21,508	¥2,764	¥229,636
Cumulative effects of changes in accounting policies	—	—	7,062	—	7,062	—	—	—	—	(10,716)	(10,716)	—	(3,654)
Balance at the beginning of the period after adjustments	28,534	40,054	147,536	(3,699)	212,425	34,810	(41)	17,184	(30,443)	(10,716)	10,792	2,764	225,982
Changes of items during the period:													
Dividends from surplus (Note 19)			(2,420)		(2,420)								(2,420)
Net income			22,898		22,898								22,898
Change in the scope of consolidation			(203)		(203)								(203)
Change in the scope of equity method			482		482								482
Reversal of revaluation reserve for land			44		44								44
Purchase of treasury stock				(5)	(5)								(5)
Net changes of items other than shareholders' equity						10,730	(59)	(44)	10,096	6,944	27,667	396	28,064
Total changes of items during the period	—	—	20,802	(5)	20,796	10,730	(59)	(44)	10,096	6,944	27,667	396	48,860
Balance as of March 31, 2014	¥28,534	¥40,054	¥168,338	¥(3,705)	¥233,222	¥45,540	¥(101)	¥17,139	¥(20,347)	¥ (3,771)	¥38,459	¥3,161	¥274,843

	Thousands of U.S. dollars (Note 5)												
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock (Note 19)	Capital surplus	Retained earnings (Notes 2 and 19)	Treasury stock (Note 19)	Total shareholders' equity (Notes 2 and 19)	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Notes 2 and 19)	Total accumulated other comprehensive income (Notes 2 and 19)	Minority interests	Total net assets
Balance as of April 1, 2013	$277,244	$389,176	$1,364,876	$(35,941)	$1,995,365	$338,224	$(398)	$166,965	$(295,793)	$ —	$208,978	$26,856	$2,231,209
Cumulative effects of changes in accounting policies	—	—	68,616	—	68,616	—	—	—	—	(104,120)	(104,120)	—	(35,503)
Balance at the beginning of the period after adjustments	277,244	389,176	1,433,502	(35,941)	2,063,982	338,224	(398)	166,965	(295,793)	(104,120)	104,858	26,856	2,195,705
Changes of items during the period:													
Dividends from surplus (Note 19)			(23,513)		(23,513)								(23,513)
Net income			222,483		222,483								222,483
Change in the scope of consolidation			(1,972)		(1,972)								(1,972)
Change in the scope of equity method			4,683		4,683								4,683
Reversal of revaluation reserve for land			428		428								428
Purchase of treasury stock				(49)	(49)								(49)
Net changes of items other than shareholders' equity						104,256	(573)	(428)	98,096	67,470	268,820	3,848	272,678
Total changes of items during the period	—	—	202,118	(49)	202,060	104,256	(573)	(428)	98,096	67,470	268,820	3,848	474,738
Balance as of March 31, 2014	$277,244	$389,176	$1,635,620	$(35,999)	$2,266,051	$442,480	$(981)	$166,527	$(197,697)	$(36,640)	$373,679	$30,713	$2,670,453

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Yamaha Corporation and its consolidated subsidiaries	Millions of yen		Thousands of U.S. dollars (Note 5)
Year ended March 31, 2014	2014	2013	2014
Operating activities:			
Income before income taxes and minority interests	¥25,818	¥ 7,795	$250,855
Depreciation and amortization	12,759	11,613	123,970
Loss on impairment of fixed assets	192	293	1,866
Amortization of goodwill	95	105	923
Decrease in allowance for doubtful accounts	(474)	(355)	(4,606)
Loss on valuation of investments in capital of subsidiaries and affiliates	—	102	—
Gain on liquidation of subsidiaries	—	(8)	—
Loss on valuation of investment securities	16	32	155
Gain on sales of investment securities	(990)	(1,089)	(9,619)
Decrease in provision for retirement benefits	—	(771)	—
Decrease in net defined benefit liabilities	(1,691)	—	(16,430)
Interest and dividend income	(2,108)	(1,339)	(20,482)
Interest expenses	216	259	2,099
Foreign exchange losses (gains)	47	(181)	457
Equity in (earnings) losses of affiliates	(20)	0	(194)
Gain on sales or disposal of property, plant and equipment, net	(285)	(1,604)	(2,769)
Business structural reform expenses	869	3,059	8,443
Loss on closure of operations	525	—	5,101
Increase in notes and accounts receivable — trade	(2,372)	(2,178)	(23,047)
Decrease in inventories	4,783	2,004	46,473
Decrease in notes and accounts payable — trade	(304)	(4,464)	(2,954)
Other, net	(1,311)	(630)	(12,738)
Subtotal	35,764	12,643	347,493
Interest and dividend income received	2,125	1,327	20,647
Interest expenses paid	(220)	(244)	(2,138)
Payment of business structural reform expenses	(546)	(1,940)	(5,305)
Income taxes paid	(3,909)	(4,030)	(37,981)
Net cash provided by operating activities	33,213	7,755	322,707
Investing activities:			
Net increase in time deposits	(649)	(1,043)	(6,306)
Payments for purchase of property, plant and equipment	(11,248)	(13,115)	(109,289)
Proceeds from sales of property, plant and equipment	1,177	2,680	11,436
Payments for purchase of investment securities	(15,632)	(150)	(151,885)
Proceeds from sales and redemption of investment securities	3,380	283	32,841
Payments for purchase of stocks of subsidiaries and affiliates	—	(675)	—
Proceeds from sales of stocks of subsidiaries and affiliates	—	5	—
Payments for investments in capital of subsidiaries and affiliates	—	(601)	—
Proceeds from liquidation of subsidiaries and affiliates	—	11	—
Other, net	22	(11)	214
Net cash used in investing activities	(22,950)	(12,617)	(222,989)
Financing activities:			
Net decrease in short-term loans payable	(1,627)	(2,336)	(15,808)
Repayment of long-term loans payable	(486)	(998)	(4,722)
Proceeds from deposits received from membership	176	265	1,710
Repayments for deposits received from membership	(290)	(337)	(2,818)
Purchase of treasury stock	(5)	(9)	(49)
Cash dividends paid	(2,420)	(1,936)	(23,513)
Cash dividends paid to minority shareholders	(87)	(180)	(845)
Other, net	(4)	(3)	(39)
Net cash used in financing activities	(4,745)	(5,536)	(46,104)
Effect of exchange rate change on cash and cash equivalents	2,323	3,825	22,571
Net increase (decrease) in cash and cash equivalents	7,841	(6,573)	76,185
Cash and cash equivalents at the beginning of period	49,464	55,919	480,606
Increase in cash and cash equivalents due to newly consolidated subsidiaries	231	130	2,244
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(12)	(12)	(117)
Cash and cash equivalents at end of period (Note 21)	¥57,524	¥49,464	$558,920

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Basis of presentation

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

The consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format that 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 of March 31, 2014, the numbers of consolidated subsidiaries and subsidiaries and affiliates accounted for by the equity method were 62 and 2 (72 and 1 in 2013). During the year ended March 31, 2014, one overseas subsidiary was included in the scope of consolidation. Further, 11 domestic subsidiaries were excluded from the scope of consolidation. Yamaha Music India Pvt. Ltd. was included in the scope of consolidation due to its increased significance. Yamaha Credit Corporation was excluded from the scope of consolidation due to its decreased significance. Yamaha Electronics Marketing Corporation and Yamaha Music Lease Corporation were excluded from the scope of consolidation due to a merger with Yamaha Music Trading Corporation. Additionally, Yamaha Music Trading Corporation changed its name to Yamaha Music Japan Co., Ltd. Further, Yamaha Music Tokyo Co., Ltd., Yamaha Music Hokkaido Co., Ltd., Yamaha Music Tohoku Co., Ltd., Yamaha Music Kanto Co., Ltd., Yamaha Music Tokai Co., Ltd., Yamaha Music Chushikoku Co., Ltd., and Yamaha Music Kyushu Co., Ltd. were excluded from the scope of consolidation due to a merger with Yamaha Music Osaka Co., Ltd. Additionally, Yamaha Music Osaka Co., Ltd. changed its name to Yamaha Music Retailing Co., Ltd. Yamaha A&R, Inc. was excluded from the scope of consolidation due to a merger with Yamaha Music Entertainment Holdings, Inc.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their 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, 2014 (one in 2013). JEUGIA Corporation was included in the scope of the equity method due to its increased significance. Investments in unconsolidated affiliates not accounted for by the equity method are carried at cost.

Ten overseas subsidiaries have a financial closing date as of December 31, which differs from the financial closing date of the Company; however, financial statements as of March 31 are prepared and reported by these overseas subsidiaries for consolidation purposes.

