Annual Report 2016

Year ended March 31, 2016

Introduction

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About Yamaha

Forward-looking statements

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

For over 125 years since its foundation, Yamaha has been developing its business centered on sound and music to provide a diverse range of products and services. With its origins dating back to a request for Yamaha founder Torakusu Yamaha to repair an imported reed organ and the subsequent success he had in manufacturing organs on his own, Yamaha has worked to respond to a wide range of needs related to music, education, and culture. Not only have we provided products in the realm of traditional musical instruments, such as acoustic instruments, that draw upon highly specialized technologies, we have also leveraged cutting-edge digital technology to develop digital musical instruments, as well as created completely new musical instruments by melding these traditional and digital technologies. In this way, we have adapted to the times to create products that not only meet but exceed customer expectations. Through efforts such as these, we have developed a wide variety of businesses both in Japan and overseas and established ourselves as the world's one and only comprehensive musical instruments manufacturer, thereby achieving steady growth.

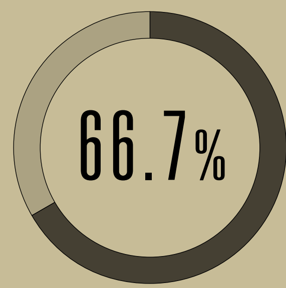
Meanwhile, to realize further growth going forward it is becoming essential to not only promote research and

Please refer to the "Research and Development and Intellectual Property" section on page 27 for details on the Company's R&D efforts, and the "Yamaha's Approach to Human Resources" section on page 34 for details on the Company's human resources-related efforts. ▶

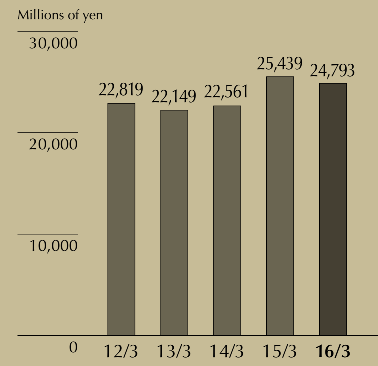
The Source of Yamaha's Growth

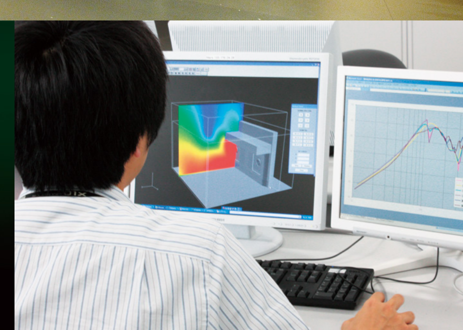
development (R&D) that leverages the technologies, know-how, and sensitivities the Company has cultivated over its long history but also secure diverse human resources, such as personnel who are active on a global scale as well as engineers who work in a variety of specialty fields. At Yamaha, we view R&D and human resources as the sources of our growth. Accordingly, we will continue to establish appropriate R&D systems and carry out human resource cultivation as we aim for sustainable growth going forward.

Ratio of Overseas Sales



Trends in R&D Expenses

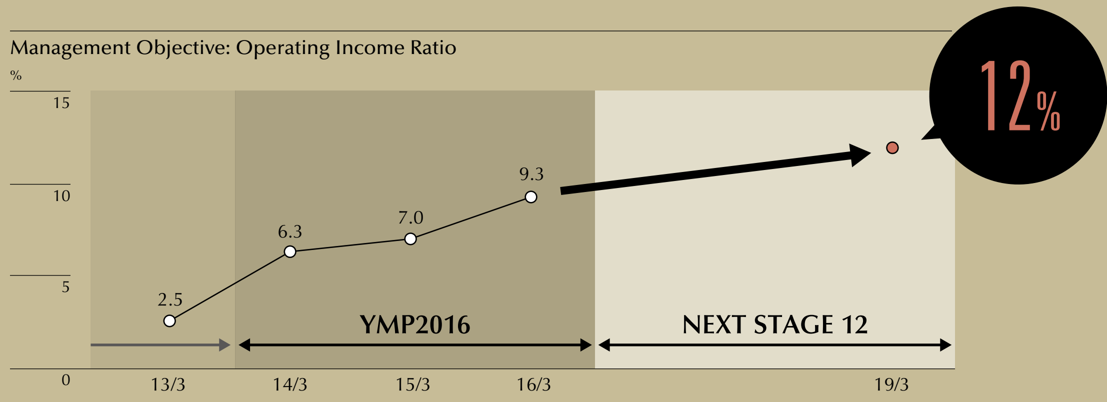




Yamaha made solid accomplishments under Yamaha Management Plan 2016 (YMP2016), which ended in March 2016, such as realizing significant profit growth. Drawing on these accomplishments, as well as the issues that became apparent under the plan, we commenced our new medium-term management plan, NEXT STAGE 12, on April 2016 with the aspiration for further growth. The basic strategy of the plan is to “consolidate competitive superiority through adding new value and differentiation” and we will work to enhance our lineup of attractive products to further strengthen our connection with customers. At the same time, we will make efforts to consistently provide solutions for new value. In addition, we have adopted the management objective of realizing an operating income ratio of 12% by fiscal 2019, the final year of the plan, and will engage in various initiatives to meet this objective.

For specific details on our new medium-term management plan, please see the “Message from the President” section on page 12. ▶

New Value Creation and Differentiation


Management Objective: Operating Income Ratio
%
15
10
5
0
2.5
6.3
7.0
9.3
12%
YMP2016
NEXT STAGE 12
13/3
14/3
15/3
16/3
19/3

Keeping in mind our corporate slogan of "Sharing Passion & Performance," we have held repeated discussions from a medium- to long-term perspective on what kind of company we should aspire to be, including what we should aim for in the future and how we should grow. As a result of these discussions we adopted the following medium- to long-term management vision with the hope of becoming a company that offers products and services that truly satisfy our customers.

Medium- to Long-Term Management Vision: Becoming an Indispensable, Brilliantly Individual Company—Boosting Brand Power to Become a Highly Profitable Enterprise

Please refer to the "Our History" section on page 102. ▶

The Road to Becoming an Indispensable, Brilliantly Individual Company

The new medium-term management plan, NEXT STAGE 12, determines important strategies that we will engage in over the following three years to realize this medium- to long-term management vision.

Going forward, Yamaha will create new value and offer products that exceed customer expectations by leveraging the sources of its growth—i.e., R&D and human resources—and by continuing to take on innovative challenges with a high level of passion. In doing so, we will promote business activities that constantly focus on creating excitement for our customers.

Become an indispensable, brilliantly individual company

Boosting brand power to become a highly profitable enterprise (operating income ratio of 20%)

↑

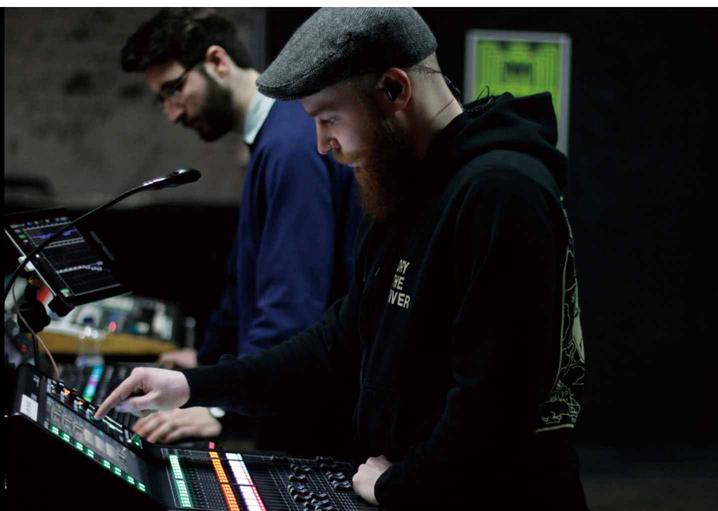
New Medium-Term Management Plan

NEXT STAGE 12

Yamaha Medium-Term Management Plan

Increase Brand Power and Show Stronger Profitability as a Result

Operating Income Ratio of 12% (Target for FY2019.3)
Overcome yen appreciation trend and enhance profitability



Management Strategy

To Our Stakeholders

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

Yamaha commenced its new medium-term management plan NEXT STAGE 12 in April 2016. Under the previous plan, Yamaha Management Plan 2016 (YMP2016), the Company reached its numerical targets for net sales, operating income, and operating income ratio in fiscal 2015—the second year of the plan—which was one year ahead of schedule. In the plan's final year, the Company continued to achieve solid results, realizing all of its numerical targets, including the target for return on equity (ROE). At the same time, Yamaha was able to identify issues for the future. With NEXT STAGE 12, Yamaha will work to address these issues and achieve further growth.

At the same time as announcing NEXT STAGE 12, we adopted the medium- to long-term management vision of "Becoming an Indispensable, Brilliantly Individual Company—Boosting Brand Power to Become a Highly Profitable Enterprise." To realize this vision and further enhance corporate value, we will steadily engage in initiatives in the first year of the plan, fiscal 2017, based on strategies formulated to produce solid results.

Further, for the Company to improve brand and corporate value over the medium to long term and realize sustainable growth, the entire Yamaha Group must make unified efforts under the corporate philosophy to continue to create attractive products and services that exceed the expectations and imagination of customers. To this end, we have renewed our efforts to obtain a thorough understanding of customer perspectives and revised the Yamaha Philosophy, which acts as a cornerstone for the Group's principles. In addition to the Corporate Slogan, Corporate Philosophy, and the Yamaha Way, we added two concepts to the Yamaha Philosophy: Yamaha Quality, which exemplifies our insistence on quality in products and services, and Customer Experience, which demonstrates our unique ability to stimulate the emotions and senses of customers through our products and services. By continuing to offer products and services developed based on the newly revised Yamaha Philosophy, I truly believe we can accentuate our unique qualities and further enhance the Yamaha brand.

Leveraging the technologies, know-how, and sensitivities we have cultivated over our long history, our global and diverse human resources will continue to create attractive new products and services. We ask that all our stakeholders continue to look forward with anticipation to the future of Yamaha.

Takuya Nakata
President and Representative Director

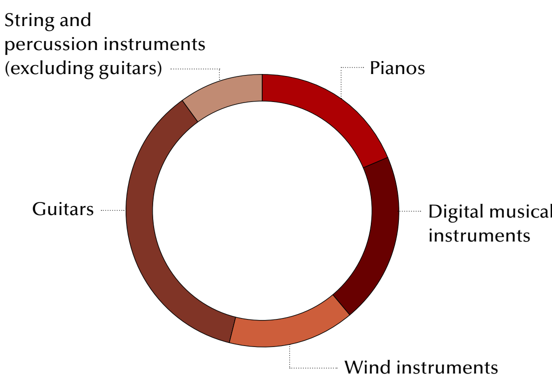
Yamaha's Highlights

Yamaha Market Share by Musical Instrument

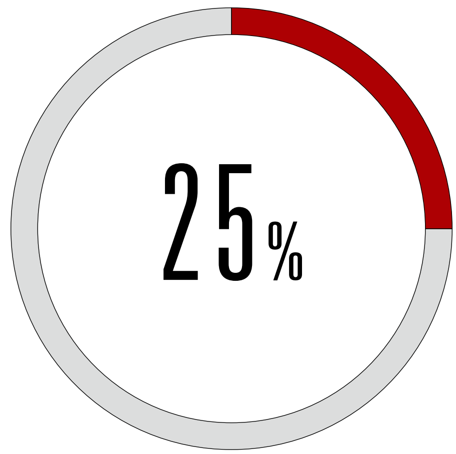
(based on amounts for the year ended March 31, 2016, Yamaha estimates)

Global Market Size for Musical Instruments

Approx. ¥860 billion



Yamaha Market Share for Musical Instruments



Key Financial Figures

Year ended March 31, 2016

Net Sales

¥435.5 billion

+0.8 %

ROE

10.1 %

+2.0 points

Operating Income

¥40.7 billion

+34.9 %

Free Cash Flow

¥43.0 billion

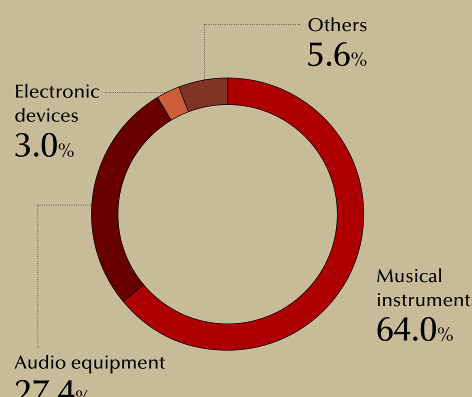
+114.6 %

Net Income

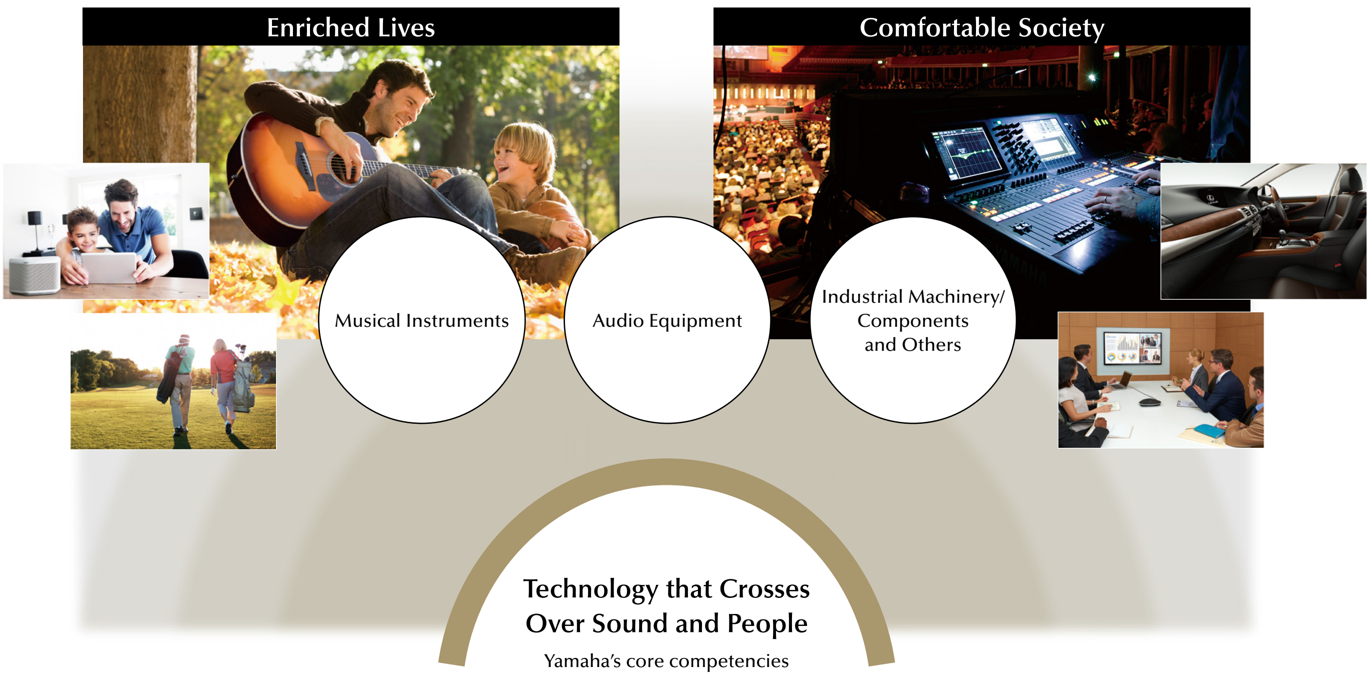
¥32.6 billion

+30.9 %

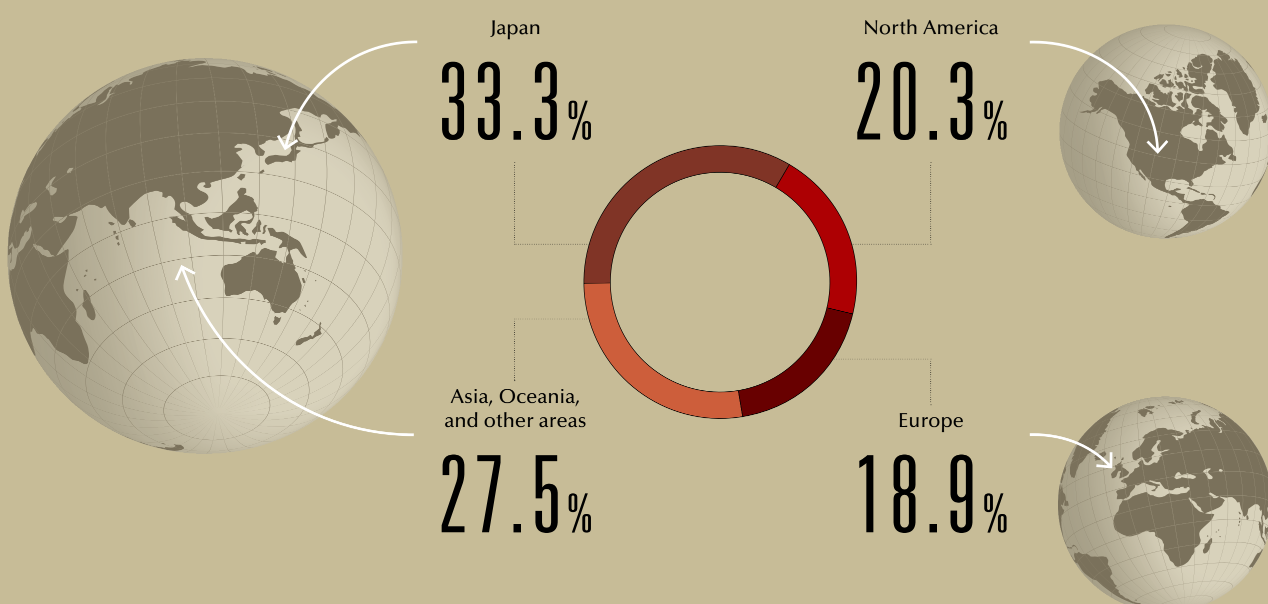
Segment Sales Composition



Yamaha's Business Domains



Sales Proportion by Region



Message from the President

In Tune for Further Growth

Reflection on the Previous Medium-Term Management Plan, YMP2016

Overview

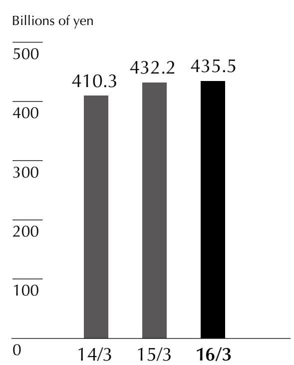
The Company benefited from favorable exchange rates, and we were able to reach the quantitative targets laid out in YMP2016. However, I believe that the solid results we achieved in the plan were the culmination of the initiatives we steadily promoted thus far, and not solely due to these favorable exchange rates.

Looking back on the final year of YMP2016, our sales growth in the Japanese market was on a par with the previous year, much as we had anticipated.

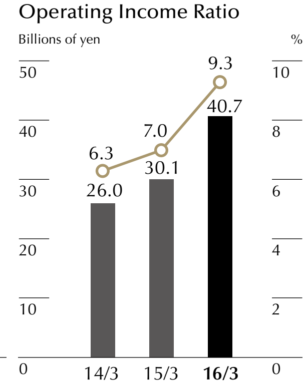
Meanwhile, in the global market, while we expected sales growth in China and emerging countries, our overall performance in these countries was below expectations due largely to stagnant economic conditions in South American countries as well as in Russia. On the other hand, solid sales achieved in Europe and North America—markets in which we anticipated stable growth—were able to offset unfavorable sales in emerging countries, with the strong performance of our business in the United States, in particular, contributing significantly to this. As a result, we recorded robust global sales overall.

Under these conditions, net sales in fiscal 2016 were up 0.8%, to ¥435.5 billion, despite decreased revenue from music schools caused by the transfer of management to the Yamaha Music Foundation. In addition, we realized significant year-on-year increases in operating income and net income, with operating income climbing 34.9%, to ¥40.7 billion, and net income attributable to owners of parent rising 30.9%,

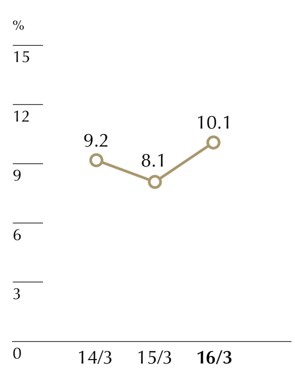
Net Sales



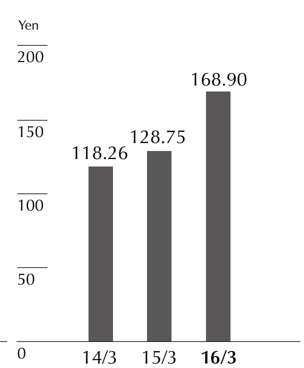
Operating Income / Operating Income Ratio



ROE



Net Income per Share



to ¥32.6 billion. These increases were attributable primarily to an improved profit margin in the musical instruments business, which resulted from an improved product model mix, reinforced efforts toward price adjustments, and comprehensive initiatives to lower manufacturing and other costs. Further, the recovery in AV products, which performed poorly in the previous fiscal year due to a delayed response to such market changes as the expansion of network audio products, and the continued healthy sales of PA equipment, which are always anticipated to be a driving force for growth, also contributed to these increases. Although we had already reached YMP2016's numerical targets for net sales, operating income, and operating income ratio by fiscal 2015—a year ahead of schedule—thanks to the positive effects of structural reforms and favorable exchange rates, we continued to make earnest efforts Companywide in the final year of the plan, resulting in our favorable performance for fiscal 2016.

Accomplishments of Key Business Strategies and Issues Still Remaining

Under YMP2016, we made efforts in four key business strategies. While targets laid out in the "expanding sales in the electronics business domain" and "strengthening cost-competitiveness" strategies were accomplished, issues still remain in the strategies of "accelerating growth in China and emerging countries" and "developing new businesses."

The first strategy that we made significant accomplishments in was "expanding sales in the electronics business domain." In this domain, we took various initiatives in the three fields of digital keyboard instruments, professional audio equipment, and information and communications technology (ICT) devices. The ¥151.7 billion we recorded in sales greatly surpassed our target of ¥134.6 billion. The main factor behind this solid performance was the fact that the high fundamental performance of our keyboards and sound generators, especially our digital pianos, received significant praise around the world, allowing us to realize sales growth on a global scale. For professional audio equipment, which will play a major role in our future growth, we advanced the introduction of new digital mixers, primarily into the European market. The positive feedback we received for these digital mixers should tie into further sales growth. Turning to the consumer audio market, we faced extremely difficult conditions in the previous fiscal year due to the fact that we were unable to fully respond to changes in consumer demand, including the expansion of network audio products. However, we have been launching network-based products since fall 2015 and I believe we will begin to see positive results during the three years of the new medium-term management plan.

The next strategy in which we had success was "strengthening cost-competitiveness." Even before the initiatives we implemented in YMP2016, we made efforts to strengthen cost-competitiveness, including structural reforms, during the three years of Yamaha Management Plan 125 (YMP125), which began in fiscal 2011. I believe we have seen solid results from these efforts and the efforts made under YMP2016. Specifically, we took initiatives to reduce fixed costs through structural reforms and improve the operating ratio at our manufacturing bases through multi-item production, in addition to working to bring down procurement costs. As a result, we reduced costs by ¥16.8 billion during the three-year period covered by YMP2016, which exceeded our target of ¥15.0 billion.

While we made strides in the aforementioned strategies, there are also strategies where issues still remain. One of those strategies is "accelerating growth in China and emerging countries." In regard to musical instrument sales in China, I consider the sales growth we saw in musical instruments besides pianos, such as digital musical instruments, wind instruments, and guitars, to be an accomplishment made under this strategy. Despite the success we had in China, the impact of economic stagnation in South American countries and in Russia, as well as a delay in business investments, resulted in overall sales of ¥108.2 billion, which was just slightly lower than our target of ¥110.2 billion. The "developing new businesses" strategy presented us with the future challenge of accelerating the pace of synergy generation with U.S.-based Revolabs, Inc., and Line 6, Inc., which were included in the Company's scope of consolidation in April 2014. In addition, while we established a business incubation system in-house, it will take time for this system to produce positive results.

The New Medium-Term Management Plan, NEXT STAGE 12

Awareness of the Business Environment

While uncertainty remains in the global macroeconomic environment, gradual economic growth is expected over the medium term.

When we look at the global macroeconomic environment, I believe we are seeing a gradual recovery occurring over the medium term. In particular, while South American countries and Russia are currently facing difficult economic conditions, the upcoming three years should set these economies on a course for recovery.

Meanwhile, the spread of Internet of Things (IoT), one of the social phenomena that will likely have a major impact on the Company's business, is accelerating the pace of coordination between people, goods, and things, and I believe that IoT will offer new value and excitement going forward. With the opportunities that IoT present us, I believe it is time to start examining ways to incorporate network technology into our musical instruments and audio equipment. In fact, the possession of network technology, in addition to the acoustic and digital technologies we have maintained over the years, will likely be the key to future growth.

Outline of NEXT STAGE 12

We have adopted "Becoming an Indispensable, Brilliantly Individual Company" as our medium- to long-term management vision and are implementing the new medium-term management plan, NEXT STAGE 12, to act as a steppingstone toward achieving this vision.

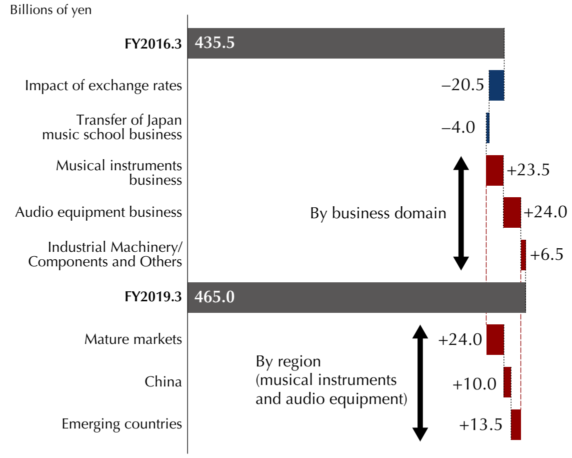
If we reflect on past medium-term management plans, YMP125 (fiscal 2010–fiscal 2013) initially aimed for significant growth. However, with the occurrence of the Lehman collapse during the first year of the plan's implementation, we had no choice but to shift the direction of the plan to focus on restructuring our business. We positioned the three-year period of the following plan, YMP2016 (fiscal 2013–fiscal 2016), as the time to achieve results from the restructuring initiatives we engaged in under YMP125. Accordingly, we shifted the Companywide organization from a business-specific organization to a function-specific one. Under YMP2016, our business performance continued to be supported by the positive impact of exchange rates, thereby allowing us to increase our profits.

As we move forward, we will boost profitability by aiming to further improve the strength of the Yamaha brand. Guided by this ambition, we adopted "Becoming an Indispensable, Brilliantly Individual Company—Boosting Brand Power to Become a Highly Profitable Enterprise" as our medium- to long-term management vision, and, as a future target, we intend to grow into a highly profitable company with an operating income ratio of over 20%. While working toward realizing this vision, we aim to reinforce our brand power under NEXT STAGE 12 and improve our profit

Net Sales and Operating Income Targets

Net Sales

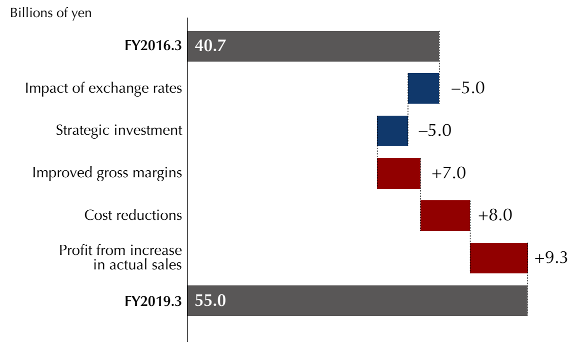
Billions of yen



*Exchange rate assumptions
Fiscal 2016: ¥120 per US$1; ¥133 per €1
Fiscal 2019: ¥115 per US$1; ¥125 per €1

Operating Income

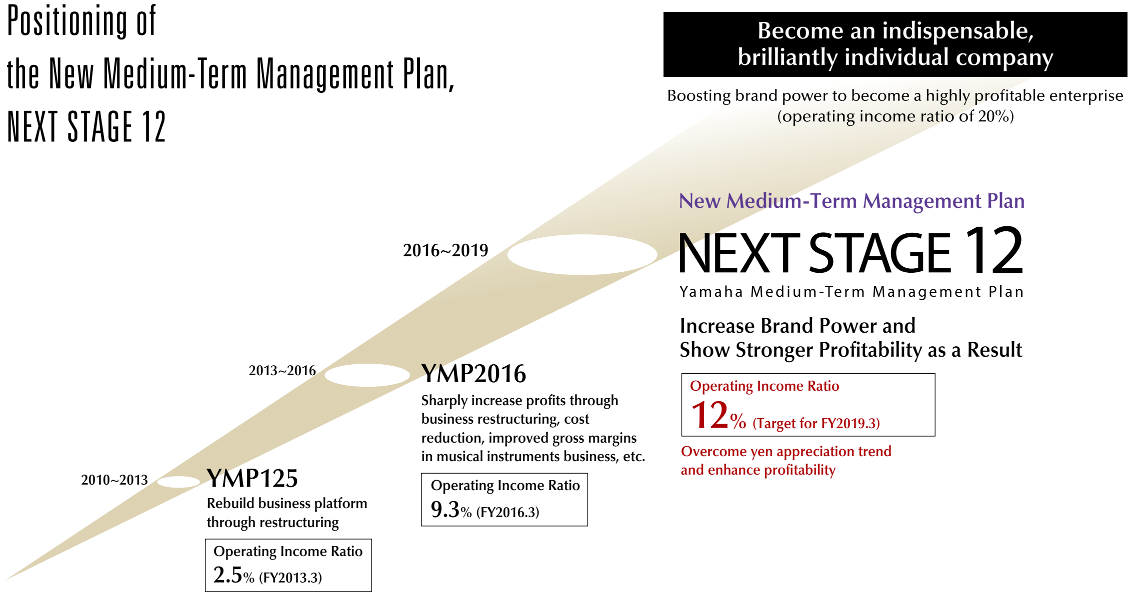
Billions of yen



*Exchange rate assumptions
Fiscal 2016: ¥121 per US$1; ¥134 per €1
Fiscal 2019: ¥115 per US$1; ¥125 per €1

ratio as a result. Accordingly, our basic strategy is to "consolidate competitive superiority through adding new value and differentiation." Under YMP2016, we were able to recover profitability, realizing an operating income ratio that exceeded 9%. With NEXT STAGE 12, we are targeting an operating income ratio of 12% and will work to improve the ratio average 1% each year over the next three years. We will also aim to maintain ROE at the 10% level and EPS at the ¥200 level. The number "12" is included in the title of the new plan to ensure that all employees are aware of our aim to increase the operating income ratio.

Positioning of the New Medium-Term Management Plan, NEXT STAGE 12



Basic Strategy and Management Targets

Our basic strategy is to "consolidate competitive superiority through adding new value and differentiation."

Under NEXT STAGE 12, our basic strategy is to "consolidate competitive superiority through adding new value and differentiation." To succeed in this strategy, we will further strengthen the connection we have with our customers and enhance the attractive quality of our products. At the same time, we will work to constantly provide solutions for new value. Further, we have put into place three specific targets to help us reach the greater target of an operating income ratio of 12%. These targets are to further raise profitability of the musical instruments business, expand the audio equipment business to rival the musical instruments business in the future, and establish a platform for the industrial machinery and components business to act as the third key business domain following musical instruments and audio equipment. Due to the fact that musical instruments are a business to consumer (BtoC) business, and audio equipment is both a BtoC and business to business (BtoB) business, the primary reason behind positioning the industrial machinery and components business as our third key domain is that we believe it is necessary to expand our BtoB business in order to establish a more balanced customer portfolio.

Basic Strategy

Consolidate competitive superiority through **adding new value and differentiation**

Further deepening our connection with customers, Raise attractive quality, and Always offer solutions with new value added

Management Objective (over 3 years)

Operating Income Ratio of 12% (FY2019.3)

- **Further raise profitability of musical instruments business** (aim for operating income ratio at the 15% level)
- **Expand audio equipment business** to rival musical instruments business in the future (actual sales growth of 20%)
- **Establish platform for industrial machinery and components business as third key business domain** following musical instruments and audio equipment

Four Key Strategies

We have adopted four key strategies in NEXT STAGE 12 in order to realize the management targets that we have established.

1. Develop Products with Distinct Individuality

We will develop products with new, original value through the fusion of technologies.

I believe that the strength of the Company lies in its extensive and highly specialized technological capabilities that can create a diverse array of products. We possess unique technologies that span a wide range of fields, from materials to networks and communications. By fusing these diverse technologies together, we are offering our customers products with new, original value that cannot be imitated by competitors. One example of this fusion is our hybrid instruments that meld traditional acoustic instruments, which create natural sounds, with digital instruments, which utilize innovative sound generation and signal processing technologies.

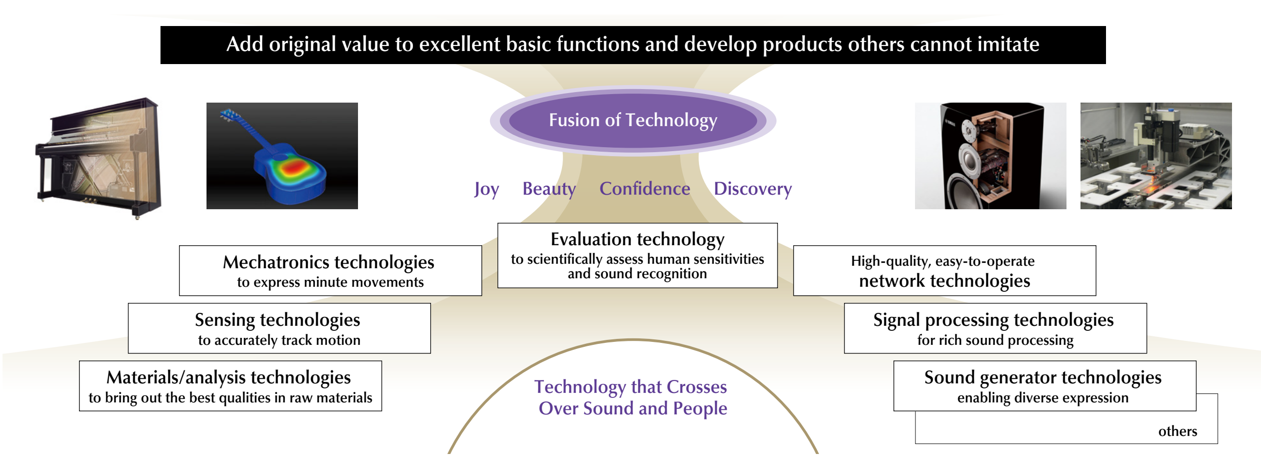
Further, we are currently constructing a new R&D building, Building No. 21, on the grounds of our headquarters to complement existing buildings, No. 18 and No. 20. These three buildings will function together as the “Yamaha Innovation Center.” The center will bring together a large number of engineers—primarily at Building No. 21, which is scheduled to be completed in spring 2018—and provide additional opportunities for further enhancing the efficiency of our development activities, in addition to encouraging exchanges between engineers and collaboration both internally and externally. At the same time, to accelerate the pace of our efforts to fuse technologies, we will work to ensure that the center maintains the necessary environment to facilitate various kinds of high-level research related to sound.

2. Enhance Customer Interaction

We will implement various policies geared toward consumers as well as our BtoB customers and corporate clients.

At Yamaha, we have yet to truly emphasize the idea of strengthening and expanding our relationship with customers. Until now, I believe our basic way of thinking was that if we make quality products that leverage our cultivated technologies and know-how then those products will sell. In order to become an enterprise that is valued by society as well as realize sustainable growth, I believe it is necessary for us to change our basic way of thinking. This is due to the fact that, no matter how superior our products are, if we do not properly convey that point to our customers then they will not be interested. Accordingly, it is important for us to reinforce the idea that not only do we need to deliver high-quality products to customers but that we

Develop Products with Distinctive Individuality



also have to properly convey that quality to them. This kind of reflection on our basic way of thinking led to the formation of this strategy.

Regarding consumers, we aim to develop marketing activities that cater to diverse regions and needs as well as expand our sales network. Specifically, we will acquire new sales channels in mature countries and increase our contract dealers by 10% over the next three years in emerging countries through the expansion of our sales networks. For our BtoB customers and corporate clients, we will work to fully understand the special characteristics of their business and enhance the value we offer them as a solutions provider. We will also expand our customer base by upgrading our product appeal as well as our ability to provide support. To increase the number of accounts we have with audio contractors, we will reinforce our personnel systems and locations for customer support.

