

9/20



07026821

82- SUBMISSIONS FACING SHEET

**Follow-Up
Materials**

MICROFICHE CONTROL LABEL

[Empty box for Microfiche Control Label]

REGISTRANT'S NAME

Yamaha

*CURRENT ADDRESS

**FORMER NAME

**NEW ADDRESS

PROCESSED

SEP 26 2007

THOMSON
FINANCIAL

FILE NO. 82- 34945

FISCAL YEAR 3/31/07

• Complete for initial submissions only •• Please note name and address changes

INDICATE FORM TYPE TO BE USED FOR WORKLOAD ENTRY:

12G3-2B (INITIAL FILING)

☐

AR/S (ANNUAL REPORT)

☒

12G32BR (REINSTATEMENT)

☐

SUPPL (OTHER)

☐

DEF 14A (PROXY)

☐

OICF/BY:

dlv

DATE:

9/20/07

AA/S
3-31-07

082-34945

Exhibit 7



Annual Report 2007
Year ended March 31, 2007



RECEIVED
2007 SEP 20 A 8:32
10500 LINDEN



YAMAHA CORPORATION
Public Relations Division
URL: <http://www.global.yamaha.com/>



Where we began

It all started in 1887 with a broken reed organ. The man who repaired it was our founder, Torakusu Yamaha.

In the 120 years since, Yamaha has grown to become the world's leading comprehensive musical instrument manufacturer, supplying a full line-up of acoustic and digital musical instruments.

To help as many people as possible experience the joy of playing an instrument, the Yamaha name has also been associated with a chain of music schools since 1954. Initially these offered children experimental music lessons with the organ. Today, the Yamaha music school network spans more than 40 countries and regions, and provides tuition to over 700,000 students of all ages.

What we are proud of

A finely crafted musical instrument made from wood or other natural materials is often likened to a delicate living thing. The materials and figure literally shape its sound, which is also greatly influenced by factors such as temperature and humidity. In our quest to design beautiful musical instruments that can capture and communicate the emotions of the performer, we have been quick to adopt the latest technology while also insisting on passionate craftsmanship that uses only the best in materials. The quality of the sound produced by a Yamaha musical instrument reflects the depth of the expertise that we have accumulated each day over the years — skills we ensure are passed on to new generations of artisans.



How we are ahead

We saw the digital age coming and have been researching digital technology from very early on. We also have extensive experience in the sounds that an acoustic instrument makes, with this as one of our core strengths.

Digital technology is the critical element driving the growth of various Yamaha businesses. We are widely acclaimed the world over for our digital mixers of professional audio equipment, as well as electronic pianos and synthesizers. We remain world leaders in the development of hybrid instruments that blend the best of acoustic and digital, such as the Disklavier™ (player piano) and the Silent™ series. As the world continues to go digital, new situations are arising where people seek digitally created sound. Yamaha is the name to shape such creativity.



Where we are headed

Through the ages, sounds and music have been a vital element of the human experience. Sources of comfort as well as joy, they remain an essential part of our lives. We simply could not live without them.

The mission of Yamaha remains to develop new technologies and expertise related to sound and music. We aspire to help people create environments of sound that reach the heart and feed the soul; to help more people learn the joys of creating music with an instrument; in short, to help enrich people's lives everywhere. We are both proud and happy to take on this role.

Fiscal 2007 (the year ended March 31, 2007) was an extremely important year for the Yamaha Group being the final year of the "YSD50" medium-term business plan (April 2004 to March 2007). We also formulated our basic growth strategy for the next three years in the form of the new "Yamaha Growth Plan 2010 (YGP2010)" (April 2007 to March 2010). In June 2007 we appointed a new president. As chairman, I would first like to report the progress that Yamaha made under the "YSD50" plan.

A review of progress under the "YSD50" plan

In the final year of the "YSD50" plan, Yamaha achieved consolidated net sales of ¥550.4 billion, an increase of 3.0% compared with the previous year. While operating income rose 14.7% to ¥27.7 billion, net income declined 0.9% to ¥27.9 billion. Unfortunately we fell short of the performance targets set out in the "YSD50" plan, when we were aiming for consolidated net sales of ¥560 billion, ¥50 billion in operating income and ¥24 billion in net income. Nonetheless, we can claim to have finished key decisions on a number of pending issues. And, having done so, I believe that we are now in a position to achieve the new targets in the "YGP2010" plan based on the growth strategy contained in it. We can also now focus on implementing the policies required to raise productivity further going forward.

Rising profitability of musical instruments business

Yamaha's musical instruments business generated 59.7% of sales and 78.5% of operating income in the year ended March 31, 2007. We will work to further strengthen the business as a means to boost the future earnings of the Yamaha Group. During the three years of the "YSD50" plan, we substantially increased sales of commercial audio equipment, particularly in overseas markets. Combined with the growth in China, South Korea and emerging markets, we achieved high profits in this segment.

Having decided in fiscal 2006 to consolidate our two piano production factories in Japan into a single production base at Kakegawa as part of efforts to bolster our manufacturing competitiveness in musical instruments, in fiscal 2007 we decided to close two factories in the United States (one making pianos and the other wind instruments) and 600 in Taiwan (for guitars). We are transferring production from those sites to China by increasing the capacity and to Indonesia by increasing yield. Going forward, we plan to concentrate our musical instrument production at bases in Japan, Indonesia and China. We also pursued areas with various other measures aimed at reducing manufacturing costs.

Decisions finalized to sell four resorts and electronic metal products business
During the year we decided to sell to Mizu Fudosen Co., Ltd. the operating assets of four resorts in the recreation segment—"Kuroki" (in Hokkaido), "Kuroi Hara Inn" (in Nagano), "Nanuro" (in Mie Prefecture) and "Hamao" (in Okinawa Prefecture)—along with the transfer of all shares in the respective management companies, on the condition that the operation of the businesses, personnel and the

employment of current personnel will be continued.

Going forward, we plan to continue operating the two remaining resorts in the recreation segment. There are "Izumiya" and the factories of "Karasagi Golf Club" and "Karasagi-Kan'onmachi", all of which are located in Shizuoka Prefecture. "Izumiya" is an important facility for connecting with customers since it embodies the concept of "Yamaha as a 'sound and music' company." At "Karasagi Golf Club" and "Karasagi-Kan'onmachi", we plan to develop a resort that contributes to the value of the Yamaha Group by achieving the highest level of customer service.

In another move, we decided to sell 90% of the owned shares of consolidated subsidiary "Yamaha Machine Corporation to Dowa Machinery Co., Ltd. The main business of "Yamaha Machine" is the manufacture and sale of electronic metal products such as teststands. Our decision was based on a judgment that the sale was the best way of developing the electronic metal products business in light of the long-term decline in demand for teststand materials.

Proactive stance on alliances and M&A

During the "YSD50" plan period we also undertook several moves to expand our commercial audio equipment business, which we have positioned as a growth segment. In 2005, we acquired Standing Wave Technologies GmbH of Germany, a leading creator and marketer of music production computer software. In 2006, we concluded a strategic alliance with French company NEXO S.A., a leading manufacturer of professional speaker systems. In February 2007, we acquired FULL SOUND CO., LTD., which for over 60 years has been the leading supplier in Japan of planning, development, manufacturing, installation, venue set up and maintenance services for commercial audio equipment and systems. Future plans call for growing Yamaha's commercial audio equipment business by making the best use of these companies' assets in terms of high technical capabilities and sales networks as well as valuable expertise in technical fields such as acoustics design.

Organizational realignment to expand music entertainment business

Since the 1990s, the Yamaha Group has held various conventions to provide another musician with opportunities to display their skills. These events have helped to launch the careers of numerous artists. We are also involved in various music-related businesses, including the publication of sheet music, scores, magazines and other printed material, the distribution of polyphonic ring tones and two tones.



Chairman and Director
Shuji Ito

President and Representative Director
Mitsuru Umemura

(Choku-Uchi™) for mobile phones, an online social networking service (SNS) that enables amateur musicians to post recordings of tracks and live performances, and a record company. Until now, however, these various music entertainment businesses have never been managed as a coherent whole, which has tended to limit the results achieved.

In June 2007, we established a new management company, Yamaha Music Entertainment Holdings, Inc. (YMEH), to oversee and manage, once again, operations in all Yamaha Group music entertainment businesses. Under YMEH we are redesigning and consolidating all operations in the field into six separate operating companies. Integrated supervision and management of these companies by YMEH will enable Yamaha to engage fully in the music entertainment business. The new structure provides a good framework for the future expansion of the business. We also aim to look more on creating synergy between different business segments of the Yamaha Group—for instance, by making effective use of the Tsuzuki resort to stage various musical events.

* Choku-Uchi™ is a registered trademark of Sony Music Entertainment (Japan) Inc.

Decision to construct new Yamaha Building in Ginza, Tokyo
Another major decision finalized during the year was to relocate the Yamaha Group Building in Ginza, Tokyo to create a communication space for staging various lifestyle-oriented events related to sound and music. The new building will be considerably larger than the one that currently occupies the site. The blueprint is for a 12-story building (plus three underground levels) that, in addition to the existing store and concert hall, will also comprehensively bring together a new music business performance space, an event space, rooms for adult music classes as well as art and service facilities, making it a place to experience Yamaha's various business activities. Plans call for the new building to open in spring 2009.

As I have outlined above, we made various decisions during fiscal 2007 that added a number of pending issues. I believe that we have also successfully laid the foundations for the future growth of the business.

Our most valued asset:

a workforce dedicated to sound and music
Many of the people who work for Yamaha not only love music but also are profoundly knowledgeable in various fields related to sound and music. We have obtained who have acquired a deep familiarity with and passion for the materials and profound craftsmanship that form the basis of the production process. We employ restaurant turners with our robot skills from a wealth of experience. We benefit from the services of many gifted technicians working in Yamaha music classrooms not just in Japan, but also around the world. And there are many others. Our greatest strength is in the collective power of the people working for the Yamaha Group. I hope that every employee will take pride in the Yamaha brand and seize the opportunity provided by supporting our original products and services to creating "Yamaha" together with as many others as possible.

* YMEH is a Japanese word that signifies an intense state of mind.

Looking back over the seven years in which I served as president, I believe that Yamaha is now standing on a stronger platform from which to build increased productivity in future years. While I am naturally disappointed that we fell short of the earnings growth targets set out in the "YSD50" plan, the fact remains that we made huge strides in terms of improving the Yamaha Group's financial strength. Focused on sound and music in its business core, Yamaha is well positioned to achieve further growth at the consolidated level by implementing the new "YGP2010" medium-term business plan.

Under new management, I believe that Yamaha will be able to take important decisions quickly and that we will continue to go from strength to strength as a company focused on sound and music. I ask our shareholders and all other stakeholders for their continued support and understanding.

Shuji Ito

Chairman and Director
Shuji Ito

Toward Achieving the New Medium-Term Business Plan "YGP2010"

An outline of the "YGP2010" plan

Under the "YGP2010" plan, we have redefined our operations into two business domains. The first domain, which we have dubbed "The Sound Company," consists of musical instruments, audio, music entertainment, AVIT, and semiconductor businesses. Using sound, music and network technologies as a platform, we will pursue growth aggressively. Our other business is what we have called "new themed lifestyle-related audio businesses," and parts & materials businesses are now grouped in the "Other division" business domain, which, through profitable business operations, will contribute to building the corporate value of the "Yamaha Group."

Peculiarities regarding the corporate value of the "YGP2010," are net sales of 150 billion and operating income of 146 billion. We expect to generate 63.0% of sales and 87.8% of operating income from "The Sound Company" business domain in the year ending March 2010. We plan to make effective use of some of the funds generated by the sale of part of our stake in Yamaha Motor Co., Ltd. by focusing on growth within the "The Sound Company" business domain.

How the past and current plans differ

There are two main differences between the previous medium-term business plan "YGP2007" and the new "YGP2010" plan. First, we are starting from a different position. When we formulated the "YGP2007" plan, our semiconductor business was generating large profits. From the start of the plan we expected huge profits to appear, and the main question was how to maintain earnings at those levels. With the new plan, the question is what sort of growth we can expect to generate in each of our businesses in the long term. We have adopted a long-term and self-growth strategy for the next three years accordingly.

The other major difference is that we deal with most of the outstanding issues facing Yamaha in fiscal 2007. I regard this to be perhaps our most important achievement during the "YGP2007" plan period. From hereon, we can focus fully on how to achieve growth in each business. This is a key difference compared with the situation we faced at the time that the "YGP2007" plan was formulated.

Growth potential within the musical instruments business

Although the musical instrument business is often characterized as mature, I believe that Yamaha has the ability to expand the business. The markets in Japan for pianos and the electronic, which have supported Yamaha's profits over the past 20 years, have shrunk dramatically during the period. Whereas the scale of the home market used to be 300,000 units per year, it is now one tenth of that at 30,000 units. Under normal circumstances a business would not be able to weather this kind of severe change. We have survived by developing other high-value-added products and by diversifying our production capacity to other markets. Today, these same markets are beginning to bottom out. From the perspective of the overall performance of Yamaha's musical instruments business, I believe that there is certainly scope for future expansion.

I see a number of factors supporting the growth. First are emerging markets. While markets in Japan, Europe and the United States are mature, there are several major markets that are set to expand greatly toward, notably

countries such as China, Russia and India. We don't build up Yamaha's presence in these markets slowly. For instance, we have decided to establish a local sales subsidiary in Russia.

Second, within sectors such as musical instruments and audio equipment, there are a number of areas where Yamaha commands only a small share of what are large global markets. In the musical instruments business, guitars are one example. We are targeting growth in this area, especially in the North American market, with plans to develop attractive products alongside various programs to build relations with leading artists. In the audio equipment sector, Yamaha has only a small presence in the market for commercial residences of professional audio equipment. While we are strong in building presence in digital imaging products, the overall market including "total solution" products such as amplifiers and speakers is one where we can target growth in market share.

A third factor supporting future growth potential is Yamaha's possession of technology stemming from the acoustic and digital domains. I believe that we can help to create new demand for hybrid musical instruments that blend acoustic and digital technologies, particularly in such mature markets as Japan, Europe and the US. This is an area where Yamaha has already demonstrated a worldwide lead, and it is also a market where we would expect to be the acknowledged leader.

Music entertainment business realignment and future expectations

Music entertainment is a business that has great expectations. For many years we have been involved in acquiring and organizing various concerts and music competitions. These events have helped build the careers of many leading musicians, several of whom are currently active in the business. To date, however, Yamaha's interests in music entertainment have been scattered throughout our organization. We aim to generate faster growth by consolidating and reorganizing these businesses so that we can inject resources into them.

Through scouting for talent and developing musicians again under the Yamaha name, I am confident that we will gain further support from the music world. Naturally we will have to find, choose and cultivate artists and music that fit our image in this area, the originality of the content and the quality of the events that Yamaha's music entertainment operations deliver will be a key to success. As part of the plans for the business, we are also planning to develop new relations that will resonate with young people. We expect to make effective use of the "language" resort in creating music-related events. I also hope to see many other examples of such synergy, developing between different parts of the Yamaha Group.

M&A policy

We see M&A as a means of complementing the strategy of Yamaha. We plan to consider mergers and acquisitions actively in all areas covered by "The Sound Company" business domain.

One of the most important aspects of any move is the potential for expanding production synergies. In the case of Starwing Media Technologies GmbH and PULS QUAD CO., LTD., both of which had verifiable records before Yamaha bought them, we realized that one of the most important points was



the mutual respect that we have been working in these companies. This is a key consideration if you want to create synergy through acquisition. I believe because people truly are the greatest asset of any business.

Yamaha's targeted company image

We want Yamaha to be viewed as having "real support" status in the markets where we operate. We also want to provide an excellent example of corporate citizenship. By "real support" status, we mean being the leader in the market; that we enter, providing the best service, and being an innovative and creative force that drives the market. Good corporate citizenship means, in the first instance, being a company that can generate stable long-term profits. Only by creating long-term profits can we hope to contribute to local communities. In our case, we also hope to contribute to the musical culture of countries and regions by expanding our music-related businesses—which would also be a source of great happiness for us. For these reasons, the corporate image that we are targeting is to be "a company with long-term profit growth potential."

A new relationship with Yamaha Motor Co., Ltd. We have agreed a new relationship with Yamaha Motor Co., Ltd., which is also been outlined as an early method of achieving the Sound Company. As the scale of Yamaha Motor's operations has expanded, the effect of its performance on Yamaha's consolidated results based on equity method accounting has grown significantly. We therefore decided to sell a portion of our stake in Yamaha Motor equivalent to 7.8% of the company's outstanding

shares, which would result in the exclusion of Yamaha Motor from the scope of consolidation by the equity method. This move will serve to decrease the risk due to fluctuations in the performance of non-core businesses, thus leading to greater transparency in Yamaha's own performance. The sale of these shares took place until May 22, 2007, including.

Based on the "Yamaha" brand that we share in common, our two companies will endeavor to build a stable, long-term capital relationship going forward. We aim to substantially increase corporate value in our respective businesses while also fulfilling our mission and social responsibilities on a global basis.

We plan to return some of the profits of the drive sale to shareholders while also making part of the proceeds in business support for growth under the "YGP2010" medium-term business plan—namely corporate value. "The Sound Company" business domain. To return profits to shareholders, we plan to set 2003 dividends and to undertake share buybacks together totaling 1,000 billion over the three-year period starting in fiscal 2008.

In addition, to reflect the exclusion of Yamaha Motor from an equity method affiliate, which will have the effect of reducing equity in earnings of consolidated subsidiaries and affiliates, we have adjusted our target for the consolidated dividend payout ratio by raising it from 25% to 40%. Going forward, Yamaha's basic aim is to maintain consistent and stable dividend payments while also aiming for a consolidated dividend ratio of 40% and striving for greater returns to shareholders.

Two key challenges

I view my new job as facing two main challenges. The first is to continue the "pursuit of business excellence improvements" that we implemented under the "YGP2007" plan. The high scale we face is the need to further enhance productivity. This means accelerating our capacities for product innovation and development while strengthening manufacturing processes and marketing power. It also means reducing operating costs, particularly basic production costs. Although we are seeing positive results in these areas, further improvements are still needed.

My other key challenge is to clarify and implement a clear growth strategy for the Yamaha Group. We have unveiled our new medium-term business plan, which contains the policies that will support Yamaha's growth over the next three years. But I believe there is still a need to be clear and more specific about the actions that we should be making on a daily basis. At the same time, we must also start creating a clear long-term growth strategy.

The year Yamaha celebrated the Company's 120th anniversary in business. Now we must continue working to ensure that the Yamaha brand is still strong after another 120 years. Based on a rich variety of sensory and creativity, and by using the technology that we have achieved over the years by working traditional skills with new advances, we will continue creating "yando" that we passed the expectations of customers by seeking to supply truly satisfying products and services. I hope that you will continue supporting us in this task.

Yoshinori Kihara
President & Representative Director
Masaru Uemura

"Yando" is a Japanese word that implies an inspiring sense of mind.

Outline of New Medium-Term Business Plan "Yamaha Growth Plan 2010 (YGP2010)"

To follow the three-year medium-term business plan "YSD50" (April 2004 to March 2007), which ended on March 31, 2007, the Yamaha Group has announced a new medium-term business plan, "Yamaha Growth Plan 2010 (YGP2010)," which will cover the three-year period from fiscal 2008, ending March 31, 2008 through fiscal 2010. The new plan sets basic management policies, key strategies, and numerical objectives.

Under the new medium-term business plan, current business domains have been redefined into two major areas, "The Sound Company" and the "Diversification" business domain. "The Sound Company" business domain consists of musical instruments/audio/music entertainment, AV/IT, and semiconductor, which are based on core sound, music, and network technologies. Yamaha will actively invest management resources in this domain with the aim of expanding business. Meanwhile, businesses in the "Diversification" business domain will work to consolidate their industry positions and substantially increase earnings power to contribute to the corporate value of the Yamaha Group through healthy business management.

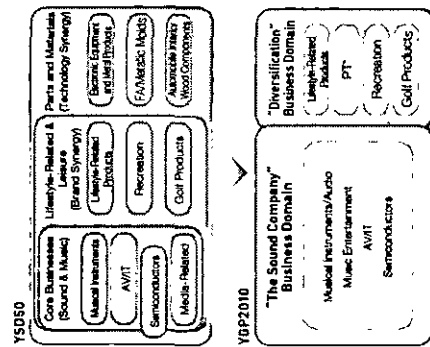
Skeletal essentials of the new medium-term business plan "Yamaha Growth Plan 2010"

Basic stance:

Shift to a growth process by building on the financial position strengthened under the "YSD50" plan

Redefinition of business domains:

Under "YSD50," Yamaha divided its businesses into three domains: (1) Core businesses, (2) Lifestyle-related & leisure, and (3) Parts and materials. Under the new plan, Yamaha will redefine and divide its businesses into two domains as follows:



*PT: Precision Technology. Precision Technology Automation equipment used most comprehensively for large-scale machine tools for digital machines and machine plants.

Growth strategy for each business domain

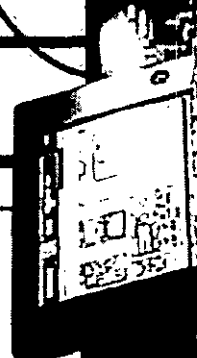
Growth in "The Sound Company" Business Domain

1. Expand piano business through "Total Piano Strategy"
 - Rebuild the piano lineup from a customer perspective and pursue development of new integrated products, both acoustic and digital
2. Rebuild platform for guitar business growth
 - Prioritize scale quality and boost manufacturing capabilities
 - Develop and market products through an artistic service center in North America to drive growth in the our largest market
 - Strengthen development of component technologies in the electric acoustic guitar field
3. Realign and strengthen acoustic musical instrument manufacturing bases in China, Japan and Indonesia
 - China: Aim for quality, cost control and supply capabilities
 - Japan: Aim for "mother factory" functionality and increase value
 - Indonesia: Strengthen supply and manufacturing capabilities
4. Expand music entertainment business through realignment and integration of related business
 - Offer a full lineup of operators including support for amateur activities, identifying/nurturing/backing of artists, producing content and supplying music to the market
5. Maintain the No. 1 position in digital mixers, strengthen product field in sound "output-side" devices (speakers, amplifiers, etc.) and expand business field
 - Drive growth in the commercial audio equipment business by providing system solutions, strengthening business for "output-side" products and expanding business into new markets
6. Drive growth in AV equipment business
 - Strengthen mid- and high-level products in the Hi-Fi market
 - Pursue growth in front sound speakers field for full-panel TVs
 - Stimulate growth in new fields through measures such as establishing a sales position in the desktop audio genre using compact and high-sound-quality technologies
7. Establish IP conferencing system business
 - Focus on volume sales in Japan and North America
 - Develop e-sales Internet-based proposals, sales and support
8. Develop new devices and markets for the semiconductor business
 - Focus on reinforcing foundations of LSI businesses for mobile phones
 - Develop superior devices by reinforcing analog, hybrid and MEMS technologies in the sound field and other areas of conservative strength (wide competencies of products such as silicon microphones and digital amplifiers)
9. Pursue growth in emerging markets
 - China: Establish sales network and strengthen marketing for musical instruments
 - Russia: Expand sales through establishment of subsidiary in Russia
10. Promote an active approach to strategic M&A and business alliances
 - Take the lead in examining/building optimum partnerships with a view to growth in "The Sound Company" business domain
 - Strengthen the M&A unit responsible for these activities

Firm Operational Position in "Diversification" Business Domain

1. Implement policy of "select and focus" in the recreation segment
 - "Tsunagi": Create a lobby that enforces the concept of Yamaha as a "sound and music company"
 - Katsuragi Golf Club™, Katsuragi-Kanoritsu™: Contribute to Yamaha Group corporate value by offering the highest levels of service
2. Strengthen lifestyle-related products segment
 - Reorganize and enhance product structure into three business units (platform BU, high-level easy-order BU and top-level order-made BU)
 - Promote fundamental reform of production structures (boost productivity and reduce labor costs to reduce overall costs, and implement and develop MARPLE CRAFT™ Strategy)
 - Execute sales reforms to increase customer numbers (specialized renovating-oriented business and enhance and make optimum use of showrooms)
3. Realign and reinforce the productive technology area business
 - Achieve further growth in Factory Automation (FA), industrial robots and components business by concentrating related activities in Yamaha Fine Technologies Co., Ltd. (YFT)
 - Maximize synergies by setting the automobile mirror world components business to YFT
4. Drive ongoing growth in golf products business
 - Pursue differentiation based on in-house™ brand as a core
 - Conduct advertising and promotion campaigns to increase brand awareness

Yamaha Corporation was presented with a 2007 Technical GRAMMY® Award at a special ceremony prior to the 49th Annual GRAMMY® Awards, which were held in Los Angeles, United States, on February 10, 2007. As part of the Special Merit Award category, this award recognized the outstanding contribution made by Yamaha to development in the fields of music and music recording technology through a long tradition of highly successful products, including digital reverbs, digital mixers, and the legendary NS-10M Studio Reference Monitor Speakers, which have become an industry standard. All these products belong to Yamaha's commercial audio equipment business. Currently one of Yamaha's fastest-expanding operations, this business is expected to make a significant contribution to the future growth of the Yamaha Group.



Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.

Yamaha's commercial audio equipment business has a long history of innovation and excellence. The company's commitment to quality and performance has earned it a reputation as a leader in the industry. The 2007 Technical GRAMMY® Award is a testament to the company's dedication to excellence and its commitment to the music industry.



Yamaha Corporation, Los Angeles, California, 2007 GRAMMY Awards Ceremony



C4000 digital mixer



D5000 digital mixer



D5000 digital mixer



D5000 digital mixer



D5000 digital mixer

commercial audio

Sales Plan for Professional Audio Equipment	U.S. \$ (1000)
202	21.6
265	31.0
643	65.3
653	67.3
1043	104.0

Segment	Major Products & Services	Breakdown of Net Sales	Net Sales (Millions of yen)	Operating Income (Loss) (Millions of yen)
Musical Instruments	- Pianos - Electronic and digital musical instruments (electronic pianos, Elacione™, portable keyboards, synthesizers, etc.) - Wind instruments (flutes, flutes, saxophones, etc.) - String instruments (guitars, violins, etc.) - Percussion instruments (trums, vibraphones, etc.) - Educational musical instruments (recorders, Panica™, etc.) - Professional audio equipment (digital mixers, power amplifiers, etc.) - Soundproof rooms (AMTECS™) - Music schools, English language schools - Content distribution services (Melochia™, Uracchi™, etc.) - Piano tuning	 59.2%	2003/3 202,547 2004/3 293,430 2005/3 302,817 2006/3 314,076 2007/3 325,989	2003/3 9,792 2004/3 10,480 2005/3 14,183 2006/3 14,182 2007/3 22,097
			CDR 2003/3 83,570 2004/3 78,257 2005/3 77,720 2006/3 75,939 2007/3 72,823	2003/3 3,250 2004/3 4,418 2005/3 3,951 2006/3 2,113 2007/3 2,137
AV/IT	- Audio products (AV amplifiers and receivers, speaker systems, Digital Sound Projector™, etc.) - Commercial online karaoke equipment - Flourish - IP conferencing systems	 13.2%	2003/3 60,554 2004/3 76,892 2005/3 86,045 2006/3 85,187 2007/3 84,809	2003/3 19,282 2004/3 30,018 2005/3 19,970 2006/3 7,827 2007/3 3,101
Electronic Equipment and Metal Products	- Semiconductors - Specialty metals	 10.0%	2003/3 48,031 2004/3 44,785 2005/3 42,844 2006/3 45,214 2007/3 46,573	2003/3 1,452 2004/3 (24) 2005/3 1,196 2006/3 1,150 2007/3 1,150
Lifestyle-Related Products	- System bathtubs - System kitchens - Washstands	 8.5%	2003/3 20,000 2004/3 20,100 2005/3 18,013 2006/3 18,013 2007/3 17,800	2003/3 1,119 2004/3 1,119 2005/3 1,119 2006/3 1,119 2007/3 1,119
Recreation	- Comprehensive recreation facilities (Kicoro™, Tsumagoi™, Katsuragi-Kanamaru™, Totsu Hotel International™, Nemurocetto™, Isumiduchiji™) - Ski resort (Kicoro™) - Golf courses (Katsuragi Golf Club™, Nemurocetto Golf Club™)	 3.2%	2003/3 20,956 2004/3 26,061 2005/3 23,557 2006/3 24,671 2007/3 22,246	2003/3 365 2004/3 (211) 2005/3 198 2006/3 582 2007/3 794
Others	- Golf products - Automobile interior wood components - Factory automation (FA) equipment - Metallic molds and components	 5.9%		

The musical instruments business recorded higher sales and profits in fiscal 2007. Major contributions included growth in professional audio equipment and the fast-expanding Chinese market; currency-related effects were also positive. The benefits of various structural reforms undertaken during the "YSD50" medium-term business plan period (April 2004 to March 2007) also began to manifest, indicating that the business is now in good shape to make further strides toward higher profitability.

Business outline

Yamaha has a 120-year history and a proven record in the musical instruments business. In the line, Yamaha has established a reputation from a wide range of instruments, maintaining high quality and a full range of musical instruments ranging from pianos and wind instruments to string instruments and percussion. Besides acoustic instruments, Yamaha develops and manufactures electronic and digital instruments, which have attracted customers with the latest technology, as well as professional audio equipment. Yamaha is also engaged in promoting the growth of musical instruments through music school programs, with approximately 700,000 students enrolled worldwide. The segment also reduces content-based curricula and marketing programs for mobile phones and various other music-related products, including sheet music, other music publications and multimedia software.

Performance overview

Segment sales totaled ¥255.0 billion in fiscal 2007, a 3.9% increase over the previous year. Operating income rose significantly, climbing 55.9% to ¥27.0 billion. In addition to higher sales, the near-perfect currency-related gains and other factors such as improved gross margins. While segment operating income in fiscal 2007 fell short of the ¥31.0 billion target set out in the "YSD50" medium-term business plan, it was still approximately double the level that Yamaha achieved in fiscal 2004.

As for performance by geographic segment, in Europe, record sales growth was driven by recovery in the German market. In China, Yamaha posted 19% growth in sales in year-on-year terms, which was in line with forecast. Strong growth was the result of booming demand on the development of a vast sales network, mainly by expanding the number of stores with annual new opening rates on sale by Yamaha. In addition to establishing Yamaha music schools in other regions, overall sales in South Korea, the Middle East and Latin America posted solid growth. In Japan, the piano market showed signs of bottoming out, and Yamaha also recorded steady growth in sales of wind instruments, keyboards and

electronic pianos. However, poor sales of the Electronic Keyboard in full sales growth slowed in the Japanese market. In North America, sales were lower than in fiscal 2005. The reduced poor sales of pianos due to a downturn in consumer spending and a drop-off in touring acts.