(c) Securities

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

(d) Inventories

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

(e) Depreciation

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

Estimated useful lives:

Buildings: 31 – 50 years (accompanying facilities: 15 years)
Structures: 10 – 30 years
Machinery and equipment: 4 – 9 years
Tools, furniture and fixtures: 5 – 6 years (molds: 2 years)

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

(f) Allowance for doubtful accounts

To properly evaluate accounts receivable, the allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on the historical experience with write-offs for normal receivables and individual estimation of the collectability of receivables due from specific companies as in financial difficulties.

(g) Provision for product warranties

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

(h) Provision for directors' bonuses

Provision for directors' bonuses is provided at the estimated amount for the payment of bonuses to directors.

(i) Retirement benefits

In calculating retirement benefit obligations, the benefit formula is primarily used as the method for allocating projected retirement benefits to periods of service up to March 31, 2014.

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

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

(j) Construction contracts

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

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

The method for estimating the amount recognized by the percentage of completion method is based on the ratio of costs incurred to the estimated total cost.

(k) Criteria for presentation of finance leases (as lessor)

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

(l) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date. The resulting exchange gain or loss is recognized as other income or expense. Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date. The components of net assets excluding translation adjustment and 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 sheet.

(m) Derivative financial instruments

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

(Hedge accounting)

To manage the fluctuation of foreign exchange risk in normal export and import transactions, the Company and its consolidated subsidiaries arrange their forward foreign exchange contracts and currency options, within amounts necessary, in accordance with internal rules of each company.

Hedging instruments are forward foreign exchange contracts and purchased foreign currency put options. Hedged items consist of forecast transactions, and recognized receivables and payables denominated in foreign currencies.

Forecast transactions denominated in foreign currencies designated as hedged items are accounted for by the benchmark method.

Where hedge effectiveness is not reassessed given that the anticipated cash flows have been fixed by hedging activities and the risk of changes in cash flows is completely avoided, forward foreign exchange contracts related to receivables and payables denominated in foreign currencies are accounted for by the allocation method whereby translation differences are allocated into the hedged items. See Note **23**.

(n) Cash and cash equivalents

Cash on hand and in banks, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(o) Income taxes

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

The Company and certain of its domestic subsidiaries have adopted the consolidated taxation system.

(p) Consumption tax

National and local consumption taxes are excluded from transaction amounts. Non-deductible national and local consumption taxes on assets are treated as expenses.

2 Changes in Accounting Principles

The Company began applying the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter referred to as "Retirement Benefits Accounting Standard") and "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter "Guidance on Retirement Benefits") from this fiscal year after these standards became applicable for fiscal years beginning on April 1, 2013. Consequently, the Company recorded the amount of retirement benefit obligations less pension assets as net defined benefit liabilities, and recorded unrecognized actuarial differences and unrecognized prior service costs in net defined benefit liabilities. In addition, the Company changed the method for calculating retirement benefit obligations and service costs and changed from the straight-line method for attributing benefits to years of service to the benefit formula basis, and it also changed the discount rate.

With regard to the application of Retirement Benefits Accounting Standard, in accordance with the transitional treatment stipulated in Section 37 of Retirement Benefits Accounting Standard, the Company recorded the amount of retirement benefit obligations less pension assets as net defined benefit liabilities at the beginning of the fiscal year (April 1, 2013). The resulting financial impact was adjusted in remeasurements of defined benefit plans in accumulated other comprehensive income. In addition, the financial impact resulting from changes to the calculation method for retirement benefit obligations and service costs was adjusted in retained earnings.

As a result, the Company reported net defined benefit liabilities of ¥45,051 million ($437,728 thousand), and accumulated other comprehensive income decreased by ¥10,716 million ($104,120 thousand) and retained earnings increased by ¥7,062 million ($68,616 thousand) at the beginning of the fiscal year (April 1, 2013). The effects of these changes on income (loss) and segment information in the consolidated financial statements were not material.

3 New Accounting Standards Not Yet Applied

- Accounting Standard for Business Combinations
  (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements
  (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures
  (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share
  (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures
  (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share
  (ASBJ Guidance No. 4, September 13, 2013)

(a) Overview

The primary revisions to these accounting standards are: 1. accounting treatment for changes in ownership interests in subsidiaries if ownership is retained in the additional acquisition of subsidiary stocks, 2. accounting treatment for acquisition-related costs, 3. change in presentation of net income and change of the account name from minority interests to non-controlling interests, and 4. provisional accounting treatment.

(b) Scheduled effective date

These standards are scheduled to take effect from the beginning of the year ending March 31, 2016. The provisional accounting treatment is applied to business combinations that are carried out after the beginning of the year ending March 31, 2016.

(c) Impact of application of revised accounting standards

The financial impact was still under review at the time of the preparation of the consolidated financial statements.

4 Additional Information

(a) Reclassification of certain cost of sales and selling, general and administrative expenses

Along with the organizational reform, the manufacturing functions of the Company and consolidated production subsidiaries were improved. As a result, certain amounts that had been recorded as selling, general and administrative expenses were reclassified as cost of sales from the year ended March 31, 2014.

Due to this change, the cost of sales increased by ¥5,698 million ($55,363 thousand), and gross profit decreased by the same amount compared to the previous method. In addition, selling, general and administrative expenses decreased by ¥6,136 million ($59,619 thousand) and operating income increased by ¥437 million ($4,246 thousand) respectively.

The financial impact of change on business segments for the year ended March 31, 2014 is disclosed in Note **28** Segment Information.

(b) Share acquisition of 100% ownership of U.S. musical instruments and audio equipment manufacturer Line 6, Inc.

On December 20, 2013, the Company reached an agreement with Line 6, Inc. (Head office: Calabasas, California, hereinafter referred to as "Line 6"), a company that engages in developing, producing, and selling guitar peripheral equipment, PA equipment, wireless microphones, etc., to make it a wholly own Line 6's share. Legal procedures for the acquisition of Line 6 were completed on January 23, 2014.

Line 6 was established in 1996. The company started with the development and sale of the world's first digital modeling guitar amplifier, the "AxSys212," followed by an expansion of its product lineup of guitar amplifiers. While expanding its lineup, Line 6 proposed new value to guitarists through such products as the "POD," an amplifier simulator for guitar recording, and the "Variax," a modeling guitar, establishing its reputation in the market. Line 6 further expanded its product lineups, including PA equipment, wireless systems for guitars, and wireless microphones, and succeeded in building a brand supported not only by guitarists but also by a wide range of musicians.

Through this acquisition of Line 6, the Yamaha Group expands its portfolio of guitar peripheral equipment and PA equipment in the future to accelerate growth in the musical instruments and audio equipment area. Also, the Company obtains opportunities to create new value for customers by combining Line 6's product planning and development capability based on modeling and wireless technology and Yamaha's own accumulated technological capability in the acoustic and digital areas, as well as by utilizing the global knowledge of markets and customers amassed by the two companies.

The financial impact from this acquisition for the year ended March 31, 2014 is not material.

(c) Share acquisition of 100% ownership of a U.S. provider of wireless audio solutions, Revolabs, Inc.

On March 17, 2014, the Company reached an agreement with Revolabs, Inc., (Head office: Sudbury, Massachusetts; hereinafter referred to as "Revolabs") a company that engages in developing, manufacturing, and selling products, such as wireless microphone systems and wireless conference phones for corporate conference rooms to become a wholly owned subsidiary. Legal procedures for the acquisition of Revolabs were completed on March 26, 2014.

Established in 2005, Revolabs mainly supplies such equipment as wireless microphone systems and wireless conference phones for conference rooms. Revolabs is highly regarded in the market for thoroughly reflecting the needs of its customers in its products through the use of industry-leading technical capabilities, such as the ability to use many channels at the same time, in addition to high sound quality. As a result, Revolabs has grown rapidly.

Collaboration in the area of mutual sharing of the product lines, technology, know-how, and sales networks of both companies will enable the Yamaha Group to integrate high-quality solutions for the diversifying needs of the market in the future.

The financial impact from this acquisition for the year ended March 31, 2014 is not material.

5 U.S. Dollar Amounts

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2014 have been presented in U.S. dollars by translating all yen amounts at ¥102.92 = U.S.$1.00, the exchange rate prevailing on March 31, 2014. 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.

6 Accumulated Depreciation

Accumulated depreciation of property, plant and equipment at March 31, 2014 and 2013 amounted to ¥218,423 million ($2,122,260 thousand) and ¥212,307 million respectively.

7 Investment Securities

Investment securities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Investment securities in unconsolidated subsidiaries and affiliates	¥16,985	¥1,502	$165,031
Investments in capital in unconsolidated subsidiaries and affiliates	616	616	5,985

8 Contingent Liabilities

Contingent liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Export bills discounted with banks	¥ 72	¥394	$ 700
Guarantees of indebtedness of Hamamatsu CATV*	173	262	1,681

* The amount guaranteed substantially by the Company is ¥14 million ($136 thousand) at March 31, 2014, and ¥21 million at March 31, 2013.