Forge Stronger, Broader Ties with Customers

Consumers

Respond to market expansion and diverse needs

- Expand sales channel

  Increase the worldwide number of contract dealers by 10%
  Mature markets: Secure channels through other industries
  Emerging countries: Expand from urban to regional areas

- Promote music popularization activity to suit local needs

  Join activities with public and corporate sectors
  ASEAN region: Promote music education in public elementary schools
  Latin America: Support local youth orchestra

Get Closer to Customers

Corporate Clients and B2B Customers

Develop value we provide to customers as a solutions vendor

- Strengthen personnel and service bases to improve support to customers

  Increase number of accounts to audio contractors by 50%
  Increase worldwide number of technical and other staff supporting audio contractors by about 80

- Expand products and services to meet customer needs

  Offer new solutions in tune with social changes
  Better reflect customer needs in product development through support activities
  Develop and provide new product offerings in the industrial machinery and components business

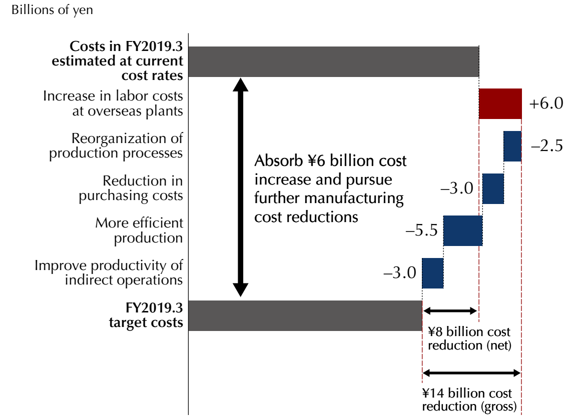
3. Continually Reduce Costs

We are moving forward with efforts to reduce costs by ¥8 billion (net) over the three-year period.

Over the three-year period of NEXT STAGE 12, we expect to reduce costs by ¥8 billion (net) through the continuation of cost-reduction efforts we made under YMP2016. We will engage in various initiatives to bring down costs, including the shift from structural reforms in Japan to a sharp focus on our overseas reforms including the reorganization of our production bases. For example, we are already combining functions at several of our 10 overseas productions bases so that they can produce a variety of products, including musical instruments, AV products, and PA equipment, rather than being limited to one production item. This has allowed us to use fixed costs effectively, flexibly formulate plans regarding changes in production, and reinforce our ability to respond to risk. Going forward, we will promote these types of initiatives at other production bases and work to reorganize production processes to realize a comprehensive production system where manufacturing and assembly are carried out at the same location. In addition, we will introduce new production methods that boost efficiency. In these ways, we will focus our efforts on reducing costs.

Continually Reduce Costs

Billions of yen



4 Strengthen Global Business Platforms

We will strengthen our human resources development as well as infrastructure.

Overseas sales already account for two-thirds, or 67%, of Yamaha's entire sales, and the Company has 51 overseas locations in 32 countries. In this setting, I believe we must work to reinforce our marketing activities and reduce costs on a global basis. As well, to move forward with enhancing our operating foundation I also feel a need to leverage human resources who are globally active. To this end, we will manage key Group talent around the world under consistent standards and promote personnel deployment that puts the most qualified person in the position where they can be best utilized. In addition, we will establish roughly 200 key positions at Group companies and promote human resources development in accordance with each succession plan.

Also, we will promote initiatives to optimize our IT, logistics, finance, and administrative functions on a global scale, including establishing regional IT control functions in Europe, the United States, and Japan (Asia), and creating a 24-hour surveillance and service system.

Develop Human Resources to Support Global Business Operations and Reinforce Infrastructure

Facilitate international careers

- Establish global core positions (approx. 200) to implement global grading system
- Promote cross-border personnel assignment
- Select candidates for core positions of the next generation and promote development program

Optimize IT, logistics, finance, and administrative functions on a global scale

- Establish regional IT headquarters in three regions: Europe, U.S., and Japan (Asia)
  - Establish 24-hour surveillance and service system using resources in the three regions
- Build efficient logistics system
  - Aim for logistics cost reductions through optimizing distribution network, improving efficiency of packing and lading, centralizing procurement distribution, and promoting application of preferential tariffs
- Prepare for introduction of International Financial Reporting Standards (IFRS) * Consider introduction of IFRS in fiscal 2020
  - Aim for improvement in possibilities for international comparability of financial information and uniformity in Group financial information
- Strengthen global support systems of HQ corporate staff
  - Improve management level of regional offices in all countries

Proportion of total sales made overseas

67%

Overseas business bases

51 in 32 countries*

(* As of April 2016)

Major Business Strategies

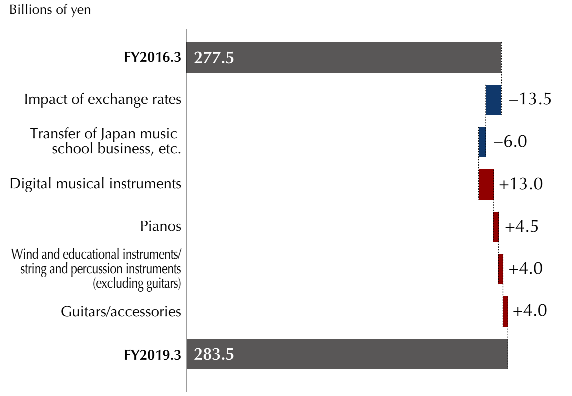
We will engage in a wide range of initiatives in the musical instruments, audio equipment, and industrial machinery and components businesses, which we position as strategic business domains.

1. Musical Instruments

Looking at the market for musical instruments from a short-term perspective, we are not likely to see significant sales growth. As such, more than valuing sales, our goal is to establish a highly profitable business with an operating income ratio of 15% level. To realize this goal, we will leverage our global sales system and the scale of our development as a comprehensive musical instruments manufacturer to promote region-specific initiatives.

Net Sales

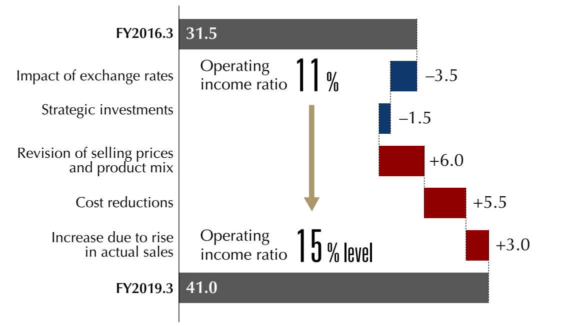
Billions of yen



* As of fiscal 2017, the soundproof room business which was previously reported as part of the musical instruments segment was included in the audio equipment segment. Accordingly, figures for fiscal 2016 have been adjusted to reflect these segment composition changes.

Operating Income

Billions of yen



Reinforcing Brand Appeal

Leveraging the world's largest development scale in the musical instruments industry, we will strengthen our technologies and bolster the competitiveness of our products. We will enhance the essence of acoustic instruments by using our extremely unique evaluation technology for assessing human sensitivities—a core competence of the Company—thereby reaching new heights in sound, expressiveness, and playing comfort. Moreover, we will further evolve the expressive capabilities of our digital instruments by using our expertise in acoustic instruments to create new technology and subsequently fusing that technology with mechatronics and audio technologies. In this way, we will develop musical instruments that are on a level that our competitors are unable to match. In addition, we will continue to offer new excitement by combing smart devices and networks with our digital instruments, which in turn will innovate the value that only these instruments can provide.

We will also work to strengthen our ability to offer brand new ideas for musical instruments through the fusion of acoustic and digital technologies. These ideas will allow us to provide value unheard of before. For example, regardless of the time or place, we can make it possible to experience a genuine acoustic performance, even under a restricted environment. Or, we can draw on our new TransAcoustic™ technology for pianos, which recreates sound by vibrating the piano's soundboard, to realize an acoustic piano performance using digital sounds. In these ways, we will be able to achieve an overwhelming level of product differentiation.

Region-Specific Initiatives

China

In China, we aim to increase our share in the piano market. Following the increase in China's GDP per capita, the piano market is shifting to higher price ranges. Accordingly we are increasing our share in the Chinese market. To steadily capture demand for high-value-added piano models going forward, we will work to improve our brand recognition and continuously promote the expansion of our sales networks into provincial cities. In addition, we will take initiatives to grow in the digital piano market, where demand is increasing on a global scale.

Emerging Countries

Under YMP2016, we made efforts to expand Yamaha Music Schools in emerging countries. However, we were unable to achieve the results we expected. In the new medium-term management plan, while we intend to continue efforts to expand the Yamaha brand through our music schools and increase opportunities for people to enjoy music, we will not necessarily insist on using methods we have cultivated in Japan. Rather, we will develop educational programs that suit local needs and promote activities to popularize musical activities. Specifically, in the ASEAN region we plan to implement a variety of initiatives such as developing music and extracurricular lessons, cooperating with local schools and public interest corporations to provide musical instruments and dispatch teachers to our existing schools, and offering new programs at these schools. In fact, we have already begun the process of implementing these initiatives and are receiving high praise. Further, we aim to have a total of 100,000 students participate in our Music Time Program, which we carry out in collaboration with music classes at elementary schools, over the next three years.

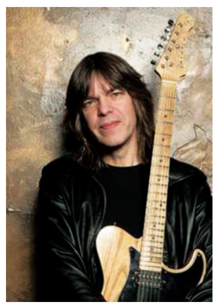

Joint display of Yamaha guitar and motorcycle in Malaysia


Yamaha concert at 30th Anniversary of Yamaha Motor in Taiwan

In addition, we will work together with Yamaha Motor Co., Ltd., to improve brand recognition in countries such as India, Taiwan, Vietnam, and Malaysia, and have already started conducting collaborative initiatives in India. In these initiatives, we dispatch musicians to safe riding programs and mobile stores in regions throughout the country to demonstrate our musical instruments. While providing information on motorcycles to adults at these locations, we offer opportunities for children to enjoy music through these initiatives.

Mature Countries

The guitar market is the largest musical instrument market in the world. The reality of the situation is that Yamaha's stake in this market is relatively small compared to the market's overall size. Giving consideration to the fact that consumers often select a guitar based on its brand, we will work to expand our share in the guitar market by taking initiatives ahead of other companies to further establish our brand name. For the first time in 25 years, we launched a new series of electric guitars in January 2016 entitled REVSTAR™, focusing particularly on design and surface finishing. Going forward, we will develop similar products with distinct individuality that are highly differentiated from those of other companies.



Mike Stern

David Bilger

Not restricting ourselves only to guitars, we will focus on improving our brand power by strengthening our relationships with musicians. As further establishing a foundation for the Yamaha brand in mature countries, from where Western musical culture originates, will in turn lead to an increase in the number of Yamaha fans around the world, including emerging countries, we will make wholehearted efforts to do so.

2. Audio Equipment

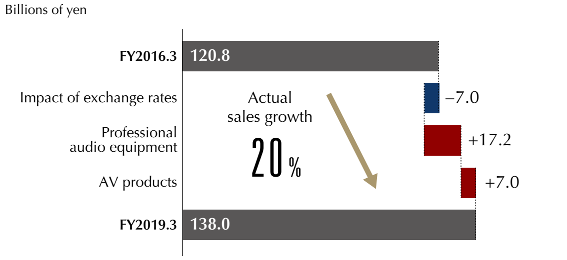
Going forward, we are anticipating significant sales growth in professional audio equipment. Accordingly, we will expand our business domain and work to accelerate the pace for overall growth in audio equipment sales by combining technological innovations with enhanced customer support.

Professional Audio Equipment

We will accelerate sales growth for professional audio equipment by expanding applications of this equipment for various venues. Until now, we have focused on developing PA equipment, which is used for live concerts, as well as certain products related to installed sound. However, around the world, PA equipment is being used in small-scale commercial spaces, such as cafeterias and retail stores. As such, we began introducing products into this market in the later end of YMP2016 and have been receiving an extremely positive response from consumers. In light of this, we plan to branch out from professional audio equipment domains in which we have been making efforts and promote initiatives that respond to new markets by incorporating communications technology into our products. The market for background music (BGM) at retail stores, where providing a high-value-added atmosphere through sound quality and services is becoming increasingly important, is a specific business domain that we are aiming to enter into further going forward. In addition, the market size for audio equipment for corporate conference rooms is nearing ¥400 billion.

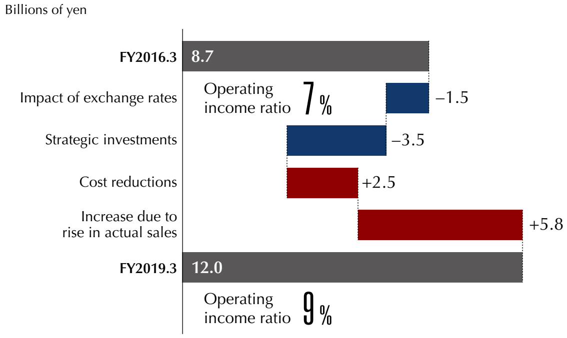
Net Sales

Billions of yen



Operating Income

Billions of yen



* As of fiscal 2017, the soundproof room business which was previously reported as part of the musical instruments segment was included in the audio equipment segment. Accordingly, figures for fiscal 2016 have been adjusted to reflect these segment composition changes.

In this market, we will be able to demonstrate our strengths by fusing audio equipment with communications technology. As this domain is expected to expand significantly around the world, including emerging countries, we believe it to be a major business opportunity. Also, while custom installation of audio equipment in residential spaces has yet to catch on in Japan, it is becoming a major market in countries such as the United States. Accordingly, we aim to increase sales in this market by expanding our product lineup.

Various Venues

	Live performances/concerts	Background music in retail stores	Corporate conference rooms	Residential spaces (custom installation)
Market scale after three years	¥550 billion	¥50 billion	¥400 billion	¥100 billion
Market growth in three years	+8%	+12%	+12%	+9%




Established Yamaha strengths

Domains for further expansion

Moreover, we will meld our signal processing technology, which we have long cultivated through our experience with live concerts, with network technology in an effort to realize audio system innovation. Specifically, we will actively apply our PA equipment in the new venues mentioned earlier while working to improve the usability of our audio systems. Also, as a total solution we intend to offer our customers to create enhanced audio systems that integrate audio input (i.e., microphones) and audio output (i.e., speakers) into one complete system by working together and developing alliances with other companies.

In conjunction with expanding the areas in which our PA equipment are used, we will increase our system engineering and sales staff, primarily in Europe, the United States, Japan, and the ASEAN region. At the same time, we plan to increase the number of audio contractors who partner with the Company by 50% with the aim of enhancing customer support. Until now, IT and PA equipment contractors have operated separately from each other. However, as mutual operations with these contractors are likely to increase going forward, we will actively provide them with support in hopes that they develop good relationships with us.

Additionally, I believe that the communications and wireless technology of our subsidiary Revolabs will contribute greatly to the kind of product development for professional audio equipment we are looking to pursue going forward.

Consumer Audio Products

In the second year of YMP2016, sales of consumer audio products declined sharply, resulting in a poor business performance. However, this decline does not mean that the audio market is shrinking overall. There have been major changes in the demand structure of customers as well as in the way they listen to music. Accordingly, manufacturers who have accurately assessed these changes have been increasing their share in the market, while many other manufacturers, not just Yamaha, have been unable to realize a proper response. In the final year of YMP2016, we launched the strategic product MusicCast™, which realizes an environment where all users can easily enjoy a variety of sound sources in every room of their home, as a new product that responds to the changing needs of the market. Accordingly, we will reinforce the MusicCast brand and focus our efforts on activities to market it, thereby increasing the product's sales.

3. Industrial Machinery and Components

Shifting from a semiconductor manufacturer to a provider of solutions, we aim to develop the industrial machinery and components business so that it can act as our third key business domain.

NEXT STAGE 12 positions industrial machinery and components as a business that we can develop to a level where it will act as our third key business domain. As such, we aim to establish a solid foundation for the business during the three-year period of the plan.

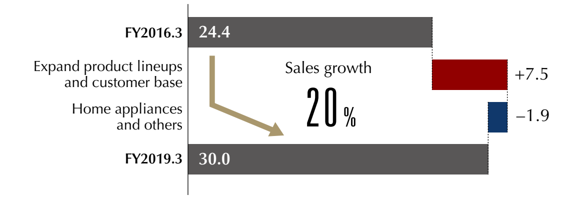
When it comes to expanding this business, we are aware of the importance of leveraging the diverse technologies that we have established over the years. We aim to shift to becoming a solutions provider that offers a total package of products, including not only semiconductors but also the microphones and speakers that are incorporated in the systems, as well as signal processing technology. By making this shift, we will help shorten the time it takes for our clients to commercialize their products. To go into detail, we will begin by developing products geared toward the market for onboard devices and then work to expand our customer base. By their very nature, automobiles make for a rather poor sound environment. As such, we intend to offer automobile and other manufacturers a package of products—including semiconductors—that provide solutions to counter this. At the same time, we are working to develop thermoelectric solutions that help resolve issues related to exhaust gas and fuel consumption. In this way, we will promote initiatives to realize an environmentally friendly motorized society going forward.

In addition, we are moving forward with the development of products for the home healthcare market. Leveraging the sensor technologies that we employ in our musical instruments, we will provide new products and solutions that contribute to a healthy daily life for the consumer. Further, we plan to introduce new products in the industrial equipment market. We will work to launch flexible printed circuit (FPC) detection devices that offer enhanced detection capabilities as well as detection systems that use hydrogen to measure leaks. At the same time, we will make efforts to enhance our customer support systems in China and Taiwan.

In regard to the onboard devices market, we will focus our efforts on Japan, North America, and Europe. Giving consideration to electronics manufacturing services (EMS), the markets of China and Southeast Asian countries will be our target for industrial machinery. Accordingly, we will establish customer support systems not only in Japan but also in Southeast Asia and North America. As the industrial machinery and components business does not deal with products for consumers, it will take time before we begin to see results from these efforts. Nonetheless, we aim to realize profitability in this business in the last year of NEXT STAGE 12.

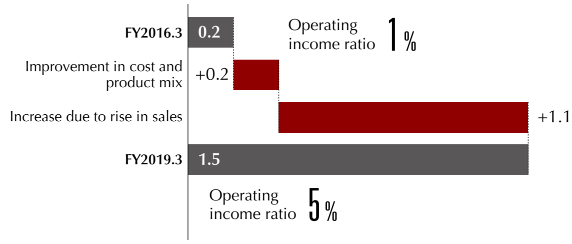
Net Sales

Billions of yen



Operating Income

Billions of yen



Initiatives in ESG

We view the environment, society, and governance (ESG)-related initiatives as an important strategy of NEXT STAGE 12. As such, we will promote multifaceted efforts toward ESG.

Under NEXT STAGE 12, we are promoting a wide range of efforts geared toward ESG. We have been promoting initiatives within our business activities that focused on the needs of society from the perspective of ESG. By once again adopting ESG as a major theme of our medium-term management plan, we are able to convey to our stakeholders that we are continuing to promote business activities that give consideration to

ESG. I believe that management that does not consider ESG is a type of management that will no longer be needed by society in the future. With that belief, we will steadily implement the ESG-related initiatives laid out in NEXT STAGE 12.

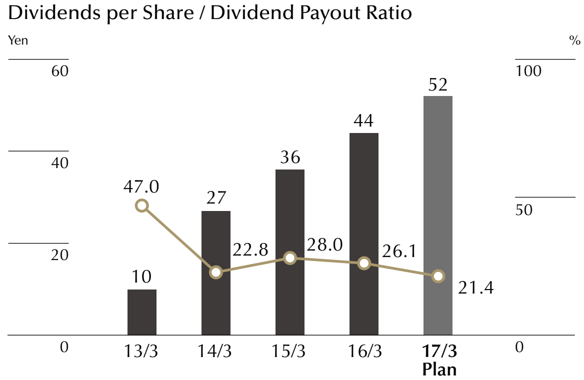
Returning Profits to Shareholders

After allocating generated cash to investments, we will work to provide returns to shareholders in a flexible manner.

During the three-year period of NEXT STAGE 12, we plan to generate ¥150 billion in cash flows from operating activities.

As for the breakdown of growth investments, we intend to make a capital investment of ¥40 billion to support our existing business. In addition, we also plan on a strategic investment of ¥50 billion. With the aim of creating new value, the strategic investment will be put toward reorganizing our manufacturing bases, constructing the Yamaha Innovation Center, and conducting M&As and capital tie-ups. After allocating these funds to investments, we aim for a consolidated payout ratio of 30% or more. While we adopt a continuous and stable dividend as the base of our shareholder return policy, we also give consideration to maintaining a balance between an appropriate amount of internal reserves for future growth investments. As such, we intend to carry out shareholder returns in a flexible manner with the purpose of improving capital efficiency going forward.

Dividends per Share / Dividend Payout Ratio



In Closing

With YMP2016, we maximized the results made in business restructuring efforts under the previous management plan, YMP125. We also aggressively promoted initiatives to reduce costs and improve gross profit from musical instruments, our mainstay business. Through these means, we were able to significantly increase profits. With NEXT STAGE 12, we will continue to build on the accomplishments of YMP2016 while implementing new initiatives that firmly address the issues we have yet to resolve.

To realize our medium- to long-term management vision of “Becoming an Indispensable, Brilliantly Individual Company,” we aim to further improve our brand strength and become a highly profitable enterprise under NEXT STAGE 12. I would like to ask our stakeholders for their continued support and to look forward with anticipation for the future of Yamaha.

Takuya Nakata
President and Representative Director

Board of Directors, Corporate Auditors, and Executive Officers

(As of June 22, 2016)

Board of Directors

Takuya Nakata

President and Representative Director

1981 Joined Nippon Gakki Co., Ltd.*

2005 General Manager of Pro Audio & Digital Musical Instruments Division

2006 Executive Officer

2009 Director and Executive Officer

2010 Senior Executive Officer of Yamaha Corporation President of Yamaha Corporation of America

2013 Deputy Executive General Manager of Musical Instruments & Audio Products Sales & Marketing Unit of Yamaha Corporation

President and Representative Director (to the present)

Masato Oike

Director

1982 Joined Nippon Gakki Co., Ltd.*

2006 President of Yamaha Music Holding Europe GmbH

2008 President of Yamaha Music Europe GmbH

2009 Executive Officer

2011 Senior Executive Officer

2013 Executive General Manager of Musical Instruments & Audio Products Sales & Marketing Unit (to the present)

2014 Director and Senior Executive Officer

2016 Director and Managing Executive Officer (to the present)

Satoshi Yamahata

Director

1988 Joined Yamaha Corporation

2009 General Manager of Accounting and Finance Division

2013 Executive Officer and General Manager of Corporate Planning Division

2015 Director, Senior Executive Officer and Executive General Manager of Operations Unit (to the present)

2016 Executive General Manager of Corporate Management Unit (to the present)

Hiroyuki Yanagi

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

1978 Joined Yamaha Motor Co., Ltd.

2007 Executive Officer of Yamaha Motor Co., Ltd.

2009 Senior Executive Officer of Yamaha Motor Co., Ltd.

2010 President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd. (to the present)

2011 Outside Director of Yamaha Corporation (to the present)

Shigeru Nosaka

Outside Director (Director, Executive Vice President & CFO of Oracle Corporation Japan)

1976 Joined Marubeni Corporation

1989 Joined Apple Computer KK

1996 Senior Executive Officer of Japan Communications Inc.

2002 Director and Managing Executive Officer of Oracle Corporation Japan

2005 Retired

2007 Senior Managing Executive Officer of Oracle Corporation Japan

2008 Director and Senior Managing Executive Officer of Oracle Corporation Japan

2011 Director and Executive Vice President of Oracle Corporation Japan (to the present)

2015 Outside Director of Yamaha Corporation (to the present)

Masatoshi Ito

Outside Director (Representative Director and Chairman of the Board of Ajinomoto Co., Inc.)

1971 Joined Ajinomoto Co., Ltd.

1999 Member of the Board and General Manager of Food Products Business Unit of Ajinomoto Co., Inc.

2003 Member of the Board of Ajinomoto Co., Ltd. and President of Ajinomoto Frozen Foods Co., Inc.

2006 Representative Director and Corporate Senior Vice President, and President of Food Products Company of Ajinomoto Co., Inc.

2009 Representative Director, President and Chief Executive Officer of Ajinomoto Co., Inc.

2015 Representative Director and Chairman of the Board of Ajinomoto Co., Inc. (to the present)

2016 Outside Director of Yamaha Corporation (to the present)

Corporate Auditors

Masahito Hosoi
Full-Time Corporate Auditor

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

Takashi Dairokuno
Full-Time Corporate Auditor

1982 Joined Nippon Gakki Co., Ltd.*
2002 Director and President of Yamaha Electronique Alsace S.A.
2011 General Manager of Human Resources Division
2012 General Manager of Human Resources and General Affairs Division
2014 General Manager of Internal Audit Control Division
2015 Full-Time Corporate Auditor (to the present)

Hirohiko Ikeda
Outside Corporate Auditor (Attorney)

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

Junya Hakoda
Outside Corporate Auditor
(Certified Public Accountant)

1974 Joined Mitsubishi Rayon Co., Ltd.
1980 Joined Pricewaterhouse CPA Office
1983 Joined Aoyama Audit Corporation
1984 Registered as a Certified Public Accountant
2006 Representative of Arata Audit Corporation
2012 Representative of Junya Hakoda & Co. (to the present)
2015 Outside Corporate Auditor of Yamaha Corporation (to the present)

Executive Officers

Managing Executive Officers

Masato Oike
Executive General Manager of Musical Instruments & Audio Products Sales & Marketing Unit

Shinobu Kawase
Executive General Manager of Musical Instruments & Audio Products Production Unit

Senior Executive Officers

Yutaka Hasegawa
Executive General Manager of Musical Instruments & Audio Products Development Unit

Satoshi Yamahata
Executive General Manager of Corporate Management Unit and Operations Unit

Shigeki Fujii
Executive General Manager of IMC Business Unit

Akira Iizuka
Executive General Manager of Technology Unit

Seiichi Yamaguchi
Executive General Manager of Service Business Unit

Executive Officers

Hirofumi Osawa
General Manager of Commercial Audio Business Division, Musical Instruments & Audio Products Sales & Marketing Unit

Kazunori Kobayashi
President of Yamaha Music Japan Co., Ltd.

Hitoshi Fukutome
President of Yamaha Corporation of America

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

Kimiyasu Ito
General Manager of Musical Instruments Development Division, Musical Instruments & Audio Products Development Unit

Masato Takai
Executive General Manager of Human Resources and General Administration Unit

Shinichi Takenaga
General Manager of Corporate Planning Division, Corporate Management Unit

Masato Oshiki
General Manager of Consumer Products Sales Division, Musical Instruments & Audio Products Sales & Marketing Unit

Thomas Schöpe
President of Yamaha Music Europe GmbH

* Currently Yamaha Corporation

Growth Foundation

Research and Development and Intellectual Property

Yamaha has adopted the corporate slogan of "Sharing Passion & Performance" and a corporate philosophy of "with our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world." In addition, Yamaha has established a medium- to long-term management vision of becoming an indispensable, brilliantly individual company.

Guided by this slogan, philosophy, and vision, Yamaha has designated the technologies it has amassed in the fields of sound and music as core technologies in order to promote its business activities, and is conducting R&D activities with the aim of further advancing and extending these technologies. In addition, Yamaha is further sharpening its competitive edge by linking together its R&D strategies and intellectual property strategies.

Research and Development

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

In fiscal 2016, Yamaha identified sound, music, networks, and devices as focus areas. In particular, Yamaha endeavored to enhance its scientific understanding of what constitutes "good sound" and advanced R&D initiatives to actually apply "good sound" to its musical instruments and audio equipment design processes. In addition, Yamaha took initiatives to upgrade its various technologies, such as physical modeling, musical analysis, and singing voice synthesis, as well as to advance the development of high-quality sound transmission technology for the network generation and technology related to wireless connectivity.

Yamaha's R&D structure consists of two sections. The first section is the Research and Development Division, which is located within the Technology Unit. This section oversees the R&D functions for enhancing the Company's foundational elemental technologies and creating new businesses. The other section is the Technology Development Division, which handles the product development functions of each business division as well as subsidiaries.

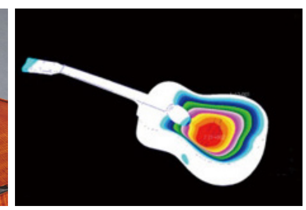
Technologies Accumulated through R&D

Guided by the expertise passed on from generation to generation and a sensitivity toward sound creation, Yamaha has accumulated a vast array of original technologies over its long history of manufacturing acoustic instruments. In the field of digital instruments and audio equipment, Yamaha has developed groundbreaking electronics technology. In recent years, Yamaha has expanded the scope of its technologies through the addition of new companies to the Group. By drawing on the strengths of these technologies and fusing them together, Yamaha has continued to provide new value that only it can create as well as new ways to enjoy and utilize sound and music.

(1) Technologies in the Musical Instruments Domain

In the musical instruments domain, Yamaha processes wood and metal materials in order to provide its customers with even more fulfilling sound and music. In addition, through the continued research of technologies related to the mechanisms of keyboard actions, sound generation and effects, as well as acoustics, the Company actively pursues good sound and superior performance.

YVN500S Artida™ violin with A.R.E.™ technology



Analysis of the vibrations of guitar surface

- Acoustic Resonance Enhancement (A.R.E.™)
- Research on instrument structure; research and analysis on the vibrations and sounds that occur within acoustic instruments
- Development of sound generators

DX7 Synthesizer

FM sound generator: A method for modulating the frequency of waveform and creating tone

SY77 Synthesizer

AWM sound generator: A method for creating tone by recorded sound of an instrument

VL1 Synthesizer

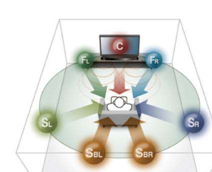
Physical model sound generator: A method that virtually creates an instrument's structure to make sound

(2) Technologies in the Audio Equipment Domain

In the audio equipment domain, Yamaha draws on the strengths of cutting-edge software and electronics technologies, centered primarily on digital signal processing and network technologies, using its expertise and know-how related to sound. Yamaha offers high-value-added products such as AV products and PA equipment as well as network devices.

TWISTED FLARE PORT

AIR SURROUND XTREME



- Fluid sound control technology, Twisted Flare Port™
- Virtual surround technology, Air Surround Xtreme™
- Virtual Circuitry Modeling technology, VCM

Research and Development and Intellectual Property

(3) Technological Fusion and Creating More Value

Not only does Yamaha evolve the technologies it has cultivated over many years, the Company promotes the fusion of its technologies to offer new hybrid instruments as well as to innovate its existing products. At the same time, the Company is creating entirely new products in new businesses, thereby providing customers with both surprise and excitement.

- TransAcoustic™ Piano
- Brass instrument silencing system, SILENT Brass™
- MusicCast™
- VOCALOID™
- Omotenashi Guide™


VOCALOID™

Omotenashi Guide™

R&D Achievements

Motion Control Synthesis Engine

The Motion Control Synthesis Engine is a comprehensive tone generation system that combines two types of sound generators and three types of controllers, giving it the power to realize a dynamic and overwhelmingly expressive musical performance in a manner more fluid than conventional synthesizers. The engine combines the excellent sound reproduction of the Advanced Wave Memory™ 2 (AWM2) sound generator with the dynamic tonal expression of the newly developed FM-X frequency modulation sound generator. The engine also comes equipped with Motion Control, which continually shifts complex sound across a diverse control source.

Motion Control is a function that adds rhythmical and multidimensional motion to sounds created through two kinds of sound generation and allows the user to control these motions in real-time. In doing so, Motion Control realizes completely new expressions in sound.

Motion Control drastically changes sounds in line with the musician's performance and synchronizes these changes with the rhythm, thereby delivering a sound rich in expression. In addition, Motion Control is able to reflect the passion of the musician in the instrument through the color and motion of light that is emitted in response to changes in sound. This allows for an emotionally rich performance, almost as if the musician and the instrument were having a conversation. In these ways, the function generates truly high-dimensional sound.

The Motion Control Synthesis Engine was first applied to Yamaha's flagship synthesizer model, the MONTAGE™, which was launched in 2016. Going forward, Yamaha will further expand this technology, making it a key feature of its synthesizers.

NS-5000 Speaker

The NS-5000 is Yamaha's flagship speaker that brings together the latest speaker and analysis technologies. The speaker unit, which uses newly developed diaphragms, and the cabinet, which incorporates the latest R&D accomplishments, realize unlimited quietness and a clear sound, allowing for music to be clearly reproduced as is. The newly developed diaphragms of the tweeter, mid-range, and woofer use ZYLON®—the world's strongest fiber with an ideal elastic modulus and a speed of sound that rivals beryllium. This allows the NS-5000 to reproduce extremely pleasant sounds with a high level of sophistication by realizing uniform tone quality across all frequency bands. Moreover, in order to control the unnecessary sound that is emitted from the back of the tweeter and mid-range units, the NS-5000 is equipped with a resonance suppression (R.S.) chamber, which has a flat frequency response that negates tube resonance without using a large amount of acoustic absorbent materials. In these ways, the NS-5000 is able to achieve reproduction of even higher resolution.

As for the cabinet box sound, which is background noise that occurs when vibration is present, the NS-5000 controls even microscopic box sounds through the use of the latest finite element method (FEM) analysis that leverages the strengths of laser scan measurements. By installing the newly developed Acoustic Absorber (patent pending), the NS-5000 also reclaims the original and natural sound of music that was lost through the use of the large amount of acoustic absorbing materials necessary to prevent standing waves within the cabinet.

Going forward, Yamaha plans on expanding its product lineup of speakers that utilize these technologies.

* ZYLON® is a registered trademark of Toyobo Co., Ltd. in Japan

YHLD-100 Hydrogen Leak Detector

The YHLD-100 is a high-speed, highly sensitive hydrogen leak detector. The detector uses hydrogen as the tracer gas to inspect the air tightness of containers and piping and, as such, is expected to achieve lower gas costs compared to helium—the mainstream gas currently used in leak detection—and significantly reduce inspection operational expenses.

Through the world's first installation of MEMS* hydrogen sensors, which were independently developed using the Yamaha Group's cutting-edge micromachinery technologies, the YHLD-100 realizes a dynamic range that extends from low hydrogen concentrations (0.5 ppm) to high hydrogen concentrations (13,000 ppm = 1.3%) as well as a high-speed response time of one second or less (within 1,000 ppm).

* MEMS (Micro Electro Mechanical Systems): MEMS are small devices such as mechanical components, sensors, actuators, and electronic circuits that are combined into one silicon circuit board.

Intellectual Property

The foundation that supports Yamaha's extensive business development is the technology and know-how that it has accumulated within the Group over many years of R&D activities. To support this technology and know-how and to accelerate the further accumulation of intellectual property rights, Yamaha has actively invested resources in its R&D activities. Moreover, with a primary goal of maintaining and improving the competitive edge of the technologies it possesses, Yamaha is expanding its activities to acquire, maintain, and utilize other related intellectual property rights.

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

Patents

To differentiate itself from its competitors, gain a business advantage, ensure greater flexibility, and enable licensing to third parties, Yamaha has formulated patent strategies tailored to its operations in specific business segments. These strategies include establishing target technical fields for patent acquisition, such as core technologies, new businesses, and new technologies, and building a strong patent portfolio by identifying and focusing on its core competencies. From the standpoint of asset optimization, Yamaha annually assesses its full portfolio of patents held within and outside of Japan, evaluating patent rights in terms of present application and future potential, and ultimately retaining only those rights deemed most advantageous. As of March 31, 2016, the Yamaha Group owned a total of approximately 5,200 patents and utility models in Japan. Outside of Japan, the Group also held a total of roughly 4,900 patents, mainly in the United States, Europe, and China. Going forward, Yamaha is working to increase the number of patents held in China in particular.

Designs

Yamaha views design as a critical element in setting its products apart from other offerings in the market, and consequently makes every effort to properly safeguard and utilize these assets. In recent years, Yamaha has taken bolder steps to acquire design rights in China to protect itself against counterfeit products. As of March 31, 2016, the Yamaha Group held a total of approximately 980 design rights in Japan and overseas.

Copyrights

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

Brands

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

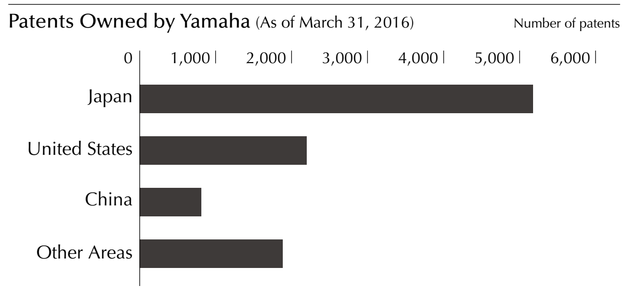
Anti-Counterfeiting Measures

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

Intellectual Property Management Systems

As part of the corporate body, the Intellectual Property Division oversees the integrated management of all intellectual property held by the Yamaha Group. In addition, members of the Intellectual Property Division are assigned to each business and R&D division, where they ensure that the Company's intellectual property strategy is integrated within its business and R&D strategies. The Intellectual Property Division also works in close communication with each business division to promote Yamaha's intellectual property strategy from both Companywide and business domain perspectives.

