

For Immediate Release

October 31, 2014

Company Name: YAMAHA CORPORATION

President and Representative Director: Takuya Nakata

Code Number: 7951 (First Section of Tokyo Stock Exchange)

Basic Agreement Concluded for Transfer of Semiconductor Manufacturing Subsidiary

Yamaha Corporation (Head Office: Hamamatsu, Shizuoka; hereinafter, Yamaha) announces that it has concluded a basic agreement for the transfer of its semiconductor manufacturing subsidiary Yamaha Kagoshima Semiconductor Inc. (hereinafter, Yamaha Kagoshima Semiconductor), to Phenitec Semiconductor Corporation (hereinafter, Phenitec Semiconductor). The details are as follows.

1. Background

Yamaha Kagoshima Semiconductor, since its establishment in 1987, has played an important role in Yamaha's business as a semiconductor manufacturing base in Japan. Beginning in 2012, Yamaha focused its production on geomagnetic sensors, which are its principal products in this business, and responded to the global market needs by supplying to the expanding markets for smartphones and other products.

Yamaha has now decided that it will make the transition to fabless production and seek to realize greater flexibility in this business. In view of Yamaha's goal of substantially strengthening its competitiveness and Phenitec Semiconductor's aim of expanding its production line capacity utilizing Yamaha Kagoshima Semiconductor's manufacturing facilities and personnel, the two companies have reached basic agreement to transfer Yamaha Kagoshima Semiconductor to Phenitec Semiconductor.

2. Outline of Company to Be Transferred

Company name: Yamaha Kagoshima Semiconductor Inc.

Location: 1800, Kitakata, Yusuicho, Aira-gun, Kagoshima Prefecture

Representative: Takashi Omura (President and Representative Director)

Line of business: Manufacturing of semiconductors for specific application

Paid-in capital: ¥450 million

Sales: ¥9,800 million (As of the fiscal year ended March 31, 2014)

3. Outline of Company Accepting the Transfer

Company name: Phenitec Semiconductor Corporation

Location: 150, Kinoko-cho, Ibara-shi, Okayama Prefecture

Representative: Masayoshi Inaka (President and Representative Director)

Lines of business: Manufacturing of semiconductor chips and products

Paid-in capital: ¥380 million

4. Method for the Transfer

The method for transferring the shares, businesses, and operating assets will be announced after the specifics have been decided.

5. Schedule Going Forward

The transfer contract is scheduled to be signed in March 2015, and the transfer is expected to take place in October 2015.

6. Semiconductor Business Going Forward

Regarding the sensors manufactured by Yamaha Kagoshima Semiconductor, Yamaha will manage efficiently all production stages from wafer processes to assembly and inspection by strengthening its ties with subcontractors located principally in Taiwan with which it already has business relationships. For this purpose, Yamaha will establish a production management base in Taiwan.

In its semiconductor business, Yamaha will work to expand its sales by strengthening its competitiveness and flexibility through the transition to fabless production and actively introducing new products in the sound domain.

7. Effects on Yamaha Performance

The business structural reform expenses incurred as a result of the transfer are expected to amount to ¥1.8 billion, which will be accounted for as an extraordinary loss. These expenses have been taken into account in the revised outlook that Yamaha released today.

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