

YAMAHA CORPORATION

Flash Report Consolidated Basis (Japanese GAAP) Results through the Second Quarter of the Fiscal Year Ending March 31, 2015 (April 1, 2014–September 30, 2014)

October 31, 2014

Company name: YAMAHA CORPORATION
(URL <http://www.yamaha.com>)

Code number: 7951

Stock listing: Tokyo Stock Exchange (First Section)

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Scheduled date to submit Quarterly Securities Report: November 14, 2014

Scheduled date to begin dividend payments: December 9, 2014

Supplementary materials to the quarterly financial statements have been prepared: Yes

Presentation will be held to explain the quarterly financial results: Yes (for securities analysts and institutional investors)

1. Results through the Second Quarter of FY2015.3 (April 1, 2014–September 30, 2014)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results (Accumulation)

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
Through the second quarter of FY2015.3	¥206,391	4.4%	¥15,084	10.3%	¥15,060	11.8%
Through the second quarter of FY2014.3	¥197,673	11.8%	¥13,674	100.7%	¥13,474	120.6%

Note: Comprehensive income: **Second quarter of FY2015.3** **¥31,698 million, 35.0%**
Second quarter of FY2014.3 ¥23,481 million, —%

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	% change from the previous year	Yen	Yen
Through the second quarter of FY2015.3	¥10,789	(13.7)%	¥55.73	—
Through the second quarter of FY2014.3	¥12,506	273.4%	¥64.59	—

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Through the second quarter of FY2015.3 (As of September 30, 2014)	¥489,343	¥302,033	61.0%	¥1,542.03
FY2014.3 (As of March 31, 2014)	¥438,932	¥274,843	61.9%	¥1,403.12

(For reference) Shareholders' equity: **Second quarter of FY2015.3** **¥298,575 million** FY2014.3 ¥271,681 million

2. Dividends

	Dividends applicable to the fiscal year				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
FY2014.3	—	¥7.50	—	¥19.50	¥27.00
FY2015.3	—	¥13.50			
FY2015.3 (Forecast)			—	¥13.50	¥27.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Forecasts for FY2015.3 (April 1, 2014–March 31, 2015)

(Percentage figures for the full fiscal year are changes from the previous year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
FY2015.3	¥430,000	4.8%	¥29,000	11.6%	¥28,000	7.1%

	Net income		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2015.3	¥19,000	(17.0)%	¥98.13

Note: Revisions from recently announced performance forecast: Yes

Footnote Items

- (1) Changes in the state of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None
- (2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates, and changes in presentation due to revisions
 - (a) Changes in accounting principles accompanying revisions in accounting standards: None
 - (b) Changes other than those in (a) above: None
 - (c) Changes in accounting estimates: None
 - (d) Changes in presentation due to revisions: None
- (4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)	Second quarter of FY2015.3	197,255,025 shares	FY2014.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	Second quarter of FY2015.3	3,629,875 shares	FY2014.3	3,628,117 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	Second quarter of FY2015.3	193,626,169 shares	Second quarter of FY2014.3	193,630,138 shares

Status of Performance of Quarterly Review Procedures

This quarterly flash report is exempt from the quarterly review procedures based on Japan's Financial Instruments and Exchange Law. At the time when this quarterly flash report was disclosed, the quarterly review procedures have been under way.

Explanation of the Appropriate Use of Performance Forecasts and Other Related Items

Consolidated financial forecasts were prepared based on information available at the time of the announcement and do not represent promises by the Company or its management that these performance figures will be attained. Actual consolidated results may differ from forecasts owing to a wide range of factors.

For commentary information regarding the closing of accounts through the second quarter of the current fiscal year, please refer to "Outline of the Consolidated Financial Results through the Second Quarter (Six Months) of the Fiscal Year Ending March 31, 2015 (FY2015.3) and Outlook for Consolidated Performance for the Full Fiscal Year," which was released today (October 31, 2014).

Revisions in the Forecast for Performance

The forecasts for sales, operating income, and ordinary income for the full fiscal year ending March 31, 2015 remain unchanged. However, after taking account of the structural business reform expenses of an estimated ¥1.8 billion as an extraordinary loss accompanying the conclusion of a basic agreement for the transfer of a subsidiary engaged in the manufacturing of semiconductors, the forecast for net income for the full fiscal year has been revised downward to ¥19.0 billion.