Patents Owned by Yamaha (As of March 31, 2016)



Yamaha's Intellectual Property Receives High Appraisal Globally

2015 THOMSON REUTERS TOP 100 GLOBAL INNOVATORS

Thomson Reuters Selects Yamaha for Top 100 Global Innovators

Yamaha received a Thomson Reuters 2015 Top 100 Global Innovators Award from Thomson Reuters Corporation, a global business data provider based in New York City. This award analyzes intellectual property trends based on the intellectual property data of Thomson Reuters and is given every year to the top 100 companies with particularly impressive results. 2015 marked the fifth year this award has taken place.

Award recipients are selected based on four criteria derived from data on patent volume, patent registration rates, portfolios in major markets, and impact of patents based on how often they are subsequently cited. This is the third time for Yamaha to be selected, after being selected for the first time in 2011 and again in 2014. Yamaha received high praise for its successful patent registration rate, the global scope of its intellectual property protection initiatives, and the impact of its patents. In addition, Yamaha's score for the global scope of its intellectual property protection initiatives rose substantially over the previous year, which factored in greatly to the Company receiving this award.

Corporate Social Responsibility (CSR)

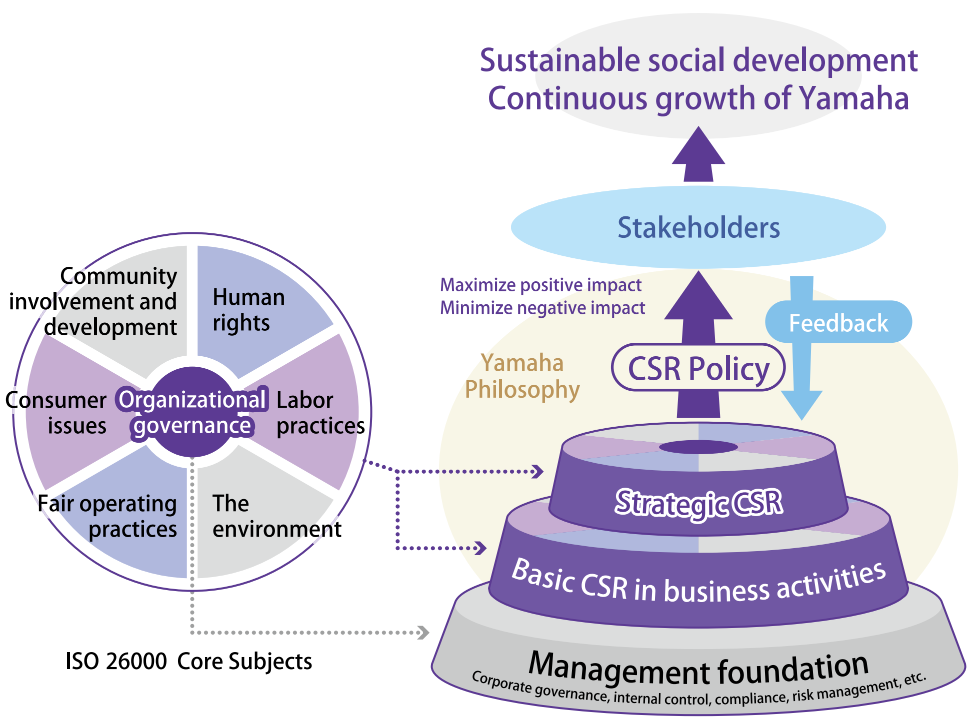
In all its interactions with stakeholders, the Yamaha Group seeks through its business activities to exceed customer expectations and create excitement. Through activities grounded in the fields of sound and music, we will continue to share passion and performance and enrich culture along with people around the world.

Basic Approach to CSR

The mission of the Yamaha Group is to continue pursuing its corporate philosophy of "with our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world." To put this philosophy into practice, Yamaha works to establish and maintain bonds of trust with its stakeholders while also contributing to the creation of a sustainable society through its business activities.

Policy and Framework for CSR Promotion

The Yamaha Group continues to engage in a variety of CSR issues by offering products and services and engaging in business processes and corporate activities in regional societies. The Group uses the social responsibility international guideline ISO 26000 to identify and organize the CSR issues it involves itself in. By taking into account the importance of these issues to the Group and their impact on stakeholders, we decide which issues to prioritize as well as the details of our efforts toward these issues. In 2015, a council made up of our top management established strategic CSR themes in which the Group should strengthen its initiatives. Based on these themes, we revised our CSR Policy in June 2016.



Strategic CSR Themes

Human Rights and Labor Practices

- Systematic initiatives for the respect of human rights (evaluating the influence of our business activities on human rights, etc.)
- Promotion of diversity and human resources development (promotion of the active role of female workers, cultivation of global human resources, etc.)

The Environment

- Lowering of greenhouse gas emissions (emission management that expands the scope of emissions throughout the entire supply chain, etc.)
- Sustainable procurement of timber (stringent verification of traceability and lawfulness, expanded use of certified timber, etc.)

Fair Operating Practices

- Socially responsible procurement (by confirming adherence to the Yamaha Supplier CSR Code of Conduct and making requests for improvements when necessary, etc.)

Consumer Issues

- Development of products and services with a focus on social issues (universal design, environmentally-friendly products, application of sound technologies, etc.)

Community Involvement and Development

- Development of regional community-based business and social contribution activities (resolution of regional issues through music, contribution to the development of regional communities, etc.)

Yamaha Corporation Group CSR Policy

Our aim is "Sharing Passion & Performance"

The Corporate Philosophy of the Yamaha Corporation Group is, "With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world."

Based on this philosophy, Yamaha conducts its CSR activities according to the following guidelines, seeking to contribute to the sustainable development of society and to further strengthen the bond of trust with its stakeholders through sound, transparent management methods, and corporate activities that balance social and environmental concerns.

1. By creating new values through products and services focused on social and environmental issues, Yamaha contributes to the sustainable development of society.
2. Through business development and social contributions based in each region of the globe, Yamaha contributes to the promotion and popularization of music, and to the development of communities.
3. By understanding the significance of protecting the natural environment and maintaining biodiversity, and by promoting the reduction of environmental burden through measures such as sustainable procurement of timber and lowering greenhouse gas emissions, Yamaha works to maintain a healthy global environment.
4. Yamaha observes laws, ordinances, and social norms, and moreover, conducts business in a fair and impartial manner throughout the entire value chain, including activities such as socially responsible procurement carried out in cooperation with business partners.
5. Yamaha endeavors to prevent abuses of human rights, responding appropriately to the effect of its business activities as well as to any attendant risks to human rights, with the goal of achieving a society that safeguards the dignity of all.
6. Yamaha works to create an atmosphere that holds in high regard the employee diversity that is a source of the new values created within the Company, and which allows each person to fully demonstrate their sensibilities and creativity through training and use, without regard to race, nationality, gender, or age.

Formulated in February 2010 and revised in June 2016

CSR Education

In promoting initiatives based on our CSR Policy, the Yamaha Group believes it is important to deepen employee understanding of CSR and raise awareness for environmental and social issues. The Yamaha Group engages in educational and awareness-raising activities by sending CSR information via its website and Intranet, as well as training and seminars for all employees, from managers to new recruits, with the aim of promoting CSR throughout each aspect of its business operations.

Fiscal 2016 Results

Item	Target	Content	Number of participants
In-house seminar	Management team and department managers, general employees	A seminar by experts from outside the Company, Lecture on the creation of products and services that take into account social issues	250
Basic CSR training	New recruits, etc.	Introduction to CSR, Explanation of Yamaha Group CSR Policy and measures, etc.	52

Corporate Social Responsibility (CSR)

Highlights

External Evaluation

Socially responsible investment (SRI) is an investing activity that values companies from not only a financial perspective but also from social and environmental viewpoints as well. SRI is used by investors to determine what companies to invest in based on whether or not a company is fulfilling their social responsibilities. Yamaha is listed on such major international SRI indexes as the FTSE4Good Global Index, MSCI Global Sustainability Indexes, and Morningstar Social Responsibility Index (MS-SRI).

Participation in the United Nations Global Compact

Yamaha endorses the United Nations Global Compact, a voluntary code of conduct that encourages businesses worldwide to adopt sustainable and socially responsible policies. Yamaha signed the Compact in June 2011 and has been promoting initiatives in adherence with the Compact's 10 principles in the four areas of human rights, labor, environment, and anti-corruption. At the same time, the Company has been actively cooperating with Global Compact Network Japan (GCNJ) in such ways as managing subcommittees.

Topics

Yamaha Eco-Products Program

Guided by its Environmental Policy, the Yamaha Group is working to create environmentally-friendly products in order to contribute to the creation of a sustainable society. To support this effort, Yamaha established the Yamaha Eco-Products Program in 2015, which certifies environmentally-friendly products that meet standards established by the Company.

The Yamaha Eco-Label is attached to products that meet the Company's standards. By providing customers with easy-to-understand information on the environment, the program aims to assist customers in selecting which products to purchase.

For more details on the program, please visit: http://www.yamaha.com/about_yamaha/csr/guideline_eco_products

Music Time Program

Elementary school music education throughout the world is facing a wide range of issues. With a shortage of music facilities and instructors, music education is not being implemented sufficiently. The reality is that there are many children who are not fortunate enough to have the opportunity to learn a musical instrument.

Yamaha believes that enhanced music education during childhood expands the possibilities for children to grow and, therefore, that it is necessary to increase the opportunities children are exposed to musical instruments at school. With that belief, Yamaha has established the Music Time Program, which carries out music lessons at schools. In addition to lessons, the Music Time Program provides public elementary schools with a complete package of instruments, teaching materials, and musical guidance and know-how. Currently, Yamaha is running the program in Malaysia and Indonesia. In doing so, Yamaha is promoting activities that create opportunities for children around the world to play musical instruments through solutions unique to the Company.

Smart Education System Project

Smart Education System (SES) is a new learning system created by Yamaha that focuses on sound and music. Recently, the utilization of ICT* devices in the school learning environment is becoming essential, reflected by such facts as the Japanese Ministry of Education, Culture, Sports, Science and Technology (MEXT)'s aim of making a tablet available to each child at schools in Japan by 2020. Guided by the concept of using music and ICT devices to learn, Yamaha continues its R&D activities while repeatedly conducting demonstration experiments at schools in order to develop music classes that are even more effective and fun. For example, Yamaha is carrying out classes where students receive a lecture from a guitar teacher via relay broadcasting, and, after the lecture, students try their hand at playing guitar while viewing digital educational materials that combine videos of finger motion and guitar sounds. In addition, Yamaha is implementing classes where students use iVOCALOID™, an iOS** application that allows users to compose songs by intuitively combining sounds, to create their own class song. In these ways, Yamaha is providing schools with one-of-a-kind content using ICT devices.

* ICT (Information and communications technology) devices: Network devices and audio communication devices

** IOS is a trademark or registered trademark of Cisco in the U.S. and other countries and is used under its license.

Donation of Musical Instruments to Schools for the Children of Migrant Workers

On the occasion of its 10-year anniversary, Yamaha Music & Electronics (China) Co., Ltd. (YMEC) began donating instruments to schools for the children of migrant workers all over China in fiscal 2012—together with four manufacturing subsidiaries in the country—as a five-year project to show gratitude toward local areas for the development of its business in China.

YMEC has continued this activity under the belief that the donation of musical instruments, AV products, and other materials for music classes at schools can offer more children the opportunity to experience music as well as convey to them the wonders of music, thereby fostering a rich sensitivity.

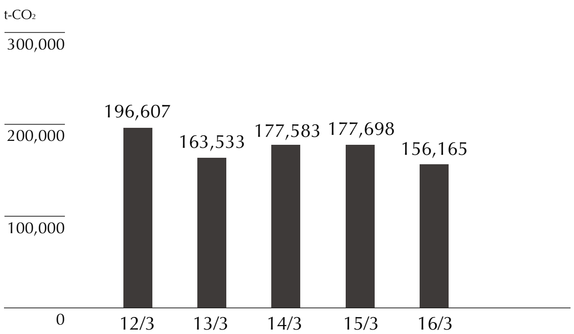
Since beginning this activity, YMEC has carried out donations in Shanghai (March 2013), Beijing (September 2013), Tianjin (October 2013), Hangzhou (December 2013), Suzhou (May 2014), and Guangzhou (October 2014).

In fiscal 2016, YMEC donated five pianos, 150 portable keyboards, five AV products, and PA equipment to five elementary and other schools in Hangzhou City. At the donation ceremony, music teachers held a mini concert with portable keyboards, which was greatly enjoyed by those in attendance.

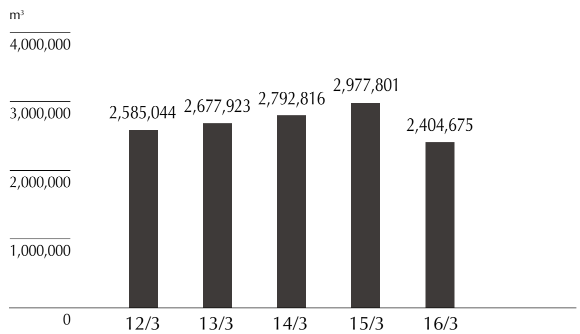
Under a policy to continue these kinds of CSR activities, YMEC plans to make donations to schools for the children of migrant workers in approximately 10 cities, with the aim of reinforcing relationships with local distributors and extending its contribution to local communities.

Environmental Performance Data

GHG (Greenhouse Gas) Emissions



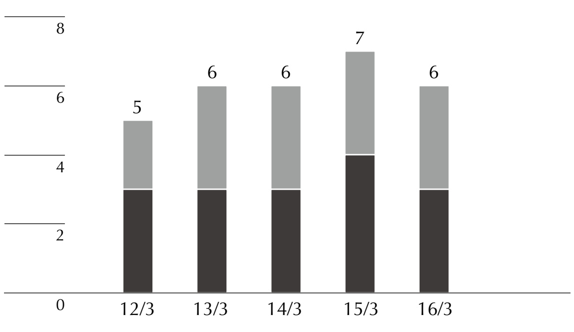
Water Usage Amounts



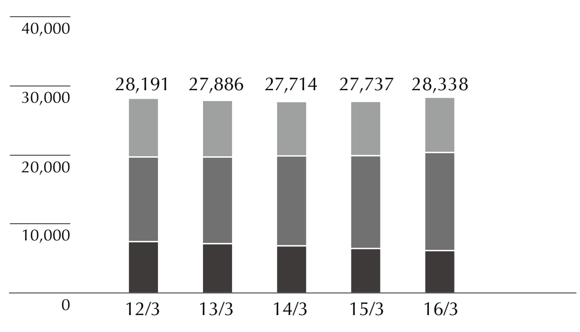
* The environmental performance data includes figures of Yamaha headquarters, all the production sites, and resort facilities covering more than 90% of the group site.

Human Resources Data

Number of Directors



Number of Employees



	2012/3	2013/3	2014/3	2015/3	2016/3
Percentage of female employees	22.2%	21.6%	20.0%	17.2%	17.8%
Percentage of female employees in management positions	4.1%	4.4%	4.7%	4.8%	4.8%
Average years of continuous employment (years)	20.8	20.1	20.6	20.3	19.8
Percentage of persons with disabilities employed	2.18%	2.08%	2.15%	2.38%	2.31%

* Figures in this table are for Yamaha Corporation only

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

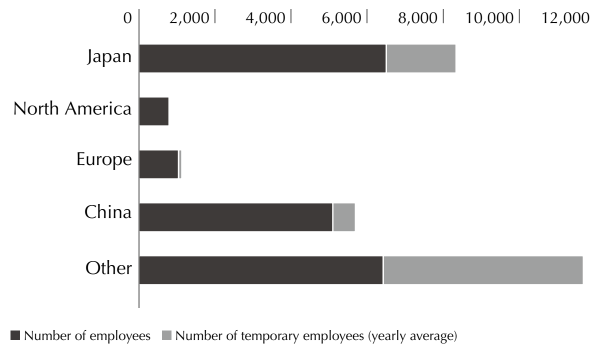
Yamaha's Approach to Human Resources

Yamaha considers human resources to be its most important management resource in supporting corporate growth. As such, the Company believes that, regardless of age, gender, or nationality, leveraging a diverse group of employees with various lifestyles, including those with time constraints due to raising children or caregiving, will help reinforce the Company's competitiveness and lead to further growth and development. In addition to ensuring fairness in the Company's hiring processes, Yamaha makes efforts so that all employees are able to demonstrate their abilities and express themselves freely, regardless of race, age, or gender. At the same time, the Company has established personnel development programs to help employees grow as professionals. In these ways, Yamaha is working to create a pleasant work environment supported by active dialogue with its employees.

Yamaha conducts its business at 51 locations throughout 32 countries, with overseas sales accounting for 67% of the Company's overall sales. As a key policy, Yamaha makes focused efforts to employ global human resources and strengthen its development of these human resources so that they may be active on a global scale. Further, the Company is actively promoting initiatives to assign local talent to key positions at overseas subsidiaries.

As of March 31, 2016, the Yamaha Group had 20,348 employees worldwide (in addition to 7,990 temporary employees).

Number of Employees by Region (As of March 31, 2016)



Yamaha's Human Resources Development

Yamaha has in place a human resources development system that focuses equally on employee education and training and career development to create a mutually beneficial relationship between the employee and the Company. With the underlying goal of developing human resources that are active on a global scale, Yamaha implements training and education programs tailored to a specific objective in one of the following categories: Stratified Training, Strategic Personnel Development, Position-Specific Training, and Self-Development Education.

In Stratified Training, Yamaha carries out training programs in accordance with the respective career turning points of each employee. These programs work to raise the overall level of human resources by enhancing the skills of individual employees.

In Strategic Personnel Development, Yamaha offers programs designed to cultivate the next generation of core employees through the Yamaha Global Institute and the Yamaha Management Institute, which aim to develop global human resources who will act as the backbone of the Company in the future, as well as the Senior Specialist Institute (SSI), which conducts manufacturing management training for personnel at all Group production plants in Asia. At production sites in Japan, the Company has set up the Yamaha Advanced Skill School as well as the Technology Training Center.

For Position-Specific Training, Yamaha implements courses for craftsmanship skill development and quality management, international education programs, and core technology training programs (signal processing, sound and vibration, and materials engineering).

In Self-Development Education, Yamaha provides support for employees' self-directed studies, including through the Yamaha Business School, a correspondence education program.

Conditions of Training Programs Implemented in Fiscal 2016

	Frequency	Annual number of participants	Training hours per employee	Total number of lecture attendees
Stratified Training	2–4 times a year	400	15–30 hours a year	2,000 (most recent 5 years)
Yamaha Global Institute	3 times a year	17	15 days a year	51
Yamaha Management Institute	9 times a year	18	27 days a year	90
SSI (Senior Specialist Institute)				
Group Production Plant Management Development program (SKIP)	Once a year*	6	80 days a year	26
Manufacturing management training	Once in 2 years	6	40 days	38
Global manufacturing management training	Once in 2 years	6	24 days a year	14
From–To Program	—	20	—	500
Yamaha Advanced Skill School	4 days a month	16	370 hours	700
Technology Training Center	2 days a month	30	180 hours	1,500
Overseas / Language training	—	2	6 months	29
Yamaha Business School (correspondence education program)	—	250	—	

* The last program was held in 2012.

Going forward, the Yamaha Group will further strengthen its programs for providing employees with highly specialized job-specific training and education so that they may carry out the Yamaha values of being Customer-Oriented and Quality-Conscious, which Yamaha places the most importance on in promoting its business activities, at an even higher level.

Global Human Resources Development

In light of globalization and the diversification of value systems and lifestyles, Yamaha aims for self-sustaining business activities that are deeply rooted in the local communities of each region in which it operates. Under this aim, the Company promotes the utilization of its human resources on a global scale. Yamaha will establish 200 key positions at each Group company and work to better understand the core talent of each region. At the same time, the Company will promote consistent evaluations based on Groupwide standards that go beyond country or organization as well as the cross-border deployment of human resources. Also, as an important strategic theme, the Company will engage in initiatives to promptly identify and develop candidates for the key positions of the next generation.

Human Resources Development for Craftsmanship

With the aim of optimizing its production structure, Yamaha is working to better clarify the functions and roles of each Group production plant. At the same time, the Company is making efforts to develop human resources capable of craftsmanship that ensures that every product made at Yamaha Group production plants around the world maintains the concept of “Made in Yamaha,” the Company’s approach to guaranteeing the consistent quality of its products.

Yamaha positions its Group production plants in Japan as locations for manufacturing high-value-added products. As such, the Company is focusing its efforts on developing technologies that are competitive in the global market as well as steadily passing on key manufacturing techniques to employees of the younger generation. Yamaha positions China and Indonesia as key locations for the manufacture of products in affordable price ranges, such as pianos, wind instruments, string and percussion instruments, and digital musical instruments. The Company dispatches a large number of engineers and instructors from Japan to provide support and guidance in order to further improve quality and productivity at these overseas locations.

As for the initiatives the Company is taking to develop human resources who will be responsible for these support activities, Yamaha is implementing manufacturing management training, which trains management personnel at Group production plants; the Yamaha Advanced Skill School and the Technology Training Center; which develops human resources who will act as the backbone of domestic Group production plants in the next generation; and the From–To Program, which passes on core techniques for manufacturing musical instruments to the younger generation of employees. In addition, Yamaha aims for the effective management of Group production plants from a global perspective. To this end, the Company is commencing local talent development programs and manufacturing management training at overseas manufacturing subsidiaries.

SSI (Senior Specialist Institute)

Since the 1990s, the Yamaha Group has been raising its percentage of overseas manufacturing. Currently, the Company’s overseas manufacturing subsidiaries operate at 10 locations located throughout China, Indonesia, and Malaysia. Given these circumstances, the Company recognizes the importance to train supervisors for these overseas Group production plants in order to ensure their effective management. Accordingly, Yamaha has commenced SKIP programs to develop core employees at these locations. While initial training involved developing managerial personnel, the Company has expanded its efforts to also include programs to develop local talent at these locations. To date, 54 employees from Japan, Indonesia, and China have participated in these programs.

Grobal Production Plant Management Development program (SKIP)

With this global manufacturing management training, Yamaha takes participants away from their regular duties for 30 days per year during a 10-month period and, through practical onsite training, aims to have them obtain the necessary skills and knowledge to act as management personnel at manufacturing companies.

From–To Program

Due to the fact that acoustic musical instrument manufacturing uses a large amount of natural materials, technicians need to make adjustments by hand and through sensitivity based on techniques underpinned by their individual experience. These sensitive adjustments are an important factor in determining the instrument’s quality. Yamaha regards the transfer of these manufacturing techniques as an important management issue. As such, the Company identified its core technologies and techniques and introduces them in the From–To Program, which started in 1999.

From–To Program

The From–To Program groups expert technicians with their successors to work together for nearly one year. During this time, these veteran technicians demonstrate to their successors the specific techniques and skills used in the manufacturing process. While the From–To Program represents a form of on-the-job training (OJT), the Company conducts strict progress management and evaluation to ensure that the necessary techniques are being steadily transferred. Over 500 employees have participated in the program since its introduction.

Corporate Governance

While making efforts to bolster the supervisory functions of the Board of Directors, Yamaha is promoting an executive officer system in order to strengthen business execution functions. Yamaha has selected highly independent outside directors and outside corporate auditors to increase the effectiveness of its governance.

Fundamental Concept of Corporate Governance

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

Adopting the Yamaha Philosophy and its Promise to Stakeholders, which applies to shareholders and all other related parties, Yamaha is working to secure global competitiveness and a high level of profitability based on effective management. At the same time, the Company is making efforts to realize sustainable growth and improve corporate value over the medium to long term by fulfilling its social responsibilities in such areas as compliance, the environment, safety, and social contributions.

Assessing the true nature of each regulation in Japan's Corporate Governance Code, Yamaha created a Corporate Governance Policy Book in November 2015 through a decision by the Board of Directors in order to help strengthen the Company's corporate governance. In this policy book, Yamaha explains its basic policies for corporate governance, based on which the Company has established institutional designs for management—in addition to an organizational structure and systems—and implemented a wide variety of governance-related measures. Yamaha also realizes transparent and high-quality management through the appropriate disclosure of information.

Basic Policies for Corporate Governance

- From a shareholder's perspective, ensure the rights and equal treatment of shareholders
- Taking into consideration our relationships with all stakeholders, proactively fulfill the Company's social responsibilities
- Ensure that information is disclosed appropriately and that management is transparent
- By separating the oversight and executive functions and strengthening the oversight function, ensure that the Board of Directors is highly effective and is able to execute decisions with a sense of urgency
- Proactively engage in dialogue with shareholders

Yamaha Philosophy

- Corporate Slogan: Sharing Passion & Performance
- Corporate Philosophy: With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world.
- Customer Experience*1: Joy, Beauty, Confidence, Discovery
- Yamaha Quality*2: Excellence, Authenticity, Innovation
- Yamaha Way*3: Embrace Your Will, Stand on Integrity, Take Proactive Actions, Go Beyond the Limits, Stick to the Goals

*1 Customer Experience exemplifies the meaning of "Sharing Passion & Performance" from the customer's viewpoint. When customers experience, use, or own Yamaha products and services they should experience a profound response that will stimulate both their emotions and senses.

*2 Yamaha Quality is a set of criteria that supports Yamaha's insistence on quality in products and services and the Company's dedication to excellence in manufacturing. These criteria assist in making the Corporate Philosophy a reality.

*3 The Yamaha Way explains the mindset that all employees of the Yamaha Group should adopt, and the manner in which they should act on a daily basis, in order to put the Corporate Philosophy into practice.

Promises to Stakeholders

• Customer-Oriented and Quality-Conscious Management

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

• Transparent and Sound Management

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

• Valuing People

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

• Harmony with Society

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

Moreover, the organizational structure and systems that Yamaha has established for corporate governance conforms to Japan's Corporate Governance Code. Items of our organizational structure and systems that are not based on the Code are explained and disclosed in sections of our Corporate Governance Report.
https://www.yamaha.com/en/ir/governance/

Basic Corporate Governance System

Yamaha is a company with a board of auditors as defined under Japanese law. With the General Shareholders' Meeting as its highest decision-making body, Yamaha has built a corporate governance system (outlined in the diagram to the right) centered on oversight functions of business execution by the Board of Directors and auditing functions by the Board of Auditors.

In addition, Yamaha has also established a Corporate Directors Personnel Committee, which is an advisory body of the Board of the Directors; the Managing Council, which is an advisory body of the president and representative director; the Risk Management Committee; and corporate committees. Furthermore, the Company is reinforcing its governance functions by setting up an internal audit system. A structure to manage Group companies has also been created within the Company. To enhance the governance function of the entire Group, auditors from Group companies conduct audits on the Company and vice versa. Furthermore, the Company ensures appropriate decision-making processes in accordance with the Group Management Charter, which establishes the basic management policies that should be shared Groupwide.

Board of Directors

As of June 22, 2016, there were six members on the Board of Directors (including three outside directors and two independent directors). As a general rule, the Board meets once a month. Based on its fiduciary responsibilities, the Board of Directors promotes the Group's sustainable growth and corporate value improvement over the medium to long term. The Board exercises its supervisory functions toward general management in such ways as establishing basic management policies, making decisions on important business execution, overseeing plans for the president and other directors' successors with the help of the Corporate Directors Personnel Committee, nominating and appointing candidates for directors, determining director remuneration, approving transactions with related parties, creating internal control systems, and overseeing operating conditions. The Board also gives consideration to the relationship the Company has with all of its stakeholders, fully obeying all related rules and regulations and comprehending the Company's articles of incorporation. By carrying out a sufficient amount of information gathering, the Board actively exchanges opinions and holds constructive debate at the Board of Directors' meetings.

Independent outside directors act as a supervisory function on management and conflicts of interest as well as offer advice based on an independent and objective opinion. These directors also ensure that the opinions of stakeholders are properly reflected in the Board of Directors' actions.

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

Moreover, Yamaha analyzes and evaluates the Board of Directors' effectiveness through self-assessment by directors, including outside directors, and evaluations by auditors. The results are shared throughout the Board and used as a reference to help enhance the Board's effectiveness.

Yamaha carried out evaluations, including evaluations by outside specialists, in fiscal 2016 using the following processes.

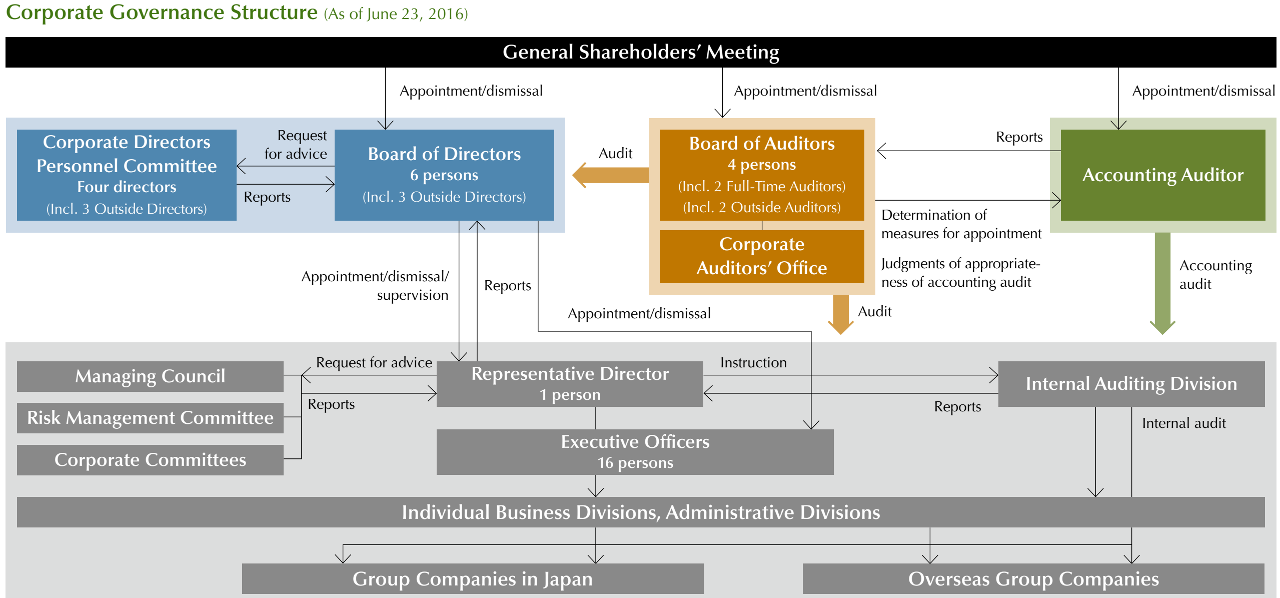
- Implementation of survey geared toward the directors and auditors regarding the "roles and responsibilities of the Board of Directors," "structure of the Board of Directors," "roles and qualities of directors," and "management of the Board of Directors"
- Evaluations, including evaluations by outside specialists, and analyses based on survey answers and individual interviews
- Evaluation of the effectiveness of the Board of Directors based on the results of these analyses as well as discussion and materialization of improvements for applicable issues

Through these processes, Yamaha assessed the Board Directors to be effective and functioning appropriately from the following perspectives.

- The Board of Directors is made up of directors and auditors, including multiple independent outside directors, with a diverse range of perspectives and experience.
- The Board of Directors conducts highly effective oversight of managerial ranks from an independent and objective standpoint.
- The Board of Directors holds sincere and constructive debate on important management issues.

Meanwhile, constructive opinions were presented to further enhance the oversight functions of the Board. Based on the results of these evaluations, Yamaha will work to further improve the effectiveness of the Board of Directors by continually making improvements.

Corporate Governance Structure (As of June 23, 2016)



Corporate Governance

Reorganization of Systems and Structure to Strengthen Corporate Governance

2001 Adopted an executive officer system to separate management decision-making/supervision and execution functions

2003 Reduced the number of full-time directors from nine to eight, appointed an outside director, increased the number of outside corporate auditors from one to two, and established the Corporate Auditors' Office

2005 Clearly defined directors' management responsibilities and reduced the term of directors from two years to one year to create a system that can swiftly respond to changing business environments

2006 Adopted a group manager system that concedes business execution authority to full-time directors so they can swiftly respond to management issues

2009 Increased the number of outside corporate auditors from two to three

2010 Decreased the number of full-time directors from eight to three, increased the number of outside directors from one to two, and registered one outside director as an independent officer as stipulated by Japan's Financial Instruments and Exchange Act

2011 Reorganized Internal Auditing Division to centralize audit functions and to promote comprehensive audits

2012 Increased the number of outside directors from two to three

2014 Increased the number of full-time directors from three to four

2015 Reduced the number of full-time directors from four to three

Representative Director

As of June 22, 2016, Yamaha had one representative director who acts as president and representative director. The president and representative director is the chief officer in charge of business execution and represents the Company.

Auditors and the Board of Auditors

As of June 22, 2016, Yamaha had four auditors, including two outside corporate auditors who are also independent officers. In principle, the Board of Auditors convenes once monthly. The Company's auditors audit the execution of duties by directors and executive officers as an independent institution based on their fiduciary responsibilities. In this way, the auditors are responsible for ensuring the sound, sustainable growth of the Company and the Group as well as establishing a high-quality corporate governance structure that can earn the trust of society.

The Board of Auditors creates auditing reports and makes decisions on a wide variety of items, including the appointment and dismissal of full-time corporate auditors, auditing policies, methods to investigate the status of operations and assets, and other items related to the execution of auditing duties. The Board also decides on proposals to elect accounting auditors, which are submitted at the General Shareholders' Meetings, and works to gain consensus on proposals to elect other auditors.

In order to accurately evaluate the reasonableness of business and accounting audits, one of the full-time auditors appointed possesses a great deal of expertise in finance and accounting. Outside corporate auditors are appointed to ensure objectively fair and equitable audits and include specialists (one attorney and one CPA) who hold positions independent from that of the Company. Yamaha has also established the Corporate Auditors' Office (with one staff member as of June 22, 2016) that is dedicated to supporting auditors, so as to ensure an environment conducive to performing effective audits.

Corporate Directors Personnel Committee

Yamaha established the Corporate Directors Personnel Committee as an advisory body to the Board of Directors and determined that the president and representative director shall be the committee chairman. Yamaha has also determined that over half of the committee's members shall be outside directors in order to ensure transparency and fairness in the committee's business procedures. The committee oversees planning related to successors of the president and other directors, decides on candidates to be nominated to the Board of Directors and other positions, holds debate on decisions regarding remuneration for directors and executive officers, and reports the results of committee discussions to the Board of the Directors.

In fiscal 2016, the committee met a total of three times, making examinations related to director remuneration for fiscal 2016 as well as the promotion, appointment, and resignation of directors, auditors, and executive officers, and the employment of outside personnel.

Corporate Directors Personnel Committee

Committee chairman	President and representative director	Takuya Nakata
Committee members	Outside director	Hiroyuki Yanagi
	Outside director	Shigeru Nosaka
	Outside director	Masatoshi Ito

Risk Management Committee

Yamaha established the Risk Management Committee as an advisory body to the president and representative director and determined that the representative director shall be the committee chairman. The committee discusses risk management-related matters from a Companywide perspective including business continuity planning (BCP), disaster countermeasures, internal controls, compliance, export, and information security and reports its findings to the president and representative director.

Managing Council and Corporate Committees

Yamaha established the Managing Council as an advisory body that holds debate on important management issues from a Companywide perspective and reports its findings to the president and representative director. Managing Council meetings are held, in principle, twice a month. Attending the Managing Council are the president and representative director, managing executive officers, senior executive officers, and full-time corporate auditors. To encourage deeper discussion about important management strategic issues, corporate committees have been set up to address each issue.

Executive Officers

Yamaha has adopted an executive officer system with the purpose of strengthening consolidated Group management and business execution functions. As of June 22, 2016, the executive officer system comprised 16 executive officers, including two managing executive officers and five senior executive officers. The managing executive officer supports the president, who is the chief officer in charge of business execution. The managing executive officer or senior executive officers, in principle, preside over the business and administrative groups as heads of those groups in accordance with the importance of these responsibilities. These officers are responsible for the business performance of the groups they preside over and manage and direct in a way that allows each group to function to its maximum potential. Moreover, executive officers are assigned to divisions that are responsible for key management issues in each group.

Internal Audits

Yamaha established the Internal Auditing Division (14 staff members as of June 22, 2016) under the direct control of the president and representative director. Its role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company from the standpoint of legality, reasonableness, effectiveness, and efficiency. The Internal Auditing Division provides the president and representative director, divisions subject to audit, and supervisory divisions with information based on the evaluation along with suggestions and proposals for rationalization and improvement. At the same time, Yamaha strives to boost audit efficiency by encouraging close contact and coordination among the corporate auditors and the accounting auditors.

Principal Internal Audit Activities in Fiscal 2016

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

Support System for Outside Directors and Outside Corporate Auditors

A meeting to examine management issues is held monthly, in principle, for the purpose of sharing important management proposals between all directors and corporate auditors and discussing with the executive officers in responsible positions.

Yamaha also creates opportunities at the time of appointment to explain to outside directors and auditors the Yamaha Philosophy, corporate governance systems, internal regulations, and the progress of the medium-term management plan, thereby promoting their understanding of the current situation and enhancing their recognition of management issues. When necessary, outside directors are individually provided with explanations about proposals and reports to be submitted to the Board of Directors.