By product segment, sales of professional audio equipment rose significantly in markets outside Japan, particularly due to Yamaha's dominant position in digital mixers. When musical instruments, sales of electronic instruments and wind instruments fared in a good performance, and sales of pianos and string instruments were also higher than in fiscal 2005. The development of strong relationships with leading artists was highly effective in promoting wind instrument sales, with saxophones and trumpet leading in particular.

Content distribution business shows favorable trends. The distribution of regional telephone mobiles and songs for mobile phones and turn music distribution to PCs. Sales of polyphonic ringtone have declined in recent years, whereas sales of song files through services such as "Chaku-Ut" have taken off. However, the high reply rates paid to copyright holders on the content distributed via "Chaku-Ut" have tended to depress profit margins. The business posted lower sales and profits in fiscal 2007 than in the previous year.

"Chaku-Ut" is a registered trademark of Sony Music Entertainment Inc.

Yamaha operates music schools in more than 40 countries around the world, as well as in Japan. Total enrollment is currently around 700,000 students. In Japan, the increasing saturation of the baby boom generation is causing a decline of interest in playing a musical instrument, leading to the enrollment of increased numbers of middle-aged people and seniors into music classes for adults. In fiscal 2007, Yamaha's music schools for adults (which operate under the name "Prelude Music School") celebrated their 20th year in Japan. Enrollment level for adult music classes topped 110,000 students, reflecting progress made in developing a network of music schools specialized for adults in major cities and the addition of more class options for middle-aged and senior students.

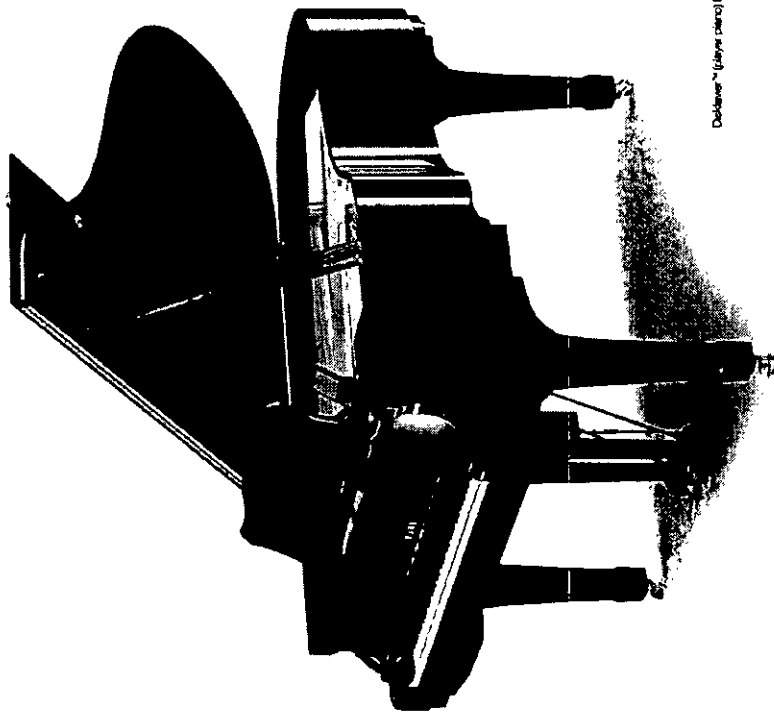
The Yamaha service offering music lesson online, Yamaha Music Lesson Online™, which began in March 2005, also recorded strong growth in student numbers.

Conversely, the number of children enrolled in Yamaha music schools was broadly flat in fiscal 2007, following the flat in the declining enrollment trend the year before. Yamaha continued to develop the "Unstyle" network of music schools, which offer high-quality services in suburban locations to match changing needs and lifestyles. Television commercials and other advertising campaigns also helped to boost student numbers. Outside Japan, Yamaha expanded its music school network to China to attract students, posting a steady increase in student numbers.

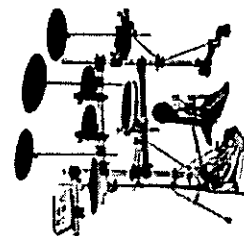
Further progress was made in understanding manufacturing reforms within the musical instrument business under the "YSD50" plan. This followed Yamaha's decision in fiscal 2005 to consolidate piano production in Japan from two sites (in Hamamatsu and Kakegawa) into a single complex at Kakegawa by mid-2010, based on an overall assessment of the related gains in efficiency as well as key issues such as technical sales marketing and personnel development. During fiscal 2007, Yamaha produced to order two 1C-based production making plants and wind instruments and a guitar plant in Taiwan. The move will accelerate the consolidation of musical instrument production facilities in Japan, Indonesia and China. Yamaha also made steady progress in developing supply chain management systems. This resulted in a considerable improvement in the composition of inventories at the fiscal year end. Yamaha also focused on reducing material procurement costs and on strengthening control over total production costs.

Market trends

In Japan, declining birth rates, the completion of secondary schools and other factors have resulted in the piano market shrinking to a mere 10% of its former size over a period of 20 years. However, the decline now appears to have leveled off. The evidence in recent years is that the



D Series™ (Japan series) DCSMA



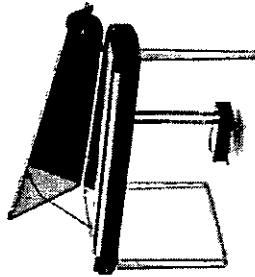
Silent Session Drum™ DTPRESS™ IV
Yamaha has developed a new line of accurate drum development and production to develop a full replicable authentic drum sounds while further enhancing performance and practice capabilities.



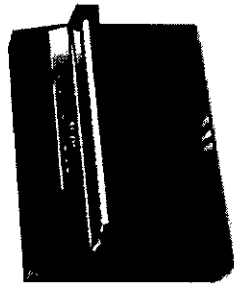
Trumpet YTR-6445S
The YTR-6445S was developed in conjunction with professionals at the New York Philharmonic. Designing musical instruments with the help of the world's top artists is recognized as one of the best ways of getting closer to perfection in terms of tone, responsiveness and performing characteristics. Yamaha is working to develop and improve instruments by learning from the best on closer communication with leading professional musicians.



Silent Club™ SVC-210



Digital piano MODUS™ H01
The new compact electronic piano has a simple but highly sophisticated design. Including all the first-rate basic performance characteristics expected of a Yamaha electronic piano, it also adds value to any room. Yamaha is introducing this new model to the market as a compact and new series of models as well as musical instrument retailers.



Upright piano B series
This recently launched in Europe entry-level model is proving popular.

segmentation of digital pianos is helping to stimulate general demand for electronic instruments with the market for keyboard instruments showing a clear trend toward polarization between the high-value added and low-priced segments. Musical instrument retailers in Japan are also adapting to market trends by offering more music-related and musical lessons. Hence, the Japanese market for musical instruments now looks likely to expand further over the coming years, led by a series of interest in music and in playing instruments, particularly among the baby boom and younger generations.

In the United States, the effects of higher interest rates, depressed consumer spending and school budget cuts are continuing to squeeze the market, particularly for large keyboards. The downturn in retail sales of musical instruments is clearly consistent with macroeconomic trends, with a caution that the US market is that the effects of large instrument retailers' low discount for a large proportion of sales, making Yamaha's business with these stores all the more important going forward. However, the overall US market for musical instruments has still grown over the past ten years, and Yamaha expects the long term trend to remain one of expansion. In Europe, retail sales of musical instruments have begun growing again in the musical market of Germany and a macroeconomic recovery. A key future issue for Yamaha is the development of effective marketing measures to further emphasize the strengths of the Yamaha brand in order to counter a market trend toward the introduction of own-brands instruments by leading retailers.

The market for musical instruments on the Chinese mainland is estimated at around 150 billion, of which about two-thirds represents demand for pianos. Although the market has peaked slightly of late, demand is expected to grow further over the medium and long term. Markets in Russia and Eastern Europe are projected to grow rapidly going forward now that political and economic conditions are relatively stable.

"YGP2010" targets and policies
Under the "YGP2010" medium term business plan, the segment targets for fiscal 2010 are 1000 billion in sales and 120 billion in operating income. Achievement of these targets is partly a matter of executing measures begun under the "YGP2007" plan. New policy initiatives are outlined below.

Generating growth in the piano business by promoting a customer-oriented product strategy in the piano business, Yamaha is following a "Total Piano Strategy" that aims to develop a range of pianos to cater to different customer needs. This involves developing an even stronger position in both acoustic and digital technologies while at the same time trying to blend such technologies to create a complete, seamless and fully customer-oriented range of products. In doing so, Yamaha expects to cater to a broad range of market requirements in the modern age. In acoustic pianos, one of the basic aims is to realize a further evolution in the instrument to take it to new heights. Meanwhile, Yamaha is also looking to create hybrid pianos based on new concepts that are not tied to traditional ideas, such as pianos for more casual use by different levels of players for varied applications, as well as pianos where the status of electronic design is elevated, and pianos in which priority is placed on the instrument's styling or placement. In the way, Yamaha can meet diverse market needs.

Gaining market share in guitars through improved competitiveness
The global market for guitars is growing and is currently estimated in annual terms at 1200 billion. Yamaha's guitar business is small compared with the scale of this market. Although Yamaha has developed a name in acoustic guitars, the company's market share in electric guitars remains low. Yamaha aims to increase market share while including demand on traditional strengths.

Currently, Yamaha is focusing on the electric acoustic guitar sector. Growth in North America in recent years has



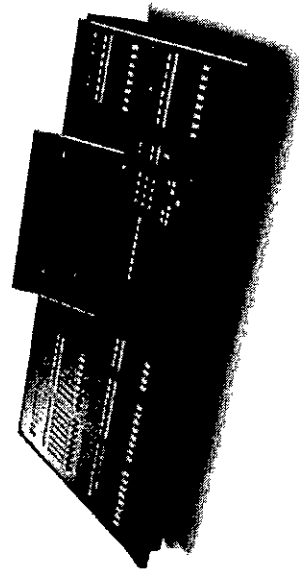
Yamaha music school



Yamaha music lessons for adults



Electric acoustic guitar CP1000
Electric acoustic guitars are adaptable enough to be perfect for performing anywhere from the concert hall to the street.



Digital mixing console MTC-48
Digital mixing consoles are among the advanced audio equipment that Yamaha has developed using digital technology to many fine music venues the world over, including many churches in the United States. A broad range of users from the digital beginner to the professional sound engineer can use the product for live mixing. Digital mixers such as this have become an essential part of the audio equipment of concert venues. Yamaha's MTC-48 has been sold in large quantities, showing the growth in overall sales of professional audio equipment.

operated by the Yamaha Group and the Yamaha Music Foundation. All operations in the field are being reorganized and consolidated under YMEH into an expanded operating company. By building more effective and flexible systems, YMEH will manage and expand Yamaha music entertainment-related operations. These span a wide variety of areas, including various support activities for amateur musicians with the Yamaha Group, artist scouting, nurturing and supporting creative work of music artists, the market supply of music entertainment works to the market through various media, and Yamaha's music publishing business. The guiding concept for the future development of Yamaha's music entertainment business will be to foster the creation of music that can contribute to society by providing fresh "vibes" along with cultural enrichment. "Vibes" is a Japanese word that signifies an intangible state of mind.

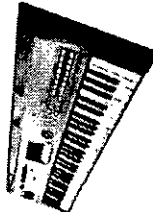
Targeting further growth in professional audio equipment business through expansion into new sectors

Yamaha's PM10 and P100 digital mixers are recognized worldwide as setting global benchmarks in the field. Such products have helped lead the transition from analog technology to the world of digital. Yamaha is working to solidify its position as the world leader in digital mixers by continuing to exploit the Company's strengths in digital and network technologies. Moreover, the Company also aims to expand by developing services as a system solutions provider. The focuses on catering to a specific demand for systemized audio equipment solutions, backed up by product design and installation proposals, and full technical support. Another large market segment for Yamaha is commercial installed sound systems for applications other than music in venues such as exhibition spaces, airports and hotels. This is another major market with the potential to support future business growth.

If or further details, please refer to the "Special Feature: Dynamic Growth Expected from Commercial Audio Equipment Business" section on pp.17-18.)



Ultrasonic™ full-time content distribution services



Music production synthesizer MM6



Portable PA system STAGEPAS™ 500

In the AV equipment business, exploiting skills as a manufacturer of musical instruments and as "the sound professional," Yamaha plans to create growth by supplying markets in consumer audio products such as home theater and Hi-Fi audio systems. In the field of IT equipment, Yamaha aims to expand through the early establishment of full-scale operations in IP conferencing systems, a sector that Yamaha entered in fiscal 2006.

Business outline

The AV/IT segment comprises audio and visual (AV) equipment (including AV amplifiers and receivers, speaker systems, Digital Sound Projector™ and other products), commercial online karaoke equipment, routers, and IP conferencing systems.

Performance overview

Segment sales in fiscal 2007 were 4.1% down on the previous year at ¥72.8 billion. Sales of the segment (mainly AV receivers, grew steadily in Europe and the United States, and the Digital Sound Projector™ also registered significant growth. Sales of commercial online karaoke equipment declined, however. Segment operating income rose slightly compared with fiscal 2005, to ¥2.1 billion, in part due to currency-related gains.

Market trends and business strategy

AV equipment
The global market for existing home theater products entered a downward trend during fiscal 2007. With competition from Korean and Chinese manufacturers leading to sales price erosion, Yamaha managed to achieve positive year-on-year growth in sales, but was unable to cope fully with fierce competition in the medium- and high-end product ranges. Going forward, Yamaha plans to concentrate resources on high-value-added products with growth market segments. By increasing the value offered as a customer-supported brand and by striving to introduce manufacturing led returns to further reduce costs in processes from design to the factory floor, Yamaha aims to create a new earnings structure for the business capable of

withstanding fierce competition. Plans for expanding the business are focused on the areas outlined below.

Growth in the front surround speaker

In the market for existing home theater products, volume is declining across the component product, HHT™ and DMO™ powered integrated system fields, notably in Japan and Europe. The market for front surround systems designed for flat-panel TVs is expanding rapidly, however. Yamaha is responding to this surge in demand with aggressive development of the Digital Sound Projector™ (DSP). Yamaha aims to grow sales by supplying a broader lineup through expanding the current YSP™ series with additional products based on AirBurmound™ technology, to cater to different installation styles, including more multifunctional units, and by seeking to create added value in the form of products that offer greater convenience. *HHT: Home Theater in a Box products and the AV receiver and speaker in a single package

Strengthening the medium- and high-end Hi-Fi product range

In Japan, the impending retirement of the baby boom generation has renewed interest in audio, with demand expected to rebound for two-channel high-end Hi-Fi systems. In recent years this sector has also been posting double-digit growth in European markets. Yamaha is working to reinforce its product range in the area by expanding the Company's origins in musical instrument creation and profound knowledge of professional sound-related technologies. In 2006, Yamaha launched the Scape™ series of high-end Hi-Fi



Speaker system Scape™-2

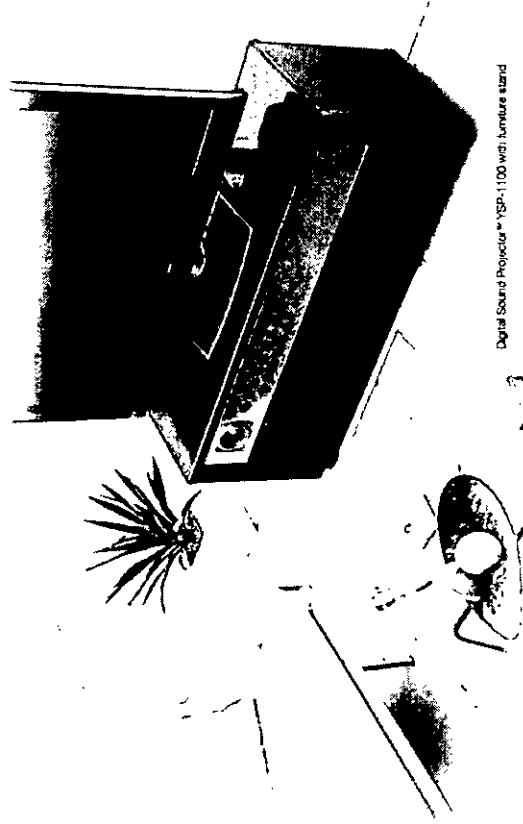


USB powered stereo speaker NX-U10

speakers. Future plans call for the progressive introduction of medium- and high-end Hi-Fi amplifiers and CD players that are compatible with the speaker range.

Growth in new product fields

Yamaha aims to establish the desktop audio genre as a new product field. In recent years, the spread of portable digital audio players such as the iPod™, the expanded use of online music distribution services, and the progress made in music/audio functions for mobile phones have all transformed the way that people enjoy music. Taking advantage of



Digital Sound Projector™ YSP-1100 with furniture stand

these new trends, Yamaha aims to develop a line of highly differentiated products for the desktop audio field that combine high sound quality with compact, stylish design. Yamaha is also developing new audio equipment to support business users in making effective presentations.

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

Commercial online karaoke equipment

In the market for commercial karaoke equipment, demand for replacement of first-generation machines has taken off, and investment in new equipment remains weak. Other prominent trends include demands by online karaoke vendors to reduce costs and a shift toward equipment supplied by Korean manufacturers. Although sales in this business remain in decline, Yamaha is focusing on developing a new generation of online karaoke systems with high-resolution image capabilities. Such products promise to help Yamaha ride the next wave of replacement demand from online karaoke vendors.

Routers

The global market for routers continues to grow strongly. Yamaha's business has grown by focusing on VPN and VPN (Virtual Private

Network) routers. Going forward, Yamaha plans to maintain the current scale of operations by developing new models tailored to specific customer needs and applications. Based on a wealth of expertise in the field, Yamaha also plans to adopt a broad perspective by developing total next-generation network solutions, including maintenance and support devices.

IP conferencing systems

The global market for IP conferencing systems was worth ¥460 billion* in 2005 (with Yamaha's domain a quarter of this figure). Strong growth is expected in the period to 2010, led by the Chinese market. Utilizing expertise in sound and network technologies, Yamaha is pursuing the contribution of excellent sound with convenient features such as multi-node interconnection capabilities and sound-activated automatic video switching. Plans call for developing a sales network in Japan and overseas markets to promote sales of various devices such as high-performance microphones, speakers and echo-cancellers, both through Yamaha sales channels and routes provided by other makers in the field. The sales target for fiscal 2010 is ¥5 billion. In product development, Yamaha is focusing on combining router technology with



Broadband VoIP Router RT58



Projector Phone™ PJP-50R

its strengths in sound, and on creating multi-node training systems that can interface with PC-based images and data. Such systems could supply the growing demand for equipment that would allow companies to hold training courses over multiple sites. Yamaha plans to market such products globally through action to include developing e-sales channels.

* Yamaha estimates

Yamaha aims to expand this segment and achieve differentiation from competitors by developing new families of devices that emphasize the strengths of Yamaha as "the sound professional."

Business outline

This segment includes the semiconductor business operated by the Yamaha Semiconductor Division and its manufacturing subsidiary Yamaha Kapsengha.

Semiconductor Inc., with the main products being LSI sound chips for mobile phones and sound source ICs used in amusement equipment, also produces high-performance copier and microlaser-related processed parts, which are manufactured and sold by Yamaha Melanic Corporation.

In view of the long-term decline in demand for leadframe materials, which are the principal product of Yamaha Melanic, Yamaha has explored various ways of stabilizing the company's profitability and of further developing the electronic metal products business. However, Yamaha reached the conclusion that developing new products and strengthening the competitiveness of Yamaha Melanic would be difficult while it remained independent.

On March 20, 2007, the Yamaha Board of Directors approved a decision to sell 100% of the issued shares of Yamaha Melanic to Dowa Metaltech Co., Ltd., along with the entire equity stake of Yamaha Corporation in affiliate Yamaha On Metal Co., Ltd. (accounting for 50% of the latter firm's total issued shares).

Performance overview

In fiscal 2007, the LSI sound chips for mobile phones that are the mainstay of the electronic equipment business recorded sharp drops in sales volumes and unit prices, notably in markets outside Japan. In

the electronic metal products business, despite flat sales volumes amid a sluggish market, sales rose compared with fiscal 2006 as higher materials costs were accordingly reflected in product prices.

Segment sales edged down to ¥54.8 billion as a result. Operating income fell 60.0% year on year to ¥3.1 billion, reflecting lower sales of semiconductor and coating profit margins.

Market trends and business strategy

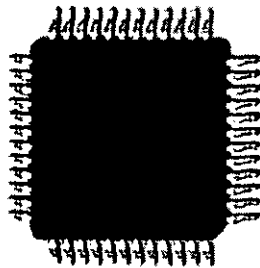
Mobile phones are the principal market for LSI sound chips. The global market for mobile phones expanded by around 25% compared to fiscal 2006. More than 10% growth in demand is also forecast in calendar 2007. However, market conditions remain harsh in the business for LSI sound chips for mobile phones. In high-growth emerging markets such as India, Russia, Brazil and China, the number of phones containing inexpensive sound-generation software (rather than LSI sound chips) has been increasing.

Yamaha anticipates the performance of the business for LSI sound chips for mobile phones to decline further going forward due to the ongoing shift to sound-generation software, unit price erosion and other factors. Yamaha is focusing on trying to put a floor under sales by making proposals to mobile carriers and phone manufacturers based on devices that deliver superior sound quality combined with non-sound-source devices such as codecs (Compression/Decompression) and silicon microphones.

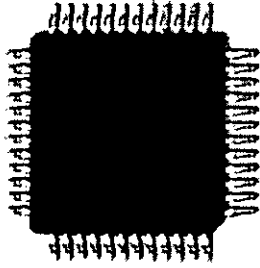
In contrast, demand continues to increase for digital amplifiers because these devices produce little heat and do not consume much power. They offer one potential solution for extending battery life in portable equipment that contain small speakers, such as mobile phones and notebook computers. Another area of promise is high-definition large-screen flat-panel TVs, where higher quality sound reproduction is increasing demand in the Japanese market since the start of terrestrial digital broadcasting. Yamaha has already begun incorporating the latest generation LSI digital amplifiers into related applications such as flat-panel TVs, and demand is forecast to rise in the near future.

Creating markets for new devices
Yamaha plans to intensify efforts to develop high-performance devices for new growth market segments as the "Smart Analysis" Strategy. This involves upgrading basic functions by strengthening analog (Analog), hybrid (Hyb), and MEMS (Micro Electro Mechanical Systems) technologies while seeking to add greater value to devices through Yamaha's competitive advantages in the "Smart" technology field, which includes signal processing.

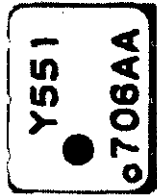
The main product categories in this field include digital amplifiers, silicon microphones, piezoelectric sensors and CMOS (Complementary Metal Oxide Semiconductor) image sensors. Of these, digital amplifiers are the most advanced in terms of development of commercial product lines. Outside the mobile phone



Digital IC amplifiers for flat-panel TV



Silicon microphones for use in portable devices



These are piezoelectric sensor IC

sector, Yamaha expects these products to find broad application in factors such as flat-panel TVs and amusement equipment. Since 2001, Yamaha has introduced various digital amplifier IC products offering high sound quality and low power consumption for markets mainly for AV equipment. In April 2007, Yamaha began shipping samples of a new range of digital amplifier ICs developed for flat-panel TVs of varying screen sizes. Besides striving to continually strengthen the competitiveness of digital amplifiers, Yamaha provides customers the opportunity to select a combination of devices to boost differentiation with competitors.

Development efforts have also centered on silicon microphones. In March 2007, Yamaha began shipping samples to mobile phone manufacturers, who are the major potential users for such products. Yamaha has developed a broad lineup of sound-related LSI products such as mobile audio LSI, and also owns advanced signal processing technologies for both analog and digital sound. Yamaha aims to leverage such assets to supply high-value-added microphone devices offering greater capabilities such as noise suppression and directional control to meet demand.

In the automobile industry, the use of advanced electronics to create more secure, convenient and comfortable driving experiences is expected to boost demand for products such as graphics LSI used in onboard LCD display equipment. In this sector, Yamaha is advancing proposals for LSI products with drawing functionality as well as chips for use in rear-view

mirrors that are designed to enhance rearward visibility.

Under the medium-term business plan "YGP2010," the segment targets for fiscal 2010 are ¥45 billion in sales and ¥5 billion in operating income. Yamaha expects to generate growth and boost earnings by promoting the growth of silicon microphones, digital amplifiers and LSI non-sound chips for mobile phones.

Aiming to drive future business development, a capital investment program enabling reinvestment to 0.18μ (micron) processes was completed at the Kappahina plant during the fiscal year and production is already underway. Besides incorporating 0.18μ capability into product planning to reinforce in-house manufacturing, Yamaha aims to build an efficient production system by using external foundries for any devices that require advanced manufacturing processes. Planned total capital expenditure over the three years to March 2010 is ¥9.6 billion.

Yamaha Livingtec Corporation is moving toward the creation of a profitable business structure by pursuing a growth strategy built around system kitchens. To achieve this goal, the company is focusing on implementing further management structural reforms, including customer-oriented product fabrication; expanding customer base by upgrading showrooms and developing remodeling sales channels; and reinforcing cost competitiveness through fundamental reform of production structures.

Business outline

The lifestyle-related products segment is mainly composed of System kitchens, System bathrooms and vanity units. Yamaha Livingtec Corporation is the principal Yamaha Group subsidiary in this segment. Expanding core technologies in artificial marble, piano coating and wood processing, Yamaha aims to create products that exceed customer expectations in terms of utility and satisfaction, leveraging several competitive advantages to achieve this objective. Besides creating original and highly functional products of high quality, Yamaha boasts an integrated development and production process from materials to finished product. It also has a national network of product display showrooms to offer customers a first-hand look at products and to propose alternatives for their own homes.

Performance overview

Segment sales exceeded the initial target of ¥43.0 billion by ¥3.6 billion, increasing by ¥1.4 billion, or 3.0%, in year-on-year terms to ¥46.6 billion. In terms of the sales product mix, unit price of system bathrooms declined due to floor-cover material competition, but sales of system kitchens increased due to the popularity of models featuring artificial marble sinks. At ¥1.2 billion, segment operating income was on a par with the prior year, which reflected the impact of higher materials prices.

Market trends

Regarding home fixtures and equipment, the conditions within the Japanese market have been extremely harsh due to a shift in demand in the new housing construction sector toward younger first-time buyers and a resulting down-

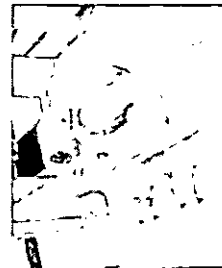
ward trend in moderately-priced products.

Additionally, there is increasingly pronounced polarization between the power buyers (strong regional base house providers), which mainly cover the sales channel for moderately priced products and suppliers of made-to-order products. The new Basic Law on Housing came into force in Japan in June 2006. This is expected to prompt builders to shift from volume growth strategies toward development of sale, high-quality housing, as demand for existing housing stock gives momentum. Moreover, along with increasingly desirable aspects such as energy efficiency and universal design, the future trend among customers is expected to be toward convenient housing that combines high resistance with long life.

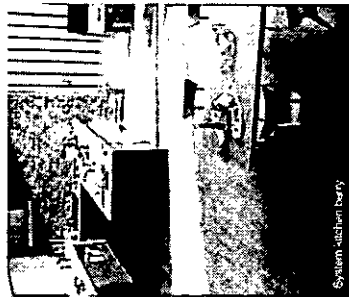
Business strategy

Driving forces behind growth strategy Under the "YCP2010" medium-term business plan, the segment targets for fiscal 2010 are

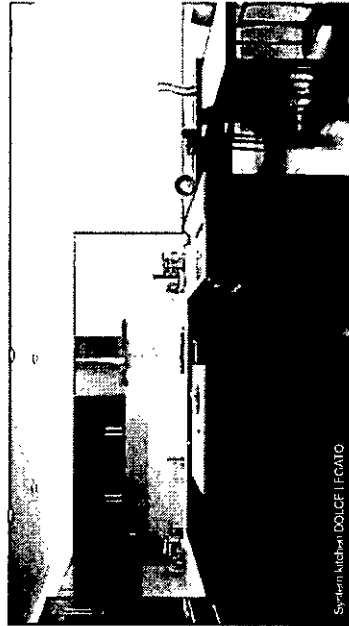
¥55 billion in sales and ¥3 billion in operating income. To achieve these goals, Yamaha is targeting ongoing structural reforms and the establishment of a profitable business structure based on six core policies: fundamental reform of production structures; customer-oriented product planning and development; growth in the customer base; quality assurance; exceeding customer expectations; profit-oriented business management; and marketing based



System kitchen luxury™



System kitchen luxury



System kitchen POLICE IFCATO

and convenience of use, ease of cleaning, spacefulness and quality of fabrication.

Expanding points of contact with customers and affiliated outlets

The company aims to expand its business by focusing mainly on the markets for construction of built-to-order stand-alone houses and home remodeling, as designated by the customer placing the order. To expand points of contact with customers, Yamaha has expanded and upgraded its network of showrooms and converted them into sales bases that function as Yamaha business centers. Yamaha also plans to expand the current network of 38 showrooms to 50 outlets by 2010, with most of this growth planned for the Tokyo metropolitan area.

Yamaha is also striving to raise consumer awareness by aggressively conducting advertisement and promotional campaigns, mainly targeting magazine media. These efforts are proving successful in steadily increasing customer demand for Yamaha as a supplier in the housing fixtures market. At the same time, Yamaha is adopting measures to target agents and sales outlets within the home construction sector in an attempt to expand the network of affiliated outlets that provide a sales channel for the home remodeling sector. In Japan there are around 180,000 building contractor firms at present, and the company currently deals with 6,000 firms. Plans call for increasing this latter figure to 25,000 by 2010.

Promoting fundamental reform of production structures

Besides these initiatives, attaining the highest levels of cost competitiveness within the industry

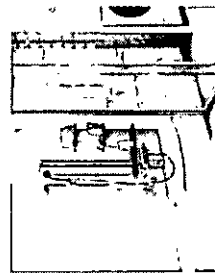
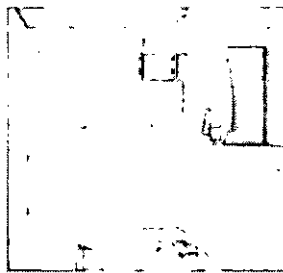
on back-to-back customer contact and needs assessment. Dubbed "Value Up 30," the set of policies is guiding the development of business activities across the company. The results of these initiatives have started to appear gradually from the second half of fiscal 2007.

Establishing a user segment-targeted product lineup

On the product side, based on the concept of "customer-oriented product planning and development," Yamaha is targeting products that combine long life and convenience with human-centered, environment-friendly functions. At the same time, Yamaha has established a clear, user-targeted product categorization of low-, moderately-priced/luxury-level, proposing "Value for Money" based on Yamaha's distinctive blend of style and function.