9 Land Revaluation

For the year ended March 31, 2014, the Company has carried over the revaluation of their landholdings at the date of revaluation in accordance with the "Law Concerning the Revaluation of Land" (Law No.34 published on March 31, 1998). The date of revaluation was March 31, 2002.

For the years ended March 31, 2014 and 2013, the Company determined the value of its land based on the respective value registered in the land tax list or the supplementary land tax list as specified in No.10 or No.11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land" (Cabinet Order No.119 published on March 31, 1998).

The excess of the revalued carrying amount of such land over its market value at March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Excess of revalued carrying amount of land over market value	¥(8,449)	¥(8,044)	$(82,093)

10 Inventories

Inventories at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Merchandise and finished goods	¥55,653	¥54,647	$540,740
Work in process	14,013	14,090	136,154
Raw materials and supplies	13,023	13,276	126,535
Total	¥82,690	¥82,014	$803,440

Write-downs of inventories for the years ended March 31, 2014 and 2013 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Cost of sales	¥(132)	¥(345)	$(1,283)

* Figures shown in parentheses are profit items.

11 Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Sales commissions	¥ 1,388	¥ 1,239	$ 13,486
Transport expenses	12,292	11,263	119,433
Advertising expenses and sales promotion expenses	17,825	15,680	173,193
Allowance for doubtful accounts	(199)	(15)	(1,934)
Provision for product warranties	570	426	5,538
Retirement benefit expenses	3,545	4,270	34,444
Provision for directors' bonuses	53	21	515
Salaries and benefits	49,984	49,817	485,659
Rent	3,435	3,682	33,375
Depreciation and amortization	2,712	3,156	26,351

12 R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2014 and 2013, amounted to ¥22,561 million ($219,209 thousand) and ¥22,149 million, respectively.

13 Sales or Disposal of Property, Plant and Equipment

For the year ended March 31, 2014

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

For the year ended March 31, 2013

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

14 Loss on Impairment of Fixed Assets

The following table summarizes loss on impairment of fixed assets for the years ended March 31, 2014 and 2013.

			Millions of yen	Thousands of U.S. dollars (Note 5)
Group of fixed assets	Location	Impaired assets	2014	2014
Idle assets, etc.	Fukuoka-shi, Fukuoka, etc.	Buildings and structures	¥197	$1,914
		Machinery and equipment	19	185
		Land	115	1,117
		Total	¥332	$3,226

Of the total shown above, ¥139 million ($1,351 thousand) was reported as business structural reform expenses in connection with the consolidation and concentration of the music store and school businesses.

			Millions of yen
Group of fixed assets	Location	Impaired assets	2013
Idle assets, etc.	Sapporo-shi, Hokkaido, etc.	Buildings and structures	¥503
		Machinery and equipment	2
		Land	350
		Total	¥855

Of the total shown above, ¥562 million was reported as business structural reform expenses in connection with the consolidation and concentration of business locations.

Method of grouping assets

Within its segment classification, the Yamaha Group groups assets based on the smallest cash generating units.

Background on recognition of impairment losses

Impairment losses were recognized on idle assets that will not be used in the future, assets that are expected to become idle assets, and assets that the Company expects to dispose of.

Method for computing recoverable amounts

The recoverable amount of idle assets, etc., is estimated at the net selling value, using estimates based on price indexes of real estate appraisers and/or the assessed value for the tangible fixed assets tax.

15 Business Structural Reform Expenses

For the year ended March 31, 2014

These include expenses incurred in connection with personnel policies at retail sales subsidiaries following domestic business restructuring and impairment losses on assets related to the consolidation and concentration of the music store and school businesses.

For the year ended March 31, 2013

Expenses consist of personnel-related costs in the domestic sales division and retail subsidiaries, in line with a change in management structure for domestic sales activities, loss on impairment of fixed assets in connection with the consolidation and concentration of business locations, and personnel-related costs for Yamaha Kagoshima Semiconductor Inc. as part of a change in the management structure.

16 Loss on Closure of Operations

The loss is due to suspension of production at a guitar manufacturing plant operated by a subsidiary in Indonesia due to a labor strike.

17 Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Foreign exchange losses	¥(126)	¥ (57)	$(1,224)
Gain on liquidation of subsidiaries	—	8	—
Loss on valuation of investment securities	(16)	(32)	(155)
Loss on valuation of investments in capital of subsidiaries and affiliates	—	(102)	—
Others	437	323	4,246
Other, net	¥ 293	¥139	$ 2,847

18 Information on Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to each component of other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Other comprehensive income			
Unrealized holding gain on securities			
Amount arising during the year	¥16,289	¥11,533	$158,269
Reclassification adjustments for gains and losses recognized in the income statement	(0)	(885)	(0)
Amount before tax effect adjustment	16,289	10,648	158,269
Tax effect	(5,577)	(3,173)	(54,188)
Total	10,711	7,474	104,071
Deferred gains and losses on hedges			
Amount arising during the year	(113)	326	(1,098)
Tax effect	53	—	515
Total	(59)	326	(573)
Foreign currency translation adjustments			
Amount arising during the year	10,481	13,607	101,836
Remeasurements of defined benefit plans			
Amount arising during the year	5,257	—	51,079
Reclassification adjustments for gains and losses recognized in the income statement	1,836	—	17,839
Amount before tax effect adjustment	7,094	—	68,927
Tax effect	(149)	—	(1,448)
Total	6,944	—	67,470
Share of other comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	(5)	0	(49)
Total	¥28,073	¥21,408	$272,765

19 Information for Consolidated Statement of Changes in Net Assets

The following tables present information related to the accompanying consolidated statement of changes in net assets for the years ended March 31, 2014 and 2013:

(a) Common stock

Number of shares	2014	2013
Beginning of the year	**197,255,025**	197,255,025
Increase	**—**	—
Decrease	**—**	—
End of the year	**197,255,025**	197,255,025

(b) Treasury stock

Number of shares	2014	2013
Beginning of the year	**3,623,885**	3,612,338
Increase	**4,232***1	11,547*2
Decrease	**—**	—
End of the year	**3,628,117**	3,623,885

*1. Increase owing to purchase of outstanding fractional shares of less than one trading unit: 4,232 shares

*2. Increase owing to purchase of outstanding fractional shares of less than one trading unit: 11,547 shares

(c) Subscription rights to shares

None

(d) Cash dividends

(1) Amount of dividend payments

2014

Date of approval	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 5)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 5)	Record date	Effective date
Jun. 26, 2013 (Annual General Meeting of Shareholders)	Common stock	**¥ 968**	$ 9,405	**¥5.00**	$0.05	Mar. 31, 2013	Jun. 27, 2013
Oct. 31, 2013 (Board of Directors)	Common stock	**¥1,452**	$14,108	**¥7.50**	$0.07	Sept. 30, 2013	Dec. 3, 2013

Note: Dividends per share of ¥5.00 ($0.05) approved on June 26, 2013 consisted of regular dividends of ¥5.00 ($0.05)
Dividends per share of ¥7.50 ($0.07) approved on October 31, 2013 consisted of regular dividends of ¥7.50 ($0.07)

2013

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 27, 2012 (Annual General Meeting of Shareholders)	Common stock	¥968	¥5.00	Mar. 31, 2012	Jun. 28, 2012
Oct. 31, 2012 (Board of Directors)	Common stock	¥968	¥5.00	Sept. 30, 2012	Dec. 4, 2012

Note: Dividends per share of ¥5.00 approved on June 27, 2012 consisted of regular dividends of ¥5.00
Dividends per share of ¥5.00 approved on October 31, 2012 consisted of regular dividends of ¥5.00

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

2014

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 5)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 5)	Record date	Effective date
Jun. 24, 2014 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	**¥3,775**	$36,679	**¥19.50**	$0.19	Mar. 31, 2014	Jun. 25, 2014

Note: Dividends per share of ¥19.50 ($0.19) approved on June 24, 2014 consisted of regular dividends of ¥19.50 ($0.19)

2013

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 26, 2013 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥968	¥5.00	Mar. 31, 2013	Jun. 27, 2013

Note: Dividends per share of ¥5.00 approved on June 26, 2013 consisted of regular dividends of ¥5.00

20 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.