Fiscal 2016 Outside Directors and Outside Corporate Auditors

Outside Directors

Name	Independent officer	Reasons for appointment	Views on their independence	Board of Directors' meetings attended
Hiroyuki Yanagi	No	· Has excellent character and insight · Has management experience as the representative director of Yamaha Motor Co., Ltd. · Can be counted on to strengthen Yamaha's governance functions, improve brand value, and provide appropriate advice from an objective standpoint	Although he has not been made an independent director due to the fact that he also serves as the representative director of Yamaha Motor, of which the Company is a major shareholder, he has been appointed as an outside director for the reasons listed.	11 of 13
Yoshikatsu Ota	Yes	· Has excellent character and insight · Has management experience in other industries · Can be counted on to strengthen Yamaha's governance functions and provide appropriate advice from an objective standpoint	Although he has many years of corporate management experience, he and the companies that he has managed at have not been major business partners. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	12 of 13
Shigeru Nosaka	Yes	· Has excellent character and insight · Has management experience in other industries · Can be counted on to strengthen Yamaha's governance functions and provide appropriate advice from an objective standpoint	Although he has many years of corporate management experience, he and the companies that he has managed at have not been major business partners. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	9 of 10

Corporate Governance

Outside Corporate Auditors

Name	Independent officer	Reasons for appointment	Views on their independence	Board of Directors' and Board of Auditors' meetings attended
Hirohiko Ikeda	Yes	· Has excellent character and insight · Has expertise in laws and regulations · Can be counted on to provide equitable and fair audits from an objective standpoint	Although he has worked for many years as an attorney, he is of independent social and economic standing, and is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	Board of Directors' meetings 12 of 13 Board of Auditors' meetings 15 of 15
Junya Hakoda	Yes	· Has excellent character and insight · Is a CPA with expertise in corporate accounting · Can be counted on to provide equitable and fair audits from an objective standpoint	Although he has worked for many years as an accountant, he is of independent social and economic standing, and is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.	Board of Directors' meetings 10 of 10 Board of Auditors' meetings 11 of 11

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

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

Registration of Independent Officers

Yamaha has registered outside directors Shigeru Nosaka and Masatoshi Ito and outside corporate auditors Hirohiko Ikeda and Junya Hakoda as independent officers under the provisions of the Tokyo Stock Exchange (TSE).

In addition to provisions pertaining to officer independence in Japan's Companies Act and the TSE, Yamaha has established the following in-house standards for evaluating officer independence.

1. If any of the following items are applicable to the individual, the Company, in principle, will not appoint him or her as an independent officer. Furthermore, if any of the following items become applicable after an individual has been appointed as an independent officer, he or she will be removed from the position.

A. Any individual who does not meet the qualification requirements for an outside director or auditor as stipulated in the Companies Act

B. Any individual who is a member of a party that places the Group as a primary business partner or does business with such a party, or any individual who is a member of a party the Group places as a primary business partner or does business with such a party

"Primary business partner" refers to a party from which, in any of the past three business years, Yamaha has received compensation that exceeds 2% of the Company's consolidated net sales, or any party to which Yamaha has paid compensation that exceeds that 2% of that party's consolidated net sales. "Primary business partner" also includes the top five banks that Yamaha does business with.

C. Any individual who is a primary shareholder of the Company or who does business with a primary shareholder of the Company, as well as any director or auditor of a company of which Yamaha is a primary shareholder

"Primary shareholder" refers to an individual or entity that possesses shares or interests that total over 10% of the total shares issued by the Company.

D. Any individual who has been dispatched within the Group as a director or auditor

E. Any consultant or accounting or legal expert that receives large monetary amounts or other assets from the Company, excluding director remuneration (in the event that a corporation, union, or another kind of organization is receiving the asset, this refers to individuals that are affiliated with such an organization)

"Large monetary amounts or other assets" refers to cases where the Company has made payments of over ¥10 million in any of the past three business years (in the case that the Company provided non-financial compensation, the fair market valuation at the time the compensation was provided is used).

F. Any near relative (within the second degree) of an individual to which the following is applicable

1. Any individual described in B through D
2. An individual who does business with the Company or its subsidiaries
3. An individual who was appointed as a director or auditor to which (2) was applicable to at the time that the most recent General Shareholders' Meeting concluded

2. Even in the event that B, C, or D apply to an individual, if it becomes clear that there is no substantial risk of the individual creating a conflict of interest with the general shareholders, that individual may be appointed as an independent director, or avoid being removed as an independent director, using that reason.

Policy on Determining Remuneration for Directors and Corporate Auditors

Director remuneration consists of a fixed compensation that is set within a limit predetermined at the General Shareholders' Meeting, a performance-based compensation, and a director bonus that reflects short-term performance. Director remuneration also consists of a share acquisition-based compensation to enhance the incentive for directors to improve corporate value over the medium to long term. The policy for director remuneration is determined by the Board of Directors after deliberations by the Corporate Directors Personnel Committee. Remuneration for corporate auditors is also set within a limit decided on at the General Shareholders' Meeting and is determined through deliberations among corporate auditors.

Remuneration for Directors

Remuneration for directors other than outside directors comprises (1) a fixed compensation, (2) a performance-based compensation, and (3) a director bonus.

The performance-based compensation is assessed based on the rate of year-on-year growth in return on sales (ROS), return on equity (ROE), and consolidated net sales, as well as the year-on-year improvement rate of consolidated operating income, and ranges from 0 to 50% of fixed compensation depending on individual performance. The director bonus is paid within a compensation framework predetermined at the General Shareholders' Meeting. With an upper limit of 0.5% of consolidated net income of fiscal 2015, the bonuses are calculated in correlation with net income of fiscal 2016.

In addition, as of July 2015, directors will acquire 12.5% of fixed compensation in the form of the Company's shares through the Company's Director Shareholding Association and maintain possession of those shares throughout their term of service. This will further enhance the performance incentive for directors over the medium to long term.

Remuneration for outside directors is limited to only a fixed compensation and amounts are determined taking into account such factors as whether said remuneration is in balance with that of other directors and the scale of Yamaha Corporation's business.

Remuneration for Corporate Auditors

Remuneration for corporate auditors is limited to a fixed compensation and is based on a compensation framework. Amounts are determined through consultation with the corporate auditors, taking into account such factors as whether said remuneration is in balance with that of directors and the scale of Yamaha Corporation's business.

Other

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

Remuneration for Directors and Corporate Auditors in Fiscal 2016

Classification	Total compensation (Millions of yen)	Compensation by Type (Millions of yen)			Number of directors and corporate auditors
		Fixed compensation	Performance-based compensation	Bonuses	
Directors (Excluding outside directors)	256	125	47	82	5
Corporate Auditors (Excluding outside corporate auditors)	60	60	—	—	3
Outside Directors and Outside Corporate Auditors	32	32	—	—	7

Remuneration by Director for Fiscal 2016

Name	Total compensation (Millions of yen)	Director category	Company category	Compensation by Type (Millions of yen)		
				Fixed compensation	Performance-based compensation	Bonuses
Takuya Nakata	145	President and Representative Director	Submitting Company	68	28	48

* Only directors whose total consolidated remuneration is ¥100 million or more are listed.

Accounting Auditor

Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor. Takahiro Takiguchi and Hidetake Kayama, CPAs of said accounting auditor firm, have performed Yamaha's accounting audit. Ernst & Young ShinNihon has voluntarily adopted a rotating system for its managing partners and has taken measures to ensure that the number of continuous years of service does not exceed a fixed period of time. In addition, 14 CPAs and 16 staff assist with the audits.

Remuneration for Accounting Auditor in Fiscal 2015 and 2016

Classification	Fiscal 2015		Fiscal 2016	
	Compensation based on audit certificate services (Millions of yen)	Compensation based on non-auditing services (Millions of yen)	Compensation based on audit certificate services (Millions of yen)	Compensation based on non-auditing services (Millions of yen)
Filing company	64	—	66	—
Consolidated affiliates	22	25	22	21
Total	86	25	88	21

Notes: Other important remuneration
Fiscal 2016: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 17 other companies paid ¥135 million in compensation based on audit certificate services and ¥7 million based on non-auditing services to Ernst & Young, which is affiliated with the same auditing accounting auditor network as Yamaha Corporation.
Fiscal 2015: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 15 other companies paid ¥125 million in compensation based on audit certificate services and ¥9 million based on non-auditing services to Ernst & Young, which is affiliated with the same auditing accounting auditor network as Yamaha Corporation.

So-Called Policy Cross-Holdings

Yamaha's principle policy on the ownership of shares is to only possess shares in cases where it is reasonable to do so for the purpose of contributing to sustainable growth and medium- to long-term improvement in corporate value. Such cases refer to possessing shares to continue stable relationships with important business partners and financial institutions, which in turn will enhance brand value, support sustainable growth, and ensure a solid financial foundation.

Yamaha shares its brand with Yamaha Motor Co., Ltd. and has established a Joint Brand Committee, the Yamaha Brand Charter, and the Joint Brand Regulations between the two companies, carrying out a variety of collaborative initiatives. At the same time, through the mutual possession of shares and dispatch of directors, both companies can appropriately monitor each other's initiatives geared toward sustainable growth. Yamaha believes that by working to maintain and improve the Yamaha brand value through this mutual monitoring and collaborative relationship with Yamaha Motor, it can contribute to improving the Company's corporate value over the medium to long term.

Also, the Board of Directors regularly and continuously verifies the reasonableness of each policy shareholding.

When voting on policy cross-holdings, the pros and cons of each proposal are comprehensively evaluated from the perspective of how the policy cross-holding will work to improve the medium- to long-term corporate value of the company concerned, rather or not the policy cross-holding conforms to Yamaha's principle policy on the ownership of shares, and how the policy shareholding will lead to improvement in the Company's corporate value over the medium to long term.

Basic Concept of the Internal Control System

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

Furthermore, Yamaha requires subsidiaries to establish internal controls that confirm with the Group's internal control policy, which was determined by the Company, based on the Group Management Charter, which stipulates Group management policies. In regard to decisions on certain important items, other than management information, that impact Group management, subsidiaries are required to receive consent from the Company in advance, and must also report the results of decisions on certain items.

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

Compliance Framework

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

In 2003, Yamaha established the Compliance Code of Conduct, a compilation of items to be strictly observed that is disseminated to all Group officers and employees (including part-time and contract employees) through worksite briefings. We also implement training sessions on a regular basis to ensure the thorough enforcement of the Code. Since its establishment, we have localized the Code by creating overseas and regional versions based on the laws, regulations, and social norms of the countries in which our Group companies are based, and have introduced translated versions of the code at 32 companies. In 2006 and 2011, we revised the Code to respond to changes in the operating environment.

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

As a system for handling compliance-related inquiries and reports from employees, Yamaha has established a Compliance Help Line that connects to the Working Group for Compliance executive office and an outside attorney. The Compliance Help Line accepts inquiries not only from employees but also from interested parties including business partners. In fiscal 2016, the help line received a total of 25 inquiries and reports including from overseas Group company employees. Since its inception, it has resolved problems by responding to 573 inquiries and reports over a 13-year period.

General Shareholders' Meetings

Yamaha has positioned the General Shareholders' Meeting as the highest decision-making body of the Company. At these meetings, decisions are made on important matters and reports are given on audit results such as consolidated financial statements. As a general rule, invitations are sent out at least three weeks prior to the date the meeting is to be held. In addition, Yamaha avoids holding the meeting on dates that conflict with the meetings of other companies in an effort to have as many shareholders participate as possible.

In regard to exercising voting rights, Yamaha implements electronic voting via the Internet, in addition to conventional voting methods via mail, in order to allow those shareholders who could not participate in the meeting the chance to vote. The Company also uses an electronic voting platform geared toward institutional investors to allow those with substantial voting rights to vote. At the General Shareholders' Meeting, business reports are made using video to deepen the understanding of the shareholders in attendance. After the meeting concludes, the Company carries out events such as a mini concert that introduces its products. In addition, items that are reported and items that are voted on are uploaded to the Company's website after the meeting finishes.
https://www.yamaha.com/en/ir/shareholder_info/

Items Voted On at the Fiscal 2016 General Shareholders' Meeting

The number of votes for and against items proposed at the 192nd General Shareholders' Meeting, held on June 22, 2016, the number of abstained votes, the necessary conditions for proposed items to be approved, and the results of each proposal are as follows.

Proposal	Number of votes for	Number of votes against	Number of abstained votes	Approval percentage	Result
Proposal 1: Appropriation of Surplus	1,564,574	1,066	146	98.5	Approved
Proposal 2: Election of Six Directors					
Takuya Nakata	1,557,044	9,183	146	98.0	Approved
Masato Oike	1,558,115	6,453	1,806	98.1	Approved
Satoshi Yamahata	1,558,088	6,480	1,806	98.1	Approved
Hiroyuki Yanagi	1,367,492	198,734	146	86.1	Approved
Shigeru Nosaka	1,561,286	4,942	146	98.3	Approved
Masatoshi Ito	1,565,011	1,217	146	98.5	Approved

* The necessary conditions for each proposal to be approved are as follows.
(1) Proposal 1 requires a majority of votes in favor from the shareholders in attendance.
(2) Proposal 2 requires that a minimum of one-third of the shareholders with voting rights be in attendance as well as a majority of votes in favor from the shareholders in attendance.

** Reason why a part of votes from shareholders who attended the General Shareholders' Meeting were not included in the vote count
The requirements for passage of the resolutions have been met as a result of aggregating the number of voting rights indicating approval or rejection exercised in advance on or before the day prior to the day of this General Shareholders' Meeting and the voting rights of certain shareholders who attended the meeting and whose intention to approve or reject the propositions have been confirmed, and the resolutions were thereby enacted lawfully under the Companies Act. Accordingly, the results of the exercise of voting rights by shareholders who attended the meeting but whose intention to approve or reject the proposition or to abstain from the votes cannot be confirmed are not included in the vote count.

Investor Relations (IR)

The Company's disclosure policy is listed on its website and states that the Company aims for the fair and prompt disclosure of accurate information. Guided by this policy, the Company endeavors to actively disclose information to institutional and private investors without discrepancy in a timely manner. At the same time, Yamaha is carrying out activities to enhance investors' understanding of the Company.

In addition to holding financial results briefings for securities analysts and institutional investors, Yamaha holds explanatory meetings on its management policies and individual businesses and offers educational tours of its factories and facilities as needed. For overseas investors, the Company uploads English translations of presentation documents and Q&A sessions from events held in Japan on its website. In addition, the president and representative director, as well as directors, visit investors overseas several times a year to explain the Company's management plans and conditions of its business. In this way, the Company endeavors to promote mutual understanding through direct dialogue with investors.

Yamaha holds briefings for private investors in cities across Japan to encourage more people to become loyal fans and shareholders of the Company.

The IR manager in charge shares the opinions of shareholders and investors, which are gathered through these kinds of initiatives in communication, with the relevant internal departments. The president and representative director, as well as other responsible directors and executive officers, report the results of their efforts to the Board of Directors in an appropriate manner and receive management-related feedback. This feedback is used to help make future improvements.

Also, the Company sets a quiet period every quarter from the quarter settling day to the day that financial results are announced in which it avoids dialogue on financial information.

Major IR Activities in Fiscal 2016

Activities		Frequency	Content
For analysts and institutional investors	Financial results briefings	4	Briefings on the results of the quarter
	Business briefings	1	Briefings on the musical instruments and audio equipment business
	One-on-one meetings	250	IR interviews
For overseas investors	Overseas roadshows	3	Visits by the president and representative director and other responsible officers (North America, Europe, Asia)
For private investors	Explanatory meetings for private investors	3	Tokyo, Nagoya, Gifu

Business Continuity Plan (BCP)

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

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

Risk Factors

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

1 Economic Conditions

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

2 Price Competition

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

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

3 New Technology Development

The Yamaha Group will focus its management resources on the core business domains of sound and music. The Group will firmly establish itself as the world's leading comprehensive musical instruments manufacturer. The audio equipment segment has been expanded, with a focus on the AV products category and PA equipment. The electronic devices and others segments have also been expanded, mainly in the areas of onboard devices, amusement equipment, and industrial parts and machinery.

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

4 Business Investment

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

5 Business Alliances

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

6 Dependence on Customers in Materials and Parts Business

The semiconductors, automobile interior wood components, and materials and parts that the Group manufactures and sells are affected by the business performance of the manufacturers who buy them.

When the bonds of trust between such customers and Group companies are impaired by delivery, quality, or other issues, this may have a negative impact on future orders. Moreover, customers may ask Group companies to compensate them for quality problems or other defects.

7 International Business and Overseas Expansion

The Yamaha Group has established a global presence, with production and sales bases in various parts of the world. Of the Group's 67 consolidated subsidiaries, 45 are foreign corporations, of which 23 are manufacturing and production companies, with principal bases of operation in China, Indonesia, and Malaysia. Overseas sales comprise 66.7% of the Group's net sales.

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

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

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

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

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

9 Declining Birthrates

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

10 Recruitment and Training of Personnel

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

11 Protection and Use of Intellectual Property

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

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

12 Defects in Products and Services

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

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

13 Legal Regulations

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

14 Environmental Regulations

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

15 Information Leakage

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

16 Fluctuations in Foreign Currency Exchange Rates

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

17 Earthquakes and Other Natural Disasters

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

18 Data Network Systems

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

19 Items Related to Changes in Financial Position

a. Valuation of Investment Securities

The companies of the Yamaha Group hold available-for-sale securities with market value (acquisition cost: ¥15.9 billion; consolidated balance sheet value: ¥93.6 billion, as of March 31, 2016). Since available-for-sale securities with market value are valued at the market price at the settlement date based on the mark-to-market valuation method, the recorded balance sheet value of these securities may fluctuate depending on the price of the securities at the settlement date. This may, in turn, have an impact on the Company's net assets. Further, when the market value of these securities falls markedly relative to their acquisition cost, the value of said securities may be subject to impairment.

b. Unrealized Losses on Land Valuation

As of March 31, 2016, the market value of the Group's land, revalued in accordance with the Law Concerning Revaluation of Land, was ¥7.3 billion below the book value of said land after revaluation. In the event of the sale or disposal of said land, this unrealized loss may be recognized.

c. Retirement Benefit Obligations and Expenses

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

Financial Section

Management's Discussion and Analysis

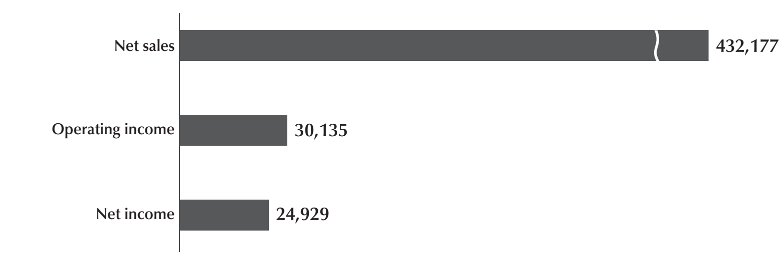
Fiscal 2016 Summary

- Year-on-year increases in both sales and earnings for the fourth consecutive year
- Substantial sales in the musical instruments segment despite lower revenue from music schools due to the impact of change in the schools' management
  Significant increase in earnings as a result of an improved product model mix and lower manufacturing costs
- Increased sales and earnings in the audio equipment segment due to a recovery in AV products and the continued growth of PA equipment
- Return to profitability in the electronic devices segment brought about by reduced fixed costs through fabless manufacturing

Fiscal 2015

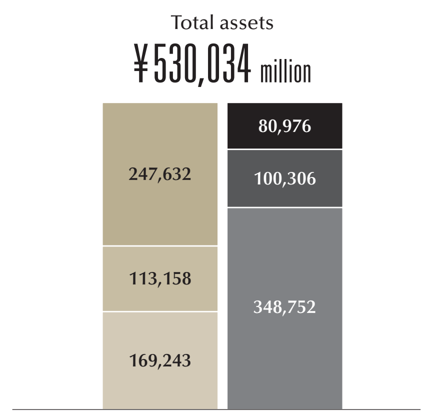
Consolidated Statement of Operations Summary

Millions of yen



Consolidated Balance Sheet Summary

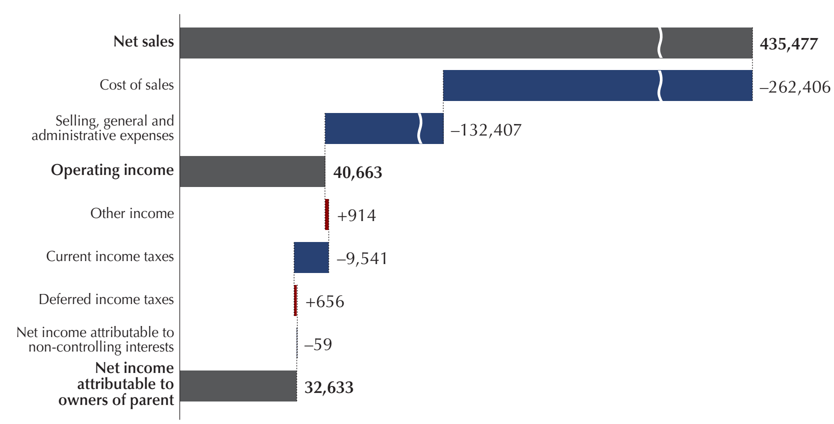
Millions of yen



Fiscal 2016

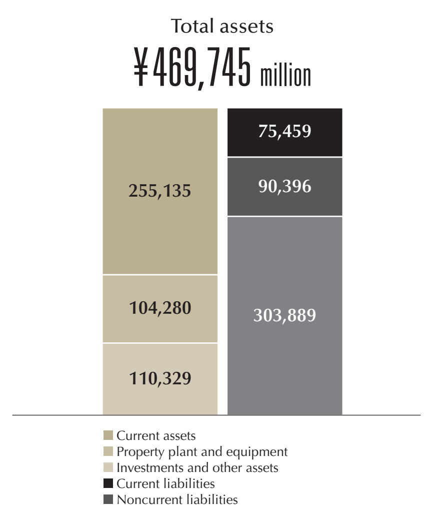
Consolidated Statement of Operations Summary

Millions of yen



Consolidated Balance Sheet Summary

Millions of yen



Eleven-Year Summary

Yamaha Corporation and consolidated subsidiaries

Years ended March 31	2006	2007	2008	2009	2010
For the year:					
Net sales	¥534,084	¥550,361	¥548,754	¥459,284	¥414,811
Cost of sales	341,816	352,382	343,686	290,381	268,380
Gross profit	192,267	197,980	205,066	168,902	146,431
Selling, general and administrative expenses	168,132	170,295	172,220	155,057	139,602
Operating income	24,135	27,685	32,845	13,845	6,828
Income (loss) before income taxes and minority interests	35,842	33,101	62,510	(12,159)	(201)
Net income (loss)*2	28,123	27,866	39,558	(20,615)	(4,921)
Capital expenditures	22,882	25,152	24,394	22,581	14,480
Depreciation expenses	18,944	19,956	20,289	17,912	14,139
R&D expenses	24,055	24,220	24,865	23,218	21,736
Cash flow from operating activities	25,510	39,732	37,225	(2,235)	39,870
Cash flow from investing activities	(18,104)	(22,427)	41,999	(25,999)	(12,711)
Free cash flow	7,406	17,305	79,225	(28,234)	27,159
At year-end:					
Total assets	¥519,977	¥559,031	¥540,347	¥408,974	¥402,152
Total current assets	209,381	231,033	275,754	202,097	193,260
Total current liabilities	117,047	136,656	120,174	90,050	75,182
Interest-bearing liabilities	28,474	25,551	21,036	19,192	15,017
Net assets*3	316,005	351,398	343,028	251,841	254,591
Per share:					
Net income (loss)	¥ 136.04	¥ 135.19	¥ 191.76	¥ (103.73)	¥ (24.95)
Net assets*3	1,532.62	1,680.91	1,646.44	1,262.42	1,276.35
Dividends*4	20.00	22.50	50.00	42.50	27.50
Key indicators:					
Operating income ratio	4.5	5.0	6.0	3.0	1.6
ROE (Return on equity)*3	9.5	8.4	11.5	(7.0)	(2.0)
ROA (Return on assets)	5.5	5.2	7.2	(4.3)	(1.2)
Equity ratio*3	60.8	62.0	62.9	60.9	62.6
Debt to equity ratio (Times)	0.09	0.07	0.06	0.08	0.06
Interest coverage (Times)	36.89	47.83	34.56	26.74	16.88
Current ratio	178.9	169.1	229.5	224.4	257.1
Dividend payout ratio	14.7	16.6	26.1	—	—

*1. U.S. dollar amounts are translated from yen at the rate of ¥112.68 = U.S.$1.00, the approximate rate prevailing on March 31, 2016.
*2. Net income (loss) for fiscal 2016 is presented as net income attributable to owners of parent on the consolidated financial statements.
*3. Net assets, ROE (return on equity), and equity ratio were classified as shareholders' equity, ROE (return on shareholders' equity), and shareholders' equity ratio, respectively, until the year ended March 31, 2006.
*4. The dividends per share from the years ended March 2008 to March 2010 include a ¥20 special dividend.

Millions of yen						%	Millions of U.S. dollars*1
2011	2012	2013	2014	2015	**2016**	**2015/2016**	**2016**
¥373,866	¥356,616	¥366,941	¥410,304	¥432,177	**¥435,477**	+0.8	**$3,864.72**
237,313	231,659	238,261	262,310	270,357	**262,406**	–2.9	**2,328.77**
136,553	124,957	128,680	147,994	161,820	**173,070**	+7.0	**1,535.94**
123,387	116,846	119,465	121,999	131,684	**132,407**	+0.5	**1,175.07**
13,165	8,110	9,215	25,994	30,135	**40,663**	+34.9	**360.87**
6,802	6,971	7,795	25,818	28,526	**41,578**	+45.8	**368.99**
5,078	(29,381)	4,122	22,898	24,929	**32,633**	+30.9	**289.61**
10,439	11,337	13,844	10,799	13,846	**11,220**	–19.0	**99.57**
12,814	11,973	11,613	12,759	12,597	**12,681**	+0.7	**112.54**
22,416	22,819	22,149	22,561	25,439	**24,793**	–2.5	**220.03**
22,646	10,880	7,755	33,213	31,729	**42,399**	+33.6	**376.28**
(9,740)	(9,004)	(12,617)	(22,950)	(11,700)	**591**	–105.1	**5.25**
12,906	1,875	(4,862)	10,263	20,029	**42,991**	+114.6	**381.53**
¥390,852	¥366,610	¥390,610	¥438,932	¥530,034	**¥469,745**	–11.4	**$4,168.84**
194,717	188,952	197,902	214,487	247,632	**255,135**	+3.0	**2,264.24**
74,836	72,829	71,550	73,145	80,976	**75,459**	–6.8	**669.68**
11,838	11,295	10,013	8,755	11,868	**8,510**	–28.3	**75.52**
245,002	206,832	229,636	274,843	348,752	**303,889**	–12.9	**2,696.92**
Yen							U.S. dollars*1
¥ 25.90	¥ (151.73)	¥ 21.79	¥ 118.26	¥ 128.75	**¥ 168.90**		**$ 1.50**
1,250.06	1,052.01	1,171.67	1,403.12	1,787.42	**1,601.55**		**14.21**
10.00	10.00	10.00	27.00	36.00	**44.00**		**0.39**
%							
3.5	2.3	2.5	6.3	7.0	**9.3**		
2.1	(13.2)	1.9	9.2	8.1	**10.1**		
1.3	(7.8)	1.1	5.5	5.1	**6.5**		
61.9	55.6	58.1	61.9	65.3	**64.2**		
0.05	0.05	0.04	0.03	0.03	**0.03**		
40.38	31.84	40.64	130.19	130.51	**129.41**		
260.2	259.4	276.6	293.2	305.8	**338.1**		
38.6	—	47.0	22.8	28.0	**26.1**		

Overview

Economic Environment

During fiscal 2016, ended March 31, 2016, the U.S. economy continued on a course of gradual recovery as consumer spending increased due to improved employment and income, although concerns of an economic slowdown are beginning to appear. In Europe, there was a gradual economic recovery due to a rebound in consumer spending that accompanied a decrease in the unemployment rate, and solid retail sales during the Christmas shopping season. The economic slowdown in China worsened as consumption was sluggish following poor business performance in the manufacturing industry. In other emerging countries, while conditions varied from country to country, there was a strong sense of economic stagnation due to such factors as the decline in resource prices, including crude oil, the falling value of their currencies against the U.S. dollar, and the economic slowdown in China. In Japan, despite signs of an economic recovery due to changes in monetary policy, a strong sense of uncertainty about the future of the economy emerged due to falling stock prices beginning from the start of 2016 and appreciation of the yen.

Performance Review

With regard to sales in fiscal 2016, in the musical instruments segment, sales of pianos in Japan and other markets failed to reach last year's levels and sales in North America were poor. On the other hand, sales in China were solid, resulting in an overall sales level that was on par with the previous fiscal year. For digital musical instruments, while sales of Electone™ electronic organs decreased year on year as the positive impact of releasing new products in the previous year faded, digital pianos achieved double-digit growth in sales thanks to favorable sales in all markets. As a result, digital musical instruments, including portable keyboards, recorded solid sales overall. Sales of wind instruments rose due to favorable sales in all markets, especially North America and Europe, and double-digit guitar sales helped drive increases in sales of string and percussion instruments. As for results by market for the musical instruments business, sales were strong in Europe and China, with firm sales in North America as well.

In the audio equipment segment, while sales of audio products were poor in the beginning of the fiscal year following the sluggish conditions in the market for AV receivers—Yamaha's mainstay product—sales for the entire fiscal year rose due to such factors as the introduction of new network audio products.

In the professional audio equipment business, sales for new digital mixers, in addition to sales of analog mixers and speakers through musical instrument sales routes, were favorable, achieving double-digit growth in all markets except for North America, where sales were poor due to a delay in establishing a sales structure.

In the electronic devices segment, while sales of large-scale integrated (LSI) for amusement equipment rose, sales of audio devices such as digital amplifiers fell, resulting in a year-on-year sales decrease overall.

As for the others segment, strong sales of factory automation (FA) equipment, in addition to favorable sales in golf products and the resort business, offset a decline in sales of automobile interior wood components. As a result, overall sales were on par with the previous fiscal year.

Turning to profit and loss, the musical instruments segment saw a significant increase in profits due to the positive effects from continuous reductions in manufacturing costs as well as sales increases in highly profitable products, primarily digital musical instruments. In addition, profits rose in nearly every product category for the audio equipment segment, including audio products, professional audio equipment, and information and communications technology (ICT) devices. While profits in the others segment fell slightly, the electronic devices segment realized a return to profitability as reductions in fixed costs due to the effects of restructuring efforts substantially improved the profit and loss situation.

As a result of the abovementioned factors, net sales in fiscal 2016 increased 0.8%, to ¥435,477 million, and operating income was up 34.9%, to ¥40,663 million. Ordinary income rose 31.0%, to ¥40,907 million, and net income attributable to owners of parent increased 30.9%, to ¥32,633 million.

Analysis of Management Performance

Net Sales	
¥435,477 million	+0.8%

Net Sales

Net sales in fiscal 2016 climbed ¥3,299 million, or 0.8%, to ¥435,477 million. While sales in the audio equipment segment were up, the actual sales increase in the musical instruments segment could not offset the impact of a ¥12,400 million decrease in sales caused by the transfer of music school management to the Yamaha Music Foundation. Sales in the electronic devices and others segments decreased, albeit only slightly.

Sales by Region

In Japan, sales in fiscal 2016 declined ¥15,340 million, or 9.6%, to ¥145,033 million. This decline was primarily attributable to the impact of the transfer of music school management to the Yamaha Music Foundation. In the musical instruments business, although piano sales fell and sales of Electone™, which were strong in the previous fiscal year, decreased significantly, product sales remained at about the same level as last year as digital pianos, portable keyboards, wind instruments, and guitars all posted favorable sales. However, overall sales for the musical instruments business fell sharply due to such factors as the substantial impact of the sales decline that accompanied the change in the management of the Company's music schools as well as the decline in sales of the music software business.

In audio equipment, sales conditions were favorable thanks to the recovery in AV products from last year's sluggish results as well as solid sales of professional audio equipment. Furthermore, installation sales of commercial audio equipment rose significantly due to the special demand that accompanied the frequency modifications in wireless microphones.

In the electronic devices business, sales were down due to the sharp fall in sales for audio devices, despite rising sales of audio and graphics LSI for amusement equipment. As for the others business, while sales of automobile interior wood components were down year on year, sales in FA equipment, golf products, and resort businesses were up.

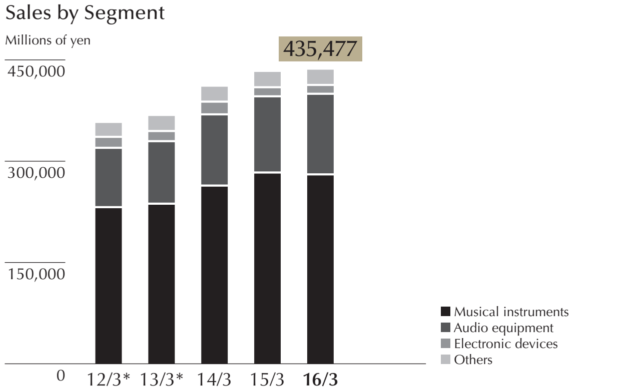
Turning to outside Japan, sales climbed ¥18,640 million, or 6.9%, to ¥290,443 million. On a local currency basis, sales in Europe and China were extremely strong, and sales in North America and other markets surpassed those of the previous fiscal year. The ratio of overseas sales to net sales edged up 3.8 points, from 62.9% to 66.7%.

By region, sales in North America were up ¥8,487 million, or 10.6%, to ¥88,234 million. In the musical instruments business, nearly every product aside from pianos recorded strong sales. As for audio equipment, sales of AV products showed signs of recovery as sales of Yamaha products by mass merchandisers increased, while sales of professional audio equipment fell due to a delay in establishing a sales structure. As a result, overall sales were up year on year in North America.

In Europe, sales increased ¥1,927 million, or 2.4%, to ¥82,205 million. In the musical instruments business, sales of pianos remained at the same level as the previous fiscal year, while sales of digital musical instruments rose due to solid sales of digital pianos. In addition, wind instruments recorded firm sales, and healthy sales of guitars led to higher sales of string and percussion instruments. Sales of both AV products and professional audio equipment rose in the audio equipment business as the introduction of new products into the market progressed smoothly. As a result, sales in Europe increased overall.

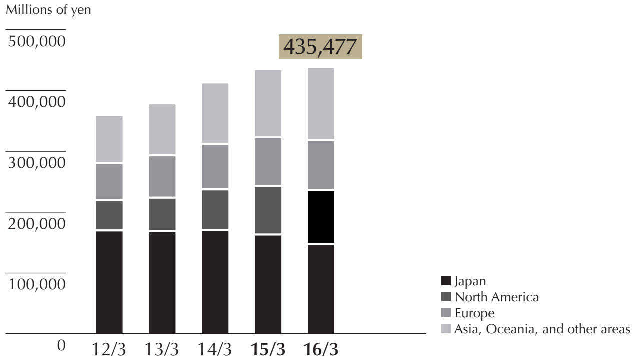
Sales in Asia, Oceania, and other areas rose ¥8,225 million, or 7.4%, to ¥120,003 million. In the musical instruments business in China, sales of pianos, which post the largest sales volumes compared to any other musical instrument, rose significantly, and sales of digital musical instruments, wind instruments, and guitars were solid. In the audio equipment business, AV products and professional audio equipment both recorded double-digit sales growth, resulting in healthy overall sales amid a worsening economic slowdown. Overall, sales in China saw double-digit growth. In other areas, while conditions vary by country and region, sales of musical instruments maintained similar levels as the previous fiscal year, and the audio equipment business saw firm sales of AV products and professional audio equipment, which resulted in an increase in overall sales.

Sales by Segment



* Figures for fiscal 2012 and 2013 have been adjusted to reflect segment composition changes effective from fiscal 2014.

Sales by Region



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales decreased ¥7,950 million, or 2.9%, to ¥262,406 million. The cost of sales ratio improved 2.3 percentage points, to 60.3%.

Gross profit was up ¥11,250 million, or 7.0%, to ¥173,070 million. The gross profit ratio improved 2.3 percentage points, to 39.7%.

Selling, general and administrative (SG&A) expenses rose ¥722 million, or 0.5%, to ¥132,407 million. The ratio of SG&A expenses to net sales declined 0.1 percentage point, to 30.4%.

Major Items Included in Selling, General and Administrative Expenses

	Millions of yen		%
	2015	2016	Change
Sales commissions	¥ 1,516	**¥ 1,396**	–7.9
Transport expenses	12,813	**13,407**	+4.6
Advertising expenses and sales promotion expenses	18,671	**19,183**	+2.7
Allowance for doubtful accounts	214	**69**	-67.8
Provision for product warranties	606	**974**	+60.7
Retirement benefit expenses	3,063	**2,921**	–4.6
Provision for directors' bonuses	77	**—**	—
Salaries and benefits	54,116	**54,806**	+1.3
Rent	3,910	**4,017**	+2.7
Depreciation and amortization	2,461	**2,440**	–0.9

Operating Income

¥40,663 million +34.9%

Operating income in fiscal 2016 increased ¥10,527 million, or 34.9%, to ¥40,663 million.