In addition, Yamaha plans to develop new business models to support the establishment of additional business units that will offer semi-custom order products for the luxury sector and built-to-order products for the super-luxury sector.

In system kitchens, the company plans to further upgrade the luxury™ range of moderately priced products while seeking to acquire more leads in the luxury sector with the POLICE IFCATO™ system kitchen, which was launched in spring 2007. In system bathrooms, rebalancing the internally competitive conditions caused by the current downward trend in unit prices and other factors, Yamaha aims to improve the cost competitiveness of its product range in the moderately-priced sector. Alongside this, Yamaha is seeking to differentiate its products from competitors by improving the ease



System kitchen Beauty™

is an important issue in achieving the "YCP2010" goals. The company aims to trim its cost base by a total of ¥3 billion during the three-year plan period. Through ongoing reforms involving the revision of factory layouts and other measures, Yamaha aims to reduce labor costs by 30% while boosting manufacturing productivity by 30%.

Yamaha has reached agreement to sell four of its six resorts in Japan, leaving only the facilities operated by Tsumagoi Co., Ltd. and Katsuragi Co., Ltd. (golf course/accommodation). Going forward, Yamaha plans to focus on maximizing the contribution of these two recreation complexes to earnings and corporate brand value.

Business outline

With a history of over forty years, this business segment comprises resorts in six localities across Japan from Hokkaido in the north to Okinawa in the south. In recent years the facilities have struggled to remain profitable despite annual visitor numbers of around two million.

Performance overview

Although the number of day visitors to various facilities rose in fiscal 2007, revenues from wedding ceremonies and dining accommodation fell. The closure of the Tsumagoi and Katsuragi-Kitanomaru facilities for refurbishment also negatively impacted segment sales, which continued to fall from the previous year, ending ¥17.8 billion. Profitability improved mainly due to lower depreciation costs, which depressed SG&A expenses. As a result, the segment posted an operating loss of ¥1.5 billion. Developments at each resort are outlined below.

Tsumagoi**

Located in Kakigawa, Shizuoka Prefecture in central Japan, Tsumagoi is a multifunctional resort offering music, sports and other leisure pursuits. Visitor numbers were higher than in the previous year despite a one month closure for renovation. This reflected the popularity of major musical events held at the resort such as the "Forever Young Concert in Tsumagoi 2006," which featured famous musicians Takuro Yashiki and Kiyuyoshi Rondo. Revenues from corporate training, where company uses the resort as a training facility, were favorable, which also generated growth.

Katsuragi Golf Club**, Katsuragi-Kitanomaru**

Visitor numbers during the year at the Katsuragi Golf Club were higher at weekends but fell on weekdays. The accommodation at Katsuragi-Kitanomaru was closed during the first three months of 2007 to refurbish the facility. Improvements included the installation of elevators and the remodeling of certain guest rooms for better free promotions more than ever, and the refurbishment of kitchen facilities. As a result, total visitor numbers at the complex declined compared with the previous year.

Other facilities

At Nitono*, located in Hokkaido, the effects of fewer skiers in recent years combined with an exceptionally mild winter led to a continued decline in hotel guests. However, the numbers of visiting day skiers within Hokkaido increased compared with the previous year, reflecting the remodeling of ski runs in fiscal 2006.

At Tobu Hotel Kitanomaru*, located in Mie Prefecture, visitor numbers declined compared with the previous year, when business received a substantial boost from the DPO 2006 ACHI JAPAN.

At Nemurocity**, also located in Mie Prefecture, although visitor numbers during the year increased due to the resort attracting more group bookings of overseas tourists, a decline in individual bookings resulted in lower sales revenue compared with the previous year. At the Nemurocity Golf Club**, the recreation work completed in fiscal 2006 to change the grass on the greens from Japanese green to bentgrass received a favorable reception from



Katsuragi Golf Club**



Katsuragi-Kitanomaru**



Tsumagoi

policies. The hosting of the Mei Prefecture Open Golf Tournament at the course also contributed to a favorable performance.

At the Hamunobuchi** resort, located in Okinawa Prefecture, profitability improved despite a slight year-on-year drop in visitor numbers, which reflected the withdrawal of regular direct flights to the mainland and expansion of competing hotel facilities.

Decision taken to sell four resorts

On March 23, 2007, the Yamaha Board of Directors approved the sale to Meiji Fudosen Co., Ltd. of the commercial real estate of four resorts in the recreation segment—Nitono, Tobu Hotel International, Nemurocity (including Nemurocity Golf Club) and Hamunobuchi—along with the transfer of all shares in the respective management companies.

Yamaha considered various proposals on the reconstruction and development of these facilities, but concluded that future operational viability would require substantial capital investment. After due consideration of further development possibilities, the future contribution of each business, Yamaha decided to sell on the twin conditions of maintenance of employment levels and the continued operation of each business. Yamaha posted asset impairment losses of ¥4.7 billion in the fiscal year ended March 2007 against the assets scheduled for transfer.

Business strategy

Going forward, Yamaha plans to concentrate resources on the Tsumagoi, Katsuragi Golf Club and Katsuragi-Kitanomaru facilities. By making

the most of each facility's characteristics, Yamaha aims to boost the appeal of the remaining Group-managed resorts to improve profitability and to increase the overall value of the corporate brand. Under the "GSP2010" medium-term business plan, the segment targets for fiscal 2010 are ¥7 billion in sales and to break even at the operating level. The points of concentration for focus going forward are discussed below.

Tsumagoi**

Going forward, the aim at Tsumagoi is to create a facility that embodies the concept of Yamaha as a "sound and music company." Realizing this objective requires further work to establish a solid earnings base for the facility as a training venue for companies, schools and other customers. Besides offering the location as a training facility for music schoolteachers and college-level music students, Yamaha also plans to make the facility available as a sales training venue. Many Japanese companies use outside facilities for corporate training purposes, having said off in-house training facilities after the collapse of the Japanese bubble economy. An IT capital investment program at Tsumagoi was completed in fiscal 2006, furnishing the facility with the equipment necessary to offer sales training courses. In addition to developing the training business, Yamaha aims to stabilize profits by attracting greater numbers of tourists and other visitors during the summer months.

Katsuragi Golf Club**

Katsuragi-Kitanomaru**

Promotional events are important for golf courses to highlight the attractions of the course and raise awareness of high service

levels. At the Katsuragi Golf Club, Yamaha aims to secure various opportunities by attracting more professional tournaments to the course, organizing more golfing lessons by well-known pros, and luring the Japanese amateur championship there.

Most of the guests at Katsuragi-Kitanomaru are people using the facilities at the Katsuragi Golf Club. The challenge is to encourage more people living in the Tokyo metropolitan area to stay at the hotel. Fiscal 2006 plans call for additional improvements by upgrading the gardens and peripheral facilities. Yamaha also aims to improve hospitality by achieving the highest levels of service and customer satisfaction, notably in the area of food provision.

Within this segment, the golf products and metallic molds/components businesses continue to achieve steady growth. The automobile interior wood components business has been spun off and merged with Yamaha Fine Technologies Co., Ltd. to exploit operational synergies with the metallic molds and components business. Overall prospects for increased profit generation by these operations going forward are good.

Business outline

The segment consists of golf products and automobile interior wood components supplied by Yamaha Corporation, and factory automation (FA) equipment and metallic molds/components that are manufactured and sold by subsidiary Yamaha Fine Technologies Co., Ltd. (YFT). Effective April 1, 2007, Yamaha spun off the automobile interior wood components business and merged it with YFT. The aim of this spin-off is to sustain growth and raise productivity by realizing synergies in marketing technology and manufacturing.

Performance overview

Segment sales reached ¥2.4 billion, a 31.2% increase in year-on-year terms. The result reflected strong growth in sales of golf products for export markets mainly in South Korea and a significant increase in sales of magnesium parts and plastic parts in the metallic molds and components business. Although production levels of automobile interior wood components increased due to demand created by the renovation of new models, production yields were lower than anticipated. As a result, operating income slipped below target. Segment operating income rose 36.5% compared with the previous year to ¥0.8 billion.

Business strategy

Under the "YGP2010" medium-term business plan, the segment targets for fiscal 2010 are ¥3.4 billion in sales and ¥2.5 billion in operating income. Market trends and policy responses in each business are outlined below.

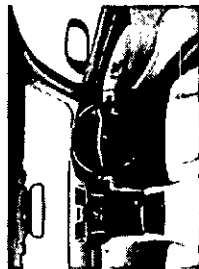
Golf products

In the golf products business, Yamaha's primary export customer group is wealthy individuals in the US, Europe and Asia with a taste for the premium market. The main sales markets are Japan, South Korea, Hong Kong

and Southeast Asia. Although the market to golf equipment in Japan remains on a declining trend, demand is expanding briskly in overseas markets. A golfing boom in Korea and a doubling of Yamaha's sales in Hong Kong during the year both contributed substantially to an excellent performance in fiscal 2007. Moreover, a successful advertising campaign in Japan during the second half of calendar year 2006 boosted sales and helped sustain high growth among customers, leading Yamaha to increase market share. Sales growth was in double digits for the second year running. These factors resulted in a major improvement in the profitability of the golf products business.

Yamaha launched a fully retooled range of golf clubs under the "New Premium" brand during fiscal 2007. These clubs conform to the new standards limiting the allowable coefficient of restitution for driving clubs that are due to come into force in 2010. Furthermore, they meet the maximum and average distances of clubs compared with previous standards, models also compliant with these new regulations. As a result, the new range contributed to increased sales of the business. Also popular were an entire system for custom built clubs and made-to-order driving clubs, which are tailored to a customer's swing using a special analyzing system.

Yamaha expects the introduction of the new standards to stimulate fresh replacement demand in 2007 from clubs of high coefficient of restitution to clubs that are compliant with the new standards. The next few years will also see the replacement of Japan's so-called baby boom generation. The predicted increase in the number of people that can enjoy golf as a leisure pursuit is forecast to promote a further increase in sales. Going forward, Yamaha plans to strengthen its marketing base to boost the contribution of the business to Yamaha Group profits by conducting effective advertising campaigns to stimulate sales growth.



Automobile interior wood components



Magnesium parts used in mobile phones

reduce strict quality standards and delays in improving production yields for wood sanitation processes.

The spin-off of the automobile interior wood components business and its integration with the metallic molds and components business aims to promote synergy due to mutual development of marketing activities among existing customers and common utilization of mold-related technologies. Other projected benefits include reconstruction of manufacturing processes in component

businesses and the sharing of personnel. Through the integration process, Yamaha aims to develop optimized mass-production processes for the automobile interior wood components business, while also developing more high-value-added product lines and expanding sales network.

The company is working in cooperation with automakers to raise production yields. The company aims to improve productivity by focusing resources on the execution of a number of ongoing measures.

Metallic molds and components

The metallic molds and components business uses an integrated production process from development through to mold fabrication and coating, in addition to a 3-D production process. Yamaha supplies magnesium parts and plastic parts for products such as household appliances, communications equipment and mobile devices.

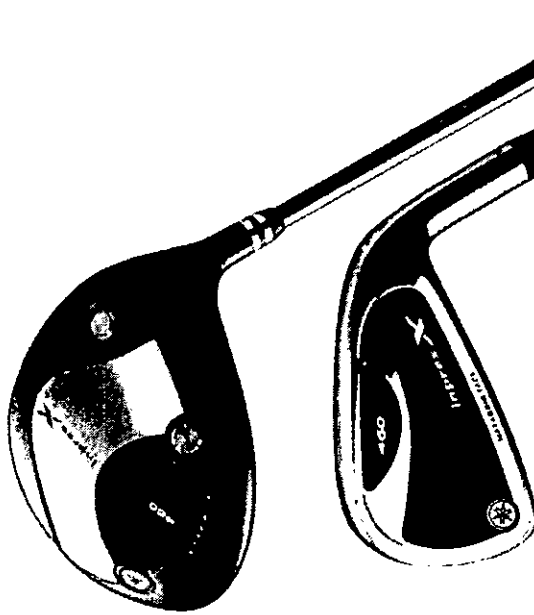
Demand for magnesium parts continues to expand in particular as mobile phones become thinner and amid pronounced growth in the market for high-end digital single-lens reflex cameras. On the other hand, Yamaha expects a contraction of trends such as highly variable orders and unit price erosion. This reflects a growing need for small-lot production of a large product range, the shift toward increased functionality in products and the shorter product life cycles.

Going forward, Yamaha aims to expand the business led by reducing the cost of sales and by developing mass-production technology. Focusing on leasing profit margins, efforts are also underway to develop capabilities to efficiently handle order variability and to achieve higher production yields.

Factory automation (FA) equipment

Yamaha's FA equipment business manufactures and sells various types of precision machines for

Golf club inspection, 4000



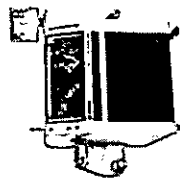
labeling and reducing rejects; electronic component layout boards; leakage inspection equipment for detecting microscopic leaks of air particles or fluid with super-accuracy; and industrial robots that perform burr removal, surface treatment, and polishing.

In precision machines, conditions remained favorable within the industry that makes flexible printed circuit boards for use in digital consumer electronic products such as flat-panel TVs, mobile phones, digital cameras and portable audio players. However, sales were sluggish due to a poor performance in overseas markets, reflecting deterioration in South Korean and Chinese market conditions during the second half of fiscal 2007.

In leakage inspection equipment and industrial robots, competition intensified and firm demand from the automobile industry. Yamaha expects the market for leakage inspection equipment to expand further due to rising environmental concerns.

In industrial robots, Yamaha is in an alliance with FANUC LTD., one of the world's leading manufacturers in the field. With sales of jointly developed finishing robot systems are growing steadily, the number of models sold is also increasing in accordance with growth in overseas demand.

Going forward, Yamaha aims to increase its market share with these various products and thus achieve higher sales.



Precision machine (5th purchaser)



Finishing robot

Technological expertise underpins the Yamaha Group's base of broad operations. Yamaha invests substantially in research and development (R&D) activities that support its progress in advanced technology. Securing, protecting, and utilizing related intellectual property is another prime aim at Yamaha to ensure that the Company retains and enhances its competitive technical edge.

Research and Development

Core technologies and business direction

Yamaha leverages the core technological expertise that it has achieved over many years in the fields of sound and music to increase the value of the Yamaha brand and to stimulate new demand by developing and offering innovative, high-quality products and services. At the same time, the Company has cultivated an excellent global reputation for original design. This attracts customers worldwide who prize the competitiveness of the product range and value the Yamaha brand and people. Core technical expertise and innovative product design constitute important functions for Yamaha.

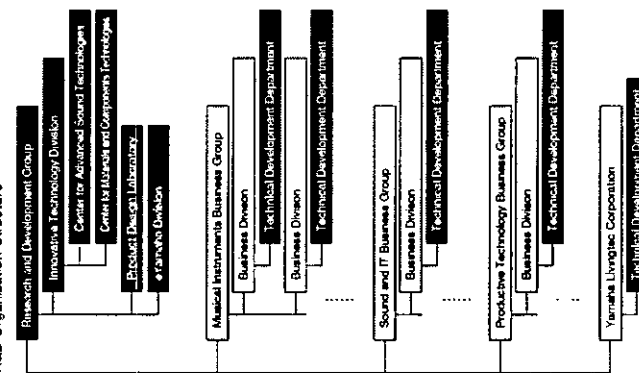
Going forward, Yamaha will focus attention on developing network-based sound technologies that bring about "sound-based" lifestyles, as well as materials and devices connected with human senses and emotions. By doing so, Yamaha can generate new business opportunities using its expertise in sound, and continue expanding as "the sound professional" company, even in the realms of human voices and environmental sound. The Company is working, for instance, on blending acoustic, digital signal processing, and network technologies to enable sound to become the basis for important aspects of home life, such as conveying information or security. Yamaha also is looking at commercializing other potential businesses in light of the rapid aging of Japanese society. Efforts include a studio in Tokyo established to develop original systems that emphasize the positive social role of music in region maintenance.

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

R&D organization

R&D at Yamaha comprises three elements. First, technical departments attached to each business segment and the Group Companies work on product development. Second, the

R&D Organization Structure



innovative technology Division focuses on new research and technical development projects spanning the entire Company. Third, separate companywide project teams work on specific strategic research and product development themes.

Within the Innovative Technology Division are separate R&D centers—the Center for Advanced Sound Technologies for comprehensive R&D of musical instruments, audio equipment, electronic equipment and software, and the Center for Materials & Components Technologies for new materials and devices. The companywide project teams, meanwhile, include efforts by the Division that promotes R&D into new business models for the related age.

In addition, Yamaha conducts most of its product design in-house at Yamaha Product Design Laboratory, which holds two Design Studios in Tokyo and London. Yamaha continually works to bolster its structure to full its aim of being a leader in high-quality product design that has a rich, cutting-edge feel to it.

R&D achievements

Developed products using MEMS (Micro Electro Mechanical Systems) technology
Yamaha began the basic development of MEMS in 2002 and commenced the development of silicon microphones in 2004. Drawing on its semiconductor manufacturing technology, circuit design technology, and acoustic design technology, Yamaha succeeded in developing its silicon microphones in a relatively short period.

Yamaha has a broad lineup of audio LSI products, including mobile audio LSI chips, as well as analog and digital audio signal processing technology. Going forward, Yamaha will aim to draw on its experience and technology in these areas to develop high-value added microphones and microphone systems to meet a range of needs for noise reduction, directionally control, and other features.

Yamaha has also been mass-producing two-axis and three-axis geomagnetic sensors for applications related to mobile phones, among others, since 2005. Yamaha succeeded in the miniaturization of the sensors during the period via process development.

Developed microphone-speaker array control technology

Yamaha has combined the speaker position detection technology of the arrayed microphone and the virtual sound source reproduction and 3-channel core processor technologies of the arrayed speaker in IP corresponding systems to realize a "Talker Position Output Mode" that reproduces voices according to the location of the speaker.

Developed USB powered stereo speaker with powerful output
Yamaha's "PowerStorage" circuit, a unique technology developed during the period, can output 20W (10W + 2) of "resonant power", which is around 20 times what other USB speakers deliver.

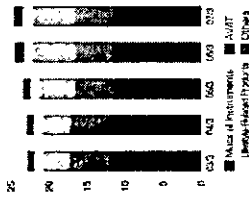
* Continuous power output at 0.1 seconds.



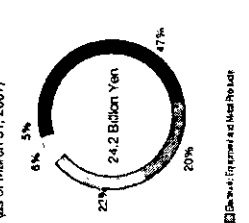
Measurement of physical characteristics of materials
Yamaha and Pioneer R&D at Yamaha began the development of various new materials and devices with applications in sound and music. The fruits of such efforts provide the basis for new businesses.

Measurement of acoustic characteristics
using dummy heads in an anechoic room
Yamaha's Center for Advanced Sound Technologies are actively working to expand its ability to study sound, and create realistic sound environments. This work, which is carried out in an anechoic room, is essential for the development of new products and services.

R&D Expenses (Billions of Yen)



R&D Expenses by Business Segment (as of March 31, 2007)



Intellectual Property

Patents

The graph to the right illustrates the number of Yamaha patent applications published in Japan and the number of patents owned at the end of March 2007. By Yamaha's aggressive approach to patent filings in accordance with the R&D progress for all key R&D themes, without exception.

Patent strategy

Yamaha makes every effort to ensure that its patent strategies are coherent with its business development plans. In this respect, Yamaha has formulated patent strategies which contribute to the major themes central to its "YCP2010" medium-term business plan, namely, "achieving growth in 'The Sound Company' business domain" and "further strengthening profit-making capability as the foundation for growth." To meet the objective of its first policy, Yamaha is highlighting efforts to foster innovation and to promote patent acquisition with respect to the innovation. Yamaha seeks to meet the objective of the second policy by continuously obtaining patents in Japan and abroad that help to protect its existing businesses.

Yamaha has also identified priority themes for patent acquisition in each business segment with the intention of establishing a strong patent portfolio. These target themes are summarized below.

- Musical instruments**
Network-related technologies, new-concept musical instruments, professional audio equipment related technologies
- AV/IT**
Sound field control technologies, network-related technologies
- Electronic equipment and metal products**
Sound-related devices
- Lifestyle-related products**
Kitchen and bathroom-related technologies
- Yamaha promotes patent filings and rights acquisition in its other business segments as well. The aim is to achieve filings and acquisitions commensurate in number with the scale of each business.
- Companywide R&D focuses on patent filings in areas related to acoustic technology and audio signal processing

technology, as a major theme. By instilling a patent-oriented viewpoint in management for each stage of development, Yamaha promotes an aggressive approach to patent filings in accordance with the R&D progress for all key R&D themes, without exception.

Patent use

Patents are regarded by all Yamaha business segments as fundamental to commercial differentiation and to securing and maintaining an advantageous business position. Yamaha's AV/IT and electronic equipment/musical products segments make use of cross-licensing arrangements to augment their operational freedom. The Company also engages in patent licensing to third parties. In its AV business, for example, Yamaha is participating in a joint licensing consortium for optical disk recording technology patents that is led by Philips and Sony.

Yamaha also aims to maintain its intellectual property assets in the most appropriate manner. An annual review of all company-owned patent rights in Japan and elsewhere is conducted to determine current and future uses of respective patents. Patents to be maintained are then selected and a maintenance fee paid, thereby ensuring the appropriateness of intellectual property assets owned by the Company.

Patent management systems and methods

A corporate Legal & Intellectual Property Division oversees Yamaha's patent strategy and the integrated management of all patents held by the Yamaha Group. Specific personnel at each business and R&D division are assigned to intellectual property roles to ensure the Company's patent strategy is coherent with business and R&D strategies. Yamaha also holds regular meetings between each business and R&D division and the Legal & Intellectual Property Division, with the objective of promoting an integrated patent strategy at the group level.

"Respect for intellectual property" and "the securing of confidentiality" are also key concepts in Yamaha's "Compliance Code of Conduct," which forms part of the code of conduct for Yamaha Group personnel and member firms.

Internal incentives for inventions and patents

Yamaha revised internal regulations on patent rewards in 2005. The Company remunerates inventors at the various stages of patent acquisition and use, including filing, registration, internal practice, and any outward licensing. The payments are to reward inventors and to provide an incentive for invention. In the course of amending corporate regulations on patent rewards, Yamaha has incorporated steps required by the Patent Law, and carried out an increase in reward payments to encourage increased patent applications and registrations. Yamaha also strives to cultivate a dynamic corporate culture that values innovation and that honors the

achievements of inventors. The Yamaha patent awards are held annually to recognize inventors who have made efforts aggressively to create inventions, patent filings and patent registrations, and to recognize mentions with significant potential and their exhortations.

Designs

The graph bottom right shows the number of registered designs owned by Yamaha at the end of March 2007. The musical instruments business accounts for about 70% of the total. Yamaha has boosted the number of product design applications made to the Chinese patent office in recent years as part of countermeasures against counterfeit products.

Copyright and other rights

Besides industrial property rights, such as patents, designs, and trademarks, the Yamaha Group generates numerous intellectual property in the form of copyright works, mostly in the field of sound and music. Yamaha applies the same degrees of care to ensure the proper management and use of music-related copyright as it does with other forms of intellectual property, such as patents, designs and trademarks.

Brand management

Yamaha formulated a "Brand Charter" in 2000, and has established rules concerning how the Yamaha brand is to be managed and represented. Going forward, the main thrust of brand strategy development will be focused externally rather than internally as a means to strengthen and advance business and product strategies.

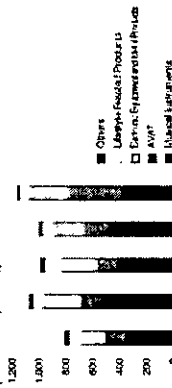
Anti-counterfeiting measures

Yamaha has pursued a proactive policy against the counterfeiting of its products for more than 10 years. By using bureaucratic and legal routes, Yamaha strove actively to expose and stop such counterfeiting practices, with some success. Cases of other firms seeking to copy Yamaha's brand goods have become more frequent in recent years. Going forward, Yamaha plans to adopt a more aggressive legal posture, including filing lawsuits against infringers, to preserve its brand value and to retain consumer trust in the Yamaha brand. Yamaha also takes anti-counterfeiting measures in advance with other companies in diverse industries.

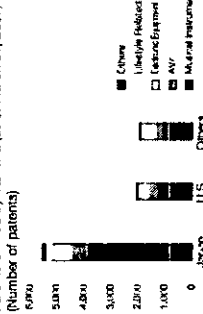
Intellectual property risk

At the time of this report's publication, the Yamaha Group was not involved in any intellectual property dispute with the potential to have a significant impact on the Company's business.

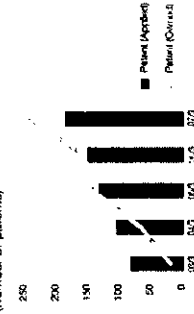
Yamaha Patent Applications Published in Japan
(Number of patents)



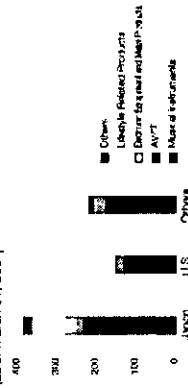
Patents Owned by Yamaha (as of March 31, 2007)



Patents Applied and Owned by Yamaha in China
(Number of patents)

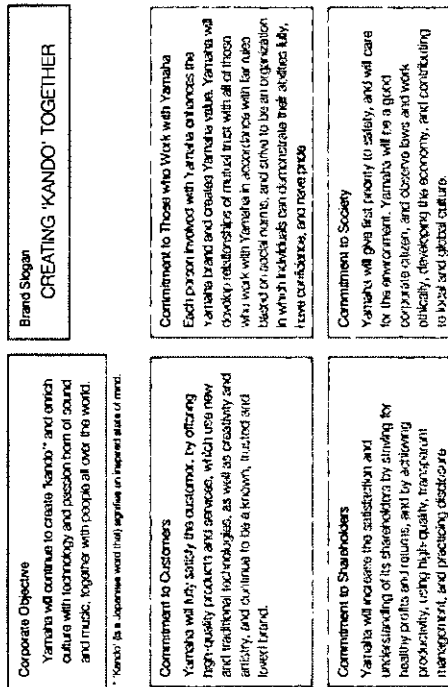


Registered Designs Owned by Yamaha
(as of March 31, 2007)

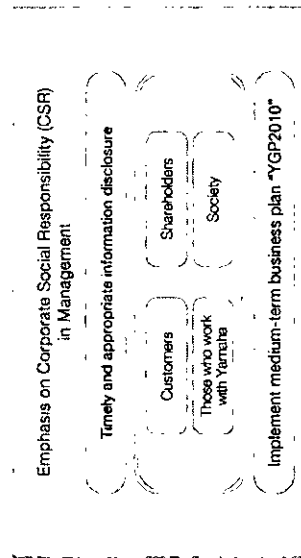


The Yamaha Group aims to boost corporate value through implementing our corporate philosophy and pursuing corporate management that emphasizes corporate social responsibility (CSR) in order to meet the expectations of stakeholders.

Yamaha's corporate philosophy



Yamaha's CSR Initiatives



* For further details on CSR activities, please refer to the Yamaha CSR Report.

Enhancing corporate governance

Creating a management structure through the Board of Directors and Executive Officers

The Board of Directors at Yamaha consists of eight directors, including one Representative Director and one outside director. The Board of Directors oversees the management function of the Yamaha Group, with directors appointed for a fixed period of one year to carry management responsibilities.

Yamaha also employs an executive officer system, comprised of 16 executive officers, including one senior director and two managing directors, to support the Company president, the chief officer in charge of business execution.

The executive officers, who double as Company directors, primarily oversee the operational and administrative decisions, which have been broadly divided into six groups. As part of this supervision, they manage and direct the divisions within the groups and are responsible for the performance of the groups. There is one executive officer, deemed to be a key management position, assigned to each division within a group, each with responsibility for a key management theme.

An audit system to ensure fair and transparent business practices

Yamaha employs an auditing system headed by its Board of Auditors. The Board comprises two internal and two external auditors who periodically perform comprehensive audits of all divisions and Group Companies, and participate in Board of Directors meetings and management meetings, with Board of Auditors meetings generally convened once a month.

The Internal Auditing Division is under the control of the President and Representative Director. Its role is to closely examine and evaluate

all activities undertaken at Yamaha and its Group Companies from the perspective of legal compliance and integrity. The evaluation results are then used to provide information for the formation of suggestions and proposals for rationalization and improvement.

Refining the Yamaha Group's internal control system

Yamaha refines its internal control system to maximize efficiency in all its business activities, improve the reliability of its accounting and financial information, ensure full legal compliance, improve asset safeguarding, and enhance its risk management. Yamaha and its Group Companies created a "Group Management Charter" in June 2005, clarifying group management policies in order to ensure responsible business conduct.

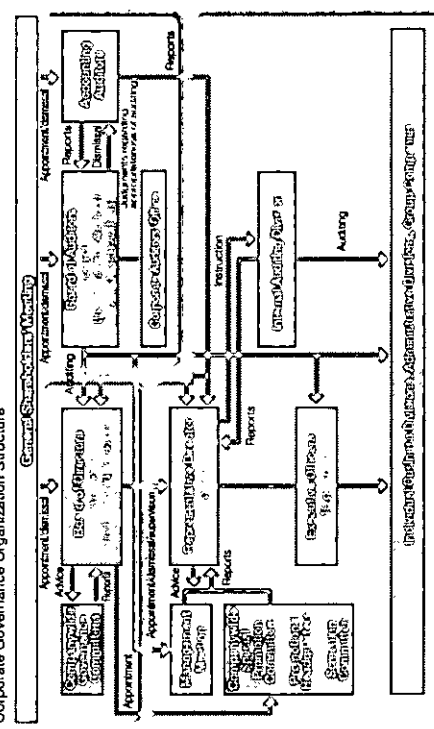
Companywide Governance Committees to strengthen corporate governance

To strengthen corporate governance, Yamaha established the Companywide Governance Committee, consisting of the Compliance Committee, the CSR Committee, and the Corporate Officer Personnel Committee.

The Compliance Committee promotes activities across the Yamaha Group aimed at enhancing corporate management compliance with both law and social norms. The Corporate Social Responsibility Committee (CSR) Committee disseminates themes for the Yamaha Group to promote in order to achieve greater corporate social responsibility. To ensure a clearer, more integrated system of action, the Corporate Officer Personnel Committee meets to consult on appointments.

Yamaha's other companywide committees have been established to provide across-the-board response to critical risk factors that may arise during the course of business execution.