21 Supplementary Cash Flow Information

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Cash and deposits	**¥60,558**	¥51,445	$588,399
Time deposits with a maturity of more than three months	**(3,033)**	(1,981)	(29,469)
Cash and cash equivalents	**¥57,524**	¥49,464	$558,920

22 Leases

2014

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2014 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 5)
2015	¥ 637	$ 6,189
2016 and thereafter	1,179	11,455
Total	¥1,816	$17,645

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

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

	Millions of yen			Thousands of U.S. dollars (Note 5)		
As of March 31, 2014	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥799	¥311	¥487	$7,763	$3,022	$4,732
Machinery and equipment	—	—	—	—	—	—
Other	7	7	0	68	68	0
Total	¥806	¥319	¥487	$7,831	$3,099	$4,732

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

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2014

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 5)
2015	¥ 47	$ 457
2016 and thereafter	440	4,275
Total	¥487	$4,732

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

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2014	Millions of yen	Thousands of U.S. dollars (Note 5)
Lease payments	¥59	$573
Depreciation	59	573

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

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

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2014 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 5)
2015	¥487	$4,732
2016 and thereafter	440	4,275
Total	¥927	$9,007

2013

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2013 on noncancellable leases are as follows:

Years ending March 31	Millions of yen
2014	¥ 637
2015 and thereafter	1,376
Total	¥2,013

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

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

	Millions of yen		
As of March 31, 2013	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥943	¥398	¥544
Machinery and equipment	4	4	0
Other	7	6	1
Total	¥955	¥408	¥546

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

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2013

Years ending March 31	Millions of yen
2014	¥ 58
2015 and thereafter	487
Total	¥546

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

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2013	Millions of yen
Lease payments	¥64
Depreciation	64

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

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

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2013 on noncancellable leases are as follows:

Years ending March 31	Millions of yen
2014	¥ 538
2015 and thereafter	664
Total	¥1,202

23 Financial Instruments

(a) Overview

(1) Policy for financial instruments

The Yamaha Group, in principle, limits its cash management to deposits for which principals are guaranteed and interest rates are fixed. In addition, the Group raises funds mainly through bank borrowings. Further, Yamaha and its wholly owned domestic subsidiaries practice group finance. The Group uses derivatives for the purpose of reducing risk, and limits derivative transactions to actual exposure. The Group does not enter into derivative transactions for speculative purposes.

(2) Types of financial instruments and related risk

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

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

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

Short-term loans payable are raised mainly in connection with business activities, and long-term loans payable are taken out principally for the purpose of making capital investments. The repayment dates of long-term loans payable extend up to five years and four months from March 31, 2014, and up to six years and four months from March 31, 2013, respectively. Long-term deposits received are membership deposits received from customers in the Group's recreation business. The Group is exposed to liquidity risk from its trade notes and accounts payable, other accounts payable, accrued expenses, short-term loans payable, long-term loans payable and long-term deposits received.

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

Foreign exchange forward contracts are exposed to foreign currency exchange risk. For currency options, since the Group only uses purchased foreign currency put options, the risk of loss is limited to the option premium.

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

(b) Risk management for financial instruments

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

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

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

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

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

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

For short-term investment securities and investment securities, the Group periodically reviews the market value and the financial position of the issuer with which the Group has a business relationship.

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

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

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

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

The Group manages liquidity risk based on the cash flow plans of the Company and its consolidated subsidiaries and through the practice of group finance at the Company and its wholly owned subsidiaries in Japan.

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

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

In addition, the notional amounts of derivatives in Note 25 are not indicative of the actual market risk involved in derivative transactions.

(c) Estimated fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2014 and 2013, and difference between carrying value and estimated fair value, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. See Note (ii) below:

	Millions of yen			Thousands of U.S. dollars (Note 5)		
As of March 31, 2014	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥60,558	¥60,558	¥ —	$588,399	$588,399	$ —
Notes and accounts receivable — trade	57,890	57,890	—	562,476	562,476	—
Short-term investment securities						
Held-to-maturity securities	—	—	—	—	—	—
Investment securities						
Held-to-maturity securities	—	—	—	—	—	—
Subsidiaries and affiliates securities	761	340	(420)	7,394	3,304	(4,081)
Available-for-sale securities	84,218	84,218	—	818,286	818,286	—
Notes and accounts payable — trade	(21,595)	(21,595)	—	(209,823)	(209,823)	—
Accounts payable — other and accrued expenses	(31,805)	(31,805)	—	(309,026)	(309,026)	—
Derivatives*2	(154)	(154)	—	(1,496)	(1,496)	—

	Millions of yen		
As of March 31, 2013	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥51,445	¥51,445	¥—
Notes and accounts receivable — trade	52,069	52,069	—
Short-term investment securities			
Held-to-maturity securities	250	250	0
Investment securities			
Held-to-maturity securities	40	40	0
Subsidiaries and affiliates securities	247	324	77
Available-for-sale securities	68,025	68,025	—
Notes and accounts payable — trade	(20,339)	(20,339)	—
Accounts payable — other and accrued expenses	(31,309)	(31,309)	—
Derivatives*2	(41)	(41)	—

*1. Figures shown in parentheses are liability items.

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

Notes:

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

Cash and deposits and notes and accounts receivable — trade

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

Short-term investment securities and investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market price or prices provided by the financial institutions making markets in these securities.

Information on securities classified by holding purpose is contained in Note 24.

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

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

Derivatives Transactions

See Note 25.

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

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Carrying value			
Unlisted stocks	**¥18,191**	¥ 3,256	$176,749
Long-term deposits received	**15,339**	15,445	149,038

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

(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2014 and 2013

	Millions of yen				Thousands of U.S. dollars (Note 5)			
As of March 31, 2014	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	**¥ 60,558**	**¥—**	**¥—**	**¥—**	$ 588,399	$—	$—	$—
Notes and accounts receivable — trade	**57,890**	**—**	**—**	**—**	562,476	—	—	—
Short-term investment securities and investment securities								
Held-to-maturity securities								
Government and municipal bonds	**—**	**—**	**—**	**—**	—	—	—	—
Corporate bonds	**—**	**—**	**—**	**—**	—	—	—	—
Others	**—**	**—**	**—**	**—**	—	—	—	—
Total	**¥118,449**	**¥—**	**¥—**	**¥—**	$1,150,884	$—	$—	$—

	Millions of yen			
As of March 31, 2013	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 51,445	¥—	¥—	¥—
Notes and accounts receivable — trade	52,069	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities				
Government and municipal bonds	250	40	—	—
Corporate bonds	—	—	—	—
Others	—	—	—	—
Total	¥103,764	¥40	¥—	¥—

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2014 and 2013

	Millions of yen					
As of March 31, 2014	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥8,590	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	32	31	30	30	30	10
Lease obligations	38	28	23	21	18	132
Other interest-bearing debt	—	—	—	—	—	—
Total	¥8,662	¥59	¥53	¥51	¥49	¥142

	Thousands of U.S. dollars (Note 5)					
As of March 31, 2014	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	$83,463	$ —	$ —	$ —	$ —	$ —
Long-term loans payable	311	301	291	291	291	97
Lease obligations	369	272	223	204	175	1,283
Other interest-bearing debt	—	—	—	—	—	—
Total	$84,162	$573	$515	$496	$476	$1,380

	Millions of yen					
As of March 31, 2013	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥9,360	¥—	¥—	¥—	¥—	¥ —
Long-term loans payable	486	32	31	30	30	40
Lease obligations	26	30	22	19	16	151
Other interest-bearing debt	—	—	—	—	—	—
Total	¥9,873	¥63	¥54	¥50	¥47	¥192

24 Securities

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

	Millions of yen			Thousands of U.S. dollars (Note 5)		
As of March 31, 2014	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Securities whose estimated fair value exceeds their carrying value:						
Government and municipal bonds	¥—	¥—	¥—	$—	$—	$—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	—	—	—	—	—	—
Securities whose estimated fair value does not exceed their carrying value:						
Government and municipal bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	—	—	—	—	—	—
Total	¥—	¥—	¥—	$—	$—	$—

As of March 31, 2013	Millions of yen Carrying value	 Estimated fair value	 Unrealized gain
Securities whose estimated fair value exceeds their carrying value:			
Government and municipal bonds	¥290	¥290	¥ 0
Corporate bonds	—	—	—
Other	—	—	—
	290	290	0
Securities whose estimated fair value does not exceed their carrying value:			
Government and municipal bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
	—	—	—
Total	¥290	¥290	¥ 0

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

As of March 31, 2014	Millions of yen Carrying value	 Acquisition costs	 Unrealized gain	Thousands of U.S. dollars (Note 5) Carrying value	 Acquisition costs	 Unrealized gain
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥84,218	¥15,898	¥68,319	$818,286	$154,469	$663,807
Other	—	—	—	—	—	—
	84,218	15,898	68,319	818,286	154,469	663,807
Securities whose carrying value does not exceed their acquisition costs:						
Stock	0	0	(0)	0	0	(0)
Other	—	—	—	—	—	—
	0	0	(0)	0	0	(0)
Total	¥84,218	¥15,898	¥68,319	$818,286	$154,469	$663,807

As of March 31, 2013	Millions of yen Carrying value	 Acquisition costs	 Unrealized gain
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥68,016	¥15,898	¥52,117
Other	—	—	—
	68,016	15,898	52,117
Securities whose carrying value does not exceed their acquisition costs:			
Stock	8	11	(2)
Other	—	—	—
	8	11	(2)
Total	¥68,025	¥15,909	¥52,115

(c) Available-for-sale securities sold during the years ended March 31, 2014 and 2013

	Millions of yen 2014	 2013	Thousands of U.S. dollars (Note 5) 2014
Sales of available-for-sale securities	¥1,251	¥2,412	$12,155
Gain on sales	990	1,089	9,619
Loss on sales	—	—	—

25 Derivatives and Hedging Activities

As of March 31, 2014 and 2013, there were no derivative transactions outstanding for which hedge accounting has not been applied.