By segment, operating income in the musical instruments segment rose ¥6,466 million, or 25.8%, from ¥25,064 million to ¥31,530 million, reflecting the fact that a higher sales composition ratio of highly profitable products and improvement in manufacturing costs offset a decline in sales in musical instruments businesses. In the audio equipment segment, operating income increased ¥2,559 million, or 41.7%, from ¥6,133 million to ¥8,693 million. This increase was attributable to a recovery in sales from the introduction of new AV products and an increase in sales in professional audio equipment. Operating income in the electronic devices segment improved ¥1,553 million from the previous year's operating loss of ¥1,446 million due to the positive impact of lower fixed costs that accompanied structural forms. As a result, the segment recorded operating income of ¥107 million. In the others segment, operating income decreased ¥51 million, or 13.5%, from ¥384 million to ¥332 million, as profits from FA equipment and automobile interior wood components declined.

The primary reasons behind the significant increase in year-on-year earnings were such factors as higher profits due to increased sales and production (¥9.3 billion), improved manufacturing costs (¥4.4 billion), and a recovery in the profit and loss situation in the electronic devices segment due to business restructuring (¥1.9 billion). These positive factors outweighed such negative factors as the increase in manufacturing costs due to rising labor costs at overseas productions bases (¥1.8 billion), the negative impact of foreign currency translations (¥1.7 billion), and an increase in SG&A expenses (¥1.5 billion).

Non-Operating Income and Expenses

In fiscal 2016, non-operating income rose ¥189 million, or 4.0%, from ¥4,687 million to ¥4,876 million. Of this amount, dividend income was up ¥186 million, or 8.5%, from ¥2,191 million to ¥2,377 million, reflecting a higher dividend from Yamaha Motor Co., Ltd. In addition, the Company recorded ¥693 million in a tariff refund at a U.S.-based sales subsidiary.

Non-operating expenses were up ¥1,040 million, or 29.0%, from ¥3,591 million to ¥4,632 million. Of this amount, sales discounts increased ¥268 million, or 10.1%, from ¥2,641 million to ¥2,909 million, and foreign exchange loss rose ¥514 million, from ¥84 million to ¥598 million.

Extraordinary Income and Loss

Extraordinary income in fiscal 2016 climbed ¥8,811 million, from ¥168 million to ¥8,979 million, reflecting the sale of old stores, residential facilities, and idle land.

Extraordinary loss was up ¥5,435 million, from ¥2,874 million to ¥8,309 million. Of this amount, an impairment loss of ¥882 million on fixed assets was recorded in connection with the expected disposal of property and other assets. The Company also posted ¥6,759 million in amortization of goodwill. This represented the immediate amortization of goodwill that accompanied an impairment loss on the shares of consolidated subsidiaries. Specifically, the Company recorded ¥4,457 million in goodwill related to Line 6, Inc., a U.S. subsidiary of the Company and its subsidiaries, and ¥2,302 million in a portion of goodwill related to Revolabs, Inc., which is also a U.S. subsidiary of the Company and its subsidiaries.

Income before Income Taxes

In fiscal 2016, income before income taxes rose ¥13,052 million, or 45.8%, from ¥28,526 million to ¥41,578 million. The ratio of income before income taxes to net sales improved 2.9 points, from 6.6% to 9.5%.

Current Income Taxes and Deferred Income Taxes

Current income taxes in fiscal 2016 increased ¥2,224 million, or 30.4%, from ¥7,317 million to ¥9,541 million, reflecting higher income before income taxes.

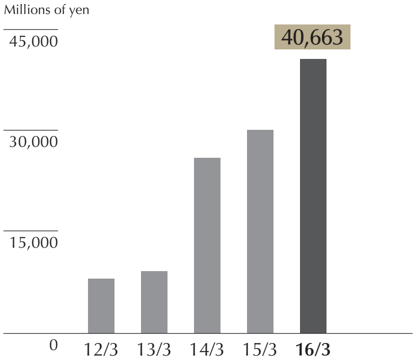
Deferred income taxes decreased ¥3,240 million, from ¥3,896 million to ¥656 million, reflecting the recording of a deferred tax liability following the disposal of reduction entry for the gain on sales of fixed assets that occurred during the period under review.

Net Income Attributable to Non-Controlling Interests

In fiscal 2016, net income attributable to non-controlling interests decreased ¥117 million, or 66.4%, from ¥176 million to ¥59 million.

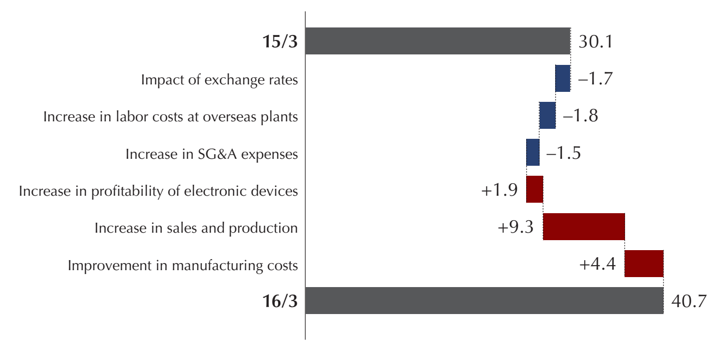
Operating Income

Millions of yen



Operating Income Analysis

Billions of yen

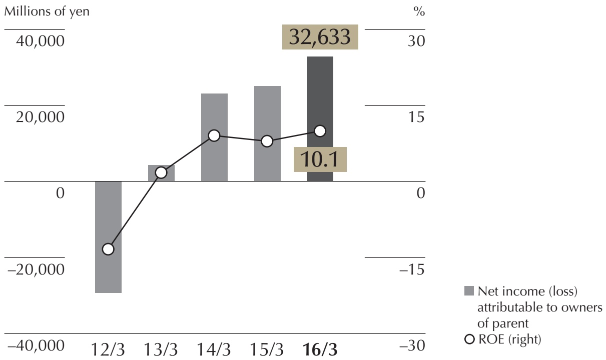


Net Income Attributable to Owners of Parent

¥32,633 million +30.9%

As a result of the aforementioned factors, net income attributable to owners of parent climbed ¥7,704 million, or 30.9%, from ¥24,929 million to ¥32,633 million. Net income per share was ¥168.90, compared to ¥128.75 in the previous fiscal year.

Net Income (Loss) Attributable to Owners of Parent / ROE



* Net income (loss) attributable to owners of parent was presented as net income on the consolidated financial statements in fiscal 2012, 2013, 2014, and 2015.

Fluctuations in Foreign Currency Exchange Rates and Risk Hedging

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

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

Sales at overseas consolidated subsidiaries are calculated using the average exchange rates recorded during the year. On this basis, in fiscal 2016 the yen depreciated ¥10 against the U.S. dollar, for an average exchange rate of ¥120 to US$1. The year-on-year effect of this change was an increase of approximately ¥9,100 million in sales. Furthermore, the yen appreciated ¥6 against the euro, for an average exchange rate of ¥133 to €1, resulting in a decrease of roughly ¥4,000 million in sales. Overall, the net effect on sales of foreign exchange rate movements, including the downward effect of approximately ¥800 million in fluctuations of the yen against such other currencies as the Canadian and Australian dollars, was an increase of approximately ¥4,400 million.

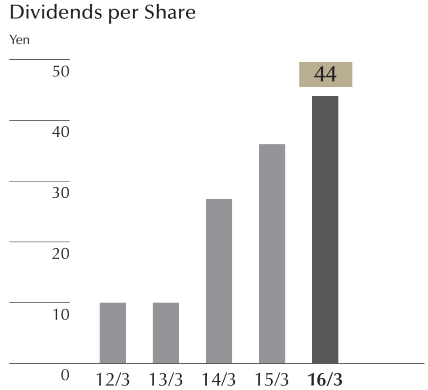
In terms of operating income, for the U.S. dollar, benefits from the aforementioned marriage of risks related to the currency enabled the Company to largely hedge the effects of currency exchange rates stemming from fluctuations in settlement rates. However, the U.S. dollar translation of operating income figures of overseas consolidated subsidiaries to Japanese yen caused income to decrease roughly ¥100 million. The average settlement rate against the euro was ¥134 to €1, an appreciation of ¥7, resulting in a decrease of approximately ¥2,800 million in operating income. The net effect on operating income of exchange rate movements, including other currencies, was a decrease of roughly ¥1,700 million compared with the previous fiscal year.

Dividends per Share

¥44

In fiscal 2016, a regular dividend of ¥44 per share (a 26.1% payout ratio) was paid. This was an increase of ¥8 year on year, and due largely to sales and income increases.

Dividends per Share



Review of Operations

Musical Instruments

Sales

¥278,872 million –1.0%

Operating Income

¥31,530 million +25.8%

Fiscal 2016 Performance Overview

Sales in fiscal 2016 fell ¥2,794 million, or 1.0%, to ¥278,872 million. Operating income was up ¥6,466 million, or 25.8%, from ¥25,064 million to ¥31,530 million.

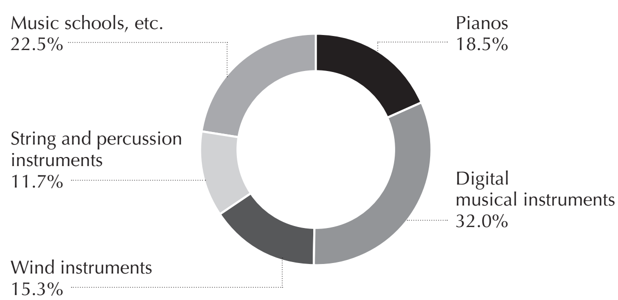
Review by Major Products

Sales of pianos in Japan for the entire fiscal year under review were slightly below the previous fiscal year's level. Sales in North America were poor as store inventories were high following strong sales at the end of the previous fiscal year. Piano sales in China were solid against a backdrop of stable demand from the increased use of pianos for educational purposes, and bids for orders from music colleges and other institutions increased. Overall piano sales maintained similar levels as the previous fiscal year.

As for digital music instruments, the diminishing impact of new product releases in the electronic organ Electone™ series, for which the Company carried out a model change during the previous fiscal year for the first time in 10 years, resulted in a decline in sales. However, in addition to the healthy sales in portable keyboards, digital pianos achieved double-digit sales growth as sales increased in every region due to model changes for mainstay products. As a result, overall sales for digital instruments were favorable. North America helped drive sales of wind instruments, which also saw favorable sales in Japan. In addition, the speed of popularization for wind instruments in China accelerated, resulting in solid sales overall. For string and percussion instruments, guitar sales were strong in Europe, China, and Japan, and other string instruments, as well as percussion instruments, recorded double-digit sales growth, resulting in solid sales overall. Revenue from Yamaha's music and English language schools fell sharply as management of the music schools was transferred to Yamaha Music Foundation from the second quarter of the year under review. While sales of school course materials increased after being negatively affected by the reactionary downturn following the demand rush that accompanied the consumption tax rate increase in the previous fiscal year, sales in the Company's music software business declined.

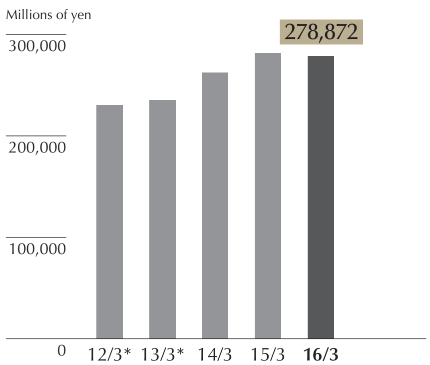
Sales by Product Category

%



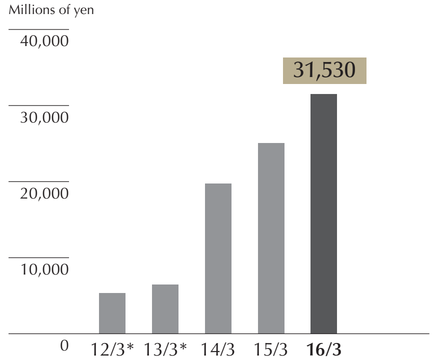
Sales

Millions of yen



Operating Income

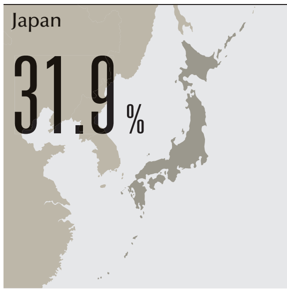
Millions of yen



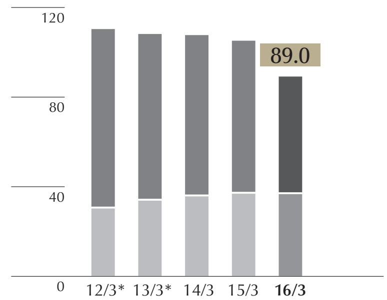
* As of fiscal 2014, the AV/IT segment changed its name to the audio equipment segment and the PA equipment business, which was previously reported as part of the musical instruments segment, was included in the audio equipment segment. Accordingly, figures for fiscal 2012 and 2013 have been adjusted to reflect these segment composition changes.

Review by Region

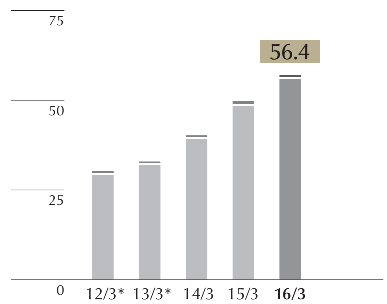
Percentage of Sales by Region | Market Trends and Fiscal 2016 Performance | Sales by Region | Billions of yen

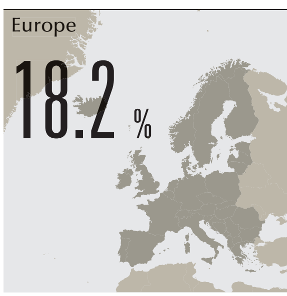


- Overall demand for musical instruments in Japan has been declining steadily. An example of this trend is the drastic contraction of the market for acoustic pianos over the past three decades. The high piano ownership rate and low birthrate are both responsible for this trend.
- While signs of a gradual recovery were seen, the outlook for the Japanese economy was uncertain due to the impact of yen appreciation on exchange rates and falling stock prices. Amid these circumstances, sales of digital musical instruments, wind instruments, and guitars were healthy, resulting in product sales levels that were on par with those of the previous fiscal year.

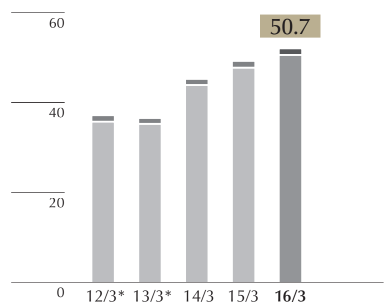


- The U.S. musical instruments market, showing no bias toward any particular instrument category, is clearly oriented toward hobbies and entertainment, where a wide range of musical instruments are used. Favorable business conditions continued amid higher consumer spending.
- By product category, while piano sales fell below the previous fiscal year's level, digital pianos and wind instruments recorded double-digit sales growth.

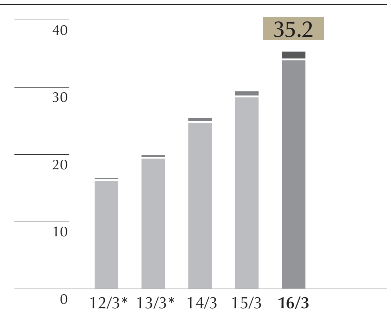


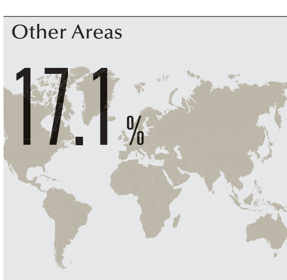


- In Europe, musical tastes and musical instrument use vary by country. Market conditions showed signs of gradual recovery thanks to a rebound in consumer spending amid growing concerns from the impact of the terrorist attacks in France and Belgium as well as the refugee crisis.
- By country and region, in addition to the strong economic performance in Germany—a core European market—Spain, Italy, France, and other countries in southern Europe continued to enjoy a moderate economic recovery. By product, although piano sales remained at about the same level as the previous fiscal year, sales of digital pianos, wind instruments, and string and percussion instruments, primarily guitars, were strong, resulting in favorable sales overall.

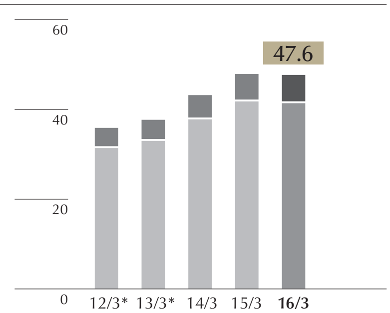


- China's musical instruments market is distinctive, with acoustic piano sales accounting for more than half of the market. However, with sales for digital musical instruments, wind instruments, and guitars showing high growth rates, the demand structure of the market will become increasingly similar to that of developed countries.
- Despite the worsening economic slowdown, sales of the Company's musical instruments were favorable. The percentage of participation in and acquisition of bids for pianos increased, backed by a strong demand for pianos in music education for children. In addition, digital pianos, wind instruments, and guitars achieved double-digit sales growth, resulting in an overall sales increase year on year.





- Influenced by various factors, such as the decline in resource prices, including crude oil, and the depreciation of local currencies, tough economic conditions continue to prevail in key emerging countries. However, while conditions vary by country, a trend of gradual economic recovery has been seen.
- By product, sales of digital musical instruments and wind instruments rose year on year. However, overall sales were held to roughly the same level as the previous fiscal year as the momentum of recovery in sales lacked strength.



Yamaha musical instruments hardware products
Music schools, etc.

* As of fiscal 2014, the AV/IT segment changed its name to the audio equipment segment and the PA equipment business, which was previously reported as part of the musical instruments segment, was included in the audio equipment segment. Accordingly, figures for fiscal 2012 and 2013 have been adjusted to reflect these segment composition changes.

Audio Equipment

Sales
¥119,378 million +5.8%

Operating Income
¥8,693 million +41.7%

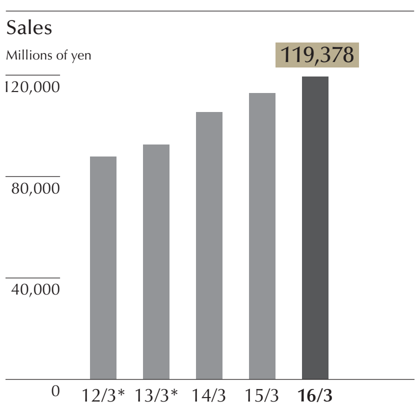
Fiscal 2016 Performance Overview

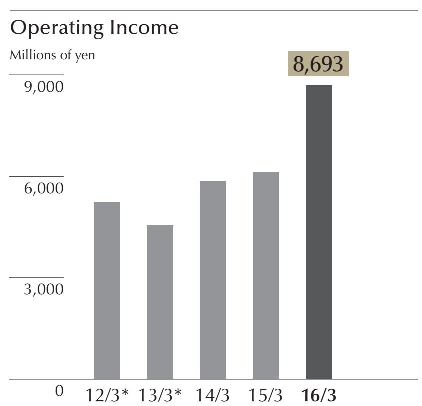
Sales in fiscal 2016 rose ¥6,538 million, or 5.8%, to ¥119,378 million.

For AV products, the Company made proactive efforts to release new products in response to last year's market contraction for existing product domains, such as AV receivers, as well as changes in consumer preferences, such as the increased demand for network devices. As a result, sales levels recovered compared to the previous fiscal year.

As for professional audio equipment, sales grew primarily from the introduction of flagship model digital mixers and digital mixers in affordable price ranges. Leveraging musical instrument sales routes, sales of analog mixers, amplifiers, and speakers increased as well. In Europe, both AV products and professional audio equipment sales were strong. While sales of commercial online karaoke equipment fell following revisions made in the supply method to customers, ICT devices such as routers and conference systems achieved higher year-on-year sales.

Operating income rose ¥2,559 million, or 41.7%, from ¥6,133 million to ¥8,693 million.





* As of fiscal 2014, the AV/IT segment changed its name to the audio equipment segment and the PA equipment business, which was previously reported as part of the musical instruments segment, was included in the audio equipment segment. Accordingly, figures for fiscal 2012 and 2013 have been adjusted to reflect these segment composition changes.

Electronic Devices

Sales
¥13,068 million –2.7%

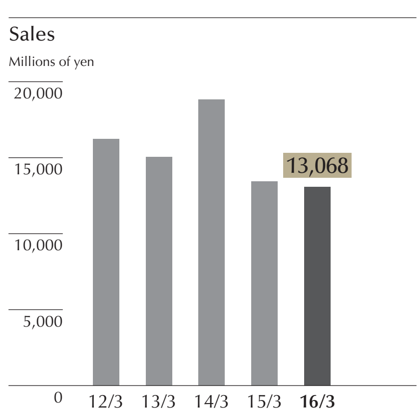
Operating Income
¥107 million –

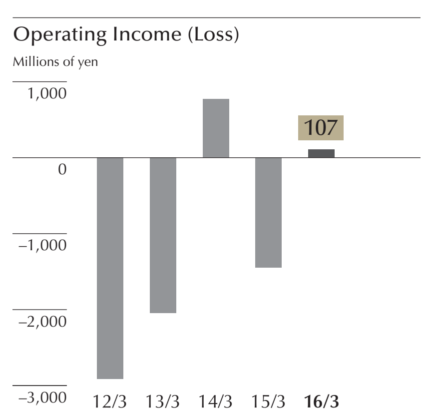
Fiscal 2016 Performance Overview

Sales in fiscal 2016 were down ¥366 million, or 2.7%, to ¥13,068 million.

Despite sales increases in LSI for amusement equipment and geomagnetic sensors (electronic compasses) for smartphones, sales for audio devices such as audio codecs decreased, resulting in a year-on-year decline in overall sales.

Operating income stood at ¥107 million, an improvement of ¥1,553 million from the operating loss of ¥1,446 million recorded in the previous fiscal year due to the positive impact of lower fixed costs that accompanied structural reforms.





Others

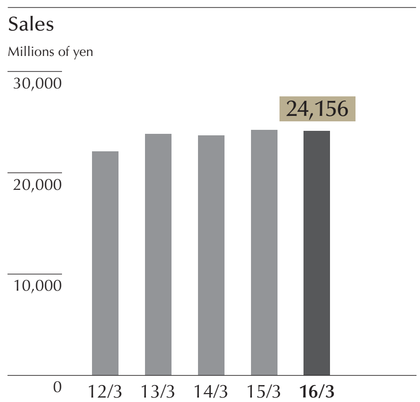
Sales
¥24,156 million –0.3%

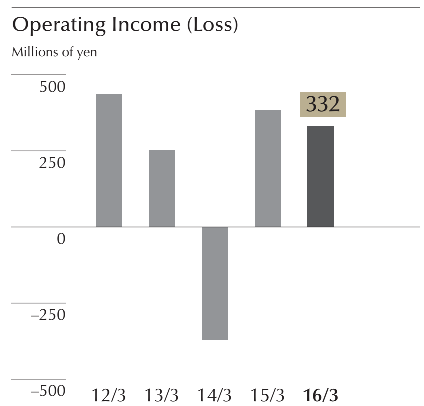
Operating Income
¥332 million –13.5%

Sales in fiscal 2016 decreased ¥78 million, or 0.3%, to ¥24,156 million.

For golf products, the positive effects of launching new products in Japan offset a decrease in sales overseas, resulting in a year-on-year increase in overall sales. Sales in the resort business also rose slightly year on year. While sales in FA equipment were firm thanks to healthy sales of precision machines, sales declined sharply for automobile interior wood components due to the impact of the new vehicle plans of customers. As a result, overall sales were more or less on par with the previous fiscal year.

Operating income decreased ¥51 million, or 13.5%, from ¥384 million to ¥332 million.





Key Business Indicators

	Millions of yen					Millions of U.S. dollars
	2012/3*	2013/3*	2014/3	2015/3	**2016/3**	**2016/3**
Sales						
Musical Instruments	¥230,356	¥235,507	¥262,310	¥281,667	**¥278,872**	**$2,474.90**
Audio Equipment	87,898	92,571	105,485	112,839	**119,378**	**1,059.44**
Electronic Devices	16,233	15,038	18,828	13,435	**13,068**	**115.97**
Others	22,128	23,823	23,679	24,235	**24,156**	**214.38**
Operating income (loss)						
Musical Instruments	¥ 5,337	¥ 6,451	¥ 19,728	¥ 25,064	**¥ 31,530**	**$ 279.82**
Audio Equipment	5,248	4,553	5,866	6,133	**8,693**	**77.15**
Electronic Devices	(2,913)	(2,044)	770	(1,446)	**107**	**0.95**
Others	437	254	(370)	384	**332**	**2.95**
Capital expenditures						
Musical Instruments	¥ 7,982	¥ 8,928	¥ 6,621	¥ 9,534	**¥ 6,700**	**$ 59.46**
Audio Equipment	1,328	2,467	2,788	2,840	**3,102**	**27.53**
Electronic Devices	736	1,381	216	639	**617**	**5.48**
Others	1,290	1,068	1,172	832	**801**	**7.11**
Depreciation expenses						
Musical Instruments	¥ 8,737	¥ 8,597	¥ 8,519	¥ 8,238	**¥ 8,390**	**$ 74.46**
Audio Equipment	1,576	1,592	2,647	2,857	**3,075**	**27.29**
Electronic Devices	976	669	761	706	**464**	**4.12**
Others	684	754	830	795	**750**	**6.66**
R&D expenses						
Musical Instruments	¥ 9,242	¥ 8,088	¥ 8,078	¥ 9,580	**¥ 9,291**	**$ 82.45**
Audio Equipment	8,360	9,219	10,011	11,025	**11,461**	**101.71**
Electronic Devices	3,979	3,374	3,094	3,429	**2,162**	**19.19**
Others	1,237	1,466	1,376	1,403	**1,879**	**16.68**

U.S. dollar amounts are translated from yen at the rate of ¥112.68 = U.S.$1.00, the approximate rate prevailing on March 31, 2016.

For more-detailed information, please refer to Financial Data 2016.

* As of fiscal 2014, the AV/IT segment changed its name to the audio equipment segment and the PA equipment business, which was previously reported as part of the musical instruments segment, was included in the audio equipment segment. Accordingly, figures for fiscal 2012 and 2013 have been adjusted to reflect these segment composition changes.

Analysis of Financial Position

Financing Policy

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

Yamaha's basic financing policy is to procure stable, low-cost funding while preserving an appropriate amount of liquidity.

In fiscal 2016, the Company maintained a sufficient level of liquidity on hand, with cash and deposits totaling ¥88,166 million.

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

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

Credit Ratings

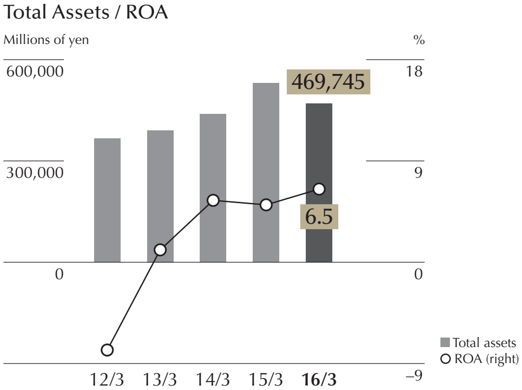
Rating agency	Long-term preferred debt rating*
Rating and Investment Information, Inc. (R&I)	A (stable)
Japan Credit Rating Agency, Ltd. (JCR)	A+ (stable)

* As of March 31, 2016

Total Assets
¥469,745 million –11.4%

Total assets as of March 31, 2016, amounted to ¥469,745 million, a decrease of ¥60,289 million, or 11.4%, from the previous fiscal year-end figure of ¥530,034 million. Of this amount, total current assets totaled ¥255,135 million, a rise of ¥7,503 million, or 3.0%, from ¥247,632 million at the end of the previous fiscal year. Noncurrent assets came to ¥214,610 million, down ¥67,792 million, or 24.0%, from the previous year-end figure of ¥282,402 million.

Total Assets / ROA



Total Current Assets

Total current assets totaled ¥255,135 million, up ¥7,503 million, or 3.0%. This rise was attributable to increases in cash and deposits as well as inventories.

Cash and deposits were up ¥8,865 million, or 11.2%, to ¥88,166 million. Notes and accounts receivable–trade decreased ¥12,637 million, or 20.5%, to ¥49,026 million, resulting from a fall in accounts receivable–trade that accompanied the change in music school management. Inventories rose ¥4,083 million, or 4.7%, to ¥91,866 million. Deferred tax assets climbed ¥855 million, or 10.8%, to ¥8,802 million. Other current assets increased ¥6,228 million, or 50.7%, to ¥18,521 million, following the increase in payments made to trust account for purchase of treasury stock. The ratio of total current assets to total current liabilities at fiscal year-end was 338%, compared with 306% from a year earlier, indicating the Company continued to sustain a high level of liquidity during fiscal 2016.

Total Property, Plant and Equipment

Total property, plant and equipment as of March 31, 2016, stood at ¥104,280 million, a fall of ¥8,878 million, or 7.8%. Construction in progress was ¥1,544 million, a decrease of ¥2,594 million, or 62.7%, reflecting the completion of construction of the Yamaha Osaka Building.

Total Investments and Other Assets

Total investments and other assets as of March 31, 2016, amounted to ¥110,329 million, a year-on-year decrease of ¥58,913 million, or 34.8%.

Investment securities decreased ¥47,925 million, or 33.1%, to ¥96,911 million. This decrease was due primarily to a fall in the market value of securities held by the Company. Deferred tax assets were up ¥102 million, or 5.1%, to ¥2,123 million. Goodwill declined ¥9,723 million, or 79.8%, to ¥2,456 million, reflecting an immediate amortization of goodwill related to two of the Company's U.S. subsidiaries.

Total Liabilities
¥165,856 million –8.5%

Total liabilities as of March 31, 2016, came to ¥165,856 million, a decrease of ¥15,426 million, or 8.5%, from the previous year-end figure of ¥181,282 million. Total current liabilities amounted to ¥75,459 million, a fall of ¥5,516 million, or 6.8%, from ¥80,976 million at the end of the previous fiscal year. Total noncurrent liabilities totaled ¥90,396 million, a decrease of ¥9,909 million, or 9.9%, from the previous fiscal year-end figure of ¥100,306 million.

Total Current Liabilities

Total current liabilities stood at ¥75,459 million, down ¥5,516 million, or 6.8%. While accounts payable–other and accrued expenses and income taxes payable increased, notes and accounts payable–trade and short-term loans payable decreased. Specifically, notes and accounts payable–trade decreased ¥3,841 million, or 16.6%, to ¥19,353 million. Short-term loans payable declined ¥3,338 million, or 28.4%, to ¥8,409 million. On the other hand, accounts payable–other and accrued expenses rose ¥2,320 million, or 6.6%, to ¥37,222 million, and income taxes payable climbed ¥150 million, or 7.0%, to ¥2,307 million.

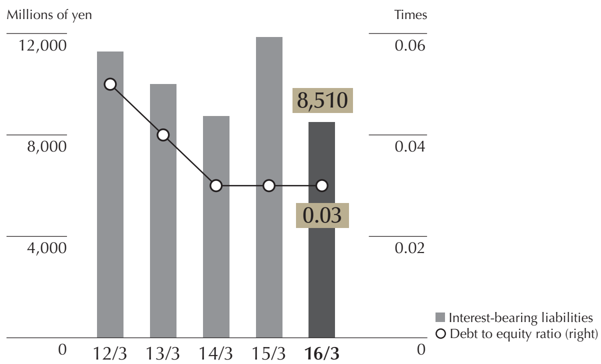
Total Noncurrent Liabilities

Total noncurrent liabilities as of March 31, 2016, decreased ¥9,909 million, or 9.9%, to ¥90,396 million. While net defined benefit liabilities were up, deferred tax liabilities and deferred tax liabilities for land revaluation decreased. Specifically, deferred tax liabilities fell ¥14,672 million, or 37.2%, to ¥24,750 million, due mainly to a fall in the market value of securities held by the Company and revisions to the effective tax rate. In addition, deferred tax liabilities for land revaluation decreased ¥1,254 million, or 11.3%, to ¥9,878 million, following the sale of land of old stores and revisions to the effective tax rate. Meanwhile, net defined benefit liabilities increased ¥6,311 million, or 19.9%, to ¥38,024 million, due to a declining discount rate that accompanied a return on pension plan assets and a decrease in interest rates on long-term government bonds.

Net Interest-Bearing Liabilities

As of March 31, 2016, short- and long-term loans payable, which constitute interest-bearing liabilities, totaled ¥8,510 million. Cash and deposits were ¥88,166 million, resulting in net cash and deposits, less short- and long-term loans payable, of ¥79,655 million, an increase of ¥12,223 million compared with ¥67,431 million at the previous fiscal year-end.

Interest-Bearing Liabilities / Debt to Equity Ratio



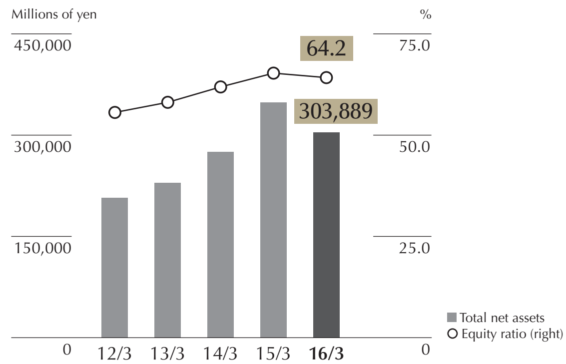
Total Net Assets

¥303,889 million **–12.9%**

Total net assets as of March 31, 2016, amounted to ¥303,889 million, down ¥44,862 million, or 12.9%, from the previous fiscal year-end figure of ¥348,752 million. While retained earnings increased due to a rise in net income attributable to owners of parent, there was a lower unrealized holding gain on securities, an acquisition of treasury stock, changes in foreign currency translation adjustments, and a decrease in remeasurements of defined benefit plans, and a decline in land revaluations, resulting in the decline in net assets.

Specifically, retained earnings increased ¥26,613 million, or 14.3%, to ¥213,050 million, reflecting net income attributable to owners of parent of ¥32,633 million and dividend payments of ¥7,841 million. Unrealized holding gain on securities decreased ¥32,150 million, or 36.9%, to ¥55,038 million, due to a fall in the market value of securities held by the Company. Treasury stock rose ¥17,234 million, to ¥20,945 million, following a decision made at the Board of Directors' meeting held on February 4, 2016, to acquire treasury stock. In addition, the negative balance of foreign currency translation adjustments expanded ¥10,406 million. Remeasurements of defined benefit plans increased ¥9,708 million, to ¥11,320 million, due to the declining discount rate that accompanied a return on pension plan assets and a decrease in interest rates on long-term government bonds. Revaluation reserve for land fell ¥1,341 million, or 7.4%, to ¥16,743 million, reflecting the sale of land of old stores. Non-controlling interests decreased ¥321 million, or 12.1%, to ¥2,344 million. The equity ratio fell 1.1 points, from 65.3% to 64.2%, and return on equity (ROE) rose 2.0 points, from 8.1% to 10.1%.

Total Net Assets / Equity Ratio



Cash Flows

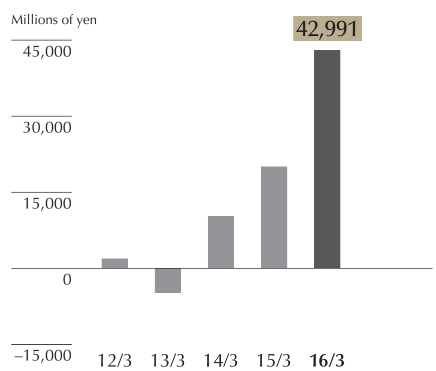
Net cash provided by operating activities in fiscal 2016 was ¥42,399 million, compared to net cash of ¥31,729 million provided in the previous fiscal year. This constituted a ¥10,670 million increase in cash provided.

Net cash provided by investing activities was ¥591 million, in contrast to net cash of ¥11,700 million used in the previous fiscal year. This increase was due to ¥12,811 million in proceeds from sales of property, plant and equipment.

Net cash used in financing activities was ¥30,349 million, compared to ¥5,909 million used in the previous fiscal year. This increase, which represents a ¥24,439 million increase in cash used year on year, was attributable to an increase in outflow due to the acquisition of treasury stock, the use of cash to repay short-term loans, and the increase in dividend payments.

As a result of the above factors, the fiscal 2016 year-end balance of cash and cash equivalents increased ¥8,858 million, to ¥85,018 million.

Free Cash Flow



Capital Expenditures / Depreciation and Amortization

Capital expenditures in fiscal 2016 came to ¥11,220 million, a decrease of ¥2,625 million, or 19.0%, from ¥13,846 million in the previous fiscal year. Capital expenditures in the musical instruments segment totaled ¥6,700 million, down ¥2,834 million, or 29.7%, from ¥9,534 million. In the audio equipment segment, capital expenditures increased ¥261 million, or 9.2%, from ¥2,840 million to ¥3,102 million. Moreover, in the electronic devices segment, capital expenditures declined ¥21 million, or 3.4%, from ¥639 million to ¥617 million. Capital expenditures in the others segment decreased ¥31 million, or 3.7%, from ¥832 million to ¥801 million.