Corporate Governance Organization Structure



New policy concerning large purchase of Company shares

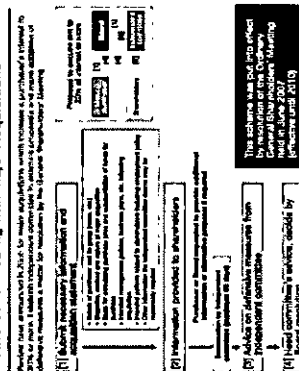
The Company introduced its "Policy on Large Purchases of Company Shares (Anti-Takeover Measures)" on April 28, 2007, for the purpose of securing and enhancing the corporate value of the Company and the common interests of shareholders. In order to reduce the risk of shareholders more actively and completely, Yamaha reviewed the policy at the Board of Directors Meeting on April 27, 2007, and thereafter put into effect a new policy (Anti-Takeover Measures) for large purchases of Company shares upon approval of the shareholders at the Ordinary General Shareholders' Meeting held on June 26, 2007.

The rules of the policy state that any person offering to purchase shares with the objective of obtaining a holding ratio of shares of 5% or greater shall, prior to securing such purchase, submit all of the information needed for an independent committee composed of outside directors and knowledgeable persons outside the Company to examine the details of the purchase. The independent committee shall make a recommendation to the Board of Directors concerning whether or not to implement countermeasures, and the Board will honor the judgment and adopt a resolution accordingly. The implementation of the Anti-Takeover Measures is subject to the approval of the shareholders in order to respect the intention of the shareholders more fully.

The purpose of these rules is to ensure in the event of an unexpected large share purchase, that the purchaser provides necessary and sufficient information to enable shareholders to make a decision as to whether a large share purchase (other than any special party's tender) is not to the Company and its shareholders. The rules are not designed as a deterrent to large share purchases so long as the bid, even if it is deemed a hostile one, is in the best interests of the Company and its shareholders in terms of corporate value.

For further details, please refer to Yamaha's homepage: <http://www.global.yamaha.com/news/2007/07/0427.htm>

Measures for Dealing with Major Acquisitions



Promoting compliance in management

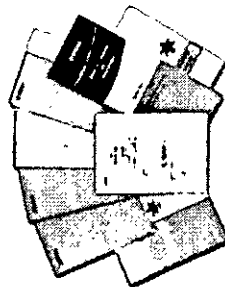
Establishing a Code of Conduct and promoting compliance Yamaha Corporation is aiming to achieve a high level of compliance management by complying not only with the law but also with social norms and corporate ethics.

To do so, in April 2003, we established a Compliance Committee and created the Compliance Code of Conduct, which outlines important rules of conduct. Explanatory meetings were held in each workshop to familiarize all group directors and employees (including temporary staff and contract employees) with its contents. In addition, the Compliance Help Line was established, through which the Compliance Committee and outside legal advisors provide a consultation and information system for matters related to compliance.

A compliance survey is also periodically conducted to identify potential risks or problems in the compliance requirements, and to assess group employee awareness of these requirements. The results of the three surveys conducted thus far are reflected in present Company compliance measures.

Revisions were made to the Compliance Code of Conduct in April 2008. Meetings were subsequently held in all workshops to familiarize employees with the new code. These revisions included revisions regarding the prohibition of forced and child labor, the prohibition of discrimination and respect for human rights, and other information essential for Group Companies with overseas business interests. Information regarding new laws, such as personal information protection laws, and revisions to existing laws was also included.

To help the Yamaha Group conform to the laws and social norms of countries in which it has offices, the revised version is now being used as the basis for the creation of regional and international editions of the Compliance Code of Conduct. By June 2007, versions for no less than 12 countries had been completed.



Compliance Code of Conduct in varying languages

Initiatives for our customers

Compliance with worldwide safety standards The Yamaha Group has established a system that ensures compliance with product quality and safety laws and regulations in order to provide our customers with a reliable product.

The Yamaha Group gathers information on worldwide safety standards for electric and electronic products and performs research to ensure that Yamaha Group products are in compliance with the required standards. By compiling a database of the results of these responses, the Company has made it possible to reliably confirm whether a product is in compliance from any group site in the world.

To further improve the efficiency and accuracy of these responses, a quality assessment facility equipped with state-of-the-art electromagnetic wave measurement equipment and various other types of measurement and assessment devices was established at Yamaha headquarters in May 2006. The Company has also compiled the "Insulation Guide" to provide clear standards for the display of product safety information on a product and ensure the correct labeling of Yamaha products.



Anechoic chamber used for electromagnetic wave measurement

Initiatives for those who work with Yamaha

Passing on skills through the Skill Registration System Yamaha is working to pass on technical skills to the next generation, a problem faced by most Japanese factories.

In October 1993, Yamaha established the Skill Registration System to make a record of vital skills in each division that need to be preserved and passed on to younger employees. The system is based on a list of vital skills, who needs to learn them, and a deadline for learning them. The "Form-to-Program" was also started in October 1999. This program pairs up veteran workers with less experienced personnel and sets a goal and an action plan to achieve it. As of the end of fiscal 2007, there were around 120 such pairs moving forward on their action plans.

After their complete trial action plan, both people as an "Academy Report" with the Human Resources Division. This record shows how each of them achieved their goal, which helps to pass on the skill of how to pass on skills.



Passing on skills for the production of pianos to the next generation

Fair selection and evaluation in partner relationships The Yamaha Group views suppliers and subcontractors as partners in our quest to achieve our business goals, and as such we practice fair dealings based on mutual trust.

When dealing with other companies, we strictly adhere to the law and Company regulations and standards of fair selection and evaluation. Under the banner of open procurement, we ensure open, fair and unbiased dealings, and a basic policy of conserving natural resources and protecting the environment. We also meet with suppliers and subcontractors to establish agreement on trade policies and quality regulations.

Every six months, we hold the Council of Yamaha Corporate Affairs' meeting, at which we explain Yamaha's production policies for the Company or certain businesses, and current sales trends.

* Council of Yamaha Corporate Affairs is an organization consisting of representatives of all factories that make parts for Yamaha. The council promotes good relations and information sharing between members, and independent and ongoing study and research activities related to business management – all designed to increase the management capabilities of all participants.

Quality creation from a customer perspective

A motor-driven, self-propelled taster* equipped in professional-use digital meters enables key user interests somewhat akin to the keyboard in electronic musical instruments. In developing the taster system, Yamaha applied quality engineering test focus technologies related to controlling mechanism, controlling circuit and controlling software. Development began with a numerical definition of the ideal movement of the taster from a customer perspective. Systematic testing and analysis provided the basis for a combination of "strong" control parameters that ensure testing is as close to perfect as possible, even under diverse environments used for digital mixing consoles.

A taster system designed in this manner guarantees outstanding performance and quality in terms of self-propelled speed, precision in stopping, consistency in movement and quality, even in diverse user environments. It thus provides a high quality, reliable user interface.



LSO digital meter

* The taster is part of the digital meter that can be slid back and forth to adjust volume

Initiatives for Shareholders

IR activities to promote understanding of the Company When releasing information, Yamaha sincerely adheres to its disclosure policy to ensure a level playing field for individual investors and institutional investors worldwide. We release information in a timely manner through many channels, including information for results briefing, annual reports, and the Company website. For Japanese securities analysts and institutional investors, there are quarterly results briefings, and in addition to explanations of results by top management, there are occasionally factory tours and strategy conferences for individual business lines.

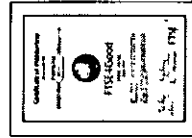
All information released in Japan is translated into English for foreign institutional investors. In addition, the president or another top executive travels overseas several times a year to meet with investors and talk with them about Yamaha's operations.

Participation in socially responsible investment funds

Socially Responsible Investment (SRI)—the concept of considering the social responsibility of an investment as well as the economic return when investing in stocks—has also become an important consideration in Japan. Yamaha is listed in some of the world's top SRI indices, like the FTSE4Good Global Index (managed by Britain's FTSE¹⁾, the Ethical Sustainability Index (managed by Belgium's Ethical²), and the Morning Star Inc. SRI Index. Of the Japanese SRI funds, Yamaha is included in the Asahi Life SRI Fund, the UBS Eco Fund, and many others.

¹ FTSE Corporation is a part company established by the Financial Times Ltd. and London Stock Exchange plc.

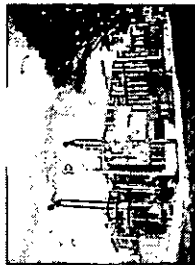
² Ethical is an independent consulting firm works with banks, brokers, and institutional investors in making socially responsible investments.



Initiatives for the environment

Introduction of cogeneration system at Tenryu Factory Yamaha has installed a cogeneration system, which went into operation on January 6, 2007, at its Tenryu Factory. With this system, two GEL displacement engines (each equivalent to the power of around 100 compact cars) powered by natural gas for household usage run two 815kW generators. The resultant heat is used to produce steam and hot water for use in air

conditioning and manufacturing processes at the factory. The installation of this system resulted in savings of primary energy approximately 250Kw of fossil fuel (made of conversion) per annum, and an estimated reduction of 1,600 tons in CO₂ emissions a year. The amount of CO₂ cut is equivalent to 1.0% of emissions at Yamaha Group production facilities in fiscal 2005. This makes a significant contribution toward attainment of the Yamaha Group goal "to reduce CO₂ emissions by 6% by 2010 relative to 1990 levels."



Cogeneration system

"Yamaha Forest"—Report on 2nd Year of Reforestation Initiative in Indonesia

Yamaha Corporation and Yamaha Motor Co., Ltd. are working together on the "Yamaha Forest" project, a tree-planting initiative in Indonesia. A tree-planting event was staged on December 17, 2006, to mark the end of the second year of the project.

Both companies have manufacturing and sales networks in Indonesia, and saw the initiative, which was started in 2005, as a method of contributing to society by providing environmental education and protection through the planting of trees.

The project is supported by OISCA¹, a Japanese NGO with a background in environmental conservation and promotion and developmental support of agriculture in Asia and the Pacific region.

In line with Yamaha's wish to promote exchange with the local community, gifts of school supplies were presented to children at a ceremony held prior to the planting.

¹ OISCA is a charitable corporation established in 1981 and run under the supervision of the Ministry of Foreign Affairs, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Economy, Trade and Industry, and the Ministry of Health, Labour and Welfare.



Tree-planting in 2006

Initiatives for society

Yamaha Corporation of America supports

Special Olympics

Yamaha Corporation of America (YCA) once again provided support for an athletics event for people with intellectual disabilities staged in Southern California in June 2006.

Volunteers from YCA helped with the running of the event. They also ran a booth where the more than 1,300 athletes had the opportunity to try out a variety of musical instruments by themselves, like the "player piano" and electronic piano. Special Olympics Southern California provides training and athletic events for people with intellectual disabilities, from children to adults, throughout the year.



Special Olympics Southern California

Yamaha Music Latin America in Argentina marks 10-year anniversary with concert to support hospital

Branches of Yamaha Music Latin America, S.A. in Argentina teamed up with Yamaha Motor Argentina S.A. to stage a charity concert on October 22, 2006, marking the 10th anniversary of both companies. More than 3,000 people were entertained for over five hours on a warm sunny day by students from the Yamaha Music School and artists of Yamaha. A donation of a dinner was the entry fee for the event

to support the Garzanti Hospital for children, which is currently undergoing a difficult financial period. More than three months' worth of donors were collected thanks to the cooperation of artists, athletes and the personnel from the two companies.



10-year anniversary concert in Argentina

Yamaha Music Central Europe helps popularize playing wind instruments in public schools with Yamaha BläserKlasse Yamaha Music Central Europe GmbH based in Germany, has, since 1994, encouraged and supported young people playing in symphonic brass orchestras at public schools through the unique Yamaha BläserKlasse concept. This concept is realized in normal music lessons at public schools for pupils aged 10 to 16. The program has been instituted at more than 1,000 schools in Germany, Austria, and the Netherlands. Up to now, around 28,000 students have enjoyed playing music together, motivated and supported by Yamaha's BläserKlasse concept.



BläserKlasse

Yamaha Indonesia and six local affiliates rebuilt elementary schools destroyed in Yogyakarta quake

Six local affiliates of the Yamaha Group in Indonesia banded together to help with relief efforts after an earthquake on May 27, 2006, centered near the historic city of Yogyakarta in Java, Indonesia, killed around 5,700 people. A total of 13 million was donated via OISCA, a Japanese NGO, to rebuild two elementary schools in Wiro Wilaga, which was devastated by the quake. The new school buildings were completed in November 2006, with a ceremony to mark.



Yamaha rebuilds school after Yogyakarta quake

■ Board of Directors



Shuji Ito
Chairman and Director



Mitsuru Umemura
President and Representative Director



Hirokazu Kato
Director



Tsuneo Kurose
Director



Toru Hasegawa
Outside Director
Corporate Advisor of
Yamaha Motor Co., Ltd.



Yasushi Yahata
Director



Hiroo Okabe
Director



Motoki Takahashi
Director

■ Corporate Auditors

Michio Horikoshi (Full-Time Auditor)

Takafusa Malino (Full-Time Auditor)

Kunio Miura (Outside Auditor, Lawyer)

Yasuharu Terai (Outside Auditor, President and Representative Director of Yamaha Motor Solutions Co., Ltd.)

■ Executive Officers

Hirokazu Kato
Senior Managing Executive Officer
Sound and IT Business Group
Research and Development Group

Tsuneo Kurose
Managing Executive Officer
Finance and Administration Group
Report Management Group

Hiroo Okabe
Managing Executive Officer
Musical Instruments Business Group

Yasushi Yahata
Executive Officer
Production Technology Business Group
Process Management Group
Golf Products Division

Motoki Takahashi
Executive Officer
Deputy Group Manager, Finance and Administration Group
(Corporate Planning and Business Planning)
General Manager, Corporate Planning Division

Takuya Tamari
Executive Officer
General Manager, Sound Network Division

Koji Nishi
Executive Officer
General Manager, Innovative Technology Division

Yasuhiko Kira
Executive Officer
General Manager, Product Design Laboratory

Tatsumi Ohara
Executive Officer
General Manager, Semiconductor Division

Tsutomu Sasaki
Executive Officer
General Manager, Purchasing & Logistics Division

Masahiko Koshida
Executive Officer
President, Yamaha Music & Electronics (China) Co., Ltd.

Yoshihiro Doi
Executive Officer
General Manager, Domestic Sales & Marketing Division

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

Takashi Onoda
Executive Officer
General Manager, Piano Division

Masahito Kato
Executive Officer
General Manager, Business Planning Division

Wataru Miki
Executive Officer
General Manager, Public Relations Division

(June 27, 2007)

Six-Year Summary

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31

	2007	2006	2005	2004	2003	2002
For the year:						
Net sales	¥ 550,381	¥ 534,084	¥ 534,079	¥ 539,506	¥ 524,763	¥ 504,406
Cost of sales	352,381	341,816	335,483	337,813	338,307	340,411
Gross profit	197,999	192,267	198,595	201,693	186,456	163,994
Selling, general and administrative expenses	170,295	168,132	162,869	156,637	154,413	152,951
Operating income	27,685	24,135	35,695	45,056	32,043	11,043
Income (loss) before income taxes and minority interests	33,101	35,842	33,516	47,456	22,612	(5,784)
Net income (loss)	27,866	28,123	19,687	43,541	17,947	(10,274)

At year-end:						
Total assets	¥ 559,031	¥ 519,977	¥ 505,577	¥ 508,731	¥ 512,716	¥ 506,563
Net assets*	351,398	316,005	275,200	259,731	214,471	201,965
Total current assets	231,033	209,381	225,581	201,704	221,089	211,140
Total current liabilities	138,658	117,047	145,620	123,596	158,148	144,498

Amounts per share:						
Net income (loss)	¥ 135.19	¥ 136.04	¥ 95.06	¥ 210.63	¥ 86.65	¥ (49.75)
Net assets*	1,680.91	1,532.62	1,334.51	1,259.28	1,040.06	978.15

Ratios:						
Current ratio	189.1%	178.9%	154.7%	163.2%	139.8%	146.1%
Equity ratio*	62.0	60.8	54.4	51.1	41.8	39.6
Return on assets	5.2	5.5	3.9	8.5	3.5	(2.0)
Return on equity*	8.4	9.5	7.4	18.4	8.6	(5.2)

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

Financial Section

Contents	
Six-Year Summary	47
Management's Discussion and Analysis	48
Consolidated Balance Sheets	57
Consolidated Statements of Income	56
Consolidated Statements of	
Change in Net Assets	60
Consolidated Statements of Cash Flows	61
Notes to Consolidated Financial Statements	62
Report of Independent Auditors	60

Management's Discussion and Analysis

Performance Overview

"YSD50" Medium-Term Business Plan
Fiscal 2007, the year ended March 31, 2007, was the final year of the "YSD50" plan. Against numerical performance targets of ¥590 billion in net sales, ¥50 billion in operating income and ¥34 billion in net income, Yamaha posted net sales of ¥550.4 billion, operating income of ¥27.7 billion and net income of ¥27.9 billion. Sales and profits were thus both below target. The main factors contributing to the shortfall relative to the plan were over-optimistic growth projections, particularly in the musical instruments and AV/IT segments, and better-than-expected late in demand and unit prices with LSI sound chips for mobile phones.

However, Yamaha did achieve one of the initial goals of the "YSD50" plan to eliminate real interest-bearing facilities with the aim of improving the Company's financial condition.

Although sales and operating income in the musical instruments segment were both significantly below the medium-term business plan targets, the growth achieved in the professional audio equipment business was in line with expectations. Growth in the Chinese market exceeded 10% per annum, reflecting steady progress from ongoing investment in the sales network, music schools and other market infrastructure. Yamaha was also able to gain market share in growth markets, notably in Asia, as well as in South Korea, a mature market. Moreover, progress remained on track in undertaking manufacturing reforms such as the reorganization of production bases. Management believes that steady progress has been achieved in terms of implementing measures designed to promote future growth.

In the semiconductor business, both the drop-off in sales volumes and the unit sales price erosion seen with LSI sound chips for mobile phones were greater than anticipated. Growth with other devices also failed to meet expectations. In the lifestyle-related products segment, Yamaha initiated structural reforms to promote future growth. Sales were depressed in the recreation segment, and the business failed to re-establish profitability. Further pursuing a policy of selection and concentration, Yamaha decided on the sale of four resorts.

Net Sales

Sales by Business Segment

Sales in fiscal 2007 declined on a year-on-year basis in the AV/IT, electronic equipment and metal products and recreation segments, but increased in the core musical instruments segment as well as the lifestyle-related products and others segments. Overall, net sales rose 3.0% compared with the previous year to ¥550,381 million.

Sales in the musical instruments segment increased by ¥11,910 million, or 3.8% in year-on-year terms, to ¥325,989 million. Positive currency translation effects due to yen depreciation accounted for ¥11,200 million of the increase in sales in this segment. Excluding such effects, the real year-on-year increase in musical instrument sales was ¥700 million, or 0.2%.

By product category, although sales of the Electronic™ declined, professional audio equipment recorded a second consecutive year of double-digit sales growth. Sales of electronic musical instruments and wind instruments also increased.

In the music schools business, chid student enrollment numbers

were more or less flat compared with fiscal 2006, while adult enrollment registered a further steady increase. However, sales revenues from the content distribution business declined due to a contraction of the polyphonic ringtone market.

Sales in the AV/IT segment declined by ¥3,115 million, or 4.1% compared to the previous year, to ¥72,623 million. The increase in sales in this segment as a result of positive currency translation effects due to yen depreciation was ¥3.5 billion. Excluding such effects, the real year-on-year change in AV/IT segment sales was a decline of ¥6.6 billion, or 8.1%. On the audio business, although sales of AV receivers, the segment's mainstay, rose steadily in Europe and the United States and the Digital Sound Processor™ "YSP" series posted further solid growth in shipments, sales from online karaoke equipment produced on an OEM basis were down significantly.

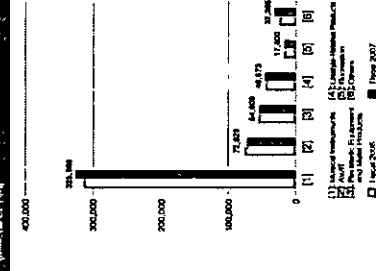
Electronic equipment and metal products segment sales fell by ¥1,358 million, or 2.4% compared with the previous year, to ¥54,809 million. Sales of LSI sound chips for mobile phones were sharply lower than in fiscal 2006 due to a drop in demand caused by a shift toward the adoption of sound-source software. On the other hand, sales of electronic metal products increased due to sales price increases linked to higher materials prices, despite the stagnant market situation.

Sales in the lifestyle-related products segment increased by ¥1,358 million, or 3.0% compared with the previous year, to ¥46,573 million. Although sales of system bathtubs declined due to lower unit prices caused by increased competition, system kitchens featuring artificial marble sinks posted further favorable growth in sales.

Although numbers of toy visitors rose, lower sales revenue from wedding ceremonies contributed to a year-on-year decline of ¥212 million, or 1.2%, in recreation segment sales, to ¥17,800 million.

In the others segment, magnesium parts used in mobile phones and digital cameras and plastic parts for video game applications both posted substantial growth in sales. Sales of automobile interior wood

Sales by Business Segment
(in millions of Yen)



components also rose, reflecting demand created by new car models. Besides generating favorable growth in Japan, the golf products business recorded increased exports to markets in Asia. Total sales in this segment increased by ¥7,694 million, or 31.2% compared with the previous year, to ¥32,365 million.

Sales by Geographic Segment

In Japan, sales increased relative to fiscal 2006 in the metallic molds and components business, due to products such as magnesium parts, and in luxury automobile interior wood components. The lifestyle-related products business also posted positive year-on-year sales growth. Semiconductor, notably LS sound chips for mobile phones, and online karaoke equipment recorded lower sales, however. Overall, sales in Japan fell on a year-on-year basis by ¥3,986 million, or 1.4%, to ¥291,228 million.

Sales in overseas markets increased by ¥20,263 million, or 8.5% compared with the previous year, to ¥259,133 million. In addition to a year-on-year gain in sales of ¥14.7 billion due to the effects of yen depreciation, this reflected higher sales in businesses such as musical instruments, metallic molds and components, and golf products. The ratio of overseas sales in the fiscal year ended March 2007 was 47.1%, an increase of 2.4 points from the fiscal 2006 figure of 44.7%.

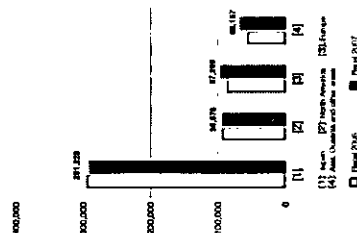
Sales in North America fell in year-on-year terms by ¥1,017 million, or 1.1%, to ¥83,676 million. Sales of pianos and other musical instruments declined due to an economic slowdown, more than offsetting gains due to the yen's depreciation against the dollar.

Sales in Europe rose by ¥9,006 million, or 11.2% year-on-year, to ¥87,299 million. Besides gains due to yen depreciation, this result also reflected higher sales than in fiscal 2006 of musical instruments and AV equipment.

In Asia, Oceania and other areas, sales of musical instruments continued to rise in South Korea, South America, the Middle East and

Sales by Geographical Segment

(Millions of Yen)



other parts of the world. Sales in this geographic segment increased by ¥11,475 million, or 20.2% compared with the previous year, to ¥58,157 million. In China, the musical instruments business recorded another year of double-digit growth in sales, especially of pianos. Increased piano production at Hangzhou Yamaha Musical Instruments Co., Ltd. contributed to this result.

Cost of Sales and SG&A Expenses

The cost of sales increased by ¥10,496 million, or 3.1% compared with fiscal 2006, to ¥352,362 million. With sales rising by 3.0% in year-on-year terms, the cost of sales ratio was on a par with the previous year, at 64.0%. Yamaha continued to focus on cost-reduction measures in fiscal 2007, despite the effects of higher costs for metallic materials.

Selling, general and administrative (SG&A) expenses were ¥2,163 million higher than in fiscal 2006, rising 1.3% to ¥170,296 million. This was mainly due to higher selling and administrative expenses, reflecting the cheaper yen. The ratio of SG&A expenses to sales recorded an improvement of 0.5 points compared with fiscal 2006, falling from 31.5% to 31.0%.

Operating Income

Operating income increased on a year-on-year basis by ¥3,550 million, or 14.7%, to ¥27,685 million. The combined effects of higher sales, currency translation gains and effective general measures to rationalize operating costs more than offset the negative impact of sharp increases in raw material costs and interceded price competition.

Operating Income by Business Segment

Operating income in the musical instruments segment increased significantly to ¥22,037 million, compared with ¥14,132 million recorded in fiscal 2006. Despite an increase in raw material prices, this increase was supported by higher sales, currency translation gains due to yen depreciation and higher gross margins, reflecting changes in sales composition.

Although sales declined year-on-year in the AVT segment, operating income of ¥2,137 million was on a par with fiscal 2006. This was due to offsetting factors such as currency translation gains and lower manufacturing costs.

In the electronic equipment and metal products segment, the impact of a continued decline in sales due to lower demand for LSI sound chips used in mobile phones contributed to a substantial year-on-year fall in operating income to ¥3,101 million, compared with ¥7,927 million in fiscal 2006.

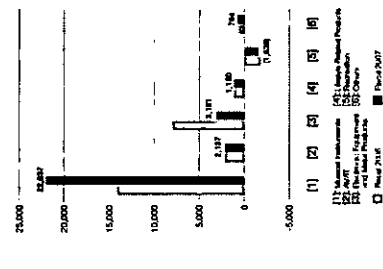
Operating income in the lifestyle-related products segment totaled ¥1,150 million, a similar figure to the previous year. Although rationalization measures helped to cut manufacturing costs, fixed expenses and some other expenses, thereby higher raw material costs and the effects of fierce price competition in the system bathroom sector exerted a negative impact on profits.

Reducing factors such as lower depreciation expenses, the operating loss in the recreation segment was reduced to ¥1,536 million, compared with a loss of ¥1,789 million recorded in fiscal 2006.

In the others segment, the metallic molds and components business posted substantially higher profits than in fiscal 2006 due to higher production volumes and other factors. These gains were offset to some extent by poorer production yields for automobile interior wood components. Operating income for the segment increased by only ¥212 million to ¥794 million, compared with a figure of ¥562 million in fiscal 2006.

Operating Income (Loss) by Business Segment

(Millions of Yen)



Other Income and Expenses

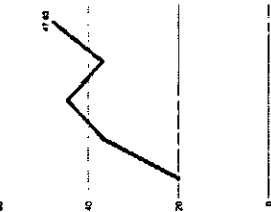
Non-operating income increased in year-on-year terms by 21.1% or ¥3,722 million, to ¥21,334 million, compared with ¥17,612 million in fiscal 2006.

Interest and dividend income increased by 19.4% or ¥176 million, to ¥1,083 million, compared with ¥907 million in fiscal 2006. Reflecting a higher profit contribution due to good results at Yamaha Motor Co., Ltd., equity in earnings of unconsolidated subsidiaries and affiliates rose in year-on-year terms by 19.7% or ¥2,926 million, to ¥17,764 million, from ¥14,838 million in fiscal 2006. Other non-operating income increased by 33.2% or ¥620 million, to ¥2,485 million, from ¥1,865 million in fiscal 2006, due in part to compensation for production stoppages.

Non-operating expenses were 1.7% or ¥110 million lower than in fiscal 2006, declining from ¥6,503 million to ¥6,393 million. Interest expense and cash discounts due to early payment declined in year-on-year terms by ¥205 million, or 3.7%, to ¥5,343 million, compared with ¥5,548 million in fiscal 2006. However, other expenses increased by ¥95 million, or 10.0% in year-on-year terms.

Interest Coverage

(Times)



Extraordinary Incomes and Losses

Extraordinary incomes totaling ¥666 million represented a year-on-year decline of ¥1,268 million compared with the fiscal 2006 figure of ¥1,934 million. This was due to reduced net gains arising from the sale or disposal of fixed assets, the reversal of the warranty reserve and sales of investment securities.

Extraordinary losses of ¥10,130 million were ¥8,864 million higher than the fiscal 2006 figure of ¥1,276 million. This reflected impairment write-offs on assets of the recreation segment totaling ¥4,728 million following the decision to sell four resorts; restructuring expenses of ¥3,146 million associated with the liquidation of one manufacturing subsidiary in Taiwan and two manufacturing subsidiaries in the United States; and an extraordinary loss of ¥728 million for additional lump-sum early retirement incentive program payments.

Income Before Income Taxes and Minority Interests

The substantial increase in extraordinary losses outweighed the effects of higher operating income and the net improvement in non-operating income. As a result, income before income taxes and minority interests declined by ¥2,741 million, or 7.6%, on a year-on-year basis, falling to ¥33,101 million from ¥35,842 million in fiscal 2006. The pre-tax return on sales declined from 6.6% to 6.0%, a fall of 0.6 points in year-on-year terms.

Income Taxes and Deferred Income Taxes

Income taxes (including corporate tax, residents' taxes and enterprise tax) and deferred income taxes were 54.0% or ¥2,444 million lower than in the previous year, falling from ¥7,186 million to ¥4,741 million. This was due to factors such as lower income before income taxes and minority interests and the recording of higher deferred tax assets associated with retained deficits at certain consolidated subsidiaries that Yamaha decided to liquidate or sell in the year under review.

Minority Interests

Minority interests equaled ¥493 million, which was on a par with the figure recorded in the previous year.

Net Income

As a result of the above, net income for the year decreased by ¥257 million, or 0.9% compared with fiscal 2006, falling from ¥28,123 million to ¥27,866 million. At 5.1%, the net return on sales was 0.2 points lower than the figure of 5.3% posted in the previous year. Net income per share equaled ¥135.19, compared with ¥136.04 in fiscal 2006.

Foreign Exchange Rate Movements and Risk Hedging

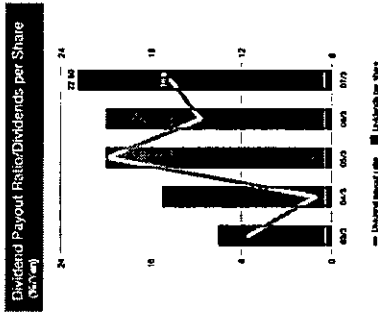
Sales at overseas consolidated subsidiaries are calculated using the average exchange rates recorded during the year. On this basis, in fiscal 2007 the yen fell by ¥4 against the U.S. dollar compared with the previous year, to ¥117 per \$1. The year-on-year effect of this change was an increase of ¥3.2 billion in sales at overseas consolidated subsidiaries. The yen also depreciated against the euro during fiscal 2007 by ¥12 compared with the previous year, for an average exchange rate of ¥150 to €1. This resulted in a year-on-year gain in sales of ¥5.9 billion. Overall, the net effect on sales of foreign exchange rate movements, including fluctuations of the yen against such other currencies as the Australian and Canadian dollars, was a gain of ¥14.7 billion compared with fiscal 2006.