The notional amounts and the estimated fair value of the derivative instruments outstanding as of March 31, 2014 and 2013, for which hedge accounting has been applied are summarized as follows:

		Millions of yen			
		Notional amount			
As of March 31, 2014	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 1,123	¥—	¥ 1,155	
Canadian dollars		1,148	—	1,153	
Euros		13,120	—	13,238	
Foreign exchange forward contracts accounted for allocation method:					Market prices
Sell:	Accounts receivable				
Australian dollars		179	—	*1	
Canadian dollars		185	—		
Euros		1,775	—		
Total		¥17,532	¥—	¥ —	

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

*2. The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was ¥154 million.

		Thousands of U.S. dollars (Note 5)			
		Notional amount			
As of March 31, 2014	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		$ 10,911	$—	$ 11,222	
Canadian dollars		11,154	—	11,203	
Euros		127,478	—	128,624	
Foreign exchange forward contracts accounted for allocation method:					Market prices
Sell:	Accounts receivable				
Australian dollars		1,739	—	*1	
Canadian dollars		1,798	—		
Euros		17,246	—		
Total		$170,346	$—	$ —	

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

*2. The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was $1,496 thousand.

As of March 31, 2013	Hedged items	Millions of yen Notional amount Total	 Over one year	 Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 1,682	¥—	¥ 1,721	
Canadian dollars		1,276	—	1,291	
Euros		10,154	—	10,142	
Foreign exchange forward contracts accounted for allocation method:					Market prices
Sell:	Accounts receivable				
Australian dollars		104	—	*1	
Canadian dollars		167	—		
Euros		1,490	—		
Total		¥14,874	¥—	¥—	

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

*2. The estimated fair value is the fair value of the notional amount, and the net value of assets and liabilities arising from derivatives was ¥41 million.

26 Retirement Benefits

For the year ended March 31, 2014

(a) Outline of the Company's Retirement Benefit System

To provide employee retirement benefits, the Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution pension plans.

The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annual pension based on the employee compensation point system.

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 based on retirement benefit accounting principles.

Certain consolidated subsidiaries that have defined benefit pension plans calculate net defined benefit liabilities and retirement benefit expenses using the simplified method.

(b) Defined benefit pension plans

(1) Changes in the retirement benefit obligations during the year ended March 31, 2014 (excluding plans that apply the simplified method)

	Millions of yen 2014	Thousands of U.S. dollars (Note 5) 2014
Retirement benefit obligations at the beginning of year	¥119,593	$1,162,000
Service cost	4,393	42,684
Interest cost	1,420	13,797
Actuarial gain or loss	(991)	(9,629)
Retirement benefits paid	(8,181)	(79,489)
Other	(54)	(525)
Retirement benefit obligations at end of year	¥116,180	$1,128,838

(2) Changes in the plan assets during the year ended March 31, 2014 (excluding plans that apply the simplified method)

	Millions of yen	Thousands of U.S. dollars (Note 5)
	2014	2014
Plan assets at the beginning of year	¥76,228	$740,653
Expected return on plan assets	1,507	14,642
Actuarial gain or loss	4,225	41,051
Contribution by Yamaha Group	5,798	56,335
Retirement benefits paid	(6,480)	(62,962)
Other	62	602
Plan assets at end of year	¥81,341	$790,332

(3) Changes in net defined benefit liabilities for plans that apply the simplified method during the year ended March 31, 2014

	Millions of yen	Thousands of U.S. dollars (Note 5)
	2014	2014
Net defined benefit liabilities at the beginning of year	¥1,685	$16,372
Retirement benefit expenses	206	2,002
Retirement benefits paid	(245)	(2,380)
Contribution to plan	(112)	(1,088)
Other	73	709
Net defined benefit liabilities at end of year	¥1,607	$15,614

(4) Reconciliation between the funded status of the plans (retirement benefit obligations and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars (Note 5)
	2014	2014
Retirement benefit obligations of funded plans	¥116,264	$1,129,654
Plan assets	(82,717)	(803,702)
	33,547	325,952
Retirement benefit obligations of unfunded plans	2,898	28,158
Net assets and liabilities recorded in the consolidated balance sheet	36,445	354,110
Net defined benefit liabilities	36,450	354,159
Net defined benefit assets	(4)	(39)
Net assets and liabilities recorded in the consolidated balance sheet	¥ 36,445	$ 354,110

(5) Components of retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars (Note 5)
	2014	2014
Service cost	¥4,393	$42,684
Interest cost	1,420	13,797
Expected return on plan assets	(1,507)	(14,642)
Amortization of actuarial gain or loss	2,258	21,939
Amortization of prior service cost	(434)	(4,217)
Retirement benefit expenses calculated by simplified method	206	2,002
Additional retirement benefit expenses temporarily paid	18	175
Retirement benefit expenses for defined benefit pension plans	¥6,356	$61,757

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before taxes)

	Millions of yen	Thousands of U.S. dollars (Note 5)
	2014	2014
Prior service cost	¥ (435)	$ (4,227)
Actuarial gain or loss	7,529	73,154
Total	¥7,094	$68,927

(7) Accumulated adjustments of defined benefit plans

Components of remeasurements of accumulated defined benefit plans (before taxes)

	Millions of yen	Thousands of U.S. dollars (Note 5)
	2014	2014
Unrecognized prior service cost	¥(1,290)	$(12,534)
Unrecognized actuarial gain or loss	5,162	50,155
Total	¥ 3,871	$ 37,612

(8) Items for plan assets

(i) Components of plan assets

Ratio of primary components of total plan assets

	2014
Life insurance company general accounts	55%
Stocks	23%
Bonds	18%
Cash and deposits	2%
Other	2%
Total	100%

(ii) Determining expected long-term rate of return

In determining the long-term rate of return of plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(9) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations as of March 31, 2014

	2014
Discount rate	1.2%
Expected long-term rate of return	2.0%

(c) Defined contribution pension plans

Required contributions to defined contribution pension plans of consolidated subsidiaries amounted to ¥593 million ($5,762 thousand) in the year ended March 31, 2014.

In addition, aside from the above required contributions, the Company also posted ¥305 million ($2,963 thousand) of business structural reform expenses, which was included in ¥347 million ($3,372 thousand) of additional retirement benefit expenses.

For the year ended March 31, 2013

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 sheet at March 31, 2013 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen
	2013
Retirement benefit obligation	¥(127,080)
Plan assets at fair value	75,846
Unfunded retirement benefit obligation	(51,234)
Unrecognized actuarial gain or loss	11,846
Unrecognized prior service cost	(1,759)
Net retirement benefit obligation at transition	(41,148)
Prepaid pension expenses	—
Provision for retirement benefits	¥ (41,148)

The components of retirement benefit expenses for the year ended March 31, 2013 are outlined as follows:

	Millions of yen
	2013
Service cost	¥4,214
Interest cost	2,557
Expected return on plan assets	(1,469)
Amortization of prior service cost	(316)
Amortization of actuarial gain or loss	3,451
Additional retirement benefit expenses	78
Total	¥8,515

Note: In addition, aside from the above retirement benefit expenses, the Company posted an extraordinary loss (business structural reform expenses) of ¥2,440 million on premium severance pay and other items.