Depreciation and amortization amounted to ¥12,681 million, an increase of ¥84 million, or 0.7%, from ¥12,597 million in fiscal 2015.

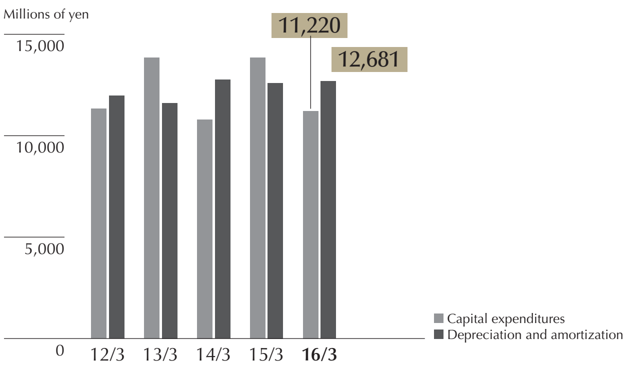
R&D Expenses

R&D expenses in fiscal 2016 were down ¥646 million, or 2.5%, from ¥25,439 million to ¥24,793 million. The ratio of R&D expenses to net sales fell 0.2 percentage point, from 5.9% to 5.7%.

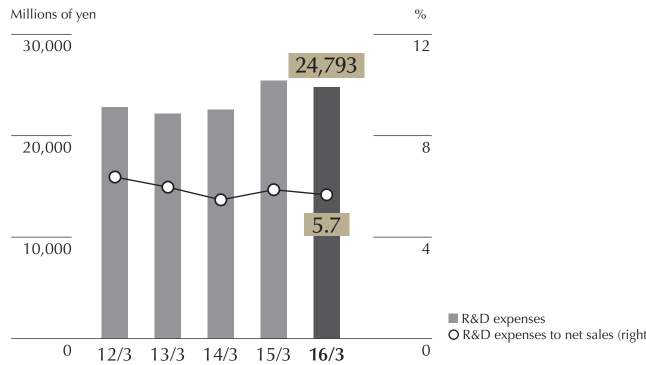
Most of the Company's R&D spending was directed at product development, primarily in digital musical instruments, professional audio equipment, communications equipment, and semiconductor businesses. Specifically, the spending supported elemental technology research and product development for hybrid products that meld acoustic and digital technologies, development efforts to raise the competitiveness of digital musical instruments, and the development of new commercial audio equipment to respond to the expansion of digital networks. Spending also supported product development aimed at expanding the category of AV products and new product development, including online karaoke equipment and routers. In the semiconductor business, spending was used to develop high-value-added analog and hybrid semiconductors and to advance the development of geomagnetic sensors (electronic compasses) for smartphones, and new amusement equipment.

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

Capital Expenditures /
Depreciation and Amortization



R&D Expenses /
R&D Expenses to Net Sales



Forecast for Fiscal 2017

Net Sales
¥420,000 million
–3.6%

Operating Income
¥42,000 million
+3.3%

Net Income Attributable to Owners of Parent
¥45,500 million
+39.4%

Performance forecast

Fiscal 2017 represents the first year of the new medium-term management plan, NEXT STAGE 12.

Steady economic recovery is expected to continue in North America. In Europe, although economic uncertainty remains, signs of recovery have emerged and a solid performance is anticipated. With expected stagnation in the rate of economic growth, the future of the Chinese economy is becoming increasingly more opaque. Despite this, the Company is expecting stable performance due to steady growth in piano sales and the genuine rise in popularity of other musical instruments, although the rate of growth will most likely be more gradual compared to the previous fiscal year. Other emerging countries appear to need more time to fully recover, although the situation differs depending on the region, but they are expected to show steady growth overall.

By business segment, in the musical instruments segment the Company will aggressively widen its business through continuing efforts to expand and upgrade its sales networks in China and other emerging countries. Particularly in China, the Company will respond flexibly to the changing market, which is beginning to show steady sales growth for various products, including digital musical instruments, wind instruments, and guitars. Also, in such developed markets as North America we aim to expand sales by taking a flexible approach to market changes while maximizing the impact of new product launches. We will also bolster efforts to create synergies with Line 6, Inc., a manufacturer of guitar peripherals, and its subsidiaries. Overall, in the musical instruments segment the Company expects decreased sales, despite substantive sales increases, as a significant decline in revenues is expected due to the impact of exchange rates, which has been worsening since the previous fiscal year. Income is expected to increase.

In the audio equipment segment, we aim to achieve sales growth for AV products by steadily promoting the network-based products that were launched in the previous fiscal year. In professional audio equipment, we expect to record higher sales by expanding our product lineup for digital mixers and making our full-scale entry into the commercial installed sound market. In the markets of the United States and ASEAN regions, we will streamline our sales structures, which in turn will lead to a steady increase in the rate of growth.

In the commercial router business, we will take advantage of our excellent reputation in the market and expand our product domain for switches, access points, and other products. In doing so, we plan to increase sales of ICT devices as a whole by integrating microphone speakers for Web conferencing into the audio communication device business. Moreover, we have brought Revolabs, Inc., a manufacturer of conference microphones with advanced technology in the area of digital wireless communications, under our corporate umbrella. This move will help us expand sales by effectively sharing product lines and leveraging sales channels while pursuing synergistic effects in product development.

In the others segment, for golf products, with adverse conditions continuing in Japan we will work to expand sales by launching new products. In parallel with these efforts, we will endeavor to expand further into overseas markets, such as South Korea, which we have continuously focused on, and China. In the automobile interior wood components business, with the aim of enhancing our manufacturing capabilities by reducing lead time, we will work to deliver a stable supply to customers. In the electronic devices business, amid estimations for sales to be on par with the previous fiscal year, we will improve our model mix and promote cost reductions. Through proposals for modules that fuse the various technologies the Company possesses, we will contribute to the profit growth of client companies. For FA equipment, the Company will continue to set its sights on higher sales through the expansion of its customer base and initiatives to reinforce customer support by increasing the number of development staff. In the resort business, we expect to increase revenue by further strengthening measures to attract customers during the winter season. Overall, sales are expected to increase year on year in the others segment.

In addition, the electronic devices segment will be abolished in fiscal 2017. The results of the electronic devices business will be combined with the industrial machinery and components business and listed in the others segment.

Exchange rate assumptions for fiscal 2017 are: ¥110 per US$1, ¥125 per €1, ¥83 per AUS$1, ¥85 per CAN$1, and ¥17 per CNY¥1. In fiscal 2017, we forecast a decrease in sales and an increase in operating income compared with fiscal 2016.

Capital Expenditures Forecast

In fiscal 2017, capital expenditures are expected to increase compared to fiscal 2016. In addition to regular investment in molds for the production of new products, investment for facility upgrade and refurbishment, investment related to sales and marketing, R&D investment, and expenses related to plant rationalization, the Company plans to make investments to develop new facilities in the area surrounding its headquarters as well as to establish additional overseas production facilities.

Depreciation and amortization expenses are expected to be on par with the previous fiscal year as these expenses will not increase to the extent of capital expenditures following the Groupwide integration of a straight-line depreciation method.

Profit Distribution Policy

With due consideration given to raising ROE, Yamaha adheres to a basic policy of actively providing returns to its shareholders while carrying out growth investments in areas such as R&D, sales, and capital expenditures, based on prospective levels of medium-term consolidated earnings. For shareholder returns, the Company adopts a policy of providing a continuous and stable dividend. However, giving consideration to the balance between returns and an appropriate amount of retained earnings for future growth investments, the Company will provide returns in a flexible and appropriate manner with the aim of improving capital efficiency. In addition, the Company has set a goal for a consolidated payout ratio of 30% or more.

In fiscal 2017, Yamaha plans to pay a total dividend of ¥52.0 per share, including an interim dividend payment of ¥26.0 per share. Furthermore, as part of our shareholder return policy, the Company has purchased treasury stocks totaling ¥20,000 million between the period starting from February 5, 2016, to April 8, 2016, based on a resolution passed at the Board of Directors' meeting held on February 4, 2016.

Consolidated Balance Sheet

Yamaha Corporation and its consolidated subsidiaries
As of March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits (Notes 20 and 22)	**¥ 88,166**	¥ 79,300	**$ 782,446**
Notes and accounts receivable — trade (Note 22)	**49,026**	61,663	**435,091**
Inventories (Note 9)	**91,866**	87,782	**815,282**
Deferred tax assets (Note 26)	**8,802**	7,947	**78,115**
Other	**18,521**	12,293	**164,368**
Allowance for doubtful accounts	**(1,247)**	(1,354)	**(11,067)**
Total current assets	**255,135**	247,632	**2,264,244**
Property, plant and equipment, net of accumulated depreciation (Notes 5, 14 and 29):			
Buildings and structures, net	**33,728**	35,754	**299,326**
Machinery, vehicles, tools, furniture and fixtures, net	**22,612**	23,681	**200,674**
Land (Note 8)	**46,061**	49,207	**408,777**
Leased assets, net	**333**	375	**2,955**
Construction in progress	**1,544**	4,139	**13,703**
Total property, plant and equipment, net of accumulated depreciation	**104,280**	113,158	**925,453**
Investments and other assets:			
Investment securities (Notes 6, 22 and 23)	**96,911**	144,836	**860,055**
Long-term loans receivable	**122**	135	**1,083**
Net defined benefit assets (Note 25)	**6**	74	**53**
Deferred tax assets (Note 26)	**2,123**	2,020	**18,841**
Lease and guarantee deposits	**4,330**	4,673	**38,427**
Goodwill	**2,456**	12,179	**21,796**
Other	**4,483**	5,473	**39,785**
Allowance for doubtful accounts	**(104)**	(151)	**(923)**
Total investments and other assets	**110,329**	169,243	**979,136**
Total assets	**¥469,745**	¥530,034	**$4,168,841**

See Notes to Consolidated Financial Statements.

As of March 31, 2016	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 4) 2016
Liabilities			
Current liabilities:			
Notes and accounts payable — trade (Note 22)	**¥ 19,353**	¥ 23,194	**$ 171,752**
Short-term loans payable (Notes 22 and 29)	**8,409**	11,748	**74,627**
Current portion of long-term loans payable (Notes 22 and 29)	**30**	28	**266**
Accounts payable — other and accrued expenses (Note 22)	**37,222**	34,902	**330,334**
Income taxes payable	**2,307**	2,156	**20,474**
Deferred tax liabilities (Note 26)	**2**	31	**18**
Provision for product warranties	**2,526**	2,511	**22,417**
Provision for directors' bonuses	**—**	77	**—**
Provision for business restructuring expenses	**—**	1,190	**—**
Other	**5,607**	5,135	**49,760**
Total current liabilities	**75,459**	80,976	**669,675**
Noncurrent liabilities:			
Long-term loans payable (Notes 22 and 29)	**71**	92	**630**
Deferred tax liabilities (Note 26)	**24,750**	39,422	**219,649**
Deferred tax liabilities for land revaluation (Note 8)	**9,878**	11,133	**87,664**
Net defined benefit liabilities (Note 25)	**38,024**	31,712	**337,451**
Long-term deposits received (Note 22)	**15,041**	15,152	**133,484**
Other	**2,631**	2,792	**23,349**
Total noncurrent liabilities	**90,396**	100,306	**802,236**
Contingent liabilities (Note 7)			
Net Assets			
Shareholders' equity:			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2016 — 197,255,025 shares	**28,534**	—	**253,230**
2015 — 197,255,025 shares	**—**	28,534	**—**
Capital surplus	**40,054**	40,054	**355,467**
Retained earnings	**213,050**	186,436	**1,890,753**
Treasury stock	**(20,945)**	(3,711)	**(185,880)**
Total shareholders' equity	**260,694**	251,314	**2,313,578**
Accumulated other comprehensive income:			
Unrealized holding gain on securities	**55,038**	87,188	**488,445**
Unrealized gain (loss) from hedging instruments	**(97)**	215	**(861)**
Revaluation reserve for land (Note 8)	**16,743**	18,085	**148,589**
Foreign currency translation adjustments	**(19,513)**	(9,106)	**(173,172)**
Remeasurements of defined benefit plans	**(11,320)**	(1,611)	**(100,461)**
Total accumulated other comprehensive income	**40,850**	94,771	**362,531**
Non-controlling interests	**2,344**	2,666	**20,802**
Total net assets	**303,889**	348,752	**2,696,920**
Total liabilities and net assets	**¥469,745**	¥530,034	**$4,168,841**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Operations

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2016	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 4) 2016
Net sales	**¥435,477**	¥432,177	**$3,864,723**
Cost of sales (Notes 9, 10 and 12)	**262,406**	270,357	**2,328,772**
Gross profit	**173,070**	161,820	**1,535,942**
Selling, general and administrative expenses (Notes 11 and 12)	**132,407**	131,684	**1,175,071**
Operating income	**40,663**	30,135	**360,871**
Other income (expenses):			
Interest and dividend income	**3,077**	2,884	**27,307**
Patent royalty revenue	**—**	623	**—**
Tariff refund	**693**	—	**6,150**
Interest expenses	**(338)**	(253)	**(3,000)**
Sales discounts	**(2,909)**	(2,641)	**(25,816)**
Gain (loss) on sales or disposal of property, plant and equipment, net (Note 13)	**8,296**	(47)	**73,624**
Gain on sales of investment securities	**3**	1	**27**
Loss on impairment of fixed assets (Note 14)	**(882)**	(861)	**(7,827)**
Amortization of goodwill (Notes 3 and 15)	**(6,759)**	—	**(59,984)**
Business structural reform expenses (Note 16)	**—**	(1,786)	**—**
Other, net (Note 17)	**(265)**	471	**(2,352)**
	914	(1,609)	**8,111**
Income before income taxes	**41,578**	28,526	**368,992**
Income taxes (Note 26)**:**			
Current	**9,541**	7,317	**84,673**
Deferred	**(656)**	(3,896)	**(5,822)**
	8,885	3,420	**78,852**
Net income for the period	**32,693**	25,105	**290,140**
Net income attributable to non-controlling interests	**59**	176	**524**
Net income attributable to owners of parent	**¥ 32,633**	¥ 24,929	**$ 289,608**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Yamaha Corporation and its consolidated subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Net income for the period	**¥ 32,693**	¥25,105	**$ 290,140**
Other comprehensive income:			
Unrealized holding gain (loss) on securities	**(32,118)**	41,621	**(285,037)**
Unrealized gain (loss) from hedging instruments	**(313)**	316	**(2,778)**
Revaluation reserve for land	**450**	1,165	**3,994**
Foreign currency translation adjustments	**(10,858)**	11,721	**(96,361)**
Remeasurements of defined benefit plans	**(9,708)**	2,159	**(86,155)**
Share of other comprehensive income (loss) of affiliates accounted for using equity method	**(31)**	26	**(275)**
Total other comprehensive income (Note 18)	**(52,580)**	57,012	**(466,631)**
Comprehensive income	**¥(19,887)**	¥82,118	**$(176,491)**
(Composition)			
Comprehensive income attributable to owners of parent	**¥(19,694)**	¥81,440	**$(174,778)**
Comprehensive income attributable to non-controlling interests	**¥ (192)**	¥ 677	**$ (1,704)**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2016	Millions of yen Shareholders' equity					Accumulated other comprehensive income							
	Capital stock (Note 19)	Capital surplus	Retained earnings (Note 19)	Treasury stock (Note 19)	Total shareholders' equity (Note 19)	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2014	¥28,534	¥40,054	¥168,338	¥ (3,705)	¥233,222	¥ 45,540	¥(101)	¥17,139	¥(20,347)	¥ (3,771)	¥ 38,459	¥3,161	¥274,843
Changes of items during the period:													
Dividends from surplus (Note 19)			(6,389)		(6,389)								(6,389)
Net income attributable to owners of parent			24,929		24,929								24,929
Change in the scope of consolidation			(661)		(661)								(661)
Reversal of revaluation reserve for land			219		219								219
Purchase of treasury stock				(5)	(5)								(5)
Net changes of items other than shareholders' equity						41,648	316	945	11,241	2,159	56,312	(495)	55,816
Total changes of items during the period	—	—	18,097	(5)	18,092	41,648	316	945	11,241	2,159	56,312	(495)	73,908
Balance as of April 1, 2015	¥28,534	¥40,054	¥186,436	¥ (3,711)	¥251,314	¥ 87,188	¥ 215	¥18,085	¥ (9,106)	¥ (1,611)	¥ 94,771	¥2,666	¥348,752
Changes of items during the period:													
Dividends from surplus (Note 19)			**(7,841)**		**(7,841)**								**(7,841)**
Net income attributable to owners of parent			**32,633**		**32,633**								**32,633**
Change in the scope of consolidation			**29**		**29**								**29**
Reversal of revaluation reserve for land			**1,791**		**1,791**								**1,791**
Purchase of treasury stock				**(17,234)**	**(17,234)**								**(17,234)**
Net changes of items other than shareholders' equity						**(32,150)**	**(313)**	**(1,341)**	**(10,406)**	**(9,708)**	**(53,920)**	**(321)**	**(54,242)**
Total changes of items during the period	**—**	**—**	**26,613**	**(17,234)**	**9,379**	**(32,150)**	**(313)**	**(1,341)**	**(10,406)**	**(9,708)**	**(53,920)**	**(321)**	**(44,862)**
Balance as of March 31, 2016	**¥28,534**	**¥40,054**	**¥213,050**	**¥(20,945)**	**¥260,694**	**¥ 55,038**	**¥ (97)**	**¥16,743**	**¥(19,513)**	**¥(11,320)**	**¥ 40,850**	**¥2,344**	**¥303,889**

Thousands of U.S. dollars (Note 4)

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2016	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock (Note 19)	Capital surplus	Retained earnings (Note 19)	Treasury stock (Note 19)	Total shareholders' equity (Note 19)	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2015	$253,230	$355,467	$1,654,562	$ (32,934)	$2,230,334	$ 773,766	$ 1,908	$160,499	$ (80,813)	$ (14,297)	$ 841,063	$23,660	$3,095,066
Changes of items during the period:													
Dividends from surplus (Note 19)			(69,586)		(69,586)								(69,586)
Net income attributable to owners of parent			289,608		289,608								289,608
Change in the scope of consolidation			257		257								257
Reversal of revaluation reserve for land			15,895		15,895								15,895
Purchase of treasury stock				(152,946)	(152,946)								(152,946)
Net changes of items other than shareholders' equity						(285,321)	(2,778)	(11,901)	(92,350)	(86,155)	(478,523)	(2,849)	(481,381)
Total changes of items during the period	—	—	236,182	(152,946)	83,236	(285,321)	(2,778)	(11,901)	(92,350)	(86,155)	(478,523)	(2,849)	(398,136)
Balance as of March 31, 2016	$253,230	$355,467	$1,890,753	$(185,880)	$2,313,578	$ 488,445	$ (861)	$148,589	$(173,172)	$(100,461)	$ 362,531	$20,802	$2,696,920

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Yamaha Corporation and its consolidated subsidiaries	Millions of yen		Thousands of U.S. dollars (Note 4)
Year ended March 31, 2016	2016	2015	2016
Operating activities:			
Income before income taxes	¥ 41,578	¥ 28,526	$ 368,992
Depreciation and amortization	12,681	12,597	112,540
Loss on impairment of fixed assets	882	861	7,827
Amortization of goodwill	9,553	2,913	84,780
Increase (decrease) in allowance for doubtful accounts	(91)	192	(808)
(Gain) on liquidation of subsidiaries	—	(6)	—
Loss on valuation of investment securities	0	—	0
(Gain) on sales of investment securities	(3)	(1)	(27)
(Gain) on liquidation of investment securities	(13)	—	(115)
(Decrease) in net defined benefit liabilities	(3,172)	(2,889)	(28,151)
Interest and dividend income	(3,077)	(2,884)	(27,307)
Interest expenses	338	253	3,000
Foreign exchange (gains) losses	286	(465)	2,538
Equity in losses of affiliates	6	20	53
Loss on sales of stocks of subsidiaries and affiliates	—	17	—
Loss (gain) on sales or disposal of property, plant and equipment, net	(8,296)	47	(73,624)
Business structural reform expenses	—	1,786	—
(Increase) decrease in notes and accounts receivable — trade	9,947	(473)	88,277
(Increase) in inventories	(8,523)	(267)	(75,639)
(Decrease) in notes and accounts payable — trade	(1,921)	(1,185)	(17,048)
Other, net	273	(1,496)	2,423
Subtotal	50,449	37,547	447,719
Interest and dividend income received	3,137	2,859	27,840
Interest expenses paid	(332)	(256)	(2,946)
Payment of business structural reform expenses	(1,543)	(340)	(13,694)
Income taxes paid	(9,311)	(8,080)	(82,632)
Net cash provided by operating activities	42,399	31,729	376,278
Investing activities:			
Net decrease (increase) in time deposits	(300)	290	(2,662)
Payments for purchase of property, plant and equipment	(11,432)	(12,530)	(101,455)
Proceeds from sales of property, plant and equipment	12,811	809	113,694
Payments for purchase of investment securities	(250)	(219)	(2,219)
Proceeds from sales and redemption of investment securities	41	90	364
Proceeds from liquidation of investment securities	27	—	240
Other, net	(305)	(139)	(2,707)
Net cash provided by (used in) investing activities	591	(11,700)	5,245
Financing activities:			
Net increase (decrease) in short-term loans payable	(2,188)	1,925	(19,418)
Proceeds from long-term loans payable	93	18	825
Repayments of long-term loans payable	(111)	(63)	(985)
Proceeds from deposits received from membership	150	157	1,331
Repayments for deposits received from membership	(261)	(343)	(2,316)
Purchase of treasury stock	(17,234)	(5)	(152,946)
Payments made to trust account for purchase of treasury stock	(2,793)	—	(24,787)
Cash dividends paid	(7,841)	(6,389)	(69,586)
Cash dividends paid to non-controlling interests	(129)	(1,173)	(1,145)
Other, net	(31)	(34)	(275)
Net cash used in financing activities	(30,349)	(5,909)	(269,338)
Effect of exchange rate change on cash and cash equivalents	(3,782)	3,573	(33,564)
Net increase in cash and cash equivalents	8,859	17,692	78,621
Cash and cash equivalents at the beginning of period	76,159	57,524	675,887
Increase in cash and cash equivalents due to newly consolidated subsidiaries	858	950	7,614
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(858)	(8)	(7,614)
Cash and cash equivalents at end of period (Note 20)	¥ 85,018	¥ 76,159	$ 754,508

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Basis of presentation

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

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

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

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. As of March 31, 2016, the numbers of consolidated subsidiaries and subsidiaries and affiliates accounted for by the equity method were 67 and 2 (69 and 2 in 2015). From the fiscal year ended March 31, 2016, the Company has included one overseas subsidiary in the scope of consolidation. The Company has also excluded two domestic subsidiaries and one overseas subsidiary from the scope of consolidation. The Company has included Yamaha Music Vietnam Company Ltd. in the scope of consolidation, as its operations have become increasingly more important to the Company. The Company has excluded Yamaha Music and Visuals, Inc. from the scope of consolidation, due to absorption of the company by Yamaha Music Media Corporation. Due to the fact that the importance of Yamaha Kagoshima Semiconductor Inc. has decreased following a business transfer, the company has been excluded from the scope of consolidation. Yamaha Commercial Audio Systems Inc. has also been excluded from the scope of consolidation, due to absorption of the company by Yamaha Corporation of America.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their operations are significantly affected in various ways by the Yamaha Group are accounted for by the equity method. Investments in two affiliates were accounted for by the equity method for the year ended March 31, 2016 (two in 2015). Investments in unconsolidated affiliates not accounted for by the equity method are carried at cost.

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

(c) Securities

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

(d) Inventories

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

(e) Depreciation

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

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

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

(f) Allowance for doubtful accounts

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

(g) Provision for product warranties

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

(h) Retirement benefits

In calculating retirement benefit obligations, the benefit formula is primarily used as the method for allocating projected retirement benefits to periods of service up to March 31, 2016.

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

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

(i) Construction contracts

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

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

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

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

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

(k) Foreign currency translation

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

(l) Derivative financial instruments

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

(Hedge accounting)

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

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

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

Where hedge effectiveness is not reassessed given that the anticipated cash flows have been fixed by hedging activities and the risk of changes in cash flows is completely avoided, forward foreign exchange contracts related to receivables and payables denominated in foreign currencies are accounted for by the allocation method whereby translation differences are allocated into the hedged items. See Note 22.

(m) Amortization method and amortization period for goodwill

Amortization of goodwill is carried out separately for each goodwill item over a reasonable amount of years using the straight-line method.

(n) Cash and cash equivalents

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

(o) Income taxes

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

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

(p) Consumption tax

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

2 Changes in Accounting Principles

The “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan Statement No.21, September 13, 2013, hereinafter referred to as the “Business Combinations Accounting Standards”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013, hereinafter referred to as the “Consolidated Financial Statements Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013, hereinafter referred to as the “Business Divestitures Accounting Standard”) were applied from the beginning of this fiscal year. As a result, for subsidiaries in which the parent company retains control, differences arising from changes in holdings of equity are now recorded in capital surplus, and costs associated with the acquisition of shares are now recorded as expenses in the consolidated financial statements for the year in which they are incurred. In addition, for business combinations occurring on and after the beginning of the current fiscal year, any changes to the allocation of the acquisition cost arising from finalization of the provisional accounting must now be reflected in the consolidated financial statements for the year in which the business combination occurred. Additionally, the Company has changed the method of presenting consolidated net income, and ‘minority interests’ has been changed to ‘non-controlling interests.’

The consolidated financial statements for the previous fiscal year have been restated in order to reflect these changes.

The application of the newly adopted accounting standards noted at the outset of this section has been implemented from the start of the fiscal year, in accordance with the transitional provisions in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

In the consolidated statement of cash flows from the fiscal year under review, the following changes were made in the method of classification. Cash flows related to purchases or sales of shares of subsidiaries, not resulting in a change in the scope of consolidation, are classified under “Cash flows from financing activities.” Cash flows related to expenses arising from purchases of shares of subsidiaries, resulting in a change in the scope of consolidation, or cash flows related to expenses for purchases or sales of shares of subsidiaries, not resulting in a change of the scope of consolidation, are classified under “Cash flows from operating activities.”

Please note there was no material impact on the consolidated financial statements and per share information for the year ended March 31, 2016 as a result of these changes.

3 Additional Information

Extraordinary losses due to impairment loss on stock of consolidated subsidiary and immediate amortization of goodwill

The Company reported extraordinary losses in the year ended March 31, 2016 because of an impairment loss on stock of a consolidated subsidiary held by the Company (in the non-consolidated closing) and the immediate amortization of goodwill (in the consolidated closing).

(1) Impairment loss on stock of consolidated subsidiary (in the non-consolidated financial statements)

The Company recognized ¥8,493 million ($75,373 thousand) of extraordinary losses as loss on valuation of stocks of subsidiaries and affiliates, namely, Line 6, Inc., which became a wholly owned subsidiary in January 2014, and its subsidiaries. The losses were recognized because the companies’ financial results and expected performance, which were initially estimated based on the companies’ product planning and development capabilities, diverged from their initial plans.

In addition, the Company recognized loss on provision of support for subsidiaries as extraordinary losses, in the amount of ¥420 million ($3,727 thousand).

The Company also recognized ¥3,603 million ($31,976 thousand) of extraordinary losses on valuation of stocks of subsidiaries and affiliates, namely, Revolabs, Inc., which became a wholly owned subsidiary in March 2014, and its subsidiaries. The losses were recognized because the companies’ financial results diverged from their initial plans.

Please note that the extraordinary losses recognized in the non-consolidated closing have been eliminated in consolidation; therefore, the impact of these extraordinary losses in the consolidated financial statements is equal to those shown in (2).

(2) Immediate amortization of goodwill (in the consolidated financial statements)

Accompanying the impairment loss in the non-consolidated financial statements noted previously, in its consolidated financial statements the Company recognized extraordinary losses on the immediate amortization of goodwill in the amounts of ¥4,457 million ($39,554 thousand) related to Line 6, Inc., and its subsidiaries, and ¥2,302 million ($20,430 thousand) related to Revolabs, Inc., and its subsidiaries.

4 U.S. Dollar Amounts

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2016 have been presented in U.S. dollars by translating all yen amounts at ¥112.68 = U.S.$1.00, the exchange rate prevailing on March 31, 2016. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

5 Accumulated Depreciation

Accumulated depreciation of property, plant and equipment at March 31, 2016 and 2015 amounted to ¥189,438 million ($1,681,203 thousand) and ¥229,671 million, respectively.

6 Investment Securities

Investment securities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Investment securities in unconsolidated subsidiaries and affiliates	**¥1,009**	¥1,055	**$8,955**
Investments in capital in unconsolidated subsidiaries and affiliates	**32**	636	**284**

7 Contingent Liabilities

Contingent liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Export bills discounted with banks	**¥27**	¥ 68	**$240**
Guarantees of indebtedness of Hamamatsu CATV*	**—**	112	**—**

* The amount guaranteed substantially by the Company is ¥9 million at March 31, 2015.

8 Land Revaluation

For the year ended March 31, 2016, the Company has carried over the revaluation of their landholdings at the date of revaluation in accordance with the "Law Concerning the Revaluation of Land" (Law No.34 published on March 31, 1998). The date of revaluation was March 31, 2002.

For the years ended March 31, 2016 and 2015, the Company determined the value of its land based on the respective value registered in the land tax list or the supplementary land tax list as specified in No.10 or No.11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land" (Cabinet Order No.119 published on March 31, 1998).

The excess of the revalued carrying amount of such land over its market value at March 31, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Excess of revalued carrying amount of land over market value	**¥(7,331)**	¥(8,323)	**$(65,060)**

9 Inventories

Inventories at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Merchandise and finished goods	¥63,232	¥58,477	$561,164
Work in process	12,825	13,303	113,818
Raw materials and supplies	15,808	16,002	140,291
Total	¥91,866	¥87,782	$815,282

Write-downs of inventories for the years ended March 31, 2016 and 2015 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Cost of sales	¥(1,080)	¥132	$(9,585)

* Figure shown in parentheses is a profit item.

10 Provision for Loss on Construction Contracts

Provision for loss on construction contracts was included in the following account for the years ended March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Cost of sales	¥165	¥8	$1,464

11 Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Sales commissions	¥ 1,396	¥ 1,516	$ 12,389
Transport expenses	13,407	12,813	118,983
Advertising expenses and sales promotion expenses	19,183	18,671	170,243
Allowance for doubtful accounts	69	214	612
Provision for product warranties	974	606	8,644
Retirement benefit expenses	2,921	3,063	25,923
Provision for directors' bonuses	—	77	—
Salaries and benefits	54,806	54,116	486,386
Rent	4,017	3,910	35,650
Depreciation and amortization	2,440	2,461	21,654

12 R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2016 and 2015, amounted to ¥24,793 million ($220,030 thousand) and ¥25,439 million, respectively.

13 Sales or Disposal of Property, Plant and Equipment

For the year ended March 31, 2016
Gain on sales of property, plant and equipment totaled ¥7,931 million ($70,385 thousand), resulted principally from sales of the land and building of the former Shinsaibashi building, as well as the land of the former Kyushu building. Loss on disposal of property, plant and equipment principally resulted from disposal of land, machinery and equipment, and buildings and structures.

For the year ended March 31, 2015
Gain on sales of property, plant and equipment principally resulted from sales of land, machinery, and equipment. Loss on disposal of property, plant and equipment principally resulted from disposal of buildings and structures, machinery, and equipment.

14 Loss on Impairment of Fixed Assets

The following table summarizes loss on impairment of fixed assets for the years ended March 31, 2016 and 2015.

			Millions of yen	Thousands of U.S. dollars (Note 4)
Group of fixed assets	Location	Impaired assets	2016	2016
Idle assets, etc.	Hamamatsu City, Shizuoka, and elsewhere	Buildings and structures	**¥ 85**	**$ 754**
		Machinery, vehicles, tools, furniture and fixtures	**0**	**0**
		Land	**796**	**7,064**
		Total	**¥882**	**$7,827**

			Millions of yen
Group of fixed assets	Location	Impaired assets	2015
Assets of the musical instruments business	Fukuoka City, Fukuoka, and elsewhere	Buildings and structures	¥111
		Machinery, vehicles, tools, furniture and fixtures	14
		Total	¥126
Idle assets, etc.	Hamamatsu City, Shizuoka, and elsewhere	Buildings and structures	¥360
		Machinery, vehicles, tools, furniture and fixtures	15
		Land	328
		Leasehold right	30
		Total	¥735
Total		Buildings and structures	¥471
		Machinery, vehicles, tools, furniture and fixtures	30
		Land	328
		Leasehold right	30
		Total	¥861

Method of grouping assets
Within its segment classification, the Yamaha Group forms the smallest asset units that generate cash flows independently of the cash flows from other assets.

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

Regarding the assets of the musical instruments business, impairment losses are recognized for those asset groups where the total undiscounted future cash flows were less than the book value among those assets that are continuing to run losses on operations or are expected to run losses.

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

The recoverable value of assets in the musical instruments business was calculated using estimates of the value of the assets in use, and future cash flows from these assets were discounted to the present using a discount rate of 6.4%.

15 Amortization of Goodwill

For the year ended March 31, 2016
An immediate amortization of goodwill was recognized based on Item 32 of the “Practical Guideline Related to Capital Consolidation Procedures in Consolidated Financial Statements” (Final Revision on November 28, 2014, the Accounting Practice Committee Report No.7 issued by the Japanese Institute of Certified Public Accountants).
See note 3.

For the year ended March 31, 2015
None

16 Business Structural Reform Expenses

For the year ended March 31, 2016
None

For the year ended March 31, 2015
Business structural reform expenses comprise losses in connection with the transfer of the business of a semiconductor manufacturing subsidiary and personnel costs incurred in Europe on guitar peripheral equipment that were related to consolidation and concentration of sales outlets.

17 Other Income (Expenses)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Foreign exchange losses	¥(598)	¥ (84)	$(5,307)
Gain on liquidation of subsidiaries and affiliates	13	6	115
Loss on valuation of investment securities	(0)	—	(0)
Loss on sales of stock of subsidiaries and affiliates	—	(17)	—
Others	320	566	2,840
Other, net	¥(265)	¥471	$(2,352)

18 Information on Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to each component of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Other comprehensive income			
Unrealized holding gain (loss) on securities			
Amount arising during the year	¥(48,053)	¥ 57,433	$(426,455)
Tax effect	15,934	(15,811)	141,409
Total	(32,118)	41,621	(285,037)
Unrealized gain (loss) from hedging instruments			
Amount arising during the year	(457)	472	(4,056)
Tax effect	144	(155)	1,278
Total	(313)	316	(2,778)
Revaluation reserve for land			
Tax effect	450	1,165	3,994
Foreign currency translation adjustments			
Amount arising during the year	(10,858)	11,721	(96,361)
Remeasurements of defined benefit plans			
Amount arising during the year	(10,428)	1,205	(92,545)
Reclassification adjustments for gains and losses recognized in the Statement of Operations	741	852	6,576
Amount before tax effect adjustment	(9,686)	2,057	(85,960)
Tax effect	(22)	102	(195)
Total	(9,708)	2,159	(86,155)
Share of other comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	(31)	26	(275)
Total	¥(52,580)	¥ 57,012	$(466,631)

19 Information on Consolidated Statement of Changes in Net Assets

The following tables present information related to the accompanying consolidated statement of changes in net assets for the years ended March 31, 2016 and 2015:

(a) Common stock

Number of shares	2016	2015
Beginning of the year	**197,255,025**	197,255,025
Increase	**—**	—
Decrease	**—**	—
End of the year	**197,255,025**	197,255,025

(b) Treasury stock

Number of shares	2016	2015
Beginning of the year	**3,631,425**	3,628,117
Increase	**5,340,508***1	3,308*2
Decrease	**—**	—
End of the year	**8,971,933**	3,631,425

*1. Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 5,336,200 shares
Increase owing to purchase of outstanding fractional shares of less than one trading unit: 4,308 shares
*2. Increase owing to purchase of outstanding fractional shares of less than one trading unit: 3,308 shares

(c) Subscription rights to shares

None

(d) Cash dividends

(1) Amount of dividend payments

2016

Date of approval	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 23, 2015 (Annual General Meeting of Shareholders)	Common stock	**¥4,356**	**$38,658**	**¥22.50**	**$0.20**	Mar. 31, 2015	Jun. 24, 2015
Oct. 30, 2015 (Board of Directors)	Common stock	**¥3,485**	**$30,928**	**¥18.00**	**$0.16**	Sept. 30, 2015	Dec. 8, 2015

Notes: Dividends per share of ¥22.50 ($0.20) approved on June 23, 2015 consisted of regular dividends of ¥22.50 ($0.20).
Dividends per share of ¥18.00 ($0.16) approved on October 30, 2015 consisted of regular dividends of ¥18.00 ($0.16).