Although movements in the U.S. dollar-yen exchange rate resulted in virtually no net impact on profits, the average yen settlement rate against the euro during fiscal 2007 was ¥144 to €1, representing a depreciation of ¥9 relative to the previous year. The effect of this on profits was a gain of ¥4.0 billion. Including the effects of other currencies, the net effect on profits of exchange rate movements was a gain of ¥5.6 billion compared with fiscal 2006.

Yamaha undertakes most of its hedging operations against currency risks in Japan. U.S. dollar-related currency fluctuation risks are hedged by moving risk associated with dollar receipts from exports with risk associated with dollar payments for imported products. The Company hedges the value of risks associated with the euro and the Australian and Canadian dollars by projecting related export revenues and purchasing relevant three-month currency forwards.

Dividends

Total dividends per share in fiscal 2007 equaled ¥22.50. This represented an increase of ¥2.50 per share compared with the previous year, reflecting the growth in operating income. The consolidated dividend payout ratio increased by 1.9 points to 16.6%, from 14.7% in the previous year. Based on net income less equity in earnings of unconsolidated subsidiaries and affiliates that does not generate cash, the dividend payout ratio equaled 40.0%.



Financial Position and Liquidity

Financing Policy

Reflecting the relatively non-capital-intensive nature of the business, Yamaha finances its capital needs 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.

Management commissions long-term senior debt rating assessments from credit rating agencies each year to gain an independent external evaluation of the Company's finances. The latest published ratings are shown below.

Rating agency	Long-term senior debt rating
Rating and Investment Information, Inc. (RII)	A (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	AA- (Stable)

Current Assets and Liabilities

Total current assets at March 31, 2007 amounted to ¥231,033 million, an increase compared with the previous year-end of ¥21,652 million, or 10.3%. This was mainly due to increases in cash and bank deposits and in trade notes and accounts receivable, among others. Total current liabilities at March 31, 2007 equaled ¥136,656 million, an increase of ¥19,609 million, or 16.6%, compared with the previous year-end. Besides higher accrued expenses and other factors, this was due to the transfer from long-term to current liabilities of report membership deposits worth ¥9.3 billion in the recreation business segment to reflect the anticipated repayment of these deposits in fiscal 2008.

The current ratio at the fiscal 2007 year-end was 169.1%, representing a fall of 9.8 points compared with the figure of 178.9% from a year earlier. Management expects liquidity to remain high during fiscal 2008.

Current Ratio



Assets

Total assets at March 31, 2007 amounted to ¥569,031 million, an increase of ¥39,064 million, or 7.5%, compared with the fiscal 2006 year-end. Current assets increased by ¥21,652 million, or 10.3%, to ¥231,033 million. In addition to the year-on-year increase of ¥10,273 million, or 28.2%, in cash and deposits from ¥38,429 million to ¥46,702 million, trade notes and accounts receivable and inventories increased due to the effects of yen depreciation.

The total value of fixed assets rose by ¥17,403 million, or 5.6%, to ¥277,998 million, compared with ¥310,595 million at the previous fiscal year-end. This primarily reflected an appreciation in the value of investment securities of ¥17,467 million, or 13.1%, compared with the fiscal 2006 year-end. This gain was the result of an increase in the net asset value of Yamaha Motor Co., Ltd., an equity method affiliate.

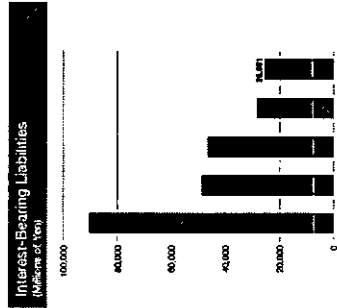
Liabilities

Total liabilities at March 31, 2007 amounted to ¥207,633 million, an increase of ¥9,134 million, or 4.1%, compared with the fiscal 2006 year-end. Current liabilities increased in year-on-year terms by 16.6% to ¥136,656 million. Contributory factors included: higher accrued expenses and income taxes payable; the transfer from long-term to current liabilities of report membership deposits due to the anticipated repayment of these deposits in fiscal 2008 in connection with the planned sale of four resorts in the recreation business segment; and provisions to cover structural reform expenses related to obstacles associated with the decisions made to liquidate one manufacturing subsidiary in Taiwan and two manufacturing subsidiaries in the United States.

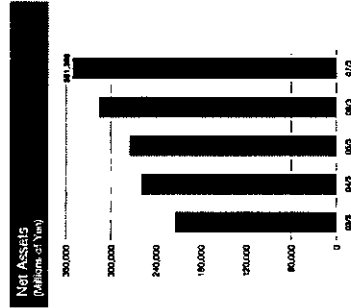
Total long-term liabilities at March 31, 2007 amounted to ¥70,977 million, a decrease of ¥11,475 million, or 13.9%, compared with the previous year-end. The main reason was the aforementioned transfer of report membership deposits to current liabilities.

Real Interest-Bearing Liabilities*
One of the goals of the "YCS07" medium-term business plan that ended in March 2007 was to improve the Company's financial health by eliminating real interest-bearing liabilities—defined as borrowings, less cash and bank deposits. At the fiscal 2007 year-end, borrowings amounted to ¥25,551 million and cash and bank deposits were ¥46,702 million. This marked yet another consecutive year in which Yamaha improved its net financial position on this book.

* Real interest-bearing liabilities refers to long- and short-term loans, less cash and deposits



Net Assets
Effective fiscal 2007, Yamaha applied a new accounting standard relating to the balance-sheet presentation of net assets, which equaled ¥351,398 million at March 31, 2007. Shareholders' equity at the fiscal 2007 year-end based on the previous accounting standard totaled ¥346,873 million. The equity ratio was 62.0% at March 31, 2007, increasing by 1.2 points from 60.8% at the previous year-end. Return on equity (ROE) was 8.4%.

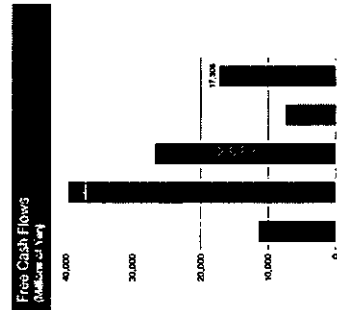


Cash Flows
Net cash provided by operating activities in fiscal 2007 was ¥33,732 million. Operating cash flow grew by 55.8% or ¥14,222 million compared with the fiscal 2006 figure of ¥25,510 million. This was due mainly to reduced income tax payments.

Net cash used in investing activities totaled ¥22,427 million. This represented an increase in cash outflow of ¥4,323 million, or 23.9%, compared with the fiscal 2006 figure of ¥18,104 million. In addition to an increase in purchases of tangible fixed assets associated with higher capital investment, this was also due to lower proceeds from sales of tangible fixed assets and investment securities.

Net cash used in financing activities totaled ¥8,246 million. This represented a decrease in cash outflow of ¥17,588 million, or 68.1%, compared with the fiscal 2006 figure of ¥25,834 million. This mainly reflected reduced absorption of cash due to decreases in short-term loans and long-term debt repayments.

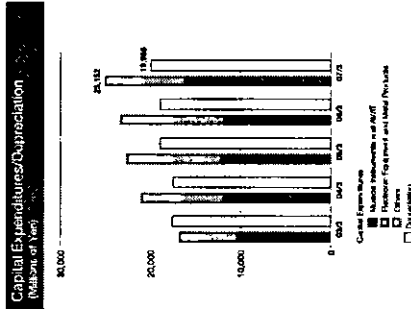
As a result of the above, the fiscal 2007 year-end balance of cash and cash equivalents equaled ¥45,926 million, including the net effect of exchange rate movements and changes in the scope of consolidation. This represented a year-on-year increase of ¥10,492 million, or 29.6%.



Capital Expenditures and Depreciation
Capital expenditures in fiscal 2007 totaled ¥25,152 million, rising by ¥2,270 million, or 9.9% compared with the previous year's figure of ¥22,882 million. The musical instruments business posted a year-on-year increase in capital expenditures of ¥2,940 million, or 24.8%, to ¥14,917 million. This reflected investments in molds for new products; investments to expand production capacity at Hengzhou Yamaha Musical Instruments Co., Ltd. and PT. Yamaha Indonesia; and higher capital spending associated with moves to consolidate piano production in Japan.

At ¥4,355 million, capital expenditures in the electronic equipment and metal products business were ¥1,093 million, or 19.9%, lower

than the figure of ¥5,485 million recorded in the previous year. Total depreciation and amortization expense amounted to ¥18,956 million, increasing by ¥1,012 million compared with the fiscal 2006 figure of ¥18,944 million.

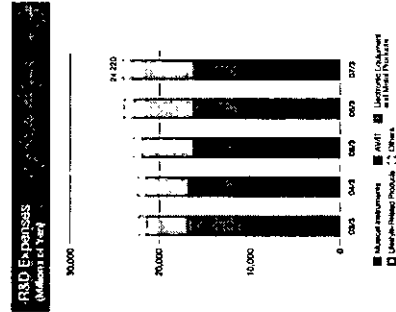


R&D Expenses
R&D expenses were on a par with the previous year at ¥24,220 million. The ratio of R&D expenses to net sales was 0.1 points lower than in the previous year, declining from 4.5% to 4.4%.

Most of this spending was directed at product development in electronic and digital musical instruments, in the AV/IT and in semiconductor businesses. R&D budgets also funded programs to develop basic sound-related technologies in areas such as speakers, sound field control, voice synthesis, sound sources, and DSP; innovations in HiC*, such as actuators and sensors; materials for audio equipment; and technologies related to the environment.

* Digital Signal Processor (DSP) refers to general digital signal processing technologies developed by Yamaha, including various original technologies for processing digital audio and music. Practical applications include sound field controls in AV equipment, effecters used in professional mixing consoles, mobile phone sound generation and 3D sound technologies.

HiC (Human Interface Component) is a device and material with outline that enhance the functional performance of musical instruments and AV equipment by improving the human, emotional and comfort interface. An example would be a device that can help create a truly quiet sound environment.



Performance Forecasts

The year ending March 2008 is the first year of Yamaha's new medium-term business plan, "Yamaha Growth Plan 2010 (YGP2010)." By pursuing steady progress through a number of measures, Yamaha aims to achieve growth in its core business domain centered on musical instruments. Under the new plan this domain has been dubbed "The Sound Company."

Yamaha forecasts consolidated net sales of ¥56.10 billion in fiscal 2008, on a par with the fiscal 2007 result. The figure represents real year-on-year sales growth of 3.3% once the effects of the decisions made in fiscal 2007 to sell the electronic metal products business and four resorts in the recreation business are taken into account. Yamaha forecasts consolidated operating income of ¥30.0 billion, an increase of ¥2.3 billion relative to fiscal 2007. Although a change in depreciation accounting standards is projected to lower profits by ¥2.3 billion, management expects higher sales and the benefits of yen depreciation to provide an offsetting effect. At the level of net income, the sale of part of the Company's stake in Yamaha Motor Co., Ltd. will eliminate gains due to equity in earnings of unconsolidated subsidiaries and affiliates, which equaled ¥17.9 billion in fiscal 2007. However, management expects the resulting gain on sales of investment securities and other exceptional items to outweigh this effect. Yamaha forecasts consolidated net income of ¥32.5 billion in fiscal 2008, an increase of ¥4.6 billion over the fiscal 2007 figure of ¥27.9 billion.

These forecasts assume exchange rates of ¥115 per U.S.\$1 and ¥148 per €1 during fiscal 2008.

Performance Forecasts by Business Segment

Musical Instruments

The aim is to establish a highly profitable structure for these operations, which term the core business in "The Sound Company" business domain. Amid polarization of the musical instruments market between high-value-added and inexpensive products and an ongoing reorganization of the distribution sector in which chains of large retailers and volume discounters continue to gain market share, Yamaha plans to focus on expanding and upgrading its customer-oriented lineup of products while reinforcing cost competitiveness at manufacturing bases in China and other resources. Yamaha also plans to target higher sales in fast-growing markets such as China, Russia and Eastern Europe.

Management forecasts segment sales in fiscal 2009 of ¥338.0 billion, equal to growth of ¥12.0 billion, or 3.7% compared with the figure of ¥326.0 billion recorded in fiscal 2007. Segment operating income is forecast to reach ¥24.0 billion in fiscal 2008, up ¥2.0 billion from ¥22.0 billion in fiscal 2007.

AV/IT

Yamaha is working to build up the AV equipment business in line with market trends. In home theater systems, besides reinforcing established business areas, plans call for expanding the range of surround-sound speaker products and developing the range of Hi-Fi products, particularly in the mid-range and higher price brackets. Yamaha is also actively engaged in developing products to position in new games. Other areas of focus include P-conferencing systems, which were launched in fiscal 2007.

Management expects AV/IT segment sales to reach ¥75.0 billion in fiscal 2008, representing growth of ¥6.2 billion, or 8.5%, over the fiscal 2007 figure of ¥72.8 billion. Segment operating income is forecast at ¥2.5 billion, up ¥0.4 billion from ¥2.1 billion in fiscal 2007.

Electronic Equipment and Metal Products

Reflecting the transfer of the electronic metal products business, Yamaha expects fiscal 2008 sales in this segment to decline in year-on-year terms by 16.1%, or ¥6.8 billion, to ¥46.0 billion, compared with ¥54.8 billion in fiscal 2007. Segment operating income is forecast at ¥1.0 billion, down ¥2.1 billion from ¥3.1 billion in fiscal 2007.

In the semiconductor business, the main aim is to engineer a turnaround in profitability amid an ongoing decline in demand for LSI sound chips used in mobile phones. Yamaha is also focused on expanding sales of new devices.

Also, preparations are progressing toward a smooth transfer of the electronic metal products business.

Lifestyle-Related Products

Yamaha plans to continue pursuing the growth strategy focused on system kitchens. In the system bathroom business, where competition continues to intensify, Yamaha is targeting growth through a differentiation strategy involving products such as bath tubs made from artificial marble and "Sound Shower"™ that allow users to listen to music while taking a bath. Yamaha also aims to make steady progress in establishing a presence in the home remodeling sector, an area where demand is expected to grow. Management forecasts fiscal 2008 segment sales at ¥49.0 billion, up 5.2% or ¥2.4 billion relative to the fiscal 2007 figure of ¥46.6 billion. Segment operating income is forecast at ¥1.5 billion, up ¥0.3 billion from ¥1.2 billion in fiscal 2007.

Recreation

The aims in the recreation segment are to complete the smooth transfer of the facilities scheduled for sale and to develop the infrastructure at the remaining two resorts to re-establish these operations as a profitable business. In line with the planned transfer of four resorts, management expects fiscal 2008 sales in this segment to decline in year-on-year terms by ¥7.8 billion or 43.8%, to ¥10.0 billion, compared with ¥17.8 billion in fiscal 2007. The segment is forecast to record an operating loss of ¥0.5 billion in fiscal 2008, representing an improvement of ¥1.0 billion from the loss of ¥1.5 billion posted in fiscal 2007.

Others

Yamaha aims to raise profits by boosting production yields and by developing production systems to enable a more flexible response capacity to changes in customer orders, both in magnesium parts and other areas of the metallic molds and components business and in the automobile interior wood components business. In addition, in the golf products business, Yamaha aims to achieve higher sales due to improved brand awareness as the result of advertising campaigns and other initiatives. Management forecasts sales in this segment of ¥29.0 billion in fiscal 2008, equivalent to a fall of ¥3.4 billion, or 10.5% compared with the fiscal 2007 figure of ¥32.4 billion. Segment operating income is expected roughly to double, increasing from ¥0.8 billion in fiscal 2007 to ¥1.5 billion in fiscal 2008.

Capital Spending Projections

Management projects total capital expenditures of ¥26.0 billion in fiscal 2008, up ¥0.8 billion from the fiscal 2007 figure of ¥25.2 billion. Capital investment in the semiconductor business is expected to decline now that manufacturing is complete. In the musical instruments segment, capital expenditures are forecast to increase in fiscal 2008 by ¥2.5 billion to ¥17.3 billion, compared with ¥14.8 billion in fiscal 2007. Major items contributing to growth in capital spending include the ongoing refurbishment of the Giza Building, which is due to open in the spring of 2009, and expansion of Hangzhou Yamaha Musical Instruments Co., Ltd. in China.

Depreciation and amortization expense is forecast to increase by ¥1.5 billion in fiscal 2008 to ¥21.5 billion, compared with ¥20.0 billion in fiscal 2007. This includes a projected impact of ¥2.3 billion due to a change in depreciation accounting standards.

New Medium-Term Business Plan

Following the "¥3500" medium-term business plan that ended in fiscal 2007, Yamaha formulated a new medium-term business plan "Yamaha Growth Plan 2010 (GP2010)", which covers the three-year period from fiscal 2008 to fiscal 2010.

Under the new medium-term business plan, the current business domains have been realigned into two major areas, "The Sound Company" and the "Diversification" business domains. Yamaha has positioned "The Sound Company" business domain as a growth area and will actively invest management resources in this domain with the aim of further strengthening the core musical instrument business and targeting expansion of the sound, audio, and network businesses. At the same time, the businesses in the "Diversification" business domain will work to consolidate industry positions and to substantially increase earnings power with the aim of contributing to the corporate value of the Yamaha Group through sound business management.

For fiscal 2010, the plan's final year, Yamaha has established consolidated performance targets of ¥590.0 billion in net sales, ¥45.0 billion in operating income and 10% ROE.

Profit Distribution Policy (Dividend Forecast)

Based on the presumed aim of boosting return on consolidated shareholders' equity, Yamaha's basic policy is to distribute profits in line with the level of consolidated net income wide, based on productive levels of medium-term consolidated earnings, also setting aside an appropriate amount of retained earnings to strengthen the business base, including investments in R&D and capital expenditures to drive corporate growth. Specifically, Yamaha aims to maintain consistent and stable dividend payments and is working to increase profit distribution toward a target consolidated dividend payout ratio of 40%. Based on this policy, Yamaha expects to pay dividends per share of ordinary stock in fiscal 2008 of ¥30 (including an interim dividend of ¥15).

Moreover, in connection with the sale of part of the stake in Yamaha Motor Co., Ltd. in addition to the aforementioned ordinary stock dividend, Yamaha has decided to pay a special dividend of ¥20 (including a special interim dividend of ¥10) in each of the three years starting in fiscal 2008. In addition, in line with this move, Yamaha plans to undertake share buybacks totaling ¥18.0 billion over the next three years from the standpoint of boosting financial leverage.

New Accounting Standards

In line with changes to depreciation accounting methods introduced as part of Japanese tax reforms passed in the fiscal year ending March 2008, effective fiscal 2008 Yamaha will begin depreciating the residual values of any assets already at least 95% depreciated in usual amounts over a five-year period. In addition, a newly established 250% declining balance method will be applied to any depreciable assets acquired from April 2007 onward.

Consolidated Balance Sheets

Yamaha Corporation and Consolidated Subsidiaries
At March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
ASSETS	2007	2006	2007

Current assets:			
Cash and bank deposits (Note 16)	¥ 46,702	¥ 36,429	\$ 395,612
Notes and accounts receivable — trade	78,669	72,613	656,404
Marketable securities (Notes 7 and 22)	419	520	3,549
Inventories	82,214	77,943	696,434
Deferred income taxes (Note 14)	17,724	16,922	150,140
Other current assets (Note 15)	7,362	7,286	62,363
Less: Allowance for doubtful accounts	(2,060)	(2,333)	(17,450)
Total current assets	231,033	209,381	1,857,078

Property, plant and equipment, net of accumulated depreciation (Notes 6, 7 and 9):

Buildings and structures	46,179	45,953	391,182
Machinery and equipment	36,373	38,801	325,057
Land (Note 8)	63,496	63,772	537,865
Construction in progress	1,824	2,462	15,451
Property, plant and equipment, net of accumulated depreciation	148,872	150,990	1,299,564

Investments and other assets:

Investment securities (Notes 5, 7 and 22)	150,369	132,902	1,273,774
Long-term loans receivable	524	688	4,439
Lease deposits	5,986	5,891	50,707
Deferred income taxes (Note 14)	16,790	14,087	142,228
Goodwill (Note 3)	1,521	2,028	12,884
Other assets	2,933	4,007	24,845
Total investments and other assets	178,125	159,605	1,508,895

Total assets	¥ 559,031	¥ 519,977	\$4,735,544
---------------------	------------------	------------------	--------------------

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
LIABILITIES	2007	2006	2007

Current liabilities:			
Notes and accounts payable — trade	¥ 43,165	¥ 37,153	\$ 365,650
Short-term loans (Note 7)	15,118	17,147	128,064
Current portion of long-term debt (Note 7)	4,301	5,132	36,434
Accrued expenses	54,415	43,068	460,949
Income taxes payable	6,012	3,758	50,828
Advances received	2,273	2,548	19,255
Deferred income taxes (Note 14)	22	4	186
Reserve for directors' bonuses (Note 2)	100	—	847
Product warranty reserve	4,268	3,605	36,137
Reserve for structural reform expenses (Note 11)	1,488	—	12,605
Other current liabilities	5,491	4,398	46,514
Total current liabilities	136,656	117,047	1,157,611

Long-term liabilities:

Long-term debt (Note 7)	6,132	6,195	51,944
Deferred income taxes (Note 14)	239	303	2,025
Deferred income taxes on land revaluation (Note 8)	17,735	17,742	150,233
Accrued employees' retirement benefits (Note 18)	27,140	27,978	229,903
Directors' retirement benefits	—	891	—
Long-term deposits received	17,424	27,577	147,598
Other long-term liabilities	2,303	1,763	19,509
Total long-term liabilities	70,977	82,452	601,245

Contingent liabilities (Note 19)

NET ASSETS (Note 2)

Shareholders' equity (Note 17):

Common stock:			
Authorized—700,000,000 shares:			
Issued 2007—206,524,626 shares			
2006—206,524,626 shares	28,534	28,534	241,711
Capital surplus	40,064	40,064	339,297
Retained earnings	280,555	236,913	2,207,158
Treasury stock, at cost	(339)	(302)	(2,872)
Total shareholders' equity	328,804	305,199	2,785,294
Valuation and translation adjustments:			
Net unrealized holding gain on other securities	13,718	15,470	116,205
Loss on deferred hedges (Note 15)	(406)	—	(3,439)
Land revaluation difference (Note 8)	18,116	18,426	153,460
Translation adjustments	(13,765)	(23,091)	(116,603)
Total valuation and translation adjustments	17,669	10,805	149,615
Minority interests	4,831	4,472	41,770
Total net assets	351,398	320,477	2,976,688
Total liabilities and net assets	¥ 559,031	¥ 519,977	\$4,735,544

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

See notes to consolidated financial statements.

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamaha Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 4)	
	2007	2006	2007	2006
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 33,101	¥ 35,842	\$ 280,398	
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	19,958	18,944	169,047	
Loss on impairment of fixed assets	4,728	—	40,051	
Amortization of goodwill (Note 3)	507	507	4,295	
Changes in allowance for doubtful accounts	(167)	(177)	(1,415)	
Loss on revaluation of investment securities	119	118	1,008	
Loss on revaluation of investments in affiliates	(858)	(379)	(7,268)	
Changes in employees' retirement benefits	(1,064)	(907)	(9,183)	
Interest and dividend income	972	1,081	8,234	
Interest expense	49	(107)	415	
Foreign exchange loss (gain)	(17,764)	(14,838)	(150,479)	
Equity in earnings of unconsolidated subsidiaries and affiliates	(31)	(609)	(263)	
Gain on sales of investment securities other than those of subsidiaries	1,093	181	9,005	
Loss on sales or disposal of property, net	3,148	—	26,650	
Structural reform expenses	728	—	6,167	
Special retirement payment	—	—	—	
Changes in operating assets and liabilities:				
Accounts and notes receivable — trade	(4,537)	3,008	(38,433)	
Inventories	(2,897)	4,944	(19,161)	
Accounts and notes payable — trade	5,272	(1,716)	44,659	
Other, net	(1,709)	(5,135)	(14,477)	
Subtotal	41,245	40,843	348,388	
Interest and dividends received	3,437	2,730	29,115	
Interest paid	(971)	(1,084)	(8,225)	
Income taxes paid	(3,878)	(16,979)	(33,698)	
Net cash provided by operating activities	39,732	25,510	336,569	
Cash flows from investing activities:				
Proceeds from purchases of time deposits	254	(77)	2,152	
Purchases of property	(22,863)	(20,401)	(193,672)	
Proceeds from sales of property	1,094	2,327	9,267	
Purchases of investment securities	(1,163)	(722)	(9,852)	
Proceeds from sales and redemption of investment securities	77	619	652	
Other, net	173	180	1,465	
Net cash used in investing activities	(22,427)	(18,104)	(189,979)	
Cash flows from financing activities:				
Decrease in short-term loans	(1,961)	(1,753)	(16,612)	
Proceeds from long-term debt	4,235	4,556	35,875	
Repayment of long-term debt	(5,151)	(22,404)	(43,634)	
Repayment of short-term debt	12	10	102	
Refund of membership deposits received	(969)	(1,352)	(8,208)	
Refund of short-term membership deposits	(57)	(23)	(513)	
Purchases of treasury stock	(4,126)	(4,642)	(34,951)	
Cash dividends paid	(249)	(223)	(2,101)	
Cash dividends paid to minority shareholders	(8,246)	(25,834)	(69,852)	
Effect of exchange rate changes on cash and cash equivalents	1,484	1,783	12,402	
Net increase (decrease) in cash and cash equivalents	10,523	(16,644)	89,140	
Cash and cash equivalents at beginning of the year	35,434	50,393	300,161	
Net cash and cash equivalents at end of the year	—	1,685	—	
Decrease due to inclusion in consolidation	(31)	—	(263)	
Cash and cash equivalents at end of the year (Note 16)	¥ 45,928	¥ 35,434	\$ 389,039	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamaha Corporation and Consolidated Subsidiaries
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Yamaha Corporation (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. The Company and all consolidated subsidiaries are referred to herein as the "Yamaha Group." The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

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

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

The consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. As a result, the accompanying consolidated financial statements include the accounts of the Company and 93 consolidated subsidiaries for the years ended March 31, 2007 and 2006.

All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their own operations is significantly affected in various ways by the Yamaha Group are accounted for by the equity method. Investments in three affiliates (Yamaha Motor Co., Ltd., Korg Inc. and one other affiliate) have been accounted for by the equity method for the years ended March 31, 2007 and 2006.

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

Certain overseas subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differs from the balance sheet date of the Company; however, all necessary adjustments between the fiscal year end of these overseas subsidiaries and that of the Company have been made, thus enabling them to report financial results equivalent to those as of and for the fiscal year end.

All assets and liabilities of subsidiaries are revalued at fair value on acquisition and, if applicable, the excess of cost over the underlying net assets at the dates of acquisition is presented as goodwill and amortized over a period of five years on a straight-line basis.

(c) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date if not hedged by forward foreign exchange contracts, or at the contracted rates of exchange when hedged by forward foreign exchange contracts. The resulting exchange gain or loss is recognized as other income or expense.

Assets and liabilities of the overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Translation adjustments are presented as a component of net assets and minority interests in the consolidated financial statements.

(d) Cash and cash equivalents

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

(e) Securities

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

Cost of securities sold is determined by the weighted average method.

(f) Inventories

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

(g) Depreciation and amortization

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

Estimated useful lives:

Buildings:	31-50 years (leasehold improvements: 15 years)
Structures:	10-30
Machinery and equipment:	4-11
Tools, furniture and fixtures:	5-6 (Molds: 2 years)

(h) Allowance for doubtful accounts

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

(i) Reserve for directors' bonuses

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

(j) Product warranty reserve

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

(k) Reserve for structural reform expenses

To provide for expenses arising due to business reorganization, etc., the projected amount of such expenses is set aside as a reserve.

(l) Accrued retirement benefits

Accrued employees' retirement benefits: Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the pension fund assets.

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

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

Accrued directors' retirement benefits: Effective the end of the Annual General Meeting of Shareholders held on June 27, 2006, the Company has eliminated its retirement allowance system for directors. Note that the reserve for directors' retirement allowances, which was recorded on the balance sheets until the end of the above-mentioned shareholders' meeting held on June 27, 2006 has now been included in "Other long-term liabilities" under "Long-term liabilities."

(m) Leases

Non-cancelable leases are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases, except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(n) Income taxes

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

(o) Derivative financial instruments

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferred hedge accounting under which the unrealized gain or loss is deferred as an asset or a liability. Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which is utilized to hedge against risk arising from fluctuation in foreign exchange rates.

The Yamaha Group does not conduct an assessment of the effectiveness of its hedging activities because the relationship between the anticipated cash flows fixed by the hedging activities and the avoidance of market risk is so clear that there is no need to evaluate the performance of each hedge against that of the underlying hedged item.

(p) Land revaluation

Pursuant to the "Law Concerning the Revaluation of Land," and used for the business operations of the Company, two consolidated subsidiaries and an affiliate was revalued. The excess of the revalued carrying amount over the book value before revaluation has been included in net assets.

The land revaluation was determined based on the official standard notice prices. It was conducted in accordance with the relevant regulations of the Corporation Tax Law of Japan with certain adjustments as deemed necessary.

2. CHANGES IN METHOD OF ACCOUNTING

(1) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective the fiscal year under review, the Company has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005). Total shareholders' equity under the previous method of presentation was equivalent to ¥346,873 million at March 31, 2007.

Note that as a result of the revision in rules for the presentation of consolidated financial statements, the net assets section of the consolidated balance sheets at March 31, 2007 and 2006 have been prepared in accordance with the revised rules.

(2) Accounting Standard for Directors' Bonuses

Effective the fiscal year under review, the Company has adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005).

As a result, operating income, and income before income taxes and minority interests decreased by ¥100 million from the amounts which would have been recorded under the previous accounting standard.

3. CHANGES IN THE METHOD OF PRESENTATION

Consolidated Balance Sheets

The elimination of investments in and capital of consolidated subsidiaries that were presented as "Excess of cost over net assets acquired" until the previous fiscal year has been included in "Goodwill" in the accompanying consolidated balance sheets at March 31, 2007 and 2006.

Consolidated Statements of Cash Flows

Amortization of the elimination of investments in and capital of consolidated subsidiaries that were presented as "Amortization for excess of cost over net assets acquired" until the previous fiscal year has been included in "Amortization of goodwill" in the accompanying consolidated statements of cash flows for the years ended March 31, 2007 and 2006.

4. U.S. DOLLAR AMOUNTS

Solely for the convenience of the reader, the accompanying financial statements for the year ended March 31, 2007 have been presented in U.S. dollars by translating all yen amounts at ¥118.05 = U.S.\$1.00, the exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen have been, could have been, or could in the future be accompanying converted into U.S. dollars at the above or any other rate.