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

	2013
Discount rate	2.0%
Expected rate of return on plan assets	2.0%
Periodical allocation method of expected benefit payments	Straight-line attribution method
Amortization of prior service cost	10 years (straight-line method)
Amortization of actuarial gain or loss	10 years (straight-line method)
Years of amortization of net retirement benefit obligation at transition	Treated as lump-sum expense

27 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 37.0% for the years ended March 31, 2014 and 2013, respectively. 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, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Deferred tax assets:			
Write-downs of inventories	¥ 1,929	¥ 2,083	$ 18,743
Unrealized gain on inventories and property, plant and equipment	820	464	7,967
Allowance for doubtful accounts	330	464	3,206
Depreciation	8,433	8,367	81,937
Loss on impairment of fixed assets	8,500	9,016	82,588
Loss on valuation of investment securities	2,621	2,790	25,466
Accrued employees' bonuses	2,181	2,072	21,191
Provision for product warranties	604	691	5,869
Provision for retirement benefits	—	14,305	—
Net defined benefit liabilities	12,261	—	119,131
Tax loss carryforwards	12,193	15,321	118,471
Other	4,409	3,949	42,839
Gross deferred tax assets	54,286	59,526	527,458
Valuation allowance	(47,446)	(55,852)	(460,999)
Total deferred tax assets	¥ 6,840	¥ 3,673	$ 66,459
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	¥ (938)	¥ (1,040)	$ (9,114)
Reserve for special depreciation	(42)	(24)	(408)
Unrealized holding gain on securities	(22,978)	(17,400)	(223,261)
Other	(652)	(793)	(6,335)
Total deferred tax liabilities	(24,611)	(19,258)	(239,127)
Net deferred tax liabilities	¥(17,771)	¥(15,585)	$(172,668)

A reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2014 and 2013 is as follows:

	2014	2013
Statutory tax rate	37.0%	37.0%
Adjustments:		
Differences in tax rates of overseas consolidated subsidiaries	(4.2)	(15.6)
Non-temporary differences not deductible for tax purposes	(3.1)	0.4
Per capita inhabitants' taxes	0.7	1.6
Allowances for changes in valuation	(23.2)	7.7
Other	3.2	13.2
Effective tax rate after adjustments for tax-effect accounting	10.4%	44.3%

Under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.10 of 2014) enacted on March 31, 2014, the Special Reconstruction Corporation Tax will not be imposed from the fiscal year beginning April 1, 2014. As a result, the effective tax rate used to calculate deferred tax assets and deferred tax liabilities for this fiscal year has been changed from previous fiscal year's rate of 36.99% to 34.61% for the temporary differences expected to be settled from the fiscal year beginning April 1, 2014.

The financial impact from this change for the year ended March 31, 2014 is not material.

28 Segment Information

For the years ended March 31, 2014 and 2013

(a) Summary of reporting segments

Business segments are composed of business units that provide separate financial information, and are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions.

The Company's business segments, based on its economic features and similarity of products and services, comprise its three principal reporting segments, which are musical instruments, audio equipment, and electronic devices. Other businesses have been grouped together in the "Others" segment.

The musical instruments business segment includes the manufacture and sales of pianos; digital musical instruments; wind, string, and percussion instruments; and other music-related activities. The audio equipment business segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment and certain other products. The electronic devices business segment includes the manufacture and sales of semiconductor products. The "Others" segment includes automobile interior wood components, factory automation (FA) equipment, golf products, recreation and certain other lines of business.

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

The accounting treatment for reporting business segments is carried out through principles and procedures that are the same as those used for preparing the consolidated financial statements.

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

Intersegment sales and transfers are based on prevailing market prices.

(c) Item Related to Reporting Segment Change

Along with the corporate organizational reform, the name of the AV/IT business was changed to "Audio equipment" business from this fiscal year. In addition, the segment classification was reviewed, and professional audio equipment was moved from the "Musical instruments" business to the "Audio equipment" business.

Segment information of the previous fiscal year was restated using the classification method after the change.

As stated in additional information, along with the organizational reform, the manufacturing functions of divisions of the Company and consolidated production subsidiaries were reviewed. As a result, a part of the amounts that had been recorded as selling, general and administrative expenses was recorded as the cost of sales from this fiscal year.

As a result of these changes, income of the "Musical instruments" segment for the fiscal year increased by ¥353 million ($3,430 thousand), and income of the "Audio equipment" segment increased by ¥71 million ($690 thousand) compared to the previous method. Also, income of the "Electronic devices" segment increased by ¥3 million ($29 thousand), and income of "Others" increased by ¥9 million ($87 thousand).

(d) Information by product and service

Year ended March 31, 2014	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments and elimination	Consolidated
	Millions of yen						
Sales							
Sales to external customers	¥262,310	¥105,485	¥18,828	¥23,679	¥410,304	¥ —	¥410,304
Intersegment sales or transfers			619		619	(619)	
Total	262,310	105,485	19,448	23,679	410,923	(619)	410,304
Segment income (loss)	¥ 19,728	¥ 5,866	¥ 770	¥ (370)	¥ 25,994	¥ —	¥ 25,994
Segment assets	¥251,273	¥ 80,396	¥13,414	¥93,847	¥438,932	¥ —	¥438,932
Other items							
Depreciation and amortization	¥ 8,519	¥ 2,647	¥ 761	¥ 830	¥ 12,759	¥ —	¥ 12,759
Loss on impairment of fixed assets	¥ 332	¥ —	¥ —	¥ —	¥ 332	¥ —	¥ 332
Increase in property, plant and equipment and intangible assets	¥ 6,659	¥ 2,877	¥ 216	¥ 1,172	¥ 10,926	¥ —	¥ 10,926

Year ended March 31, 2014	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments and elimination	Consolidated
	Thousands of U.S. dollars (Note 5)						
Sales							
Sales to external customers	$2,548,679	$1,024,922	$182,938	$230,072	$3,986,630	$ —	$3,986,630
Intersegment sales or transfers			6,014		6,014	(6,014)	
Total	2,548,679	1,024,922	188,962	230,072	3,992,645	(6,014)	3,986,630
Segment income (loss)	$ 191,683	$ 56,996	$ 7,482	$ (3,595)	$ 252,565	$ —	$ 252,565
Segment assets	$2,441,440	$ 781,150	$130,334	$911,844	$4,264,788	$ —	$4,264,788
Other items							
Depreciation and amortization	$ 82,773	$ 25,719	$ 7,394	$ 8,065	$ 123,970	$ —	$ 123,970
Loss on impairment of fixed assets	$ 3,226	$ —	$ —	$ —	$ 3,226	$ —	$ 3,226
Increase in property, plant and equipment and intangible assets	$ 64,701	$ 27,954	$ 2,099	$ 11,387	$ 106,160	$ —	$ 106,160

Notes: 1. The item "Adjustments and elimination" for the year ended March 31, 2014 contains the following:
The sales adjustment item of ¥(619) million ($(6,014) thousand), which comprises eliminations of transactions among the Company's business segments.
2. "Segment income (loss)" for the year ended March 31, 2014 means the operating income (loss) of the segment as presented in the Consolidated Statement of Operations.
3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying Consolidated Balance Sheet) were ¥70,147 million ($681,568 thousand).

Year ended March 31, 2013	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments and elimination	Consolidated
	Millions of yen						
Sales							
Sales to external customers	¥235,507	¥92,571	¥15,038	¥23,823	¥366,941	¥ —	¥366,941
Intersegment sales or transfers			697		697	(697)	
Total	235,507	92,571	15,736	23,823	367,638	(697)	366,941
Segment income (loss)	¥ 6,451	¥ 4,553	¥ (2,044)	¥ 254	¥ 9,215	¥ —	¥ 9,215
Segment assets	¥234,557	¥64,073	¥13,638	¥78,341	¥390,610	¥ —	¥390,610
Other items							
Depreciation and amortization	¥ 8,597	¥ 1,592	¥ 669	¥ 754	¥ 11,613	¥ —	¥ 11,613
Loss on impairment of fixed assets	¥ 855	¥ —	¥ —	¥ —	¥ 855	¥ —	¥ 855
Increase in property, plant and equipment and intangible assets	¥ 9,006	¥ 2,497	¥ 1,381	¥ 1,068	¥ 13,954	¥ —	¥ 13,954

Notes: 1. The item "Adjustments and elimination" for the year ended March 31, 2013 contains the following:
The sales adjustment item of ¥(697) million, which comprises eliminations of transactions among the Company's business segments.
2. "Segment income (loss)" for the year ended March 31, 2013 means the operating income (loss) of the segment as presented in the Consolidated Statement of Operations.
3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying Consolidated Balance Sheet) were ¥55,009 million.