2015

Date of approval	Type of shares	Total dividends (Millions of yen)		Dividends per share (Yen)		Record date	Effective date
Jun. 24, 2014 (Annual General Meeting of Shareholders)	Common stock	¥3,775		¥19.50		Mar. 31, 2014	Jun. 25, 2014
Oct. 31, 2014 (Board of Directors)	Common stock	¥2,613		¥13.50		Sept. 30, 2014	Dec. 9, 2014

Notes: Dividends per share of ¥19.50 approved on June 24, 2014 consisted of regular dividends of ¥19.50.
Dividends per share of ¥13.50 approved on October 31, 2014 consisted of regular dividends of ¥13.50.

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

2016

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 22, 2016 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	**¥4,895**	**$43,442**	**¥26.00**	**$0.23**	Mar. 31, 2016	Jun. 23, 2016

Note: Dividends per share of ¥26.00 ($0.23) approved on June 22, 2016 consisted of regular dividends of ¥26.00 ($0.23).

2015

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)		Dividends per share (Yen)		Record date	Effective date
Jun. 23, 2015 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥4,536		¥22.50		Mar. 31, 2015	Jun. 24, 2015

Note: Dividends per share of ¥22.50 approved on June 23, 2015 consisted of regular dividends of ¥22.50.

20 Supplementary Cash Flow Information

The following table represents a reconciliation of “Cash and deposits” and “Cash and cash equivalents” at March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Cash and deposits	**¥88,166**	¥79,300	**$782,446**
Time deposits with a maturity of more than three months	**(3,147)**	(3,140)	**(27,929)**
Cash and cash equivalents	**¥85,018**	¥76,159	**$754,508**

21 Leases

2016

Lessees’ accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2016 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2017	**¥ 849**	**$ 7,535**
2018 and thereafter	**2,797**	**24,823**
Total	**¥3,646**	**$32,357**

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

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

	Millions of yen			Thousands of U.S. dollars (Note 4)		
As of March 31, 2016	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥799	¥406	¥392	$7,091	$3,603	$3,479
Other	—	—	—	—	—	—
Total	¥799	¥406	¥392	$7,091	$3,603	$3,479

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

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2016

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2017	¥ 47	$ 417
2018 and thereafter	345	3,062
Total	¥392	$3,479

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

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2016	Millions of yen	Thousands of U.S. dollars (Note 4)
Lease payments	¥47	$417
Depreciation	47	417

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

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

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2016 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2017	¥ 502	$4,455
2018 and thereafter	586	5,201
Total	¥1,088	$9,656

2015

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2015 on noncancellable leases are as follows:

Years ended / ending March 31	Millions of yen
2016	¥ 864
2017 and thereafter	2,406
Total	¥3,271

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

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

	Millions of yen		
As of March 31, 2015	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥799	¥358	¥440
Other	—	—	—
Total	¥799	¥358	¥440

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

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2015

Years ended / ending March 31	Millions of yen
2016	¥ 47
2017 and thereafter	392
Total	¥440

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

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2015	Millions of yen
Lease payments	¥93
Depreciation	93

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

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

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2015 on noncancellable leases are as follows:

Years ended / ending March 31	Millions of yen
2016	¥ 581
2017 and thereafter	739
Total	¥1,320

22 Financial Instruments

(a) Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

Short-term investment securities and investment securities are exposed to market risk. Those securities are composed of mainly the stock of Yamaha Motor Co., Ltd., a former affiliated company which shares the Yamaha brand in common, and shares of common stock of other companies with which it has business relationships. Trade notes and accounts payable, other accounts payable, and accrued expenses have payment due dates within one year. In addition, trade accounts payable that are denominated in foreign currencies are exposed to foreign currency exchange risk. Short-term loans payable are raised mainly in connection with business activities, and long-term loans payable are taken out principally for the purpose of making capital investments. The repayment dates of long-term loans payable extend up to three years and four months from March 31, 2016, and up to four years and four months from March 31, 2015, respectively. Long-term deposits received are membership deposits received from customers in the Yamaha Group's recreation business. The Yamaha Group is exposed to liquidity risk from its trade notes and accounts payable, other accounts payable, accrued expenses, short-term loans payable, long-term loans payable, and long-term deposits received.

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

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

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

(b) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the notional amounts of derivatives in Note 24 are not indicative of the actual market risk involved in derivative transactions.

(c) Estimated fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2016 and 2015, and difference between carrying value and estimated fair value, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. See Note (ii) below:

	Millions of yen			Thousands of U.S. dollars (Note 4)		
As of March 31, 2016	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	**¥ 88,166**	**¥ 88,166**	**¥ —**	**$ 782,446**	**$ 782,446**	**$ —**
Notes and accounts receivable — trade	**49,026**	**49,026**	**—**	**435,091**	**435,091**	**—**
Investment securities						
Subsidiaries and affiliates securities	**714**	**340**	**(373)**	**6,337**	**3,017**	**(3,310)**
Available-for-sale securities	**93,690**	**93,690**	**—**	**831,470**	**831,470**	**—**
Notes and accounts payable — trade	**(19,353)**	**(19,353)**	**—**	**(171,752)**	**(171,752)**	**—**
Accounts payable — other and accrued expenses	**(37,222)**	**(37,222)**	**—**	**(330,334)**	**(330,334)**	**—**
Derivatives*2	**(139)**	**(139)**	**—**	**(1,234)**	**(1,234)**	**—**

	Millions of yen		
As of March 31, 2015	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥ 79,300	¥ 79,300	¥ —
Notes and accounts receivable — trade	61,663	61,663	—
Investment securities			
Subsidiaries and affiliates securities	760	446	(314)
Available-for-sale securities	141,726	141,726	—
Notes and accounts payable — trade	(23,194)	(23,194)	—
Accounts payable — other and accrued expenses	(34,902)	(34,902)	—
Derivatives*2	317	317	—

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

Notes:

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

Cash and deposits and notes and accounts receivable — trade

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

Investment securities

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

Information on securities classified by holding purpose is contained in Note 23.

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

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

Derivative Transactions

See Note 24.

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Carrying value			
Unlisted stocks	¥ 2,507	¥ 2,351	$ 22,249
Long-term deposits received	15,041	15,152	133,484

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

(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2016 and 2015

	Millions of yen				Thousands of U.S. dollars (Note 4)			
As of March 31, 2016	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 88,166	¥—	¥—	¥—	$ 782,446	$—	$—	$—
Notes and accounts receivable — trade	49,026	—	—	—	435,091	—	—	—
Total	¥137,192	¥—	¥—	¥—	$1,217,536	$—	$—	$—

	Millions of yen			
As of March 31, 2015	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥ 79,300	¥—	¥—	¥—
Notes and accounts receivable — trade	61,663	—	—	—
Total	¥140,963	¥—	¥—	¥—

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2016 and 2015

	Millions of yen					
As of March 31, 2016	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥8,409	¥—	¥ —	¥—	¥—	¥—
Long-term loans payable	30	30	30	10	—	—
Lease obligations	27	61	71	62	35	97
Other interest-bearing debt	—	—	—	—	—	—
Total	¥8,467	¥92	¥102	¥72	¥35	¥97

	Thousands of U.S. dollars (Note 4)					
As of March 31, 2016	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	$74,627	$ —	$ —	$ —	$ —	$ —
Long-term loans payable	266	266	266	89	—	—
Lease obligations	240	541	630	550	311	861
Other interest-bearing debt	—	—	—	—	—	—
Total	$75,142	$816	$905	$639	$311	$861

	Millions of yen					
As of March 31, 2015	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥11,748	¥—	¥—	¥—	¥—	¥ —
Long-term loans payable	28	27	27	27	9	—
Lease obligations	64	56	54	50	46	124
Other interest-bearing debt	—	—	—	—	—	—
Total	¥11,840	¥83	¥82	¥78	¥56	¥124

23 Securities

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

As of March 31, 2016	Millions of yen: Carrying value	Millions of yen: Acquisition costs	Millions of yen: Unrealized gain (loss)	Thousands of U.S. dollars (Note 4): Carrying value	Thousands of U.S. dollars (Note 4): Acquisition costs	Thousands of U.S. dollars (Note 4): Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Stock	**¥90,859**	**¥12,873**	**¥77,985**	**$806,345**	**$114,244**	**$692,093**
Other	**—**	**—**	**—**	**—**	**—**	**—**
	90,859	**12,873**	**77,985**	**806,345**	**114,244**	**692,093**
Securities whose carrying value does not exceed their acquisition costs:						
Stock	**2,831**	**3,036**	**(205)**	**25,124**	**26,944**	**(1,819)**
Other	**—**	**—**	**—**	**—**	**—**	**—**
	2,831	**3,036**	**(205)**	**25,124**	**26,944**	**(1,819)**
Total	**¥93,690**	**¥15,910**	**¥77,780**	**$831,470**	**$141,196**	**$690,273**

As of March 31, 2015	Millions of yen: Carrying value	Millions of yen: Acquisition costs	Millions of yen: Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥141,725	¥15,910	¥125,815
Other	—	—	—
	141,725	15,910	125,815
Securities whose carrying value does not exceed their acquisition costs:			
Stock	0	0	(0)
Other	—	—	—
	0	0	(0)
Total	¥141,726	¥15,910	¥125,815

(b) Available-for-sale securities sold during the years ended March 31, 2016 and 2015

	Millions of yen: 2016	Millions of yen: 2015	Thousands of U.S. dollars (Note 4): 2016
Sales of available-for-sale securities	**¥3**	¥1	**$27**
Gain on sales	**3**	1	**27**
Loss on sales	**—**	—	**—**

24 Derivatives and Hedging Activities

As of March 31, 2016 and 2015, there were no derivative transactions outstanding for which hedge accounting has not been applied.

The notional amounts and the estimated fair value of the derivative instruments outstanding as of March 31, 2016 and 2015, for which hedge accounting has been applied are summarized as follows:

		Millions of yen			
		Notional amount			
As of March 31, 2016	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 541	¥—	¥ 563	
Canadian dollars		691	—	716	
Euros		12,495	—	12,588	
Foreign exchange forward contracts accounted for allocation method:					Market prices
Sell:	Accounts receivable				
Australian dollars		217	—		
Canadian dollars		257	—		
Euros		2,362	—		
Total		¥16,566	¥—	¥ —*1	

*1. The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.
*2. The estimated fair value is the fair value of the notional amount, and the net value in payable of assets and liabilities arising from derivatives was ¥139 million.

		Thousands of U.S. dollars (Note 4)			
		Notional amount			
As of March 31, 2016	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		$ 4,801	$—	$ 4,996	
Canadian dollars		6,132	—	6,354	
Euros		110,889	—	111,715	
Foreign exchange forward contracts accounted for allocation method:					Market prices
Sell:	Accounts receivable				
Australian dollars		1,926	—		
Canadian dollars		2,281	—		
Euros		20,962	—		
Total		$147,018	$—	$ —*1	

*1. The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.
*2. The estimated fair value is the fair value of the notional amount, and the net value in payable of assets and liabilities arising from derivatives was $1,234 thousand.

		Millions of yen			
		Notional amount			
As of March 31, 2015	Hedged items	Total	Over one year	Estimated fair value	Calculation of fair value
Foreign exchange forward contracts accounted for by benchmark method:					Prices provided by financial institution*2
Sell:	Accounts receivable				
Australian dollars		¥ 873	¥—	¥ 853	
Canadian dollars		1,159	—	1,142	
Euros		11,239	—	10,958	
Foreign exchange forward contracts accounted for allocation method:					Market prices
Sell:	Accounts receivable				
Australian dollars		161	—		
Canadian dollars		221	—		
Euros		2,339	—		
Total		¥15,995	¥—	¥ —*1	

*1. The estimated fair value is included in the fair value of accounts receivable, since the foreign exchange forward contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.
*2. The estimated fair value is the fair value of the notional amount, and the net value in receivable of assets and liabilities arising from derivatives was ¥317 million.

25 Retirement Benefits

(a) Outline of the Company's retirement benefit system

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

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

In certain cases, the Company pays employees who are retiring, etc., additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods based on retirement benefit accounting principles.

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

(b) Defined benefit pension plans

(1) Changes in the retirement benefit obligations for the years ended March 31, 2016 and 2015 (excluding plans that apply the simplified method)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Retirement benefit obligations at the beginning of year	**¥116,528**	¥116,180	**$1,034,150**
Service cost	**4,446**	4,306	**39,457**
Interest cost	**1,188**	1,487	**10,543**
Actuarial gain or loss	**7,656**	3,820	**67,945**
Retirement benefits paid	**(8,969)**	(9,457)	**(79,597)**
Other	**(299)**	190	**(2,654)**
Retirement benefit obligations at end of year	**¥120,551**	¥116,528	**$1,069,853**

(2) Changes in the plan assets for the years ended March 31, 2016 and 2015 (excluding plans that apply the simplified method)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Plan assets at the beginning of year	**¥86,450**	¥81,341	**$767,217**
Expected return on plan assets	**1,712**	1,605	**15,193**
Actuarial gain or loss	**(2,825)**	5,041	**(25,071)**
Contribution by the Yamaha Group	**5,660**	5,726	**50,231**
Retirement benefits paid	**(6,910)**	(7,390)	**(61,324)**
Other	**(93)**	125	**(825)**
Plan assets at end of year	**¥83,994**	¥86,450	**$745,421**

(3) Changes in net defined benefit liabilities for plans that apply the simplified method for the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Net defined benefit liabilities at the beginning of year	**¥1,560**	¥1,607	**$13,845**
Retirement benefit expenses	**219**	206	**1,944**
Retirement benefits paid	**(233)**	(127)	**(2,068)**
Contribution to plan	**(28)**	(96)	**(248)**
Other	**(56)**	(29)	**(497)**
Net defined benefit liabilities at end of year	**¥1,461**	¥1,560	**$12,966**

(4) Reconciliation between the funded status of the plans (retirement benefit obligations and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Retirement benefit obligations of funded plans	**¥118,863**	¥115,964	**$1,054,872**
Plan assets	**(84,657)**	(87,982)	**(751,305)**
	34,205	27,981	**303,559**
Retirement benefit obligations of unfunded plans	**3,812**	3,656	**33,830**
Net assets and liabilities recorded in the consolidated balance sheet	**38,017**	31,638	**337,389**
Net defined benefit liabilities	**38,024**	31,712	**337,451**
Net defined benefit assets	**(6)**	(74)	**(53)**
Net assets and liabilities recorded in the consolidated balance sheet	**¥ 38,017**	¥ 31,638	**$ 337,389**

Note: Including plans that apply the simplified method.

(5) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Service cost	**¥ 4,446**	¥ 4,306	**$ 39,457**
Interest cost	**1,188**	1,487	**10,543**
Expected return on plan assets	**(1,712)**	(1,605)	**(15,193)**
Amortization of actuarial gain or loss	**1,154**	1,287	**10,241**
Amortization of prior service cost	**(414)**	(438)	**(3,674)**
Retirement benefit expenses calculated by simplified method	**219**	206	**1,944**
Additional retirement benefit expenses temporarily paid	**—**	1	**—**
Other	**2**	3	**18**
Retirement benefit expenses for defined benefit pension plans	**¥ 4,884**	¥ 5,250	**$ 43,344**

Note: In the year ended March 31, 2015, other than the amount described above, the Company posted an extraordinary loss (business structural reform expenses) of ¥343 million on premium severance pay and other contribution items in connection with the transfer of the business of a semiconductor manufacturing subsidiary.

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before taxes)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Prior service cost	**¥ (412)**	¥ (438)	**$ (3,656)**
Actuarial gain or loss	**(9,274)**	2,495	**(82,304)**
Total	**¥(9,686)**	¥2,057	**$(85,960)**

(7) Accumulated adjustments of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Unrecognized prior service cost	**¥ (439)**	¥ (852)	**$ (3,896)**
Unrecognized actuarial gain or loss	**11,940**	2,666	**105,964**
Total	**¥11,500**	¥1,813	**$102,059**

(8) Items for plan assets

(i) Components of plan assets

Ratio of primary components of total plan assets

	2016	2015
Life insurance company general accounts	**58%**	57%
Stocks	**19%**	21%
Bonds	**19%**	18%
Cash and deposits	**2%**	2%
Other	**2%**	2%
Total	**100%**	100%

(ii) Determining expected long-term rate of return

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

(9) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations as of March 31, 2016 and 2015

	2016	2015
Discount rate	**0.3%**	0.9%
Expected long-term rate of return	**2.0%**	2.0%

(c) Defined contribution pension plans

Required contributions to defined contribution pension plans of consolidated subsidiaries totaled ¥723 million ($6,416 thousand) and ¥634 million in the years ended March 31, 2016 and 2015, respectively.

In addition, aside from the above required contributions, the Company also posted ¥58 million ($515 thousand) and ¥67 million of additional retirement benefit expenses in the years ended March 31, 2016 and 2015, respectively.

26 Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes, and enterprise tax which, in the aggregate, resulted in effective statutory tax rates of approximately 32.1% and 34.6% for the years ended March 31, 2016 and 2015, respectively. Income taxes of the overseas consolidated subsidiaries are, in general, based on the tax rates applicable in their respective countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Deferred tax assets:			
Write-downs of inventories	**¥ 1,727**	¥ 2,252	**$ 15,327**
Unrealized gain on inventories and property, plant and equipment	**2,041**	1,242	**18,113**
Allowance for doubtful accounts	**306**	308	**2,716**
Depreciation	**7,372**	8,065	**65,424**
Loss on impairment of fixed assets	**6,780**	7,933	**60,170**
Loss on valuation of investment securities	**2,006**	2,172	**17,803**
Accrued employees' bonuses	**2,383**	2,304	**21,148**
Provision for product warranties	**546**	572	**4,846**
Net defined benefit liabilities	**11,178**	9,657	**99,201**
Tax loss carryforwards	**7,232**	10,005	**64,182**
Other	**5,067**	5,328	**44,968**
Gross deferred tax assets	**46,642**	49,844	**413,933**
Valuation allowance	**(33,976)**	(38,883)	**(301,526)**
Total deferred tax assets	**¥ 12,666**	¥ 10,960	**$ 112,407**
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	**¥ (750)**	¥ (817)	**$ (6,656)**
Reserve for special account for acquisition of replacement property	**(2,204)**	—	**(19,560)**
Reserve for special depreciation	**(5)**	(28)	**(44)**
Unrealized holding gain on securities	**(22,855)**	(38,790)	**(202,831)**
Other	**(676)**	(810)	**(5,999)**
Total deferred tax liabilities	**(26,493)**	(40,446)	**(235,117)**
Net deferred tax liabilities	**¥(13,827)**	¥(29,485)	**$(122,710)**

A reconciliation between the effective statutory tax rate and the effective tax rate for the years ended March 31, 2016 and 2015 is as follows:

	2016	2015
Effective statutory tax rate	**32.1%**	34.6%
Adjustments:		
Differences in tax rates of overseas consolidated subsidiaries	**(2.7)**	(5.2)
Non-temporary differences not deductible for tax purposes	**(0.5)**	(0.9)
Per capita inhabitants' taxes	**0.5**	0.7
Allowances for changes in valuation	**(15.9)**	(25.6)
Amortization of goodwill	**7.4**	3.5
Other	**0.5**	4.9
Effective tax rate after adjustments for tax-effect accounting	**21.4%**	12.0%

Accompanying the approval on March 29, 2016, of the "Act to Partially Revise the Income Tax Act and Others" (Act No.15 of 2016) and the "Act to Partially Revise the Local Tax Act and Others"(Act No.13 of 2016) , the effective statutory tax rates applicable to the calculation of consolidated deferred tax assets and tax liabilities (applicable only to such assets and liabilities that will expire on and after April 1, 2016) that were used were 32.11% for recoveries and payments that are expected from April 1, 2015 to March 31, 2016, and 31.33% for those expected on April 1, 2016 and later. For recoveries and payments that are expected from April 1, 2016 through March 31, 2018, the tax rate has been changed to 30.21%, and then to 29.99% for recoveries and payments expected from April 1, 2018.

As a result of this change, the net value of the Group's deferred tax liabilities (after the deduction of the amount of deferred tax assets) decreased ¥1,170 million ($10,383 thousand), and income taxes–deferred, unrealized holding gain on securities, and revaluation reserve for land increased ¥289 million ($2,565 thousand), ¥1,021 million ($9,061 thousand), and ¥441 million ($3,914 thousand), respectively, while unrealized gain (loss) from hedging instruments decreased ¥2 million ($18 thousand) as of and for the year ended March 31, 2016.

27 Segment Information

For the years ended March 31, 2016 and 2015

(a) Summary of reporting segments

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

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

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

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

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

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

Intersegment sales and transfers are based on prevailing market prices.

(c) Information by product and service

As of March 31, 2016	Millions of yen: Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments and elimination	Consolidated
Sales:							
Sales to external customers	¥278,872	¥119,378	¥13,068	¥ 24,156	¥435,477	¥ —	¥435,477
Intersegment sales or transfers			544		544	(544)	
Total	278,872	119,378	13,613	24,156	436,021	(544)	435,477
Segment income	¥ 31,530	¥ 8,693	¥ 107	¥ 332	¥ 40,663	¥ —	¥ 40,663
Segment assets	¥272,690	¥ 81,052	¥10,292	¥105,710	¥469,745	¥ —	¥469,745
Other items:							
Depreciation and amortization	¥ 8,390	¥ 3,075	¥ 464	¥ 750	¥ 12,681	¥ —	¥ 12,681
Loss on impairment of fixed assets	¥ 882	¥ —	¥ —	¥ —	¥ 882	¥ —	¥ 882
Increase in property, plant and equipment and intangible assets	¥ 6,778	¥ 3,145	¥ 617	¥ 801	¥ 11,341	¥ —	¥ 11,341

As of March 31, 2016	Thousands of U.S. dollars (Note 4): Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments and elimination	Consolidated
Sales:							
Sales to external customers	$2,474,902	$1,059,443	$115,974	$214,377	$3,864,723	$ —	$3,864,723
Intersegment sales or transfers			4,828		4,828	(4,828)	
Total	2,474,902	1,059,443	120,811	214,377	3,869,551	(4,828)	3,864,723
Segment income	$ 279,819	$ 77,148	$ 950	$ 2,946	$ 360,871	$ —	$ 360,871
Segment assets	$2,420,039	$ 719,311	$ 91,338	$938,143	$4,168,841	$ —	$4,168,841
Other items:							
Depreciation and amortization	$ 74,459	$ 27,290	$ 4,118	$ 6,656	$ 112,540	$ —	$ 112,540
Loss on impairment of fixed assets	$ 7,827	$ —	$ —	$ —	$ 7,827	$ —	$ 7,827
Increase in property, plant and equipment and intangible assets	$ 60,153	$ 27,911	$ 5,476	$ 7,109	$ 100,648	$ —	$ 100,648

Notes: 1. The item “Adjustments and elimination” for the year ended March 31, 2016 contains the following:
The sales adjustment item of ¥(544) million ($(4,828) thousand) comprises eliminations of transactions among the Company’s business segments.
2. “Segment income” for the year ended March 31, 2016 means the operating income of the segment as presented in the Consolidated Statement of Operations.
3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheet) were ¥79,827 million ($708,440 thousand).

As of March 31, 2015	Millions of yen: Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments and elimination	Consolidated
Sales:							
Sales to external customers	¥281,667	¥112,839	¥13,435	¥ 24,235	¥432,177	¥ —	¥432,177
Intersegment sales or transfers			526		526	(526)	
Total	281,667	112,839	13,962	24,235	432,704	(526)	432,177
Segment income (loss)	¥ 25,064	¥ 6,133	¥ (1,446)	¥ 384	¥ 30,135	¥ —	¥ 30,135
Segment assets	¥277,916	¥ 87,642	¥14,839	¥149,635	¥530,034	¥ —	¥530,034
Other items:							
Depreciation and amortization	¥ 8,238	¥ 2,857	¥ 706	¥ 795	¥ 12,597	¥ —	¥ 12,597
Loss on impairment of fixed assets	¥ 861	¥ —	¥ —	¥ —	¥ 861	¥ —	¥ 861
Increase in property, plant and equipment and intangible assets	¥ 9,581	¥ 2,880	¥ 639	¥ 832	¥ 13,932	¥ —	¥ 13,932

Notes: 1. The item “Adjustments and elimination” for the year ended March 31, 2015 contains the following:
The sales adjustment item of ¥(526) million comprises eliminations of transactions among the Company’s business segments.
2. “Segment income (loss)” for the year ended March 31, 2015 means the operating income of the segment as presented in the Consolidated Statement of Operations.
3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheet) were ¥123,749 million.

(d) Information by geographical segment

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

	Millions of yen					
		Overseas				
Year ended March 31, 2016	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Consolidated
Net sales	**¥145,033**	**¥88,234**	**¥82,205**	**¥120,003**	**¥290,443**	**¥435,477**
Sales as a percentage of consolidated net sales	**33.3%**	**20.3%**	**18.9%**	**27.5%**	**66.7%**	**100.0%**

	Thousands of U.S. dollars (Note 4)					
		Overseas				
Year ended March 31, 2016	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Consolidated
Net sales	**$1,287,123**	**$783,049**	**$729,544**	**$1,064,989**	**$2,577,591**	**$3,864,723**
Sales as a percentage of consolidated net sales	**33.3%**	**20.3%**	**18.9%**	**27.5%**	**66.7%**	**100.0%**

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

	Millions of yen					
		Overseas				
Year ended March 31, 2015	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Consolidated
Net sales	¥160,374	¥79,747	¥80,277	¥111,778	¥271,803	¥432,177
Sales as a percentage of consolidated net sales	37.1%	18.4%	18.6%	25.9%	62.9%	100.0%

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

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

Year ended March 31, 2016	Millions of yen Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales:							
Sales to external customers	**¥154,957**	**¥93,577**	**¥82,685**	**¥104,256**	**¥435,477**	**¥ —**	**¥435,477**
Intersegment sales or transfers	**170,025**	**3,566**	**2,332**	**101,290**	**277,215**	**(277,215)**	**—**
Total	**324,983**	**97,143**	**85,017**	**205,547**	**712,692**	**(277,215)**	**435,477**
Segment income	**¥ 20,396**	**¥ 2,161**	**¥ 4,424**	**¥ 14,193**	**¥ 41,175**	**¥ (512)**	**¥ 40,663**
Total assets	**¥303,374**	**¥42,482**	**¥39,890**	**¥112,469**	**¥498,217**	**¥ (28,472)**	**¥469,745**
Property, plant and equipment	**¥ 75,155**	**¥ 1,608**	**¥ 3,303**	**¥ 24,215**	**¥104,280**	**¥ —**	**¥104,280**

Year ended March 31, 2016	Thousands of U.S. dollars (Note 4) Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales:							
Sales to external customers	**$1,375,195**	**$830,467**	**$733,804**	**$ 925,240**	**$3,864,723**	**$ —**	**$3,864,723**
Intersegment sales or transfers	**1,508,919**	**31,647**	**20,696**	**898,917**	**2,460,197**	**(2,460,197)**	**—**
Total	**2,884,123**	**862,114**	**754,499**	**1,824,166**	**6,324,920**	**(2,460,197)**	**3,864,723**
Segment income	**$ 181,008**	**$ 19,178**	**$ 39,262**	**$ 125,958**	**$ 365,415**	**$ (4,544)**	**$ 360,871**
Total assets	**$2,692,350**	**$377,015**	**$354,011**	**$ 998,127**	**$4,421,521**	**$ (252,680)**	**$4,168,841**
Property, plant and equipment	**$ 666,977**	**$ 14,271**	**$ 29,313**	**$ 214,901**	**$ 925,453**	**$ —**	**$ 925,453**

Notes: 1. Sales information is based on Group locations where sales take place, and is classified by country or region.
2. Main country and regional divisions other than Japan:
This classification is the same as "Sales information based on the geographical location of the customers."
3. The item "Adjustments" contains the following:
The sales adjustment item of ¥(277,215) million ($(2,460,197) thousand) comprises eliminations of transactions among the Company's business segments.
4. Consolidated segment income corresponds to operating income presented in the consolidated statement of operations.

Year ended March 31, 2015	Millions of yen Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales:							
Sales to external customers	¥171,882	¥85,517	¥78,516	¥ 96,261	¥432,177	¥ —	¥432,177
Intersegment sales or transfers	155,004	1,385	2,342	91,295	250,027	(250,027)	—
Total	326,887	86,903	80,858	187,556	682,205	(250,027)	432,177
Segment income (loss)	¥ 15,439	¥ (309)	¥ 3,581	¥ 11,997	¥ 30,708	¥ (572)	¥ 30,135
Total assets	¥350,928	¥52,277	¥38,794	¥115,825	¥557,825	¥ (27,790)	¥530,034
Property, plant and equipment	¥ 81,473	¥ 1,508	¥ 3,433	¥ 26,745	¥113,158	¥ —	¥113,158

Notes: 1. Sales information is based on Group locations where sales take place, and is classified by country or region.
2. Main country and regional divisions other than Japan:
This classification is the same as "Sales information based on the geographical location of the customers."
3. The item "Adjustments" contains the following:
The sales adjustment item of ¥(250,027) million comprises eliminations of transactions among the Company's business segments.
4. Consolidated segment income corresponds to operating income presented in the consolidated statement of operations.

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

For the year ended March 31, 2016

	Millions of yen				
	Musical instruments	Audio equipment	Electronic devices	Others	Total
Amounts amortized in the year ended	**¥5,651**	**¥3,901**	**¥—**	**¥—**	**¥9,553**
Balance as of March 31, 2016	**¥ 113**	**¥2,342**	**¥—**	**¥—**	**¥2,456**

	Thousands of U.S. dollars (Note 4)				
	Musical instruments	Audio equipment	Electronic devices	Others	Total
Amounts amortized in the year ended	**$50,151**	**$34,620**	**$—**	**$—**	**$84,780**
Balance as of March 31, 2016	**$ 1,003**	**$20,785**	**$—**	**$—**	**$21,796**

For the year ended March 31, 2015

	Millions of yen				
	Musical instruments	Audio equipment	Electronic devices	Others	Total
Amounts amortized in the year ended	¥1,452	¥1,460	¥—	¥—	¥ 2,913
Balance as of March 31, 2015	¥5,779	¥6,400	¥—	¥—	¥12,179

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

None

28 Amounts per Share

Years ended March 31	Yen 2016	Yen 2015	U.S. dollars (Note 4) 2016
Net income per share:			
Basic	**¥168.90**	¥128.75	**$1.50**

As of March 31	Yen 2016	Yen 2015	U.S. dollars (Note 4) 2016
Net assets per share	**¥1,601.55**	¥1,787.42	**$14.21**

Basic net income per share is computed based on the net income and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share for the years ended March 31, 2016 and 2015 has not been presented because there were no potentially dilutive securities at March 31, 2016 and 2015.

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

The basic net income per share is calculated as follows:

Years ended March 31	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 4) 2016
Basic net income per share:			
Net income	**¥32,633**	¥24,929	**$289,608**
Amounts not attributable to shareholders of common stock	**—**	—	**—**
Net income attributable to shareholders of common stock	**32,633**	24,929	**289,608**
Weighted-average number of shares outstanding (shares)	**193,210,820**	193,625,357	**—**

29 Short-Term Loans Payable and Long-Term Debt

Short-term and long-term loans payable, lease obligations, and guarantee deposits as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Short-term loans payable	**¥8,409**	¥11,748	**$74,627**
Current portion of long-term loans payable	**30**	28	**266**
Current portion of lease obligations	**27**	64	**240**
Long-term loans payable	**71**	92	**630**
Lease obligations	**328**	332	**2,911**
Guarantee deposits	**48**	48	**426**
Total	**¥8,915**	¥12,313	**$79,118**

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2016 were as follows:

	2016
Short-term loans payable	**1.3%**
Current portion of long-term loans payable	**1.9%**
Long-term loans payable	**1.8%**
Guarantee deposits	**1.2%**

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

The assets pledged as collateral for long-term loans payable and certain other current liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Property, plant and equipment, net of accumulated depreciation	**¥—**	¥13	**$—**

The above assets were pledged as collateral for "Long-term loans payable" of ¥14 million at March 31, 2015.

30 Related Party Transactions

None

31 Subsequent Events

None

Independent Auditor's Report

Ernst & Young ShinNihon LLC

Building a better working world

Independent Auditor's Report

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 23, 2016
Hamamatsu, Japan

About Yamaha

Investor Information (As of March 31, 2016)

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

Date of Establishment
October 12, 1897

Stated Capital
¥28,534 million

Number of Employees (Consolidated)
20,348 (Excludes average number of temporary employees: 7,990)

Number of Consolidated Subsidiaries
67

Account Settlement Date
March 31

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

Number of Shares of Common Stock
Authorized: 700,000,000
Issued: 197,255,025 (includes treasury stock of 8,971,933)

Stock Exchange Listing
Tokyo
First Section, Code No. 7951

Administrator of Shareholders' Registry
The Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Department
3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan

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

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

Ordinary General Shareholders' Meeting
June

Accounting Auditor
Ernst & Young ShinNihon LLC

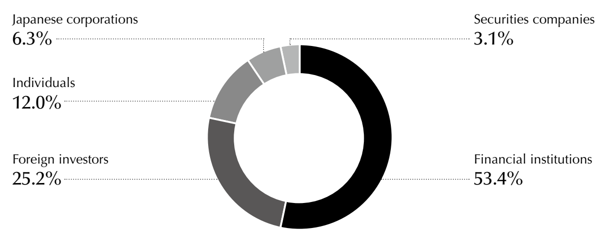
Number of Shareholders
18,306

Shareholder Composition

	Number of shareholders	Number of shares (Thousands of shares)
Individuals	17,504	23,678
Financial institutions	66	105,366
Japanese corporations	204	12,450
Foreign investors	499	49,662
Securities companies	33	6,097

Note: The figure for individuals includes treasury stock.

Shareholder Composition (Number of shares)



Main Shareholders

	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust a/c)	10.65%
Japan Trustee Services Bank, Ltd. (trust a/c)	8.80%
Yamaha Motor Co., Ltd.	5.48%
Mizuho Bank, Ltd.	4.54%
The Shizuoka Bank, Ltd.	4.43%
Mitsui Sumitomo Insurance Co., Ltd.	4.25%
Sumitomo Life Insurance Company	3.88%
Nippon Life Insurance Company	2.66%
State Street Bank and Trust Company 505223	1.84%
Trust & Custody Services Bank, Ltd. (securities investment trust a/c)	1.74%

Note: The shareholding ratio is calculated by excluding treasury stock amounting to 8,971,933 shares from total outstanding shares.

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

Our History

The Yamaha Group is steadily expanding its business operations guided by its corporate philosophy which continues to be upheld to this day. Drawing upon the accumulated unique Yamaha qualities that Yamaha has cultivated in its more than 125-year history, Yamaha will continue to create products and services that contribute to the development of musical culture and the enrichment of society. In this way, Yamaha will continue on its path for growth.

Before the 1930s

1887 Company founder Torakusu Yamaha repairs elementary school's reed organ and successfully builds his first reed organ

1889 Establishes Yamaha Fukin Seizoujo (currently Yamaha Corporation)

1890 Establishes organ factory at its headquarters

1897 Establishes Nippon Gakki Co., Ltd. (currently Yamaha Corporation)

1900 Begins production of upright pianos

1939 Creates Guiding Principles of Yamaha

POINT 1

1940 to 1980s

1949 Lists on Tokyo Stock Exchange

1954 Establishes Yamaha Music School and holds pilot classes

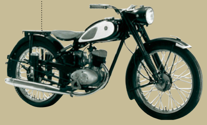
POINT 2

Produces its first audio product (HiFi player)

POINT 3

Begins production of motorcycles

1955 Establishes Yamaha Motor Co., Ltd. (splits off motorcycle division)



1958 Begins production of sports equipment (fiber-reinforced plastics [FRP] archery products)

Establishes first overseas subsidiary, Yamaha de México S.A. in Mexico

POINT 4

1959 Begins production of electronic organs (Electone™)

1960 Establishes subsidiary in United States, Yamaha International Corporation (currently Yamaha Corporation of America)

1962 Begins recreation business

POINT 1 Inheriting the spirit of Yamaha

The Guiding Principles of Yamaha set out the Company's expectations for how each employee should act. Today, the original spirit of Yamaha still remains, embodied in the values upheld by its employees, such as kindness and sincerity, perseverance, continuous improvement, and a commitment to contribute to society.

POINT 2 Working to expand the population of music players

Yamaha decided its mission was not only to sell musical instruments but also to bring the joy of playing music to as many people as possible. Accordingly, Yamaha took initiatives to expand the population of music players.

POINT 3 Developing businesses born from a passion for creating sound

By drawing on accumulated technologies and sensitivities associated with the playing of musical instruments, the Company developed the Yamaha HiFi player. Its manufacture led to the production of various other products, including pre-main amplifiers and speakers.

1990 to 2016

1965 Begins production of wind instruments

1966 Establishes Yamaha Music Foundation (becomes general incorporated foundation in 2011)

- Expands into Europe with founding of Yamaha Europa GmbH in former West Germany

1968 Issues shares at market price (the first such issuance in Japan)

1971 Begins production of semiconductors

POINT 5

1980 Establishes Yamaha Piano Technical Academy, a piano tuner training school

1987 Changes corporate name from Nippon Gakki Co., Ltd. to Yamaha Corporation to mark 100th year in business

- Opens Yamaha English language school

1989 Establishes subsidiary in China, Tianjin Yamaha Electronic Musical Instruments, Inc., for manufacture and sale of digital musical instruments

1993 Begins sales of SILENT Piano™

POINT 6

2002 Establishes Yamaha Music & Electronics (China) Co., Ltd.

- Establishes Yamaha Music Holding Europe GmbH in Germany (currently Yamaha Music Europe GmbH)

2003 Establishes a Level 1 American Depositary Receipt (ADR) program

2005 Acquires German audio software house Steinberg Media Technologies GmbH

2007 Establishes music entertainment business holding company Yamaha Music Entertainment Holdings, Inc.

2008 Acquires Austrian piano manufacturer L. Bösendorfer Klavierfabrik GmbH

- Acquires French loudspeaker manufacturer NEXO S.A.