5. INVESTMENT SECURITIES

Investment securities at March 31, 2007 and 2006 were as follows:

	March of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Investments in and advances to unconsolidated subsidiaries and affiliates	¥ 110,580	¥ 90,034	\$ 936,722	
Other	39,789	42,907	337,052	
Investment securities	¥ 150,369	¥ 132,942	\$ 1,273,774	

8. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2007 and 2006 amounted to ¥250,745 million (\$2,124,057 thousand) and ¥243,211 million, respectively.

7. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans consisted of unsecured loans payable to banks at weighted-average interest rates of 2.5% and 2.7% per annum at March 31, 2007 and 2006, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Long-term debt from banks at average rates of 2.7% and 2.3% for current and noncurrent portions, respectively	¥ 10,434	¥ 11,328	\$ 88,388	\$ 88,388
Total long-term debt	10,434	11,328	88,388	88,388
Less: Current portion	4,301	5,132	36,434	36,434
	¥ 6,132	¥ 6,195	\$ 51,944	\$ 51,944

The assets pledged as collateral for long-term debt and certain other current liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Marketable securities	¥ 399	¥ 378	\$ 3,380	\$ 3,380
Property, plant and equipment, net of accumulated depreciation	207	369	1,753	1,753
Investment securities	1,059	1,235	8,971	8,971
	¥ 1,666	¥ 1,984	\$ 14,113	\$ 14,113

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of Yen		Thousands of U.S. Dollars	
	2008	2009	2010	2011
	¥ 4,301	¥ 3,652	¥ 2,490	¥ 21,008
2012 and thereafter	—	—	—	—
	¥ 10,434	¥ 10,434	¥ 88,388	¥ 88,388

8. LAND REVALUATION

The Company, two consolidated subsidiaries and an affiliate have carried over the revaluation of their landholdings at the following dates in accordance with the "Law Concerning the Revaluation of Land" (Law No. 34 published on March 31, 1986):

	Dates of Revaluation	
One consolidated subsidiary and one affiliate	March 31, 2000	
The Company and a consolidated subsidiary	March 31, 2009	

The Company and two consolidated subsidiaries determined the value of their land based on the respective value registered in the land tax list or the supplementary land tax list as specified in No.10 or No.11 of Article 34-1 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, 1986). An affiliate determined the value of its land based on a reasonable adjustment to its value as determined by a method which the Commissioner of the National Tax Administration established and published in order to standardize the determination of land value. Land value is the underlying basis for the assessment of land tax as specified in Article 16 of the Local Tax Law which is governed by Item 4 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land."

The excess of the revalued carrying amount of such land over its market value at the balance sheet dates is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Excess of revalued carrying amount of land over market value	¥ (18,954)	¥ (18,203)	\$ (160,559)	\$ (160,559)

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2007:

Group of Fixed Assets	Location		Millions of Yen	
Assets in recreation business	Four recreation facilities (Kororo, Heiminubushi, Tobu Hotel International, Nemuroso) in Akaigawamura, Yokohama-gun in Hokkaido and other locations	Impaired Assets	2007	2006
		Buildings and structures	¥ 4,316	¥ 4,316
		Land	412	412
		Total	¥ 4,728	¥ 4,728

Method of grouping assets

The Yamatai Group classified the assets of the recreation segment with individual recreation facilities as the basic unit as there are the minimum cash flow generating units.

Background for recognition of impairment losses

The Group concluded a basic agreement with Mitsui Fudosan Co., Ltd., on March 23, 2007, for the sale of commercial real estate of four recreation properties. Among its operating assets in the recreation segment, the Company recognized impairment losses on those assets of the four properties to be sold that were appraised at values below book value.

Method for computing the recoverable amount

The recoverable amount of assets in the recreation business was computed based on the estimated transfer price of the assets being transferred to Mitsui Fudosan Co., Ltd.

10. R&D EXPENSES

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2007 and 2006, amounted to ¥24,220 million (\$205,167 thousand) and ¥24,055 million, respectively.

11. STRUCTURAL REFORM EXPENSES

Expenses were incurred in connection with the decision to dissolve the following overseas manufacturing subsidiaries: Kaosilung Yamaha Co., Ltd., Yamaha Music Manufacturing, Inc., and Yamaha Musical Products, Inc.

12. SPECIAL RETIREMENT PAYMENTS

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

13. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Loss on revaluation of investments in unconsolidated subsidiaries and affiliates	V (119)	V (118)	\$ (1,008)	\$ (1,008)
Loss on revaluation of investment securities	V (14)	V (83)	\$ (119)	\$ (119)
Other, net	V 1,681	V 1,287	\$ 14,240	\$ 13,105
	V 1,547	V 1,085	\$ 13,105	\$ 11,977

14. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 39.5% for the years ended March 31, 2007 and 2006.

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, 2007 and 2006 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Deferred tax assets:				
Write-downs of inventories	V 2,096	V 2,171	\$ 17,755	\$ 18,611
Unrealized gain on inventories and PP&E	V 3,896	V 3,251	\$ 33,003	\$ 28,115
Allowance for doubtful receivables	V 898	V 1,048	\$ 7,815	\$ 9,115
Depreciation	V 11,722	V 13,333	\$ 99,297	\$ 115,698
Impairment loss	V 17,908	V 17,122	\$ 151,698	\$ 149,115
Unrealized loss on investment securities	V 2,056	V 2,084	\$ 17,416	\$ 18,115
Accrued employees' bonuses	V 3,732	V 3,657	\$ 31,814	\$ 31,814
Warranty reserve	V 1,349	V 1,185	\$ 11,427	\$ 10,311
Retirement benefits	V 10,130	V 10,105	\$ 85,811	\$ 85,811
Tax loss carryforwards	V 4,182	V 3,648	\$ 35,256	\$ 31,411
Accumulated losses of subsidiaries	V 3,471	V —	\$ 29,403	\$ —
Other	V 10,255	V 9,952	\$ 86,870	\$ 85,811
Gross deferred tax assets	V 71,682	V 67,541	\$ 607,217	\$ 585,938
Valuation allowance	V (26,121)	V (24,890)	\$ (221,271)	\$ (213,111)
Total deferred tax assets	V 45,560	V 42,651	\$ 385,938	\$ 372,827
Deferred tax liabilities:				
Reserve for deferred gain on property	V (1,853)	V (1,593)	\$ (15,697)	\$ (13,811)
Reserve for asset replacement	V —	V (203)	\$ —	\$ (1,775)
Reserve for special depreciation	V (321)	V (366)	\$ (2,719)	\$ (3,171)
Unrealized gain on securities	V (8,136)	V (9,354)	\$ (68,620)	\$ (80,811)
Other	V (997)	V (462)	\$ (8,446)	\$ (3,911)
Total deferred tax liabilities	V (11,308)	V (11,979)	\$ (95,790)	\$ (103,668)
Net deferred tax assets	V 34,252	V 30,702	\$ 290,146	\$ 269,159

A reconciliation between the statutory tax rate and the effective tax rates for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Statutory tax rate	39.5 %	39.5 %
Equity in earnings of unconsolidated subsidiaries and affiliates and non-temporary differences not deductible for tax purposes	(20.4)	(14.9)
Inhabitants' per capita taxes and other	0.6	0.6
R&D expenses not deductible for tax purposes and other	(1.7)	(3.1)
Change in valuation allowance	4.0	2.6
Accumulated losses of subsidiaries	(8.0)	—
Tax-rate variances of overseas subsidiaries and other	0.3	(4.7)
Effective tax rates	14.3 %	20.0 %

15. INFORMATION FOR CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The following tables present information related to the consolidated statements of changes in net assets for the year ended March 31, 2007:

(a) Number of Shares Issued

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (Number of shares)	206,524,626	—	—	206,524,626
(b) Treasury Stock				

Type of shares	Balance at beginning of year	Increase	Decrease	Balance at end of year
Common stock (Number of shares)	390,902	15,775	330	406,347

Outline of reasons for the changes:

Breakdown of increase in treasury shares:

Increase owing to purchase of outstanding fractional shares of less than one trading unit: 15,775 shares

Breakdown of decrease in treasury shares:

Decrease owing to changes in holdings of treasury stock by companies accounted for under the equity method: 330 shares

(c) Bonds with Rights to Purchase New Shares

None issued.

(d) Cash Dividends

(1) Amount of dividend payments

Date of approval	Type of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
June 27, 2006	Common stock	¥2,063	\$17,476	¥10.00	\$0.08	Mar. 31, 2006	June 28, 2006
Oct. 31, 2006	Common stock	¥2,063	\$17,476	¥10.00	\$0.08	Sept. 30, 2006	Dec. 11, 2006

(2) Dividends whose record date falls in the fiscal year under review, but whose effective date is in the following fiscal year

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
June 26, 2007	Common stock	Retained earnings	¥2,578	\$21.838	\$0.11	Mar 31, 2007	June 27, 2007

(General Meeting of Shareholders)

(e) Other

Net loss on deferred hedges, net of taxes, of ¥406 million (\$3,439 thousand) at March 31, 2007 was disclosed in the consolidated statement of changes in net assets for the year ended March 31, 2007 due to the change in presentation effective the year then ended. However, this new method of presentation has not been retroactively applied for the previous year. As of March 31, 2006, such net loss on deferred hedges amounted to ¥363 million was included in other current assets in the consolidated balance sheet.

16. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents at March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Cash and bank deposits	¥ 48,702	¥ 30,429	\$ 395,612	
Time deposits with a maturity of more than three months	(776)	(895)	(6,573)	
Cash and cash equivalents	¥ 45,926	¥ 35,434	\$ 389,039	

17. LEGAL RESERVE AND ADDITIONAL PAID-IN CAPITAL

The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of retained earnings be appropriated to the legal reserve until the sum of the legal reserve (a component of retained earnings) and additional paid-in capital (a component of capital surplus) equals 25% of the common stock account. The Code also provides that, to the extent that the sum of additional paid-in capital and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. 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 common stock account.

18. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., the Welfare Pension Fund Plan (WPFP), tax-qualified pension plans and lump-sum payment plans which substantially cover all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs. Certain employees may be entitled to additional special retirement benefits which have not been provided for based on the conditions under which termination occurs. In addition, certain overseas consolidated subsidiaries have defined benefit and contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Retirement benefit obligation	¥ (162,791)	¥ (161,027)	\$ (1,379,000)	
Plan assets at fair value	122,430	118,746	1,037,103	
Unfunded retirement benefit obligation	(40,360)	(42,280)	(341,898)	
Unrecognized actuarial gain or loss	12,683	14,536	107,288	
Unrecognized past service cost	1,458	1,727	12,351	
Net retirement benefit obligation at transition	(26,238)	(26,016)	(222,262)	
Prepaid pension expenses	902	1,961	7,641	
Accrued retirement benefits	¥ (27,140)	¥ (27,978)	(229,903)	

Note that the Company and a consolidated subsidiary in Japan discontinued their approved retirement annuity system on April 1, 2007, and are making the transition to a corporate pension plan and lump-sum retirement payments.

The components of retirement benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Service cost	¥ 5,535	¥ 5,699	\$ 48,687	
Interest cost	3,134	3,117	26,548	
Expected return on plan assets	(4,698)	(3,940)	(39,780)	
Amortization of past service cost	284	265	2,236	
Amortization of actuarial gain or loss	3,068	4,475	26,158	
Additional retirement benefit expenses	3,551	779	30,080	
Total	¥ 10,876	¥ 10,367	\$ 92,130	

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

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	4.0%	4.0%
Amortization of past service cost	10 years (straight-line method)	10 years (straight-line method)
Amortization of actuarial gain or loss	10 years (straight-line method)	10 years (straight-line method)

19. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Export bills discounted with banks	¥ 882	\$ 7,471
Guarantees of indebtedness of others	645	5,464

20. AMOUNTS PER SHARE

Years ended March 31	2007	2006	U.S. Dollars
Net income:			
Basic	¥ 135.19	¥ 136.04	\$ 1.15
Diluted	135.11	135.92	1.14
At March 31			
Net assets	¥ 1,890.91	¥ 1,532.62	\$ 14.24

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Net assets per share are based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at each balance sheet date.

The calculation of basic net income per share and diluted net income per share was determined as follows:

Years ended March 31	2007	2006	2007
Basic net income per share:			
Net income	¥ 27,866 million	¥ 28,123 million	\$ 238,053 thousand
Amounts not attributable to shareholders of common stock:			
Amounts not attributable to shareholders of common stock:	—	80	—
Directors' bonuses appropriated from retained earnings	—	80	—
Amounts attributable to shareholders of common stock	27,866	28,043	238,053
Weighted average number of shares outstanding	206,128 thousand shares	205,139 thousand shares	
Diluted net income per share:			
Adjusted net income arising from dilution:	¥ (17) million	¥ (24) million	\$ (144) thousand
Equity in earnings of unconsolidated subsidiaries and affiliates	(17)	(24)	(144)
Increases in number of shares outstanding	—	—	—
Dilution arising from conversion of convertible bonds	—	—	—

21. LEASES

Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2007 and 2006 which would have been reflected in the consolidated balance sheets if the finance leases currently accounted for as operating leases had been capitalized:

	Millions of Yen			Thousands of U.S. Dollars		
As of March 31, 2007	Tools and equipment	Other	Total	Tools and equipment	Other	Total
Acquisition costs	¥ 1,782	¥ 487	¥ 2,249	\$ 15,095	\$ 3,959	\$ 19,051
Accumulated depreciation	875	251	1,237	8,259	2,211	10,479
Net book value	¥ 806	¥ 205	¥ 1,012	\$ 6,828	\$ 1,737	\$ 8,573
As of March 31, 2006	Tools and equipment	Other	Total	Tools and equipment	Other	Total
Acquisition costs	¥ 2,171	¥ 604	¥ 2,775			
Accumulated depreciation	1,192	346	1,539			
Net book value	¥ 978	¥ 258	¥ 1,236			

Lease expenses relating to finance leases accounted for as operating leases amounted to ¥699 million (\$5,921 thousand) and ¥725 million for the years ended March 31, 2007 and 2006, respectively.

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

Future minimum lease payments subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 481	\$ 4,075
2009 and thereafter	530	4,490
Total	¥ 1,012	\$ 8,573

Lessor's accounting

The following amounts represent the acquisition costs, accumulated depreciation and the net book value of leased assets relating to finance leases accounted for as operating leases at March 31, 2007 and 2006:

	Millions of Yen			Thousands of U.S. Dollars		
As of March 31	2007	2006		2007	2006	
Acquisition costs	¥ 5,423	¥ 5,887		\$ 45,938	\$ 49,338	
Accumulated depreciation	3,700	4,333		31,343	36,333	
Net book value	¥ 1,722	¥ 1,554		\$ 14,567	\$ 13,005	

Lease income and depreciation expenses relating to finance leases accounted for as operating leases amounted to ¥1,331 million (\$1,275 thousand) and ¥747 million (\$6,328 thousand), respectively, for the year ended March 31, 2007 and ¥1,452 million and ¥968 million, respectively, for the year ended March 31, 2006.

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

Future minimum lease income subsequent to March 31, 2007 for finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of Yen		Thousands of U.S. Dollars
	Y	\$	
2008	¥ 841	\$ 7,124	
2009 and thereafter	¥ 1,602	\$ 13,571	
Total	¥ 2,443	\$ 20,695	

22. SECURITIES

(a) Held-to-maturity debt securities with determinable market value

As of March 31, 2007	Millions of Yen				Thousands of U.S. Dollars			
	Carrying value	Estimated fair value	Unrealized gain (loss)		Carrying value	Estimated fair value	Unrealized gain (loss)	
Securities whose estimated fair value exceeds their carrying value:	¥ 100	¥ 100	¥ 0	\$ 847	\$ 847	\$ 0		
Government and municipal bonds	298	300	0	2,533	2,541	0		
Other	399	400	0	3,380	3,388	0		
Securities whose carrying value does not exceed their estimated fair value:	500	495	(4)	4,235	4,193	(34)		
Government and municipal bonds	418	416	(3)	3,549	3,524	(25)		
Corporate bonds	1,098	1,093	(5)	9,310	9,259	(51)		
Other	2,019	2,004	(15)	17,103	16,976	(127)		
Total	¥ 2,419	¥ 2,404	¥ (15)	\$ 20,491	\$ 20,364	\$ (127)		

As of March 31, 2006	Millions of Yen				Thousands of U.S. Dollars			
	Carrying value	Estimated fair value	Unrealized gain (loss)		Carrying value	Estimated fair value	Unrealized gain (loss)	
Securities whose estimated fair value exceeds their carrying value:	¥ 200	¥ 200	¥ 0					
Government and municipal bonds	20	20	0					
Corporate bonds	399	401	1					
Other	620	622	2					
Securities whose carrying value does not exceed their estimated fair value:	299	292	(7)					
Government and municipal bonds	519	513	(6)					
Corporate bonds	1,289	1,286	(3)					
Other	2,119	2,092	(26)					
Total	¥ 2,738	¥ 2,715	¥ (24)					

(b) Other securities with determinable market value

As of March 31, 2007	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:	¥ 9,175	¥ 29,790	¥ 20,614	\$ 77,721	\$ 252,351	\$ 174,621
Stock	65	76	12	551	681	102
Other	9,240	29,888	20,627	78,272	253,011	174,731
Securities whose carrying value does not exceed their acquisition costs:	688	632	(56)	5,828	5,354	(474)
Stock	688	632	(56)	5,828	5,354	(474)
Total	¥ 9,929	¥ 30,500	¥ 20,570	\$ 84,108	\$ 258,385	\$ 174,248

As of March 31, 2006	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:	¥ 9,196	¥ 33,025	¥ 23,829			
Stock	53	77	24			
Other	9,249	33,103	23,854			
Securities whose carrying value does not exceed their acquisition costs:	595	388	(206)			
Stock	595	388	(206)			
Total	¥ 9,844	¥ 33,492	¥ 23,647			

(c) Other securities sold during the years ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars	
	2007	2006	2007	2006
Sales of other securities	¥ 41	¥ 616	\$ 347	\$ 5,084
Profit on sales	31	605	263	5,084

(d) Securities without determinable value

Other securities: Unlisted securities	Thousands of U.S. Dollars	
	2007	2006
	¥ 7,010	¥ 6,921
		\$ 59,382

(e) Schedule for redemption of other securities with maturities and held-to-maturity debt securities at March 31, 2007 and 2006

	Thousands of Yen		Thousands of U.S. Dollars	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
As of March 31, 2007				
Bonds:				
Government and municipal bonds	¥ --	¥ 600	\$ --	\$ 5,083
Corporate bonds	20	399	169	3,380
Other	399	999	3,390	8,453
Total	¥ 419	¥ 1,999	\$ 3,540	\$ 16,934
	Millions of Yen		Millions of Yen	
As of March 31, 2006	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds:				
Government and municipal bonds	¥ 200	¥ 289		
Corporate bonds	120	419		
Other	199	1,499		
Total	¥ 520	¥ 2,219		

23. DERIVATIVES AND HEDGING ACTIVITIES

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

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

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

24. SEGMENT INFORMATION

The business and geographical segments and overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 are outlined as follows:

Business Segments

	Millions of Yen						Eliminations of related accounts	Consolidated
	Musical instruments	AV/IT	Electronic equipment and related products	Lifestyle-related products	Recreation	Others	Total	
Year ended March 31, 2007								
I. Sales and operating income (loss)	¥ 325,989	¥ 72,823	¥ 54,809	¥ 48,573	¥ 17,800	¥ 32,365	¥ 550,361	¥ 550,361
Sales to external customers								
Intersegment sales or transfers			1,714				1,714	(1,714)
Total	325,989	72,823	56,524	48,573	17,800	32,365	552,076	(1,714)
Operating expenses	303,951	70,665	53,423	45,422	19,337	31,570	524,361	(1,714)
Operating income (loss)	¥ 22,037	¥ 2,137	¥ 3,101	¥ 1,150	¥ (1,536)	¥ 794	¥ 27,685	¥ 27,685
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures								
Total assets	¥ 283,605	¥ 41,907	¥ 48,759	¥ 22,814	¥ 13,454	¥ 149,589	¥ 559,031	¥ 559,031
Depreciation	9,242	1,610	4,676	1,007	1,452	1,907	19,956	
Loss on impairment of fixed assets					4,728		4,728	
Capital expenditures	14,817	1,539	4,395	1,303	1,464	1,831	25,152	
	Thousands of U.S. Dollars							
Year ended March 31, 2007								
I. Sales and operating income (loss)	\$ 2,761,449	\$ 616,883	\$ 464,286	\$ 394,519	\$ 150,784	\$ 274,163	\$ 4,682,101	\$ 4,682,101
Sales to external customers								
Intersegment sales or transfers			14,519				14,519	(14,519)
Total	2,761,449	616,883	478,814	394,519	150,784	274,163	4,676,629	(14,519)
Operating expenses	2,574,765	598,772	452,548	384,789	163,803	267,429	4,442,109	(14,519)
Operating income (loss)	\$ 186,675	\$ 16,102	\$ 26,299	\$ 9,742	\$ (13,011)	\$ 6,726	\$ 234,519	\$ 234,519
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures								
Total assets	\$ 2,402,414	\$ 354,147	\$ 413,037	\$ 193,257	\$ 113,969	\$ 1,258,695	\$ 4,735,544	\$ 4,735,544
Depreciation	78,289	13,638	39,010	8,530	12,300	16,642	169,047	
Loss on impairment of fixed assets					40,051		40,051	
Capital expenditures	125,515	13,037	37,220	11,038	12,402	13,816	213,982	

	Millions of Yen					Eliminations or unallocated amounts	
	Japan	North America	Europe	Asia, Oceania and other areas	Total		Consolidated
Year ended March 31, 2008							
I. Sales and operating income							
Sales to external customers	Y 306,813	Y 94,311	Y 86,570	Y 47,389	Y 534,084	Y	Y 534,084
Intersegment sales or transfers	143,687	1,525	862	63,234	209,290	(209,290)	
Total	450,481	95,837	86,433	110,623	743,375	(209,290)	534,084
Operating expenses	438,564	92,164	83,021	106,103	719,853	(209,940)	509,949
Operating income	Y 11,916	Y 3,673	Y 3,412	Y 4,519	Y 23,522	Y	Y 24,135
Total assets	Y 402,684	Y 38,919	Y 38,422	Y 59,040	Y 538,065	Y (18,990)	Y 519,077

Notes: (1) Geographical segments are divided into categories based on their geographical proximity.
(2) The major nations or regions included in each geographical segment are as follows:

- (a) North America — U.S.A., Canada
(b) Europe — Germany, France, U.K.
(c) Asia, Oceania and other areas — People's Republic of China, Republic of Korea, Australia

Overseas Sales

	Millions of Yen				Eliminations or unallocated amounts	
	North America	Europe	Asia, Oceania and other areas	Total		Total
Year ended March 31, 2007						
Overseas sales:						
Overseas sales	Y 93,676	Y 97,299	Y 68,157	Y	Y	Y 259,133
Consolidated net sales						550,361
Overseas sales as a percentage of consolidated net sales	17.0%	17.7%	12.4%			47.1%
Year ended March 31, 2006						
Overseas sales:						
Overseas sales	\$ 793,528	\$ 824,219	\$ 577,357	\$	\$	\$ 2,195,112
Consolidated net sales						4,662,101
Overseas sales as a percentage of consolidated net sales	17.0%	17.7%	12.4%			47.1%

	Millions of Yen				Eliminations or unallocated amounts	
	North America	Europe	Asia, Oceania and other areas	Total		Total
Year ended March 31, 2006						
Overseas sales:						
Overseas sales	Y 94,694	Y 87,404	Y 56,681	Y	Y	Y 238,870
Consolidated net sales						534,084
Overseas sales as a percentage of consolidated net sales	17.7%	16.4%	10.6%			44.7%

Note: The major nations or regions included in each geographical segment are as follows:

- (a) North America—U.S.A., Canada
(b) Europe—Germany, France, U.K.
(c) Asia, Oceania and other areas—People's Republic of China, Republic of Korea, Australia

	Millions of Yen					Eliminations or unallocated amounts	
	Japan	North America	Europe	Asia, Oceania and other areas	Total		Consolidated
Year ended March 31, 2006							
I. Sales and operating income (loss)							
Sales to external customers	Y 314,076	Y 75,939	Y 56,167	Y 45,214	Y 481,396	Y	Y 534,084
Intersegment sales or transfers	1,668				1,668	(1,668)	
Total	314,076	75,939	56,167	45,214	481,396		534,084
Operating expenses	299,946	73,825	49,908	44,045	467,724	(1,668)	509,949
Operating income (loss)	Y 14,132	Y 2,113	Y 7,927	Y 1,169	Y 24,135	Y	Y 24,135
ii. Total assets, depreciation and capital expenditures							
Total assets	Y 268,635	Y 40,523	Y 47,065	Y 21,281	Y 377,504	Y	Y 519,977
Depreciation	8,632	1,542	4,471	1,039	15,684		18,944
Capital expenditures	11,877	1,129	5,488	1,245	19,739		22,862

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

(2) Major products in each business segment:

Business segment	Major products & services
Musical instruments	Pianos, digital musical instruments, wind instruments, string instruments, percussion instruments, educational musical instruments, professional audio equipment, soundproof rooms, music schools, English language schools, toy tone distribution service, piano tuning
AV/IT	Audio products, IT equipment
Electronic equipment and media products	Semiconductors, speech/melody media products
Life/related products	System bathrooms, system lockers, washstands
Recreation	Sports training and accommodation facilities, ski resort, golf courses
Others	Car products, automobile stereo word components, factory automation (FA) equipment, medical molds and components

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

(3) Total assets of Yamaha Motor Co., Ltd. included in the Others segment were as follows:
2007 ¥105,063 million (\$800,157 thousand)
2006 ¥ 86,724 million

Geographical Segments

	Millions of Yen					Eliminations or unallocated amounts	
	Japan	North America	Europe	Asia, Oceania and other areas	Total		Consolidated
Year ended March 31, 2007							
I. Sales and operating income							
Sales to external customers	Y 307,486	Y 93,131	Y 95,326	Y 54,418	Y 550,361	Y	Y 550,361
Intersegment sales or transfers	155,991	2,075	1,238	60,068	219,374	(219,374)	
Total	463,477	95,206	96,565	114,486	770,734	(219,374)	550,361
Operating expenses	447,406	91,668	92,194	116,380	747,648	(219,374)	528,274
Operating income	Y 16,071	Y 3,538	Y 4,400	Y 5,105	Y 29,115	Y	Y 27,085
Total assets	Y 437,839	Y 37,618	Y 44,039	Y 64,242	Y 583,740	Y (24,708)	Y 559,031

Thousands of U.S. Dollars

	Millions of Yen					Eliminations or unallocated amounts	
	Japan	North America	Europe	Asia, Oceania and other areas	Total		Consolidated
Year ended March 31, 2007							
I. Sales and operating income							
Sales to external customers	\$ 2,604,710	\$ 786,911	\$ 807,505	\$ 480,974	\$ 4,680,101	\$	\$ 4,680,101
Intersegment sales or transfers	1,321,388	17,577	10,487	585,074	1,934,553	(1,934,553)	
Total	3,926,108	804,488	818,001	1,046,048	6,594,662		4,680,101
Operating expenses	3,789,970	776,518	780,720	1,002,795	6,350,021	(1,922,440)	4,427,582
Operating income	Y 136,137	Y 29,970	Y 37,272	Y 43,244	Y 246,633	Y	Y 234,519
Total assets	\$ 3,708,928	\$ 310,862	\$ 373,054	\$ 544,183	\$ 4,944,654	Y (209,301)	\$ 4,735,354

25. SUBSEQUENT EVENTS

The Company has sold a portion of its shares of Yamaha Motor Co., Ltd. ("Yamaha Motor")

(1) The principal background developments leading to this decision were that, as the scale of operations of Yamaha Motor has expanded, the market value of Yamaha Motor shares held by the Company has grown, and Yamaha Motor, which is accounted for under the equity method in the accompanying consolidated financial statements, has come to exert a larger influence on the consolidated performance of Yamaha. By selling a portion of its shareholdings in Yamaha Motor, the Company will be able to use the proceeds for "growth investments" and "providing a higher return to its shareholders." In addition, by excluding Yamaha Motor from the scope of the equity method, the Company will be able to eliminate the risk of fluctuation in performance of Yamaha Motor, which has different core businesses, on its own performance, thus leading to greater transparency of the Company's own performance.

(2) Name and business of consolidated affiliate accounted for by the equity method

Name: Yamaha Motor Co., Ltd.