(e) Information by geographical segment

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

	Millions of yen					
		Overseas				
Year ended March 31, 2014	Japan	North America	Europe	Asia, Oceania and other areas	Total	Consolidated
Net sales	¥167,903	¥66,635	¥74,863	¥100,901	¥242,400	¥410,304
Sales as a percentage of consolidated net sales	40.9%	16.2%	18.3%	24.6%	59.1%	100.0%

	Thousands of U.S. dollars (Note 5)					
		Overseas				
Year ended March 31, 2014	Japan	North America	Europe	Asia, Oceania and other areas	Total	Consolidated
Net sales	$1,631,393	$647,445	$727,390	$980,383	$2,355,227	$3,986,630
Sales as a percentage of consolidated net sales	40.9%	16.2%	18.3%	24.6%	59.1%	100.0%

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

	Millions of yen					
		Overseas				
Year ended March 31, 2013	Japan	North America	Europe	Asia, Oceania and other areas	Total	Consolidated
Net sales	¥165,790	¥55,156	¥60,611	¥85,383	¥201,151	¥366,941
Sales as a percentage of consolidated net sales	45.2%	15.0%	16.5%	23.3%	54.8%	100.0%

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

(ii) Sales, income (loss) and property, plant and equipment information based on group locations

	Millions of yen						
As of/ Year ended March 31, 2014	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	Consolidated
Sales							
Sales to external customers	¥179,527	¥65,890	¥75,373	¥ 89,513	¥410,304	¥ —	¥410,304
Intersegment sales or transfers	143,874	738	2,467	82,997	230,077	(230,077)	—
Total	323,401	66,628	77,840	172,510	640,382	(230,077)	410,304
Segment income	¥ 11,819	¥ 2,190	¥ 2,325	¥ 11,608	¥ 27,944	¥ (1,950)	¥ 25,994
Total assets	¥289,570	¥29,349	¥40,462	¥103,997	¥463,379	¥(24,447)	¥438,932
Property, plant and equipment	¥ 81,870	¥ 1,099	¥ 3,799	¥ 23,215	¥109,984	¥ —	¥109,984

	Thousands of U.S. dollars (Note 5)						
As of/ Year ended March 31, 2014	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	Consolidated
Sales							
Sales to external customers	$1,744,335	$640,206	$732,346	$ 869,734	$3,986,630	$ —	$3,986,630
Intersegment sales or transfers	1,397,921	7,171	23,970	806,422	2,235,494	(2,235,494)	—
Total	3,142,256	647,377	756,316	1,676,156	6,222,134	(2,235,494)	3,986,630
Segment income	$ 114,837	$ 21,279	$ 22,590	$ 112,787	$ 271,512	$ (18,947)	$ 252,565
Total assets	$2,813,545	$285,163	$393,140	$1,010,464	$4,502,322	$ (237,534)	$4,264,788
Property, plant and equipment	$ 795,472	$ 10,678	$ 36,912	$ 225,564	$1,068,636	$ —	$1,068,636

Notes: 1. Sales information is based on Group locations where sales take place, and it is classified by country or region.
2. Main country and regional divisions other than Japan:
This classification is the same as "Sales information based on the geographical location of the customers."
3. The item "Adjustments" contains the following:
The sales adjustment item of ¥(230,077) million ($(2,235,494) thousand), which comprises eliminations of transactions among the Company's business segments.
4. Consolidated segment income corresponds to operating income presented in the Consolidated Statement of Operations.

	Millions of yen						
As of/ Year ended March 31, 2013	Japan	North America	Europe	Asia, Oceania and other areas	Total	Adjustments	Consolidated
Sales							
Sales to external customers	¥177,939	¥54,635	¥60,898	¥ 73,467	¥366,941	¥ —	¥366,941
Intersegment sales or transfers	117,423	586	1,523	66,847	186,381	(186,381)	—
Total	295,363	55,222	62,421	140,314	553,322	(186,381)	366,941
Segment income (loss)	¥ (2,190)	¥ 1,735	¥ 2,062	¥ 8,016	¥ 9,624	¥ (409)	¥ 9,215
Total assets	¥256,886	¥28,144	¥34,391	¥ 92,267	¥411,690	¥ (21,079)	¥390,610
Property, plant and equipment	¥ 84,978	¥ 1,087	¥ 3,438	¥ 20,819	¥110,325	¥ —	¥110,325

Notes: 1. Sales information is based on Group locations where sales take place, and it is classified by country or region.
2. Main country and regional divisions other than Japan:
This classification is the same as "Sales information based on the geographical location of the customers."
3. The item "Adjustments" contains the following:
The sales adjustment item of ¥(186,381) million, which comprises eliminations of transactions among the Company's business segments.
4. Consolidated segment income (loss) corresponds to operating income presented in the Consolidated Statement of Operations.

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

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

(g) Information on gain on negative goodwill by reporting segment

None

29 Amounts per Share

	Yen		U.S. dollars (Note 5)
Years ended March 31	2014	2013	2014
Net income per share:			
Basic	**¥118.26**	¥21.29	$1.15

	Yen		U.S. dollars (Note 5)
As of March 31	2014	2013	2014
Net assets per share	**¥1,403.12**	¥1,171.67	$13.63

Basic net income per share is computed based on the net income and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share for the years ended March 31, 2014 and 2013 has not been presented because there were no potentially dilutive securities at March 31, 2014 and 2013.

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

The basic net income per share is calculated as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
Years ended March 31	2014	2013	2014
Basic net income per share:			
Net income	**¥ 22,898**	¥ 4,122	$222,483
Amounts not attributable to shareholders of common stock	**—**	—	—
Net income attributable to shareholders of common stock	**22,898**	4,122	222,483
Weighted-average number of shares outstanding (thousands of shares)	**193,629**	193,635	—

30 Short-Term Loans Payable and Long-Term Debt

Short-term and long-term loans payable, lease obligations, and guarantee deposits as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Short-term loans payable	**¥8,590**	¥ 9,360	$83,463
Current portion of long-term loans payable	**32**	486	311
Current portion of lease obligations	**38**	26	369
Long-term loans payable	**133**	165	1,292
Lease obligations	**224**	241	2,176
Guarantee deposits	**51**	52	496
Total	**¥9,071**	¥10,333	$88,136

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2014 were as follows:

	2014
Short-term loans payable	1.3%
Current portion of long-term loans payable	2.5%
Long-term loans payable	2.7%
Guarantee deposits	1.2%

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

The assets pledged as collateral for long-term loans payable and certain other current liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Short-term investment securities	¥—	¥250	$ —
Property, plant and equipment, net of accumulated depreciation	15	16	146
Investment securities	—	40	—
Total	¥15	¥306	$146

The above assets were pledged as collateral for "Long-term loans payable" of ¥17 million ($165 thousand) at March 31, 2014, and for "Advances received" of ¥14 million and for "Long-term loans payable" of ¥20 million at March 31, 2013.

31 Notes Receivable and Payable Maturing on the Balance Sheet Date

Notes receivable and payable are settled on the date of clearance. As March 31, 2013 was bank holiday, notes receivable and payable maturing on that date could not be settled and were settled on the following business day and included in the ending balances of notes and accounts receivable-trade, and notes and accounts payable-trade as follows:

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2013	2014
Notes and accounts receivable-trade	¥—	¥258	$—
Notes and accounts payable-trade	—	6	—

32 Related Party Transactions

None

33 Subsequent Events

None

Building a better working world

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Independent Auditor's Report

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 5.