2010 Completes integration of Japanese piano factories into Kakegawa plant

2012 Completes integration of Japanese wind instrument factories into Toyooka plant

- Celebrates 125th year in business

2014 Acquires U.S. musical instrument and audio equipment manufacturer Line 6, Inc.

- Acquires U.S. provider of wireless audio solutions Revolabs, Inc.

LINE 6

revolabs

POINT 4 Expanding overseas

Since the establishment of its first overseas subsidiary in Mexico, Yamaha has expanded into the United States, Europe, and the rest of Asia. By pursuing business activities that are attuned to each location, Yamaha successfully made its way into new markets.

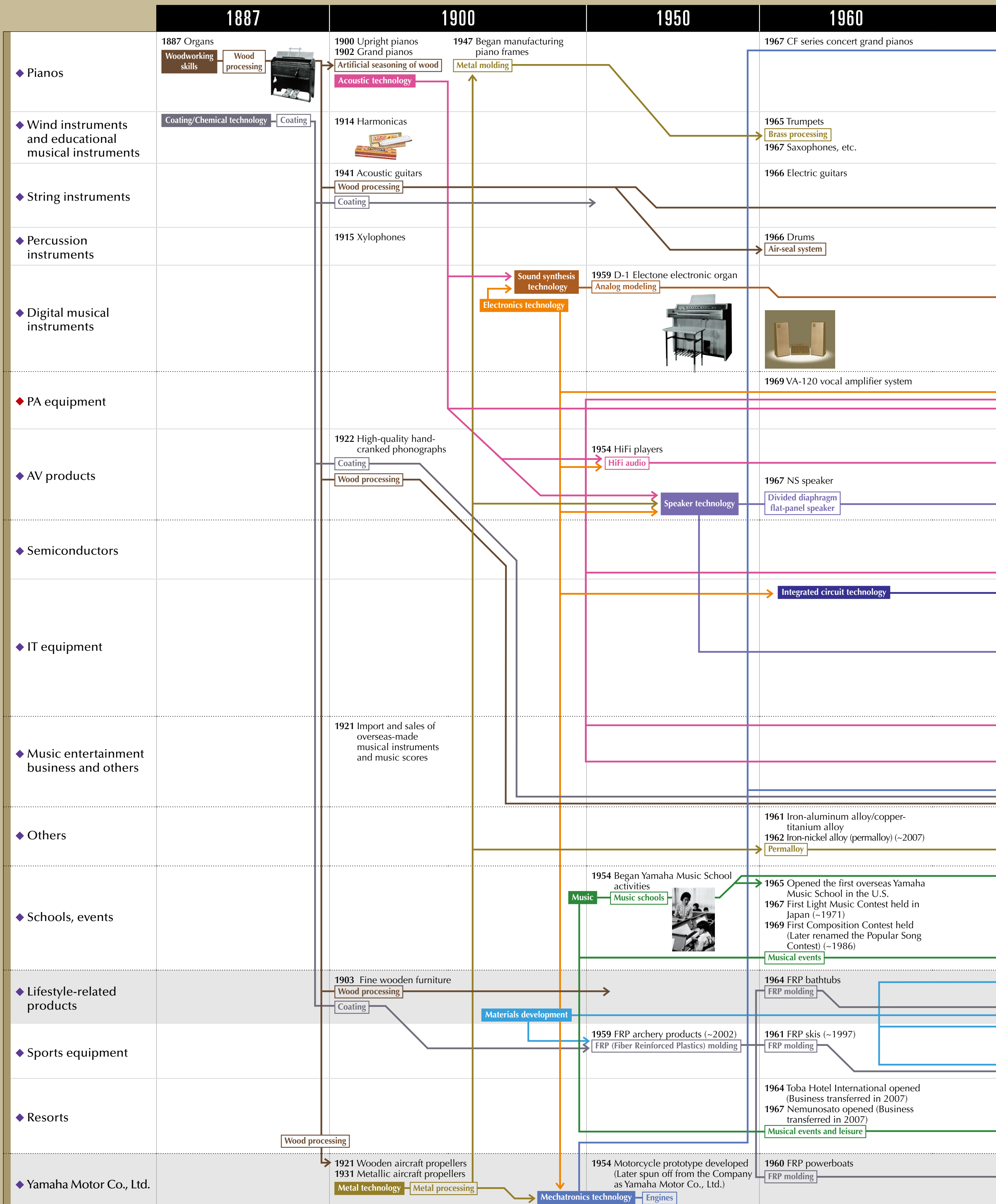
POINT 5 Improving the sound quality of electronic musical instruments

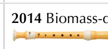
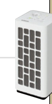
To improve the sound quality of its electronic musical instruments, Yamaha decided to develop its own large-scale integrated (LSI) circuits instead of relying on outsourced circuits from semiconductor manufacturers. In 1971, Yamaha completed the construction of its then cutting-edge integrated circuit (IC) plant in Toyooka.

POINT 6 Melding acoustic and digital technologies

With the launch of its SILENT Piano in 1993, Yamaha developed numerous musical instruments in the SILENT™ series as well as its range of hybrid pianos, skillfully melding the traditional technologies of acoustic musical instrument creation with digital audio technology.

Yamaha Product History

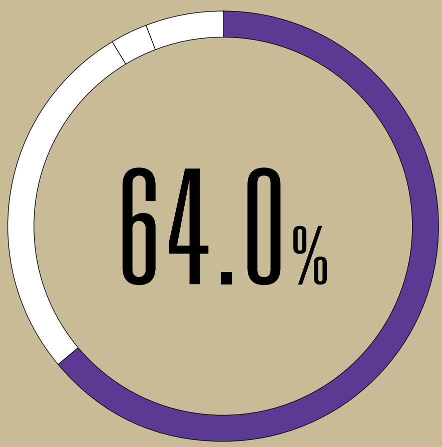


1970	1980	1990	2000	2010
	1982 Disklavier player piano Player piano technology	1991 CFeS concert grand piano 1993 SILENT Piano Silencing technology 1995 SILENT Disklavier player piano 1995 GranTouch hybrid piano Hybrid piano technology		2010 CFX concert grand piano  2014 TransAcoustic Piano
1973 Pianica		1990 Xeno brass instrument series 1995 SILENT BRASS system (pickup mute) Silencing technology		2014 Biomass-derived recorder  
	1983 Electric acoustic guitars	1997 SILENT Violin 	 2000 Braviol acoustic violin 2001 SILENT Guitar 2008 L36ARE and L26ARE acoustic guitars Wood modification technology	2011 THR guitar amplifier VCM technology 2016 YEV series electric violin 
	1986 PMC1 electronic drums	1996 SILENT Session Drums		2010 DTX900 series electronic drums  Textured cellular silicon drum pad
1974 CSY-1 synthesizer 1975 GX-1 Electone electronic organ Polyphonic synthesis  Digital technology	1980 Portable keyboards  1983 DX7 digital synthesizer FM synthesis 1983 Clavinova digital piano 1987 WX7 wind MIDI controller 	1993 VL series virtual acoustic synthesizers  Physical modeling synthesis	PCM synthesis 2001 MOTIF music production synthesizer 2002 EZ-EG EZ guitar (self-teaching guitar) 2004 STAGEA Electone electronic organ 2006 H01 MODUS digital piano 2008 TENORI-ON digital musical instrument 2009 AvantGrand hybrid piano 2009 CP1 stage piano  VACM synthesis	2015 reface mobile mini keyboard  2016 Montage synthesizer Motion Control synthesis engine 
1974 PM-1000 mixing console Analog mixers 1974 B-1 power amplifier  Power-FET 1974 NS-1000M speaker with a beryllium diaphragm Speaker with a beryllium diaphragm 1975 Headphones	1985 SPX90 digital multi-effects processor Digital effect 1982 CD-1 CD player  1986 DSP-1 digital sound field processor DSP 1988 AST-1 speaker incorporated Yamaha Active Servo Technology (YST) YST	1994 ProMix 01 digital mixing console Digital mixers 1995 Theater sound system Theater surround	2000 AW4416 digital audio workstation Audio workstations 2001 PM1D digital audio mixing system 2008 POCKETRAK CX pocket recorder 2004 YSP-1 Digital Sound Projector Sound beam control speaker  2006 NX-A01 SR-Bass Speaker  SR-Bass	2012 CL Series digital mixing console Centralogic VCM technology 2014 Rivage digital mixing system Hybrid microphone preamplifier 2010 AVENTAGE AV receiver CINEMA DSP HD3  2010 Earphones 2011 Interior audio 2015 MusicCast wireless music system 2016 NS-5000 speaker
1972 Sound generator LSIs for the Electone electronic organ LSI for musical instruments	1983 FM synthesizer LSIs 1983 Graphics controller LSIs LSI for PC/video games	1999 Sound generator LSIs for mobile phones LSI for mobile phones	2002 LSIs for digital amplifiers LSI for digital amplifiers 2005 Magnetic sensor GMR technology	
Information processing technology Signal processing technology	Computers 1983 MSX personal computers	1993 CD recorders (~2003) 1993 Online karaoke equipment Online karaoke equipment 1995 Remote routers Routers	2006 Audio conference system Audio conference Psychoacoustic technology Online services	2011 VSP-1 speech privacy system Sound masking 2011 Thin light flexible speaker Electrostatic speakers  2011 Smart L2 switches 2012 INFOSOUND acoustic data communications technology Acoustic communications technology 2013 Wireless LAN access points 2014 Unified communications microphone & speaker system
Architectural acoustics 1974 Computer-generated architectural acoustic simulation	1986 SRS (Sound Room System) music room for home use 1989 AVITECS soundproof room Soundproof room		2000 Mobile phone ringtone distribution service 2000 Digital sheet music distribution service DTM 2003 VOCALOID singing synthesis software Singing synthesis technology 2009 BODiBEAT interactive music player	2010 TCH Acoustic conditioning panel Sound field control  2010 iVOCALOID (VOCALOID for iPhone and iPad)
	1984 Industrial robots Robots 1989 Automobile interior wood components Automobile interior wood components	1991 Thin-film magnetic heads (~2000) Thin-film deposition 1997 Magnesium cases (~2010) Magnesium molding		
1972 Sponsored the first Junior Original Concert (JOC)	1986 Began Popular Music School 1987 Began English language schools English language schools 1987 First Teens' Music Festival (~2006) Musical events		2003 Musical instrument rental service Musical instrument rental service 2005 Opened Yamaha Music School in China 2006 Started online music lessons service Online lessons 2007 First Music Revolution contest held Musical events	
1975 Unit furniture (~2005) 1976 System kitchens 1977 New artificial marble countertops Artificial marble	1982 System bathrooms Titanium casting		2002 System kitchens with artificial marble sinks Marble sinks	*Lifestyle-related products business transferred in 2010*
1973 Tennis rackets (~1997)	1982 Golf clubs 1986 Acuras series carbon composite golf club Carbon composite		2002 inpres golf club 2005 inpresX golf club	2014 RMX golf club 
1974 Tsumagoi opened 1976 Katsuragi Golf Club opened 1978 Katsuragi Kitanomaru opened 1979 Haimurubushi opened (Business transferred in 2007) Musical events and leisure		1991 Kiroro opened (Business transferred in 2007)		
1974 FRP pools FRP molding				

Our Business

Musical Instruments

Segment Sales Proportion



Sales

¥278.9billion

Operating Income

¥31.5billion

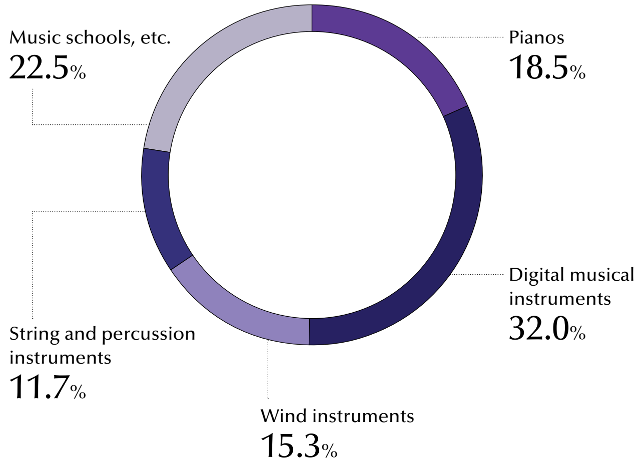
Major Products & Services

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

Business Strengths

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

Sales Proportion by Product Category




Grand piano


Music school


Digital piano

Trumpet


Acoustic guitar

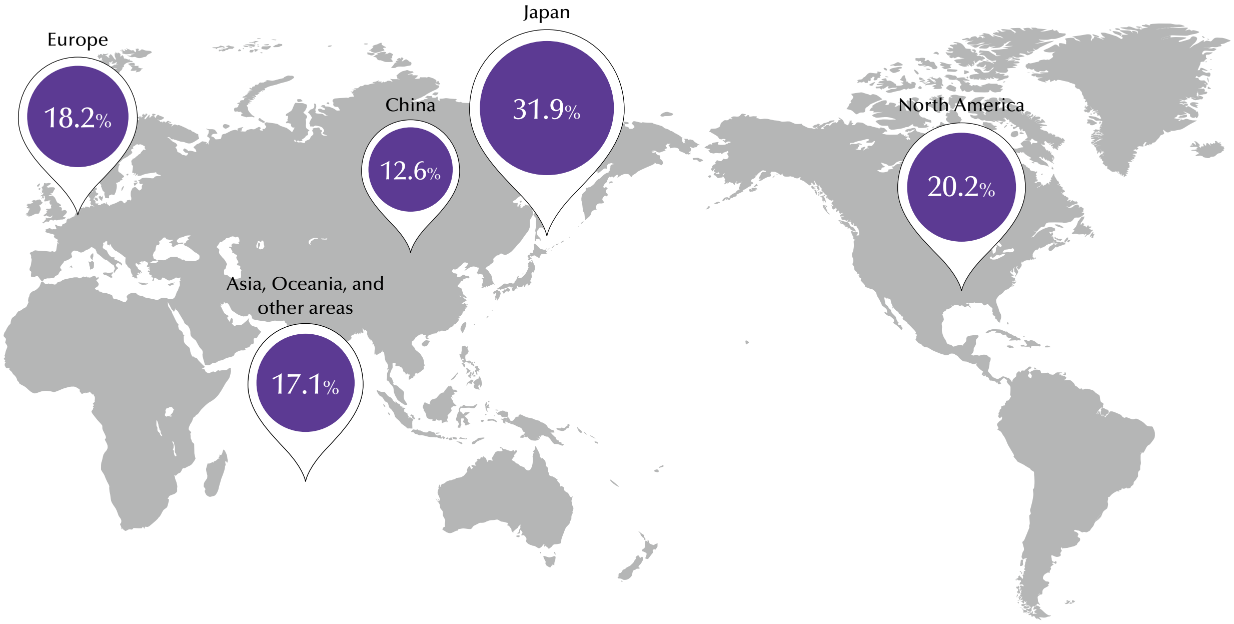

Portable keyboard


Saxophone


Acoustic drums


Electric violin

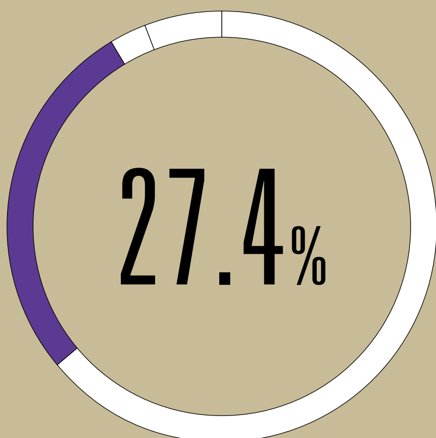
Sales Proportion by Region



Our Business

Audio Equipment

Segment Sales Proportion



Sales

¥119.4 billion

Operating Income

¥8.7 billion

Major Products & Services

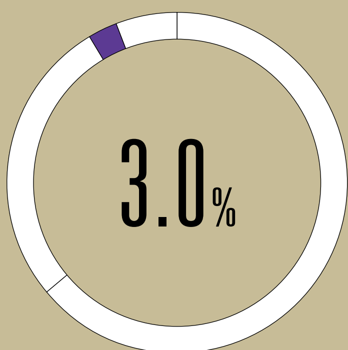
- Audio products (AV receivers, speaker systems, front surround speakers, desktop audio systems, etc.)
- PA equipment (mixers, power amplifiers, etc.)
- Commercial online karaoke equipment
- Enterprise network equipment (routers, switches, wireless LAN access points)
- Telecommunications peripheral devices

Business Strengths

- High-quality sound technology in AV components and HiFi audio products
- Audio network technology such as MusicCast™ in a wide variety of home audio products
- Provision of system solutions using digital network technology for professional audio equipment
- Internet VPN and backup solutions for the enterprise by VPN router and visualization solutions for small and medium-scale LAN by the switch and AP
- Signal processing technology for high-quality sound and wide coverage of microphone speakers for Web conferencing

Electronic Devices

Segment Sales Proportion



Sales

¥13.1 billion

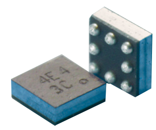
Operating Income

¥0.1 billion

Major Products & Services

Semiconductors

Graphic controller for amusement equipment



Electric compass

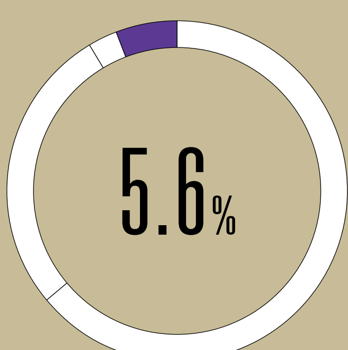
Woofer speaker for laptop computer

Business Strengths

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

Others

Segment Sales Proportion



Sales

¥24.2 billion

Operating Income

¥0.3 billion

Major Products & Services

Golf products

Automobile interior wood components

Factory automation (FA) equipment

Resort facilities (Tsumagoi™, Katsuragi Kitanomaru™, Katsuragi Golf Club™)

Golf product

Automobile interior wood components

FA equipment

Resort facility

Main Networks (As of July 1, 2016)

Overseas Network

Company name	Location
1 Yamaha Corporation of America	California, U.S.A.
2 Yamaha Music InterActive, Inc.	California, U.S.A.
3 YMH Digital Music Publishing, LLC*1	California, U.S.A.
4 Line 6, Inc.	California, U.S.A.
5 Revolabs, Inc.	Massachusetts, U.S.A.
6 Yamaha Artist Services, Inc.	New York, U.S.A.
7 Yamaha Canada Music Ltd.	Toronto, Canada
8 Yamaha de México, S.A. de C.V.	Mexico City, Mexico
9 Yamaha Music Latin America, S.A.	Panama City, Panama
10 Branch in Argentina	Buenos Aires, Argentina
11 Yamaha Musical do Brasil Ltda.	São Paulo, Brazil
12 Yamaha Music Europe GmbH	Rellingen, Germany
13 Branch in France	Croissy-Beaubourg, France
14 Branch in Italy	Milan, Italy
15 Branch in Ibérica	Madrid, Spain
16 Branch in the U.K.	Milton Keynes, U.K.
17 Branch in Scandinavia	Gothenburg, Sweden
18 Branch in Switzerland	Thalwil, Switzerland
19 Branch in Austria	Vienna, Austria
20 Branch in Benelux	Vianen, Netherlands
21 Branch in Poland	Warsaw, Poland
22 Branch in Turkey	Istanbul, Turkey
23 Steinberg Media Technologies GmbH	Hamburg, Germany
24 Nexo S.A.	Plailly, France
25 L. Bösendorfer Klavierfabrik GmbH	Wiener Neustadt, Austria

Company name	Location
26 Yamaha Music & Electronics Taiwan Co., Ltd.	Taipei, Taiwan
27 Yamaha Music & Electronics (China) Co., Ltd.	Shanghai, China
28 Yamaha Music Technical (Shanghai) Co., Ltd.	Shanghai, China
29 Yamaha Trading (Shanghai) Co., Ltd.	Shanghai, China
30 Yamaha Electronics (Suzhou) Co., Ltd.	Suzhou, China
31 Xiaoshan Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
32 Hangzhou Yamaha Musical Instruments Co., Ltd.	Hangzhou, China
33 Tianjin Yamaha Electronic Musical Instruments, Inc.	Tianjin, China
34 Shenzhen Yamaha Music & Electronics Trading Co., Ltd.*2	Shenzhen, China
35 Yamaha Music Korea Ltd.	Seoul, South Korea
36 Yamaha Music (Asia) Private Limited	Singapore
37 Yamaha Music (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia
38 Yamaha Electronics Manufacturing (M) Sdn. Bhd.	Chemor, Malaysia
39 PT. Yamaha Indonesia	East Jakarta, Indonesia
40 PT. Yamaha Music Manufacturing Indonesia	East Jakarta, Indonesia
41 PT. Yamaha Musik Indonesia (Distributor)	Central Jakarta, Indonesia
42 PT. Yamaha Music Manufacturing Asia	Bekasi, Indonesia
43 PT. Yamaha Musical Products Indonesia	Pasuruan, Indonesia
44 PT. Yamaha Electronics Manufacturing Indonesia	Pasuruan, Indonesia
45 Siam Music Yamaha Co., Ltd.*2	Bangkok, Thailand
46 Yamaha Music Vietnam Company Limited	Ho Chi Minh City, Vietnam
47 Yamaha Music India Pvt. Ltd.	Gurgaon, India
48 Yamaha Music Gulf FZE	Dubai, U.A.E.
49 Yamaha Music (Russia) LLC.	Moscow, Russia
50 Yamaha Music Australia Pty. Ltd.	Melbourne, Australia

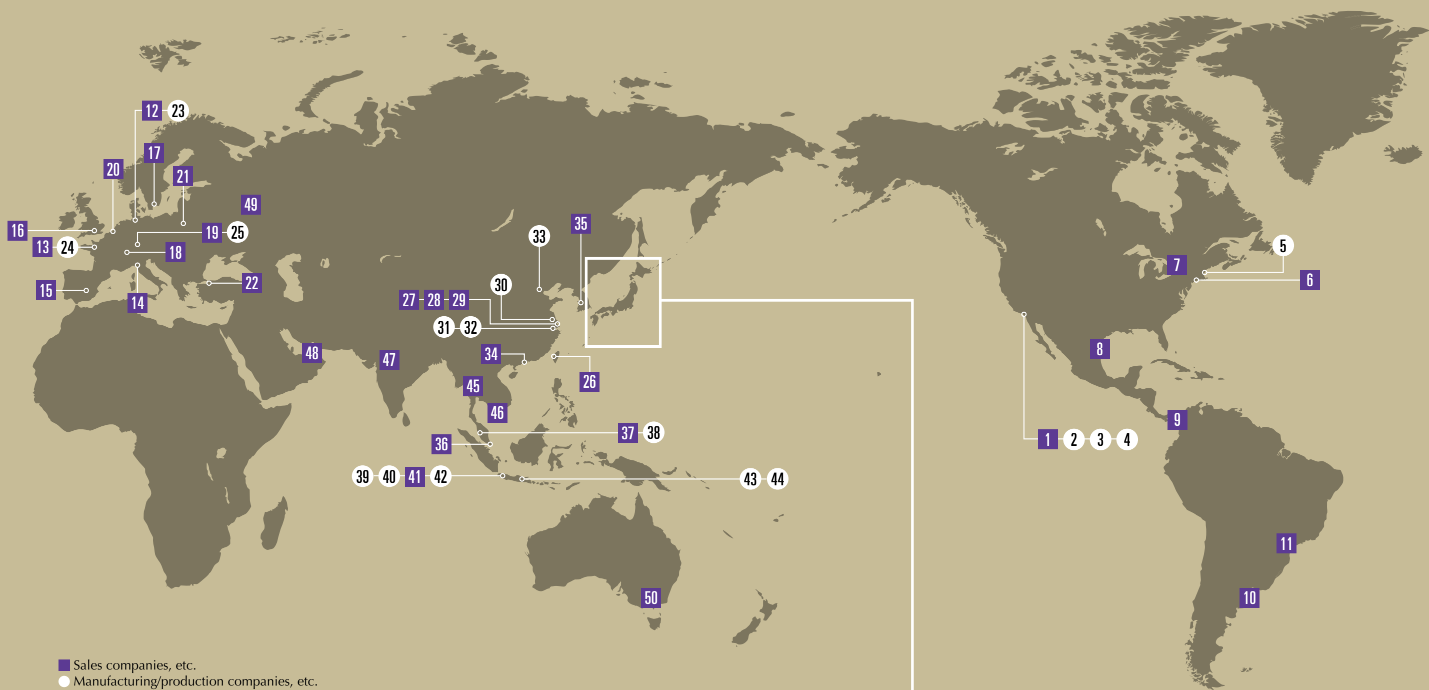
Domestic Network

Company name	Location
1 Kitami Mokuzai Co., Ltd.	Mombetsu-gun, Hokkaido, Japan
2 Sakuraba Mokuzai Co., Ltd.	Kitaakita, Akita, Japan
3 Yamaha Music Japan Co., Ltd.	Minato, Tokyo, Japan
4 Yamaha Music Retailing Co., Ltd.	Minato, Tokyo, Japan
5 Yamaha Sound Systems Inc.	Chuo, Tokyo, Japan
6 Yamaha Music Entertainment Holdings, Inc.	Shibuya, Tokyo, Japan
7 Yamaha Music Communications Co., Ltd.	Shibuya, Tokyo, Japan
8 Yamaha Music Artist, Inc.	Shibuya, Tokyo, Japan
9 Yamaha Music Publishing, Inc.	Shibuya, Tokyo, Japan
10 Epicurus Corporation	Shibuya, Tokyo, Japan
11 Yamaha Music Media Corporation	Toshima, Tokyo, Japan
12 Matsukiya Co., Ltd.	Fukui, Japan

Company name	Location
13 Yamaha Piano Service Co., Ltd.	Kakegawa, Shizuoka, Japan
14 Yamaha Piano Manufacturing Japan Co., Ltd.	Kakegawa, Shizuoka, Japan
15 Yamaha Resort Inc.	Kakegawa, Shizuoka, Japan
16 Yamaha Musical Products Japan Co., Ltd.	Iwata, Shizuoka, Japan
17 Yamaha Hi-Tech Design Corporation	Iwata, Shizuoka, Japan
18 Yamaha Business Support Corporation	Hamamatsu, Shizuoka, Japan
19 Yamaha Ai Works Co., Ltd.*2	Hamamatsu, Shizuoka, Japan
20 Yamaha Fine Technologies Co., Ltd.	Hamamatsu, Shizuoka, Japan
21 Yamaha Travel Service Co., Ltd.	Hamamatsu, Shizuoka, Japan
22 Jeugia Corporation*1	Kyoto, Japan

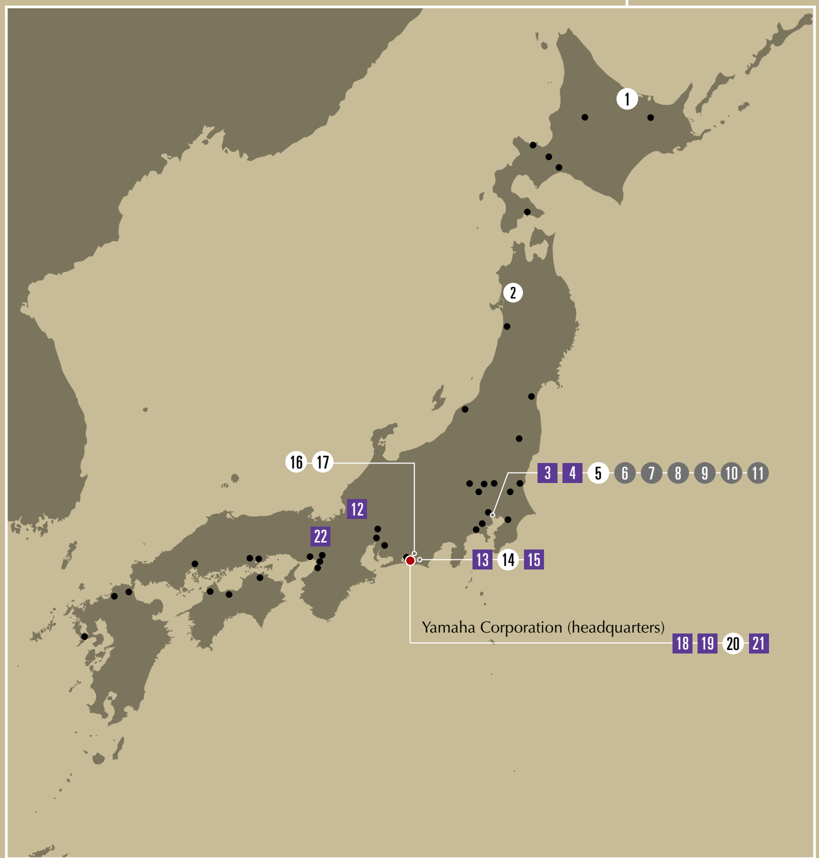
*1. Equity-method affiliates
*2. Non-consolidated subsidiaries and affiliates

Overseas Network



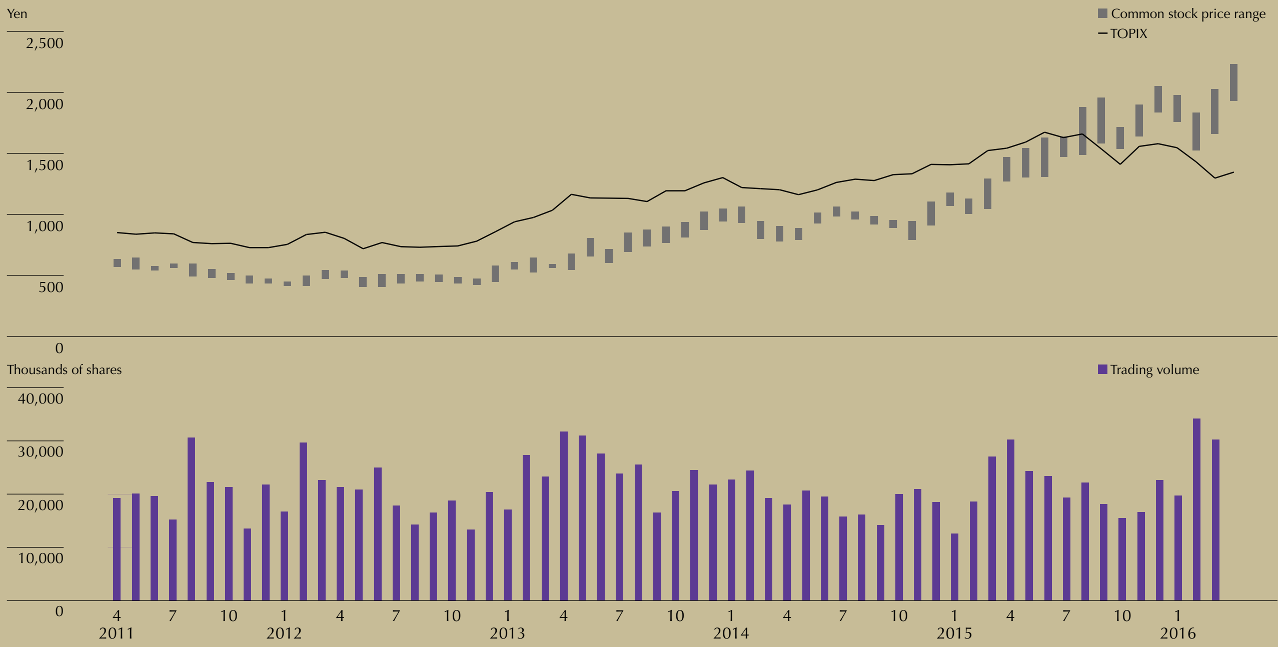
■ Sales companies, etc.
● Manufacturing/production companies, etc.
● Music entertainment business companies
• Retail shops (Yamaha Music Retailing Co., Ltd.)

Domestic Network



Stock Information (As of March 31, 2016)

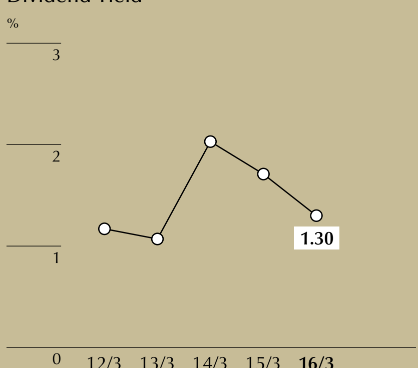
Common Stock Price Range and Trading Volume



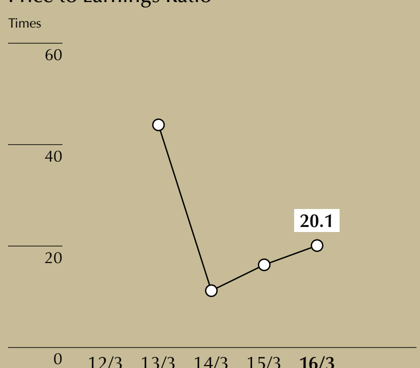
Fiscal year ended	2012/3	2013/3	2014/3	2015/3	**2016/3**
Share price at the end of fiscal year (Yen)	858	934	1,329	2,104	**3,390**
Share price — high (Yen)	1,034	1,035	1,705	2,355	**3,575**
Share price — low (Yen)	663	654	873	1,267	**2,083**
Trading volume (Million shares)	291	281	340	268	**276**

Fiscal year ended	2012/3	2013/3	2014/3	2015/3	**2016/3**
Dividend yield (%)	1.17	1.07	2.03	1.71	**1.30**
Price to earnings ratio (Times)	—	43.9	11.2	16.3	**20.1**
Price to book value ratio (Times)	0.82	0.80	0.95	1.18	**2.12**
Number of shares issued (Thousand shares)	197,255	197,255	197,255	197,255	**197,255**
Market capitalization at the end of fiscal year (Millions of yen)	169,244	184,236	262,152	415,025	**668,695**
Percentage of shares owned by foreign investors (%)	22.9	26.4	29.0	31.4	**25.2**

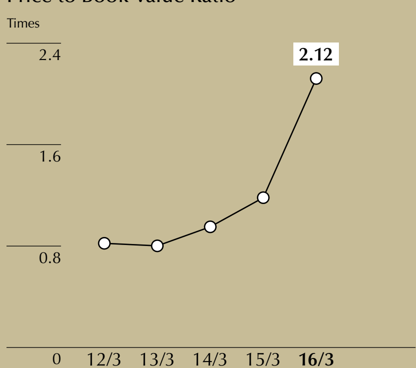
Dividend Yield



Price to Earnings Ratio

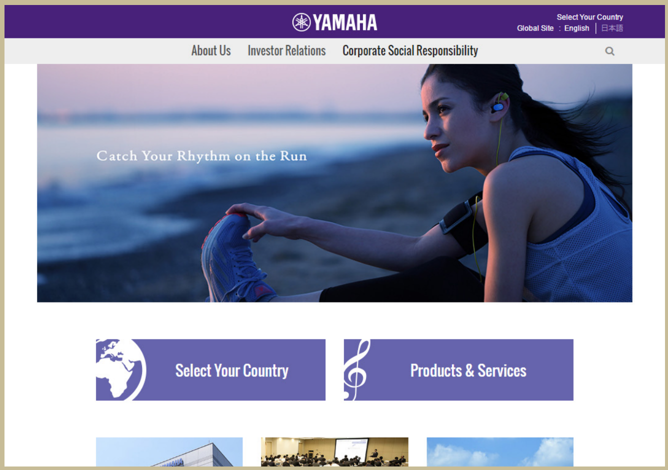


Price to Book Value Ratio



Website Guide

Find out more about the activities of Yamaha not included in this report on the Company website.



Corporate website
https://www.yamaha.com/en/

Investor Relations
https://www.yamaha.com/en/ir/

Corporate Social Responsibility (CSR)
http://www.yamaha.com/about_yamaha/csr/

Yamaha Design
https://www.yamaha.com/en/about/design/

The "DESIGN" page offers a summary of Yamaha's passion toward design. The page features interviews with our designers and introduces our philosophy for and concept of design.

I Play Yamaha
https://www.yamaha.com/en/ipy/

"I Play Yamaha" is a short video compilation created by artists who play our instruments. We are proud to have many outstanding artists choose our instruments for their musical expression. Please enjoy this compilation of great performances.

SHARING PASSION & PERFORMANCE

YAMAHA CORPORATION
Corporate Planning Division
https://www.yamaha.com/en/

MIX
Paper from responsible sources
FSC® C017928
www.fsc.org

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VEGETABLE OIL INK

Printed in Japan on FSC®-approved paper using vegetable oil ink and waterless printing processes.
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