Business: Development, manufacture, and sale of motorcycles, marine related products, power products and other products

(3) Name of counter parties, date of sales, numbers of shares sold, sales price, proceeds from the sales, and equity ratio after the sales

Name of counter parties	Block Trades via a Securities Company	
	May 22, 2007	May 23, 2007
Date of sales		
Numbers of shares sold	8,686,000 shares	13,685,000 shares
Sales price	¥24.3 billion	¥38.2 billion
Proceeds from the sales	¥11.0 billion	¥18.8 billion
Equity ratio after the sales	19.7%	14.9%

Report of Independent Auditors

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated balance sheets of YAMAHA CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information:

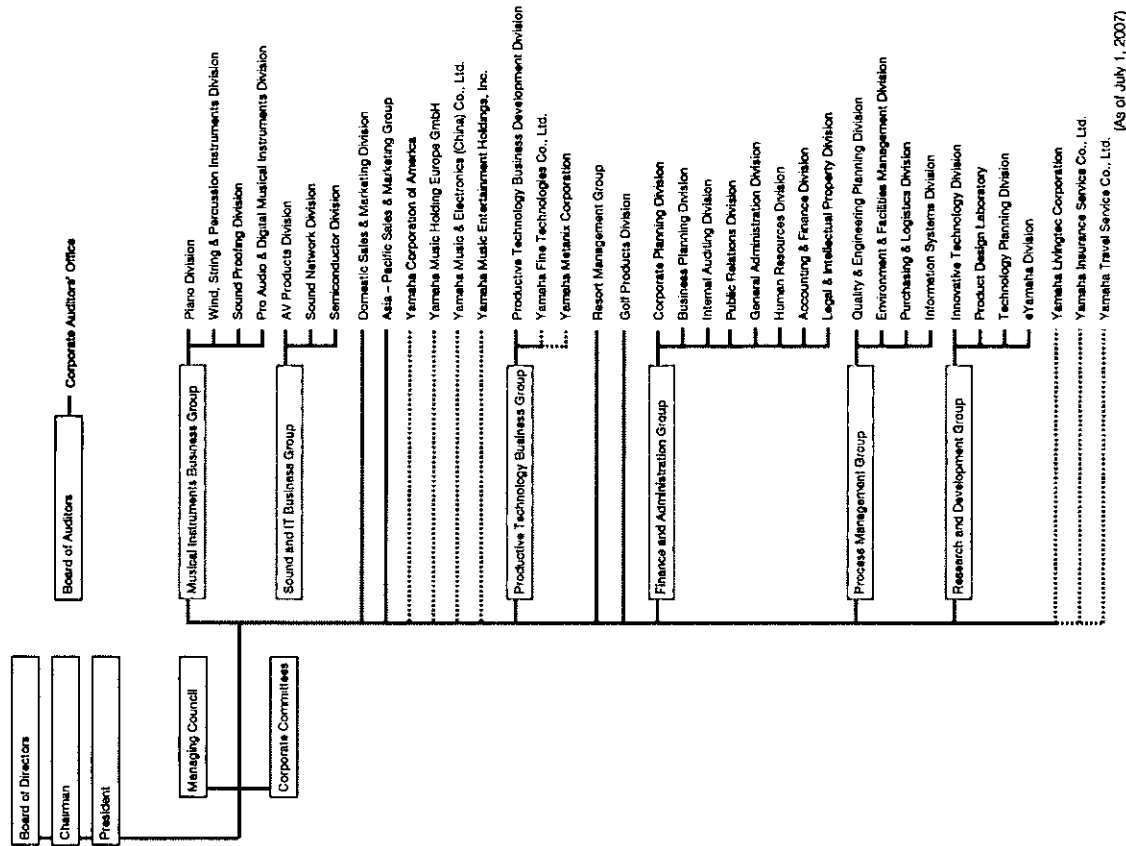
As disclosed in Note 25, the Company has sold a portion of its shares of Yamaha Motor Co., Ltd. in May 2007, and Yamaha Motor Co., Ltd. became an unaffiliated company.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

June 27, 2007

Ernst & Young Shin Nihon

Organization Chart



Investor Information

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

General Administration Division

Tel: +81 53 460 2800

Accounting & Finance Division

Tel: +81 53 460 2141

Corporate Planning Division

Tel: +81 3 5488 6602

Public Relations Division

Tel: +81 3 5488 6601

Business Year

From April 1 to March 31 of the following year

Dividends

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

Interim: To the shareholders of record on September 30

Date of Establishment

October 12, 1887

Stated Capital

¥78,534 million

Number of Common Stock

Authorized: 700,000,000 shares

Issued: 206,524,626 shares

Number of Shareholders

15,470

Number of Employees (Consolidated)

25,992

(Includes average number of temporary employees: 5,061)

Number of Consolidated Subsidiaries

93

Number of Companies Accounted for by the Equity Method

3

Stock Exchange Listings

Tokyo

First Section, Code No. 7951

Administrator of Shareholders' Registry and its Business Office

The Chuo Mitsui Trust and Banking Co., Ltd.

Nagoya Branch

Stock Transfer Agency Department

Address: 3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8695, Japan

Tel: +81 52 262 1520

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

Public Notices

Shall be issued electronically at
<http://www.yamaha.co.jp/about/publicnotices/> (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

Auditor

Ernst & Young Shinbun

Main Shareholders

The Master Trust Bank of Japan, Ltd. (trust a/c) 8.08%

State Street Bank and Trust Company 7.66%

Mitsui Sumitomo Insurance Co., Ltd. 4.32%

Mizuho Bank, Ltd. 4.25%

The Shizuoka Bank, Ltd. 4.04%

The Chase Manhattan Bank N.A. London 3.76%

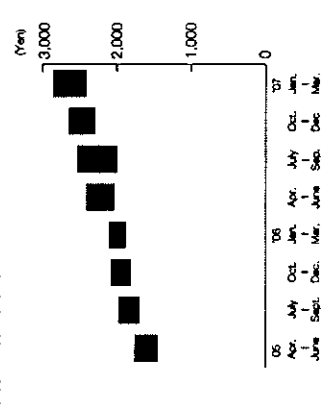
Santitomo Life Insurance Company 3.53%

Japan Trustee Services Bank, Ltd. (trust a/c) 3.31%

Nippon Life Insurance Company 3.14%

Mizuho Corporate Bank, Ltd. 2.80%

Stock Price Movement



(As of March 31, 2007)



RECEIVED
2007.03.30 A.M. 0:00
OFFICE OF THE
CONTROLLER

Financial Data 2007

CONTENTS

02	業績の推移	Performance Trends
05	セグメント情報	Segment Information
08	収益性	Profitability
09	安定性・安全性	Stability
10	効率性	Efficiency
11	株式情報	Stock Information
12	貸借対照表	Balance Sheets
14	損益計算書	Statements of Operations
15	キャッシュ・フロー計算書	Statements of Cash Flows

業績の推移 Performance Trends

財務ハイライト

Financial Highlights

決算期/Fiscal Year Ended:		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
会計年度:	For the year:						
売上高	Net sales	524,763	539,506	534,079	534,084	550,361	4,662.10
営業利益	Operating income	32,043	45,056	35,695	24,135	27,685	234.52
当期純利益	Net income	17,947	43,541	19,697	28,123	27,866	236.05
会計年度末:	At year-end:						
総資産	Total assets	512,716	508,731	505,577	519,977	559,031	4,735.54
純資産	Net assets	214,471	259,731	275,200	316,005	351,398	2,976.69
有利子負債	Interest-bearing liabilities	90,436	48,871	46,598	28,474	25,551	216.44
1株当たり情報(円/米ドル):	Per share (Yen/U.S. Dollars):						
当期純利益	Net income	86.65	210.63	95.06	136.04	135.19	1.15
純資産	Net assets	1,040.06	1,259.28	1,334.51	1,532.62	1,680.91	14.24
現金配当	Cash dividends	10	15	20	20	22.50	0.19
従業員数(人)	Number of employees	23,563	23,903	23,828	25,298	25,992	

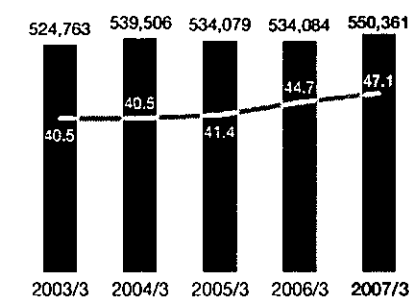
* 米ドル金額は、2007年3月末日の為替相場1ドル=118.05円で換算しています。

* Throughout this financial data, U.S. dollar amounts are translated from yen at the rate of ¥118.05=U.S.\$1.00, the approximate rate prevailing on March 31, 2007.

売上高および海外売上高比率

Net Sales/Overseas Sales Ratio

(百万円/%) (Millions of Yen/%)

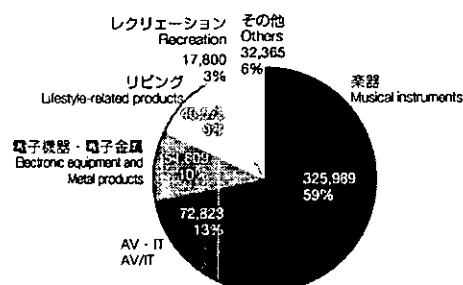


■ 売上高
Net sales
■ 海外売上高比率
Overseas sales ratio

セグメント別売上高 (2007年3月期)

Net Sales by Business Segment (Fiscal Year Ended 2007/3)

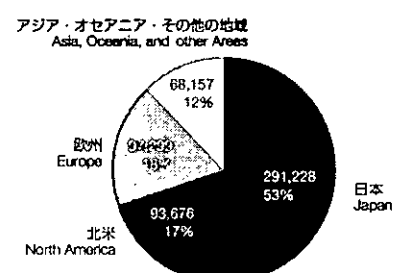
(百万円/%) (Millions of Yen/%)



地域別売上高 (2007年3月期)

Net Sales by Geographical Segment (Fiscal Year Ended 2007/3)

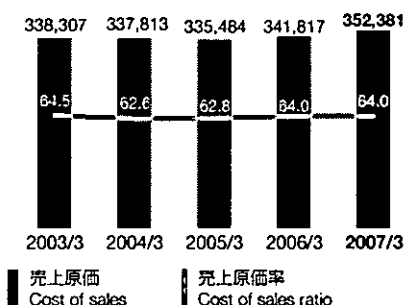
(百万円/%) (Millions of Yen/%)



決算期/Fiscal Year Ended:		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
売上高	Net sales	524,763	539,506	534,079	534,084	550,361	4,662.10
事業別売上高	Net sales by business segment						
楽器	Musical instruments	292,647	293,430	302,617	314,078	325,989	2,761.45
AV・IT	AV/IT	83,670	78,257	77,720	75,939	72,823	616.88
電子機器・電子金属	Electronic equipment and metal products	60,554	76,892	69,048	56,167	54,809	464.29
リビング	Lifestyle-related products	46,031	44,765	42,844	45,214	46,573	394.52
レクリエーション	Recreation	20,903	20,100	18,290	18,013	17,800	150.78
その他	Others	20,956	26,061	23,557	24,671	32,365	274.16
海外売上高比率 (%)	Overseas sales ratio (%)	40.5	40.5	41.4	44.7	47.1	
地域別売上高	Net sales by geographical segment						
日本	Japan	312,129	320,809	312,906	295,214	291,228	2,466.99
北米	North America	89,728	86,671	86,717	94,694	93,676	793.53
欧州	Europe	77,185	83,473	84,483	87,494	97,299	824.22
アジア・オセアニア・その他の地域	Asia, Oceania, and other areas	45,721	48,552	49,971	56,681	68,157	577.36

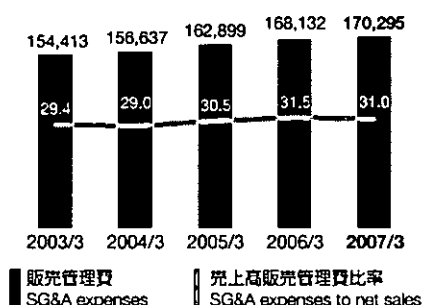
売上原価および売上原価率
Cost of Sales/Cost of Sales Ratio

(百万円/%) (Millions of Yen/%)



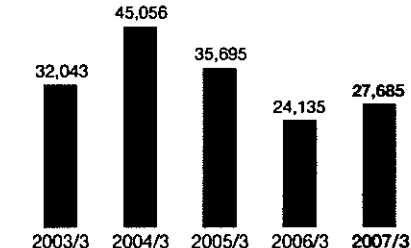
販売管理費および売上高販売管理費比率
SG&A Expenses/SG&A Expenses to Net Sales

(百万円/%) (Millions of Yen/%)



営業利益
Operating Income

(百万円) (Millions of Yen)



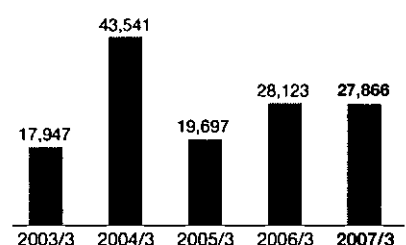
		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
売上高	Net sales	524,763	539,506	534,079	534,084	550,361	4,662.10
売上原価	Cost of sales	338,307	337,813	335,484	341,817	352,381	2,985.02
売上原価率 (%)	Cost of sales ratio (%)	64.5	62.6	62.8	64.0	64.0	
売上総利益	Gross profit	186,456	201,693	198,595	192,267	197,980	1,677.09
販売管理費	SG&A expenses	154,413	156,637	162,899	168,132	170,295	1,442.57
人件費	Personnel expenses	66,757	71,334	70,172	71,470	72,701	615.85
広告販促費	Advertising & promotion expenses	21,740	22,424	25,802	25,799	26,388	223.53
営業利益	Operating income	32,043	45,056	35,695	24,135	27,685	234.52

* 2003年3月期まで販売費及び一般管理費の「その他」に含めて表示していた「雑給」は、2004年3月期より人件費に含まれます。

* Accounting for miscellaneous salaries, which was included in other in SG&A expenses, is included in personnel expenses from the year ended March 2004.

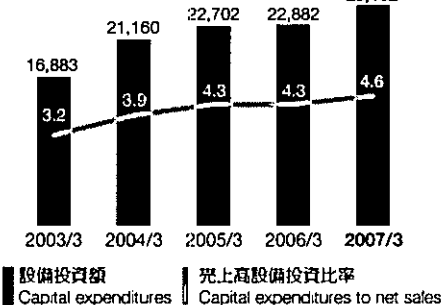
当期純利益
Net Income

(百万円) (Millions of Yen)



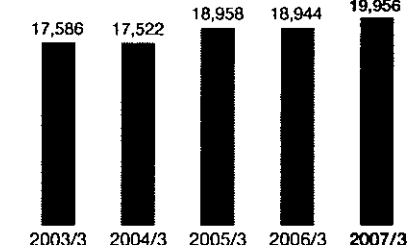
設備投資額および売上高設備投資比率
Capital Expenditures/Capital Expenditures to Net Sales

(百万円/%) (Millions of Yen/%)



減価償却費
Depreciation Expenses

(百万円) (Millions of Yen)

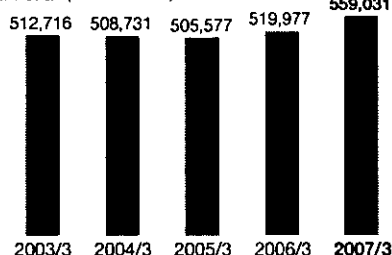


		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
当期純利益	Net income	17,947	43,541	19,697	28,123	27,866	236.05
設備投資額	Capital expenditures	16,883	21,160	22,702	22,882	25,152	213.06
減価償却費	Depreciation expenses	17,586	17,522	18,958	18,944	19,956	169.05
研究開発費	R&D expenses	22,441	22,503	22,953	24,055	24,220	205.17

総資産

Total Assets

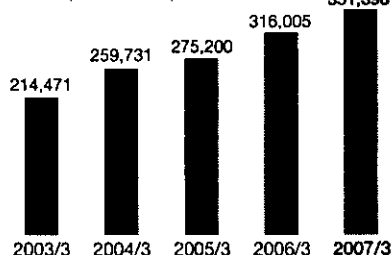
(百万円) (Millions of Yen)



純資産

Net Assets

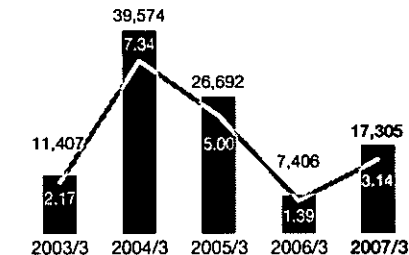
(百万円) (Millions of Yen)



フリー・キャッシュ・フローおよびマージン率

Free Cash Flows/Free Cash Flow Margin

(百万円/%) (Millions of Yen/%)



フリー・キャッシュ・フロー Free cash flows マージン率 Free cash flow margin

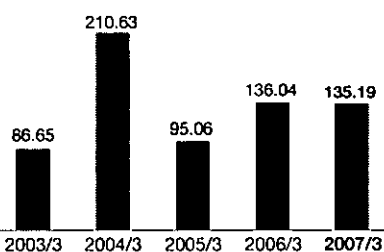
決算期/Fiscal Year Ended:		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
総資産	Total assets	512,716	508,731	505,577	519,977	559,031	4,735.54
純資産	Net assets	214,471	259,731	275,200	316,005	351,398	2,976.69
営業活動によるキャッシュ・フロー	Cash flows from operating activities	33,052	58,349	39,588	25,510	39,732	336.57
投資活動によるキャッシュ・フロー	Cash flows from investing activities	(21,645)	(18,775)	(12,896)	(18,104)	(22,427)	(189.98)
フリー・キャッシュ・フロー(合計)	Free cash flows	11,407	39,574	26,692	7,406	17,305	146.59
財務活動によるキャッシュ・フロー	Cash flows from financing activities	(8,582)	(50,141)	(8,306)	(25,834)	(8,246)	(69.85)
売上高	Net sales	524,763	539,506	534,079	534,084	550,361	4,662.10
フリー・キャッシュ・フロー・マージン率(%)	Free cash flow margin (%)	2.17	7.34	5.00	1.39	3.14	

フリー・キャッシュ・フロー・マージン率=フリー・キャッシュ・フロー/売上高×100 Free cash flow margin = Free cash flows / Net sales × 100

1株当たり当期純利益

Net Income per Share

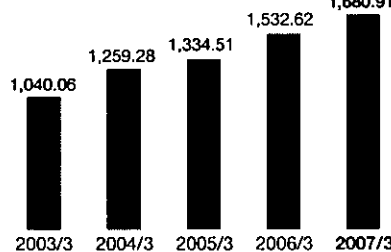
(円) (Yen)



1株当たり純資産

Net Assets per Share

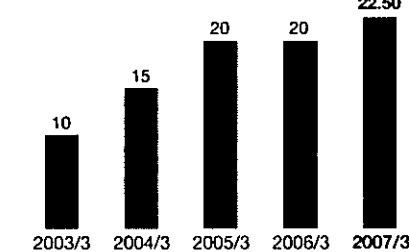
(円) (Yen)



1株当たり配当額

Dividends per Share

(円) (Yen)



決算期/Fiscal Year Ended:		円/Yen				米ドル U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3
1株当たり当期純利益	Net income per share	86.65	210.63	95.06	136.04	135.19
1株当たり純資産	Net assets per share	1,040.06	1,259.28	1,334.51	1,532.62	1,680.91
1株当たり配当額	Dividends per share	10	15	20	20	22.50
配当総額(百万円/百万米ドル)	Dividends paid					
	(Millions of Yen/Millions of U.S. Dollars)	2,063	3,095	4,126	4,126	4,641
連結配当性向(%)	Dividend payout ratio (%)	11.5	7.1	20.9	14.7	16.6

連結配当性向=配当総額/当期純利益(連結)×100 Dividend payout ratio = Dividends paid / Net income (consolidated) × 100

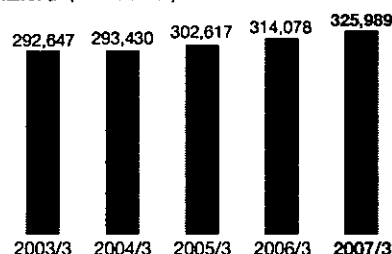
セグメント情報 Segment Information

— 楽器/Musical Instruments —

売上高

Sales

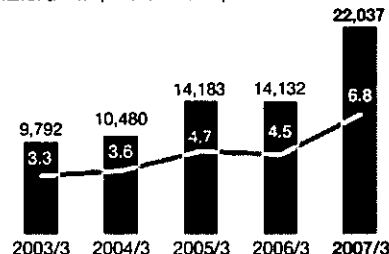
(百万円) (Millions of Yen)



営業利益および売上高営業利益率

Operating Income/Operating Income to Sales

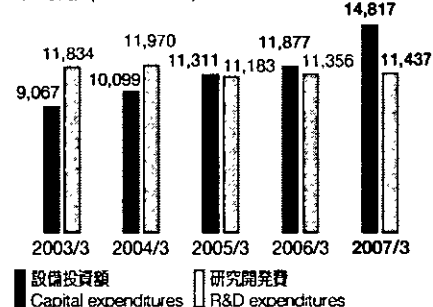
(百万円/%) (Millions of Yen/%)



設備投資額および研究開発費

Capital Expenditures/R&D Expenses

(百万円) (Millions of Yen)



決算期/Fiscal Year Ended:

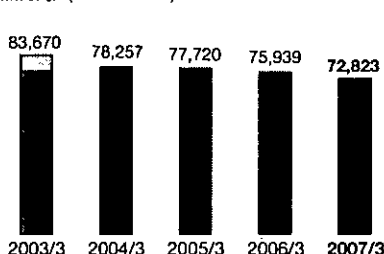
		百万円/Millions of Yen						百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3	
売上高	Sales	292,647	293,430	302,617	314,078	325,989	2,761.45	
営業利益	Operating income	9,792	10,480	14,183	14,132	22,037	186.68	
売上高営業利益率 (%)	Operating income to sales (%)	3.3	3.6	4.7	4.5	6.8		
設備投資額	Capital expenditures	9,067	10,099	11,311	11,877	14,817	125.52	
減価償却費	Depreciation expenses	8,001	7,447	7,819	8,632	9,242	78.29	
研究開発費	R&D expenses	11,834	11,970	11,183	11,356	11,437	96.88	

— AV・IT/AV/IT —

売上高

Sales

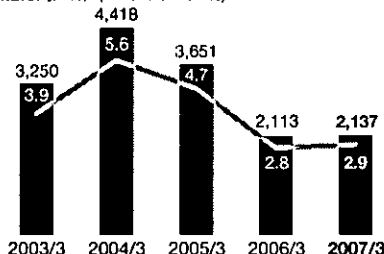
(百万円) (Millions of Yen)



営業利益および売上高営業利益率

Operating Income/Operating Income to Sales

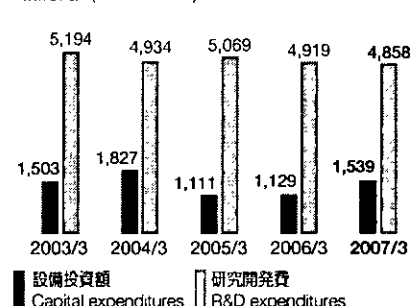
(百万円/%) (Millions of Yen/%)



設備投資額および研究開発費

Capital Expenditures/R&D Expenses

(百万円) (Millions of Yen)



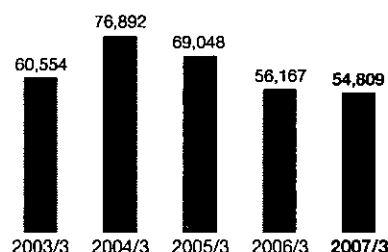
決算期/Fiscal Year Ended:

		百万円/Millions of Yen						百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3	
売上高	Sales	83,670	78,257	77,720	75,939	72,823	616.88	
営業利益	Operating income	3,250	4,418	3,651	2,113	2,137	18.10	
売上高営業利益率 (%)	Operating income to sales (%)	3.9	5.6	4.7	2.8	2.9		
設備投資額	Capital expenditures	1,503	1,827	1,111	1,129	1,539	13.04	
減価償却費	Depreciation expenses	1,807	1,694	1,492	1,542	1,610	13.64	
研究開発費	R&D expenses	5,194	4,934	5,069	4,919	4,858	41.15	

一 電子機器・電子金属/Electronic Equipment and Metal Products

売上高 Sales

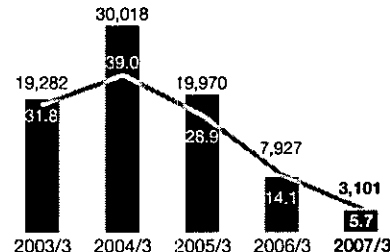
(百万円) (Millions of Yen)



営業利益および売上高営業利益率

Operating Income/Operating Income to Sales

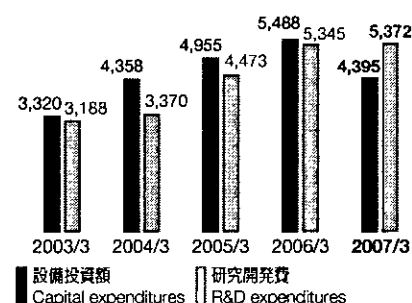
(百万円/%) (Millions of Yen/%)



設備投資額および研究開発費

Capital Expenditures/R&D Expenses

(百万円) (Millions of Yen)



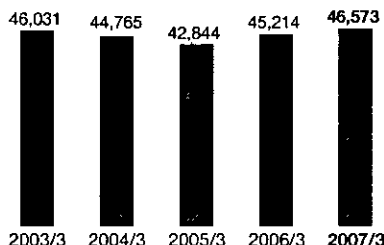
決算期/Fiscal Year Ended:

		百万円/Millions of Yen						百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3	
売上高	Sales	60,554	76,892	69,048	56,167	54,809	464.29	
営業利益	Operating income	19,282	30,018	19,970	7,927	3,101	26.27	
売上高営業利益率 (%)	Operating income to sales (%)	31.8	39.0	28.9	14.1	5.7		
設備投資額	Capital expenditures	3,320	4,358	4,955	5,488	4,395	37.23	
減価償却費	Depreciation expenses	2,845	3,388	4,183	4,471	4,676	39.61	
研究開発費	R&D expenses	3,188	3,370	4,473	5,345	5,372	45.51	

一 リビング/Lifestyle-Related Products

売上高 Sales

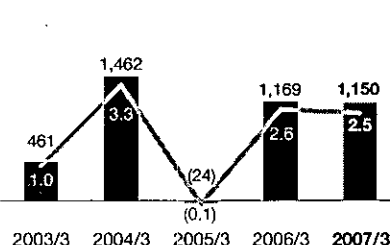
(百万円) (Millions of Yen)



営業利益(損失)および売上高営業利益(損失)率

Operating Income (Loss)/Operating Income (Loss) to Sales

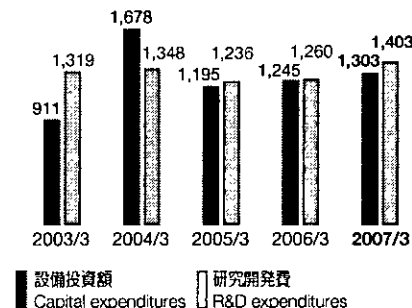
(百万円/%) (Millions of Yen/%)



設備投資額および研究開発費

Capital Expenditures/R&D Expenses

(百万円) (Millions of Yen)



決算期/Fiscal Year Ended:

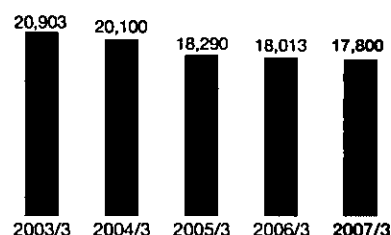
		百万円/Millions of Yen						百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3	
売上高	Sales	46,031	44,765	42,844	45,214	46,573	394.52	
営業利益(損失)	Operating income (loss)	461	1,462	(24)	1,169	1,150	9.74	
売上高営業利益(損失)率 (%)	Operating income (loss) to sales (%)	1.0	3.3	(0.1)	2.6	2.5		
設備投資額	Capital expenditures	911	1,678	1,195	1,245	1,303	11.04	
減価償却費	Depreciation expenses	1,002	969	1,518	1,062	1,007	8.53	
研究開発費	R&D expenses	1,319	1,348	1,236	1,260	1,403	11.88	

レクリエーション/Recreation

売上高

Sales

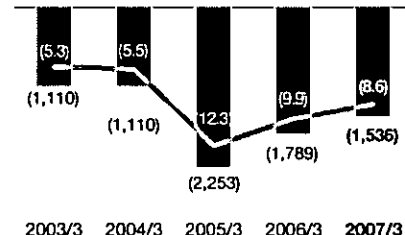
(百万円) (Millions of Yen)



営業損失および売上高営業損失率

Operating Loss/Operating Loss to Sales

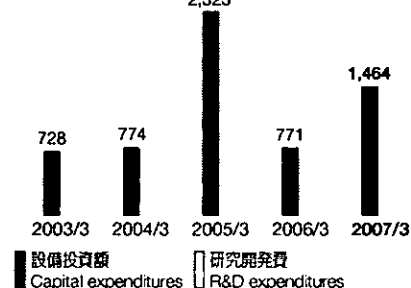
(百万円/%) (Millions of Yen/%)



設備投資額および研究開発費

Capital Expenditures/R&D Expenses

(百万円) (Millions of Yen)



決算期/Fiscal Year Ended:

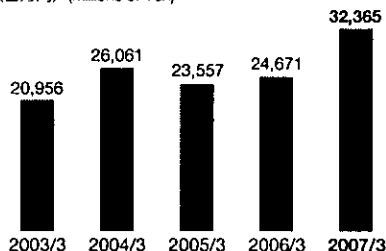
		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
売上高	Sales	20,903	20,100	18,290	18,013	17,800	150.78
営業損失	Operating loss	(1,110)	(1,110)	(2,253)	(1,789)	(1,536)	(13.01)
売上高営業損失率 (%)	Operating loss to sales (%)	(5.3)	(5.5)	(12.3)	(9.9)	(8.6)	
設備投資額	Capital expenditures	728	774	2,323	771	1,464	12.40
減価償却費	Depreciation expenses	2,932	2,853	2,621	1,845	1,452	12.30
研究開発費	R&D expenses	—	—	—	—	—	—

その他/Others

売上高

Sales

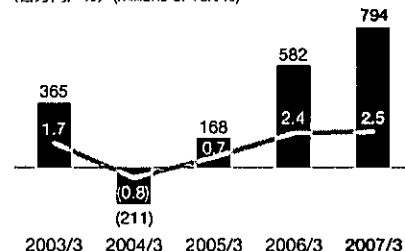
(百万円) (Millions of Yen)



営業利益(損失)および売上高営業利益(損失)率

Operating Income (Loss)/Operating Income (Loss) to Sales

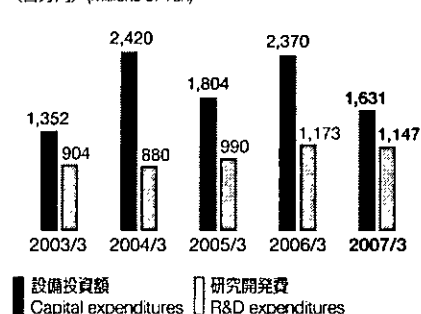
(百万円/%) (Millions of Yen/%)



設備投資額および研究開発費

Capital Expenditures/R&D Expenses

(百万円) (Millions of Yen)



決算期/Fiscal Year Ended:

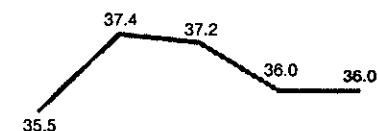
		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
売上高	Sales	20,956	26,061	23,557	24,671	32,365	274.16
営業利益(損失)	Operating income (loss)	365	(211)	168	582	794	6.73
売上高営業利益(損失)率 (%)	Operating income (loss) to sales (%)	1.7	(0.8)	0.7	2.4	2.5	
設備投資額	Capital expenditures	1,352	2,420	1,804	2,370	1,631	13.82
減価償却費	Depreciation expenses	996	1,167	1,322	1,390	1,967	16.66
研究開発費	R&D expenses	904	880	990	1,173	1,147	9.72

収益性 Profitability

売上高総利益率

Gross Profit to Net Sales

(%)

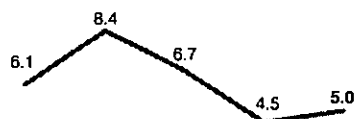


2003/3 2004/3 2005/3 2006/3 2007/3

売上高営業利益率

Operating Income to Net Sales

(%)

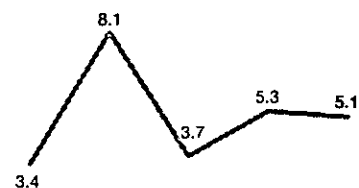


2003/3 2004/3 2005/3 2006/3 2007/3

売上高当期純利益率

Net Income to Net Sales

(%)



2003/3 2004/3 2005/3 2006/3 2007/3

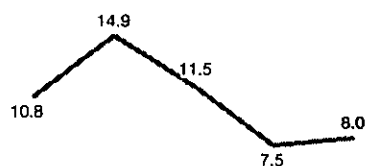
決算期/Fiscal Year Ended:

		%				
		2003/3	2004/3	2005/3	2006/3	2007/3
売上高総利益率	Gross profit to net sales	35.5	37.4	37.2	36.0	36.0
売上高営業利益率	Operating income to net sales	6.1	8.4	6.7	4.5	5.0
売上高当期純利益率	Net income to net sales	3.4	8.1	3.7	5.3	5.1

投下資本利益率 (ROI)

Return on Investment (ROI)

(%)

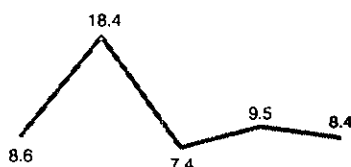


2003/3 2004/3 2005/3 2006/3 2007/3

自己資本当期純利益率 (ROE)

Return on Equity (ROE)

(%)



2003/3 2004/3 2005/3 2006/3 2007/3

総資産当期純利益率 (ROA)

Return on Assets (ROA)

(%)



2003/3 2004/3 2005/3 2006/3 2007/3

決算期/Fiscal Year Ended:

		%				
		2003/3	2004/3	2005/3	2006/3	2007/3
投下資本利益率 (ROI)	Return on investment (ROI)	10.8	14.9	11.5	7.5	8.0
自己資本当期純利益率 (ROE)	Return on equity (ROE)	8.6	18.4	7.4	9.5	8.4
総資産当期純利益率 (ROA)	Return on assets (ROA)	3.5	8.5	3.9	5.5	5.2

*「自己資本当期純利益率 (ROE)」は、2006年3月期までは「株主資本当期純利益率 (ROE)」を開示しています。

* Return on equity (ROE) was classified as return on shareholders' equity (ROE) to the year ended March 2006.