Ernst & Young ShinNihon LLC

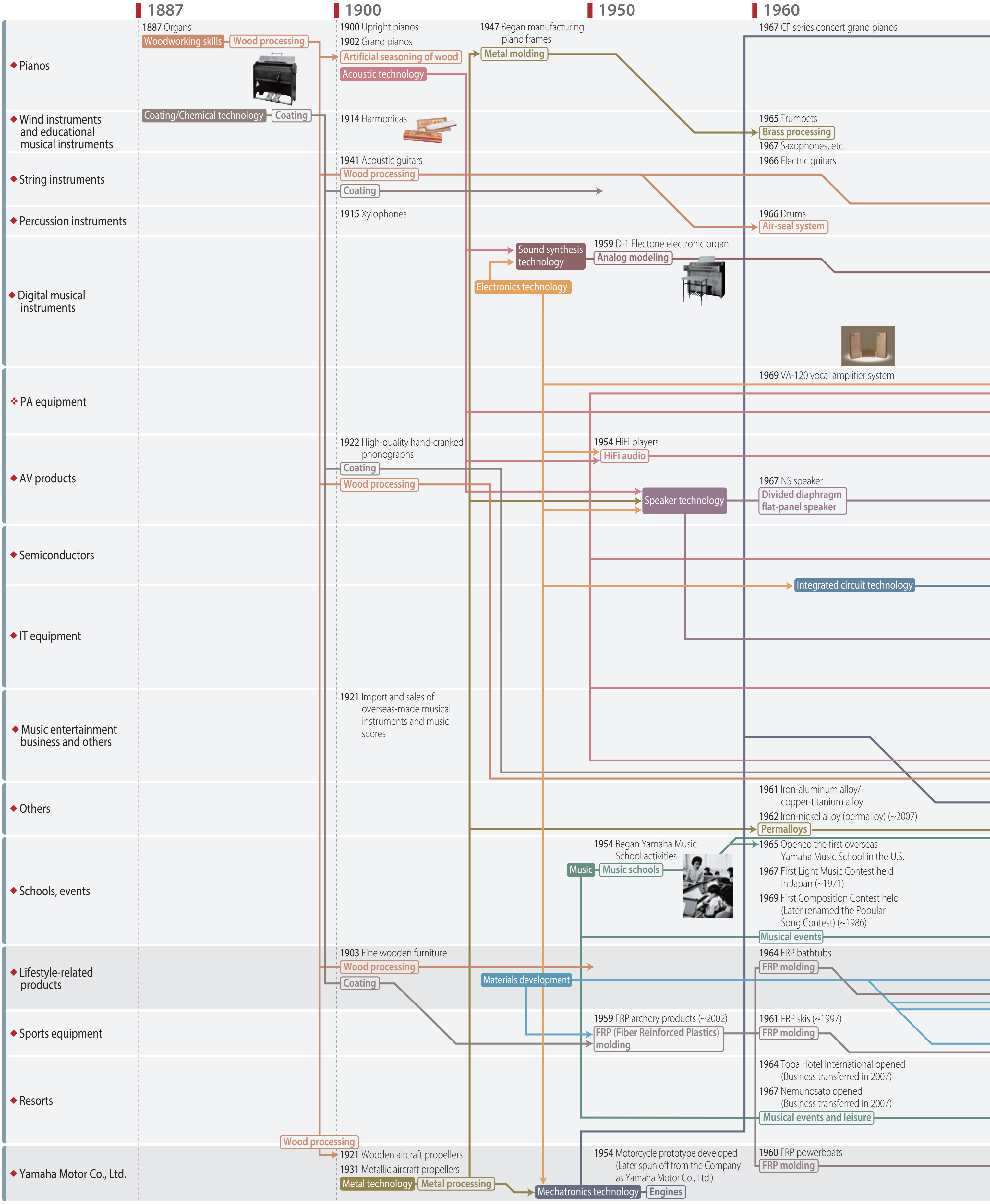
June 25, 2014
Hamamatsu, Japan

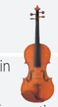
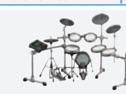
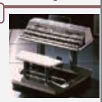
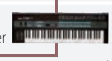
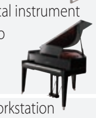
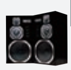
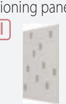
History of the Yamaha Group

Founder,
Torakusu Yamaha

1887	Torakusu Yamaha builds his first reed organ
1897	Establishes Nippon Gakki Co., Ltd. (currently Yamaha Corporation) with capital of ¥100,000
1900	Begins production of upright pianos
1949	Listed on Tokyo Stock Exchange
1954	Establishes Yamaha Music School and holds pilot classes
	Produces its first HiFi player (audio product)
1955	Establishes Yamaha Motor Co., Ltd. (Splits off the motorcycle division)
1958	Begins production of sports equipment
	Establishes first overseas subsidiary in Mexico
1960	Establishes Yamaha International Corporation (currently Yamaha Corporation of America)
1962	Begins recreation business
1965	Begins production of wind instruments
1968	Issues shares at market price for the first time in Japan
1971	Begins production of semiconductors
1987	Changes company name to Yamaha Corporation
2002	Establishes Yamaha Music & Electronics (China) Co., Ltd.
	Establishes Yamaha Music Holding Europe GmbH (currently Yamaha Music Europe GmbH)
2005	Acquires Steinberg Media Technologies GmbH
2007	Establishes music entertainment business holding company
2008	Acquires L. Bösendorfer Klavierfabrik GmbH
	Acquires NEXO S.A.
2010	Transfers shares of the lifestyle-related products subsidiary
	Completes integration of Japanese piano factories to Kakegawa
2012	Completes integration of Japanese wind instrument factories to Toyooka
	Celebrates 125th anniversary of foundation
2014	Establishes three domestic musical instrument and audio equipment production subsidiaries after the split-off and merger
	Acquires Line 6, Inc. and Revolabs, Inc.

Yamaha Product History



1970	1980	1990	2000	2010
	1982 Disklavier player piano Player piano technology	1991 CFIIIS concert grand piano 1993 SILENT Piano Silencing technology 1995 SILENT Disklavier player piano 1995 GranTouch hybrid piano Hybrid piano technology		2010 CFX concert grand piano 
1973 Pianica		1990 Xeno brass instrument series 1995 SILENT BRASS system (pickup mute) Silencing technology		
	1983 Electric acoustic guitars	1997 SILENT Violin 	2000 Braviol acoustic violin  2001 SILENT Guitar 2008 L36ARE and L26ARE acoustic guitars Wood modification technology	2011 THR guitar amplifier  VCM technology
	1986 PMC1 electronic drum	1996 SILENT Session Drum		2010 DTX900 series electronic drum Textured cellular silicon drum pad 
1974 CSY-1 synthesizer 1975 GX-1 Electone electronic organ Polyphonic synthesis 	1980 Portable keyboards 1983 DX7 digital synthesizer  FM synthesis 1983 Clavinova digital piano 1987 WX7 wind MIDI controller	1993 VL series virtual acoustic synthesizers  Physical modeling synthesis	PCM synthesis 2001 MOTIF music production synthesizer 2002 EZ-EG EZ guitar (self-teaching guitar) 2004 STAGEA Electone electronic organ 2006 H01 MODUS digital piano  2008 TENORI-ON digital musical instrument 2009 AvantGrand hybrid piano 2009 CP1 stage piano  VACM synthesis	
Digital technology				
1974 PM-1000 mixing console Analog mixers	1985 SPX90 digital multi effects processor Digital effect	1994 ProMix 01 digital mixing console Digital mixers	2000 AW4416 digital audio workstation Audio workstations 2001 PM1D digital audio mixing system 2008 POCKETRAK CX pocket recorder	2012 CL Series Digital mixing console Centralogic VCM technology 
1974 B-1 power amplifier Power-FET 1974 NS-1000M speaker with a beryllium diaphragm  Speaker with a beryllium diaphragm 1975 Headphones	1982 CD-1 CD player  1986 DSP-1 digital sound field processor DSP 1988 AST-1 speaker incorporated Yamaha Active Servo Technology (YST) YST	1995 Theater sound system Theater surround	2004 YSP-1 Digital Sound Projector Sound beam control speaker 2006 SR-Bass Speaker NX-A01  SR-Bass	2010 AVENTAGE AV receiver CINEMA DSP HD3  2010 Earphones
1972 Sound generator LSIs for the Electone electronic organ LSI for musical instruments	1983 FM synthesizer LSIs 1983 Graphics controller LSIs LSI for PC/video games	1999 Sound generator LSIs for mobile phones LSI for mobile phones	2002 LSIs for digital amplifiers LSI for digital amplifiers 2005 Magnetic sensor GMR technology	
Information processing technology Signal processing technology	Computers 1983 MSX personal computers	1993 CD recorders (~2003) 1993 Online karaoke equipment Online karaoke equipment 1995 Remote routers Routers	2006 IP conferencing systems Teleconference Psychoacoustic technology	2011 VSP-1 speech privacy system Sound masking 2011 Thin light flexible speaker  Electrostatic speakers 2011 Smart L2 switches 2012 INFOSOUND acoustic data communication technology Acoustic communication technology 2013 Wireless LAN access points
Architectural acoustics 1974 Computer-generated architectural acoustic simulation	1986 SRS (Sound Room System) music room for home use 1989 Avitecs soundproof room Soundproof room		Online services 2000 Mobile phone ringtone distribution service 2000 Digital sheet music distribution service DTM 2003 VOCALOID singing synthesis software Singing synthesis technology 2009 BODiBEAT interactive music player	2010 Acoustic conditioning panel Sound field control 
	1984 Industrial robots Robots 1989 Automobile interior wood components Automobile interior wood components	1991 Thin-film magnetic heads (~2000) Thin film deposition 1997 Magnesium cases (~2010) Magnesium molding		
1972 Sponsored the first Junior Original Concert (JOC)	1986 Began Popular Music School 1987 Began English language schools English language schools 1987 First Teens' Music Festival (~2006) Musical events		Musical instrument rental service 2003 Musical instrument rental service 2005 Opened Yamaha Music School in China 2006 Started music lessons online service Online lessons 2007 First Music Revolution contest held Musical events	
1975 Unit furniture (~2005) 1976 System kitchens 1977 New artificial marble countertops Artificial marble	1982 System bathrooms		2002 System kitchens with artificial marble sinks Marble sinks	*Lifestyle-related products business transferred in 2010*
1973 Tennis rackets (~1997)	1982 Golf clubs 1986 Acuras series carbon composite golf club Carbon composite	Titanium casting	2002 inpres golf clubs 	
1974 Tsumagoi opened 1976 Katsuragi Golf Club opened 1978 Katsuragi Kitanomaru opened 1979 Haimurubushi opened (Business transferred in 2007) Musical events and leisure		1991 Kiroro opened (Business transferred in 2007)		
1974 FRP pools FRP molding		1994 PAS electrically power-assisted bicycle	2002 Electric commuter motorcycle	

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Corporate Planning Division

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