ROI = (営業利益 + 受取利息及び受取配当金) / 期首・期末平均投下資本 × 100

ROI = (Operating income + Interest and dividends received) / Invested capital (yearly average) × 100

投下資本 = 純資産 + 有利子負債

Invested capital = Net assets + Interest-bearing liabilities

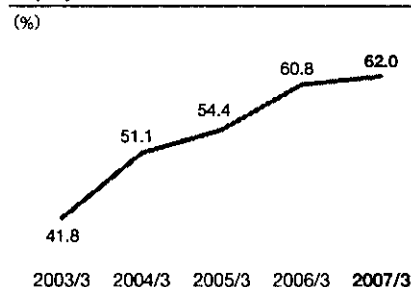
ROE = 当期純利益 (損失) / 期首・期末平均純資産 × 100

ROE = Net income (loss) / Net assets (yearly average) × 100

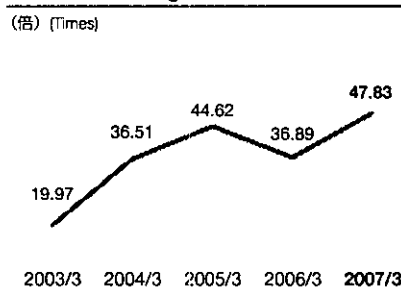
ROA = 当期純利益 (損失) / 期首・期末平均総資産 × 100

ROA = Net income (loss) / Total assets (yearly average) × 100

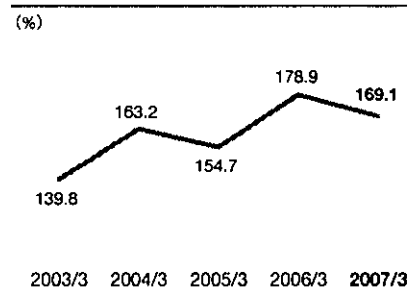
自己資本比率
Equity Ratio



インタレスト・カバレッジ
Interest Coverage



流動比率
Current Ratio



決算期/Fiscal Year Ended:		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
自己資本比率 (%)	Equity ratio (%)	41.8	51.1	54.4	60.8	62.0	
支払利息	Interest expense	2,015	1,535	1,020	1,081	972	8.23
営業利益	Operating income	32,043	45,056	35,695	24,135	27,685	234.52
持分法による投資利益	Equity in earnings of unconsolidated subsidiaries and affiliates	7,608	10,447	9,110	14,838	17,764	150.48
受取利息及び受取配当金	Interest and dividend income	582	538	708	907	1,084	9.18
インタレスト・カバレッジ (倍)	Interest coverage (Times)	19.97	36.51	44.62	36.89	47.83	
流動資産	Total current assets	221,089	201,704	225,581	209,381	231,033	1,957.08
流動負債	Total current liabilities	158,148	123,596	145,820	117,047	136,656	1,157.61
流動比率 (%)	Current ratio (%)	139.8	163.2	154.7	178.9	169.1	

*「自己資本比率」は、2006年3月期までは「株主資本比率」を開示しています。

*Equity ratio was classified as shareholders' equity ratio to the year ended March 2006.

インタレスト・カバレッジ = (営業利益 + 受取利息及び受取配当金 + 持分法による投資利益) / 支払利息

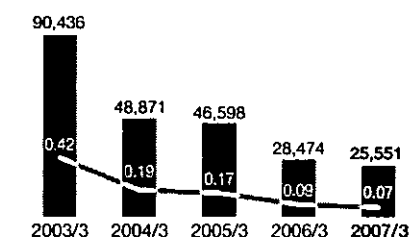
Interest coverage = (Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliates) / Interest expense

流動比率 = 流動資産 / 流動負債 × 100 Current ratio = Current assets / Current liabilities × 100

有利子負債およびD/Eレシオ

Interest-Bearing Liabilities/Debt to Equity Ratio

(百万円/倍) (Millions of Yen/Times)



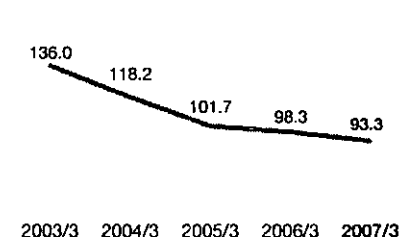
有利子負債
Interest-bearing liabilities

D/Eレシオ
Debt to equity ratio

固定比率

Fixed Assets to Capital Ratio

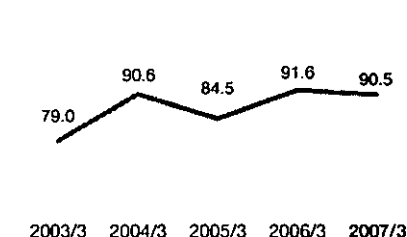
(%)



当座比率

Quick Ratio

(%)



決算期/Fiscal Year Ended:		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
純資産	Net assets	214,471	259,731	275,200	316,005	351,398	2,976.69
有利子負債	Interest-bearing liabilities	90,436	48,871	46,598	28,474	25,551	216.44
D/Eレシオ (倍)	Debt to equity ratio (Times)	0.42	0.19	0.17	0.09	0.07	
固定資産	Fixed assets	291,627	307,026	279,996	310,595	327,998	2,778.47
固定比率 (%)	Fixed assets to capital ratio (%)	136.0	118.2	101.7	98.3	93.3	
当座資産	Quick assets	124,985	111,928	123,236	107,229	123,731	1,048.12
当座比率 (%)	Quick ratio (%)	79.0	90.6	84.5	91.6	90.5	

有利子負債 = 長期借入金 + 短期借入金 + 転換社債

Interest-bearing liabilities = Long-term debt + Short-term debt + Convertible bonds

D/Eレシオ = 有利子負債 / 純資産

Debt to equity ratio = Interest-bearing liabilities / Net assets

固定比率 = 固定資産 / 純資産 × 100

Fixed assets to capital ratio = Fixed assets / Net assets × 100

当座資産 = 現金及び預金 + 有価証券 + 受取手形及び売掛金 - 貸倒引当金

Quick assets = Cash and bank deposits + Marketable securities + Notes and accounts receivable - Allowance for doubtful accounts

当座比率 = 当座資産 / 流動負債 × 100

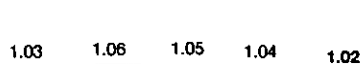
Quick ratio = Quick assets / Current liabilities × 100

効率性 Efficiency

総資産回転率

Total Assets Turnover

(回) (Times)

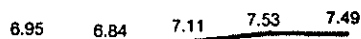


2003/3 2004/3 2005/3 2006/3 2007/3

売上債権回転率

Trade Receivables Turnover

(回) (Times)

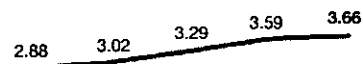


2003/3 2004/3 2005/3 2006/3 2007/3

有形固定資産回転率

Tangible Fixed Assets Turnover

(回) (Times)



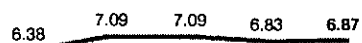
2003/3 2004/3 2005/3 2006/3 2007/3

		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
売上高	Net sales	524,763	539,506	534,079	534,084	550,361	4,662.10
総資産	Total assets	512,716	508,731	505,577	519,977	559,031	4,735.54
総資産回転率 (回)	Total assets turnover (Times)	1.03	1.06	1.05	1.04	1.02	
売上債権	Trade receivables	79,130	78,725	71,574	70,280	76,609	648.95
売上債権回転率 (回)	Trade receivables turnover (Times)	6.95	6.84	7.11	7.53	7.49	
有形固定資産	Tangible fixed assets	178,724	178,667	146,428	150,990	149,872	1,269.56
有形固定資産回転率 (回)	Tangible fixed assets turnover (Times)	2.88	3.02	3.29	3.59	3.66	
総資産回転率=売上高/期首・期末平均総資産		Total assets turnover = Net sales / Total assets (yearly average)					
売上債権=受取手形及び売掛金-貸倒引当金		Trade receivables = Notes and accounts receivable - Allowance for doubtful accounts					
売上債権回転率=売上高/期首・期末平均売上債権		Trade receivables turnover = Net sales / Trade receivables (yearly average)					
有形固定資産回転率=売上高/期首・期末平均有形固定資産		Tangible fixed assets turnover = Net sales / Tangible fixed assets (yearly average)					

棚卸資産回転率

Inventory Turnover

(回) (Times)

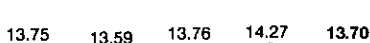


2003/3 2004/3 2005/3 2006/3 2007/3

仕入債務回転率

Trade Payables Turnover

(回) (Times)

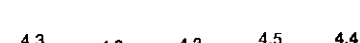


2003/3 2004/3 2005/3 2006/3 2007/3

売上高研究開発費比率

R&D Expenses to Net Sales

(%)



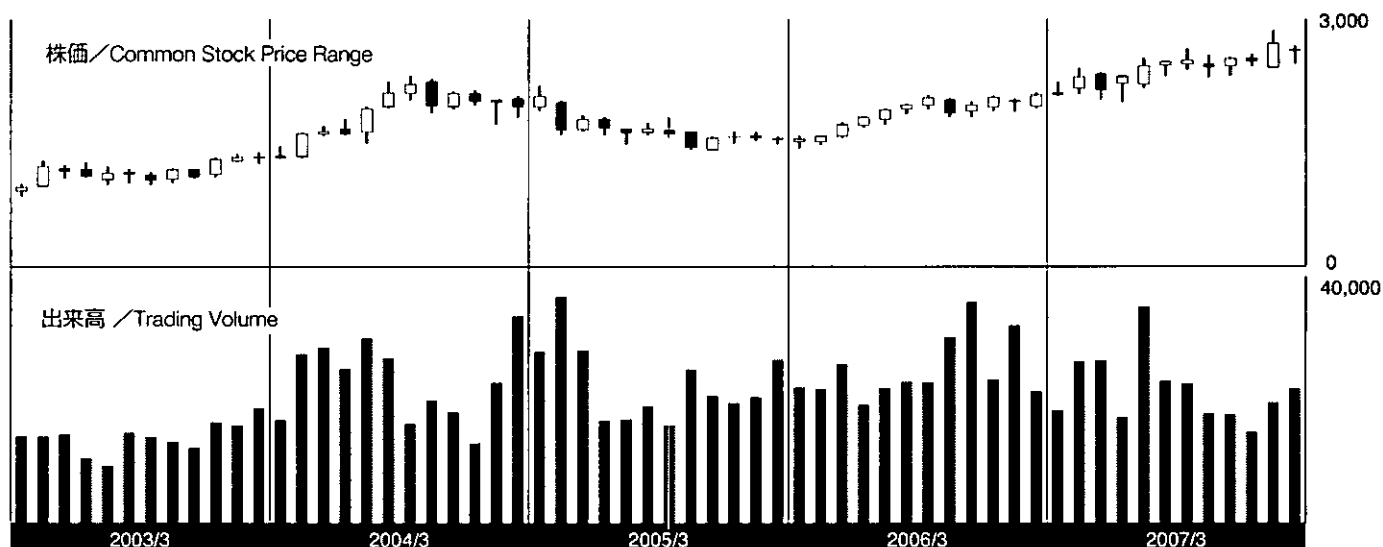
2003/3 2004/3 2005/3 2006/3 2007/3

		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
棚卸資産	Inventories	80,144	72,146	78,434	77,943	82,214	696.43
製品	Finished products	51,116	46,592	50,972	50,737	53,291	451.43
原材料・仕掛品	Raw materials & work in process	29,028	25,554	27,462	27,206	28,922	245.00
棚卸資産回転率 (回)	Inventory turnover (Times)	6.38	7.09	7.09	6.83	6.87	
仕入債務	Trade payables	39,462	39,947	37,686	37,153	43,165	365.65
仕入債務回転率 (回)	Trade payables turnover (Times)	13.75	13.59	13.76	14.27	13.70	
研究開発費	R&D expenses	22,441	22,503	22,953	24,055	24,220	205.17
売上高研究開発費比率 (%)	R&D expenses to net sales (%)	4.3	4.2	4.3	4.5	4.4	
棚卸資産回転率=売上高/期首・期末平均棚卸資産		Inventory turnover = Net sales / Inventories (yearly average)					
仕入債務回転率=売上高/期首・期末平均仕入債務		Trade payables turnover = Net sales / Trade payables (yearly average)					

株価および出来高の推移

Common Stock Price Range and Trading Volume

(円/千株) (Yen/Thousand Shares)

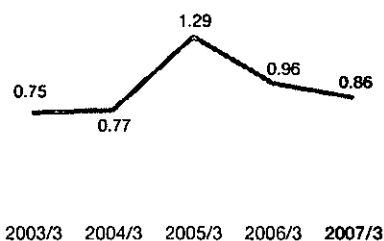


		円/ Yen				
決算期/ Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3
期末株価	Share price at the end of fiscal year	1,335	1,945	1,547	2,080	2,630
高値	Share price — high	1,399	2,320	2,200	2,110	2,860
安値	Share price — low	857	1,323	1,423	1,449	1,997
出来高 (百万株)	Trading volume (Million shares)	168	278	273	299	260

配当利回り

Dividend Yield

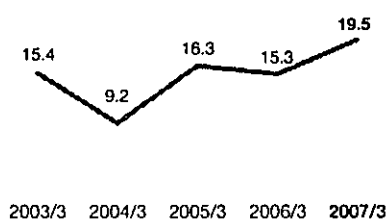
(%)



株価収益率

Price to Earnings Ratio

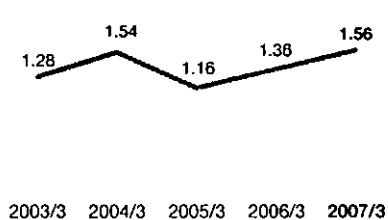
(倍) (Times)



株価純資産倍率

Price to Book Value Ratio

(倍) (Times)



決算期/ Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3
配当利回り (%)	Dividend yield (%)	0.75	0.77	1.29	0.96	0.86
株価収益率 (倍)	Price to earnings ratio (Times)	15.4	9.2	16.3	15.3	19.5
株価純資産倍率 (倍)	Price to book value ratio (Times)	1.28	1.54	1.16	1.36	1.56
発行済株式数 (千株)	Number of shares issued (Thousand shares)	206,523	206,525	206,525	206,525	206,525
期末時価総額 (百万円)	Market capitalization at the end of fiscal year (Millions of yen)	275,709	401,690	319,494	429,572	543,161
期末外国人持株比率 (%)	Percentage of shares owned by foreign investors (%)	20.5	26.2	27.7	34.5	37.2

貸借対照表 Balance Sheets

		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
(資産の部)	ASSETS						
流動資産:	Current assets:						
現金及び預金	Cash and bank deposits	44,485	32,053	51,205	36,429	46,702	395.61
受取手形及び売掛金	Notes and accounts receivable—trade	81,755	81,114	73,688	72,613	78,669	666.40
有価証券	Marketable securities	1,370	1,150	457	520	419	3.55
棚卸資産	Inventories	80,144	72,146	78,434	77,943	82,214	696.43
繰延税金資産	Deferred income taxes	10,489	12,291	16,495	16,922	17,724	150.14
その他	Other current assets	5,469	5,337	7,412	7,286	7,362	62.36
貸倒引当金	Less: Allowance for doubtful accounts	(2,625)	(2,389)	(2,114)	(2,333)	(2,060)	(17.45)
流動資産合計	Total current assets	221,089	201,704	225,581	209,381	231,033	1,957.08
有形固定資産:	Property, plant and equipment, net of accumulated depreciation:						
建物及び構築物	Buildings and structures	67,166	66,524	45,370	45,953	46,179	391.18
機械及び工具	Machinery and equipment	33,639	33,802	35,606	38,800	38,373	325.06
土地	Land	76,835	75,362	64,050	63,772	63,495	537.87
建設仮勘定	Construction in progress	1,082	2,978	1,399	2,462	1,824	15.45
有形固定資産合計	Property, plant and equipment, net of accumulated depreciation	178,724	178,667	146,428	150,990	149,872	1,269.56
投資その他の資産:	Investments and other assets:						
投資有価証券	Investment securities	77,622	101,017	101,015	132,902	150,369	1,273.77
長期貸付金	Long-term loans receivable	2,028	1,276	924	688	524	4.44
貸倒引当金	Allowance for doubtful accounts	(1,334)	(1,083)	(1,165)	(869)	(1,022)	(8.66)
賃借不動産保証金敷金	Lease deposits	5,013	5,146	5,309	5,891	5,986	50.71
繰延税金資産	Deferred income taxes	24,663	17,379	17,425	14,087	16,790	142.23
のれん	Goodwill	107	234	148	2,028	1,521	12.88
その他	Other assets	4,800	4,388	9,908	4,877	3,956	33.51
投資その他の資産合計	Total investments and other assets	112,902	128,359	133,567	159,604	178,125	1,508.90
資産合計	Total Assets	512,716	508,731	505,577	519,977	559,031	4,735.54

		百万円/Millions of Yen					百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
(負債の部)	LIABILITIES						
流動負債:	Current liabilities:						
支払手形及び買掛金	Notes and accounts payable—trade	39,462	39,947	37,686	37,153	43,165	365.65
短期借入金	Short-term loans	27,078	16,711	17,825	17,147	15,118	128.06
1年以内償還の転換社債	Current portion of convertible bonds	24,317	—	—	—	—	—
1年以内返済の長期借入金	Current portion of long-term debt	10,090	7,388	22,259	5,132	4,301	36.43
未払費用及び未払金	Accrued expenses	42,501	45,888	45,167	43,098	54,415	460.95
未払法人税等	Income taxes payable	3,101	2,492	12,603	3,758	6,012	50.93
特定取引前受金	Advances received	3,428	3,333	2,775	2,548	2,273	19.26
繰延税金負債	Deferred income taxes	92	94	4	4	22	0.19
その他	Other current liabilities	8,074	7,737	7,496	8,202	11,346	96.11
流動負債合計	Total current liabilities	158,148	123,596	145,820	117,047	136,656	1,157.61
固定負債:	Long-term liabilities:						
長期借入金	Long-term debt	28,951	24,772	6,514	6,195	6,132	51.94
繰延税金負債	Deferred income taxes	266	198	200	303	239	2.03
土地再評価に係る繰延税金負債	Deferred income taxes on land revaluation	13,577	13,569	14,346	17,742	17,735	150.23
退職給付(退職給与)引当金	Accrued employees' retirement benefits	53,988	50,012	28,269	27,978	27,140	229.90
役員退職慰労引当金	Directors' retirement benefits	965	939	950	891	—	—
長期預り金	Long-term deposits received	36,848	30,799	28,917	27,577	17,424	147.60
その他	Other long-term liabilities	1,572	1,600	1,522	1,763	2,303	19.51
固定負債合計	Total long-term liabilities	136,171	121,891	80,722	82,452	70,977	601.25
(純資産の部)	NET ASSETS						
株主資本:	Shareholders' equity:						
資本金	Common stock	28,533	28,534	28,534	28,534	28,534	241.71
資本剰余金	Capital surplus	40,052	40,054	40,054	40,054	40,054	339.30
利益剰余金	Retained earnings	162,344	203,485	212,340	236,913	260,555	2,207.16
自己株式	Treasury stock, at cost	(236)	(252)	(279)	(302)	(339)	(2.87)
株主資本合計	Total shareholders' equity	230,693	271,821	280,649	305,199	328,804	2,785.29
評価・換算差額等:	Valuation and translation adjustments:						
その他有価証券評価差額金	Net unrealized holding gains on other securities	378	10,979	7,364	15,470	13,718	116.21
繰延ヘッジ損益	Loss on deferred hedges	—	—	—	—	(406)	(3.44)
土地再評価差額金	Land revaluation difference	16,152	15,866	22,453	18,426	18,116	153.46
為替換算調整勘定	Translation adjustments	(32,753)	(38,937)	(35,267)	(23,091)	(13,765)	(116.60)
評価・換算差額等合計	Total valuation and translation adjustments	(16,223)	(12,092)	(5,450)	10,805	17,662	149.62
少数株主持分	Minority interests	3,925	3,511	3,834	4,472	4,931	41.77
純資産合計	Total net assets	218,395	263,240	279,033	320,477	351,398	2,976.69
負債純資産合計	Total Liabilities and Net Assets	512,716	508,731	505,577	519,977	559,031	4,735.54

損益計算書 Statements of Operations

		百万円/Millions of Yen				百万米ドル Millions of U.S. Dollars	
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3	2007/3
売上高	Net sales	524,763	539,506	534,079	534,084	550,361	4,662.10
売上原価	Cost of sales	338,307	337,813	335,484	341,817	352,381	2,985.02
売上総利益	Gross profit	186,456	201,693	198,595	192,267	197,980	1,677.09
販売費及び一般管理費	Selling, general and administrative expenses	154,413	156,637	162,899	168,132	170,295	1,442.57
営業利益	Operating income	32,043	45,056	35,695	24,135	27,685	234.52
営業外収益/費用、特別損益:	Other income (expenses):						
受取利息及び受取配当金	Interest and dividend income	582	538	708	907	1,084	9.18
持分法による投資利益	Equity in earnings of unconsolidated subsidiaries and affiliates	7,608	10,447	9,110	14,838	17,764	150.48
支払利息	Interest expense	(2,015)	(1,535)	(1,020)	(1,081)	(972)	(8.23)
売上割引	Cash discounts	(4,347)	(4,378)	(4,327)	(4,467)	(4,371)	(37.03)
為替差損	Loss on foreign exchange	(1,015)	—	—	—	—	—
投資有価証券売却益	Gain on sales of investment securities	—	5	6,534	605	31	0.26
投資有価証券評価損	Loss on revaluation of investment securities	(7,746)	(110)	(70)	(83)	(14)	(0.12)
固定資産処分損益	Loss on sales or disposal of property, net	(974)	(2,297)	(1,130)	(182)	(1,063)	(9.01)
減損損失	Loss on impairment of fixed assets	—	—	(32,703)	—	(4,728)	(40.05)
構造改革費用	Structural reform expenses	(2,271)	(6)	(52)	—	(3,146)	(26.65)
特別退職金	Special retirement payment	—	—	(755)	—	(728)	(6.17)
厚生年金基金代行返上益	Gain on transfer of substitutional portion of benefit obligation and related pension assets	—	—	19,927	—	—	—
その他	Other, net	749	(266)	1,599	1,169	1,562	13.23
営業外収益/費用、特別損益計	Total other income (expenses)	(9,429)	2,400	(2,180)	11,707	5,416	45.88
税金等調整前当期純利益	Income before income taxes and minority interests	22,612	47,456	33,516	35,842	33,101	280.40
法人税等:	Income taxes:						
法人税、住民税及び事業税	Current	3,962	4,769	14,497	8,922	7,010	59.38
法人税等調整額	Deferred (benefit)	65	(1,387)	(1,088)	(1,736)	(2,268)	(19.21)
法人税等計	Total income taxes	4,027	3,382	13,409	7,186	4,741	40.16
少数株主利益控除前当期純利益	Income before minority interests	18,583	44,073	20,106	28,655	28,359	240.23
少数株主利益	Minority interests	636	532	409	532	493	4.18
当期純利益	Net Income	17,947	43,541	19,697	28,123	27,866	236.05

キャッシュ・フロー計算書

Statements of Cash Flows

		百万円/Millions of Yen				百万米ドル Millions of U.S. Dollars
決算期/Fiscal Year Ended:		2003/3	2004/3	2005/3	2006/3	2007/3
営業活動によるキャッシュ・フロー: Cash flows from operating activities:						
税金等調整前当期純利益	Income before income taxes and minority interests	22,612	47,456	33,516	35,842	33,101
減価償却費及びのれん償却額	Depreciation and amortization, and amortization of goodwill	17,699	17,695	19,038	19,451	20,463
減損損失	Loss on impairment of fixed assets	—	—	32,703	—	4,728
貸倒引当金の増減額	Changes in allowance for doubtful accounts	395	(407)	(233)	(177)	(167)
投資有価証券評価損	Loss on revaluation of investment securities	7,746	110	70	83	14
退職給付（退職給与）引当金の増減額	Changes in employees' retirement benefits	(5,150)	(3,983)	(21,786)	(379)	(858)
受取利息及び受取配当金	Interest and dividend income	(583)	(539)	(708)	(907)	(1,084)
支払利息	Interest expense	2,015	1,535	1,020	1,081	972
為替差損益	Foreign exchange loss (gain)	242	217	(180)	(107)	49
持分法による投資損益	Equity in earnings of unconsolidated subsidiaries and affiliates	(7,608)	(10,447)	(9,110)	(14,838)	(17,764)
投資有価証券売却益	Gain on sales of investment securities other than those of subsidiaries	—	(5)	(6,530)	(605)	(31)
固定資産売却損	Loss on sales or disposal of properties, net	974	2,297	1,130	182	1,063
構造改革費用	Structural reform expenses	1,509	6	—	—	3,146
特別退職金	Special retirement payment	—	—	—	—	728
資産及び負債の増減額:	Changes in operating assets and liabilities:					
売上債権の増減額	Accounts and notes receivable—trade	(8,509)	(698)	8,636	3,008	(4,537)
棚卸資産の増減額	Inventories	3,233	6,346	(4,654)	4,944	(2,262)
仕入債務の増減額	Accounts and notes payable—trade	2,894	1,283	(2,798)	(1,716)	5,272
その他（純額）	Other, net	(1,413)	3,383	(6,078)	(5,017)	(1,590)
小計	Subtotal	36,061	64,248	44,033	40,843	41,245
利息及び配当金の受取額	Interest and dividends received	1,181	1,301	2,081	2,730	3,437
利息の支払額	Interest paid	(2,067)	(1,582)	(1,024)	(1,084)	(971)
課徴金の支払額	Fines and penalties paid	—	(339)	—	—	—
法人税等の支払額	Income taxes paid	(2,123)	(5,278)	(5,501)	(16,979)	(3,978)
営業活動によるキャッシュ・フロー	Net cash provided by operating activities	33,052	58,349	39,588	25,510	39,732
投資活動によるキャッシュ・フロー: Cash flows from investing activities:						
有形固定資産の取得による支出	Purchases of property	(15,730)	(18,721)	(21,450)	(20,401)	(22,863)
有形固定資産の売却による収入	Proceeds from sale of properties	2,674	552	2,527	2,327	1,094
投資有価証券の取得による支出	Purchases of investment securities	(6,541)	(266)	(113)	(732)	(1,163)
投資有価証券の売却・償還による収入	Proceeds from sales and redemption of investment securities	187	371	9,416	619	77
その他（純額）	Other, net	(2,235)	(711)	(3,275)	83	428
投資活動によるキャッシュ・フロー	Net cash used in investing activities	(21,645)	(18,775)	(12,896)	(18,104)	(22,427)
財務活動によるキャッシュ・フロー: Cash flows from financing activities:						
短期借入金の増減額	Changes in short-term loans	(20,887)	(11,179)	902	(1,753)	(1,961)
長期借入れによる収入	Proceeds from long-term debt	18,908	2,651	5,373	4,556	4,235
長期借入金の返済による支出	Repayments of long-term debt	(3,065)	(8,778)	(8,851)	(22,404)	(5,151)
転換社債の償還による支出	Redemption of convertible bonds	—	(24,314)	—	—	—
会員預託金の返還による支出	Refund of resort membership deposits	(1,297)	(6,049)	(1,889)	(1,352)	(969)
自己株式の取得による支出	Purchases of treasury stock	(133)	(23)	(28)	(23)	(37)
配当金の支払額	Cash dividends paid	(1,857)	(2,063)	(3,611)	(4,642)	(4,126)
少数株主への配当金支払額	Cash dividends paid to minority shareholders	(268)	(384)	(211)	(223)	(248)
その他（純額）	Other, net	19	0	7	10	12
財務活動によるキャッシュ・フロー	Net cash used in financing activities	(8,582)	(50,141)	(8,306)	(25,834)	(8,246)
現金及び現金同等物に係る換算差額	Effect of exchange rate changes on cash and cash equivalents	(504)	(1,599)	1,099	1,783	1,464
現金及び現金同等物の増減額	Net increase (decrease) in cash and cash equivalents	2,319	(12,167)	19,485	(16,644)	10,523
現金及び現金同等物期首残高	Cash and cash equivalents at beginning of the year	40,571	42,976	31,245	50,393	35,434
新規連結子会社の現金及び現金同等物の期首残高	Increase due to inclusion in consolidation	85	1,150	—	1,685	—
除外連結子会社の現金及び現金同等物の期首残高	Decrease due to exclusion from consolidation	—	(127)	(337)	—	(31)
連結子会社の決算期変更に伴う	Decrease due to changes to the accounting periods of consolidated subsidiaries	—	(587)	—	—	—
現金及び現金同等物期末残高	Cash and Cash Equivalents at End of the Year	42,976	31,245	50,393	35,434	45,926



ヤマハ株式会社
広報部

URL: <http://www.yamaha.co.jp/>

YAMAHA CORPORATION
Public Relations Division

URL: <http://www.global.yamaha.com/>



このパンフレットは環境に配慮して再生紙と大豆油インキを使用しています。
Printed in Japan using soy-based inks on recycled paper.

END

2007/8 カタログコード -CM073