The materials to be distributed for this earnings presentation and other materials will be posted on the Company's website immediately after the presentation is concluded.

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1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter of FY2015.3 (as of September 30, 2014)	FY2014.3 (as of March 31, 2014)
ASSETS		
Current assets		
Cash and deposits	¥ 72,292	¥ 60,558
Notes and accounts receivable–trade	62,113	57,890
Merchandise and finished goods	66,020	55,653
Work in process	12,394	14,013
Raw materials and supplies	16,323	13,023
Other	16,097	14,527
Allowance for doubtful accounts	(1,471)	(1,179)
Total current assets	243,770	214,487
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	35,584	36,238
Machinery, equipment and vehicles, net	12,904	12,800
Tools, furniture and fixtures, net	9,800	9,265
Land	49,583	49,595
Lease assets, net	391	315
Construction in progress	3,668	1,768
Total property, plant and equipment	111,933	109,984
Intangible assets		
Goodwill	12,545	279
Other	3,316	3,027
Total intangible assets	15,861	3,307
Investments and other assets		
Investment securities	109,478	103,170
Other	8,449	8,116
Allowance for doubtful accounts	(150)	(133)
Total investments and other assets	117,777	111,154
Total noncurrent assets	245,572	224,445
Total assets	¥489,343	¥438,932

Note: Figures of less than ¥1 million have been omitted.

(Millions of yen)

	Second quarter of FY2015.3 (as of September 30, 2014)	FY2014.3 (as of March 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	¥ 25,309	¥ 21,595
Short-term loans payable	21,590	8,590
Current portion of long-term loans payable	32	32
Accounts payable–other and accrued expenses	31,457	31,805
Income taxes payable	2,739	2,786
Provision	2,639	2,682
Other	6,549	5,652
Total current liabilities	<u>90,319</u>	<u>73,145</u>
Noncurrent liabilities		
Long-term loans payable	116	133
Net defined benefit liabilities	34,808	36,450
Other	62,065	54,361
Total noncurrent liabilities	<u>96,991</u>	<u>90,944</u>
Total liabilities	<u>187,310</u>	<u>164,089</u>
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	174,691	168,338
Treasury stock	(3,708)	(3,705)
Total shareholders' equity	<u>239,572</u>	<u>233,222</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60,012	45,540
Deferred gains or losses on hedges	(75)	(101)
Revaluation reserve for land	17,139	17,139
Foreign currency translation adjustment	(14,713)	(20,347)
Remeasurements of defined benefit plans	(3,359)	(3,771)
Total accumulated other comprehensive income	<u>59,003</u>	<u>38,459</u>
Minority interests	<u>3,457</u>	<u>3,161</u>
Total net assets	<u>302,033</u>	<u>274,843</u>
Total liabilities and net assets	<u>¥489,343</u>	<u>¥438,932</u>

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
Consolidated Statements of Operations

(Millions of yen)

	Accumulated through the second quarter of FY2015.3 (April 1, 2014–September 30, 2014)	Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013)
Net sales	¥206,391	¥197,673
Cost of sales	127,819	125,237
Gross profit	78,571	72,436
Selling, general and administrative expenses	63,487	58,762
Operating income	15,084	13,674
Non-operating income		
Interest income	334	264
Dividends income	868	681
Other	543	419
Total non-operating income	1,746	1,364
Non-operating expenses		
Sales discounts	1,158	1,110
Foreign exchange losses	243	50
Other	367	403
Total non-operating expenses	1,770	1,564
Ordinary income	15,060	13,474
Extraordinary income		
Gain on sales of noncurrent assets	35	102
Gain on sales of investment securities	1	987
Gain on liquidation of subsidiaries and affiliates	6	—
Total extraordinary income	43	1,090
Extraordinary losses		
Loss on retirement of noncurrent assets	59	103
Loss on sales of stocks of subsidiaries and affiliates	17	—
Impairment loss	232	73
Total extraordinary losses	308	177
Income before income taxes and minority interests	14,794	14,387
Income taxes—current	4,143	3,427
Income taxes—deferred	(302)	(1,738)
Total income taxes	3,840	1,689
Income before minority interests	10,953	12,698
Minority interests in income	163	192
Net income	¥ 10,789	¥ 12,506

Note: Figures of less than ¥1 million have been omitted.

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Accumulated through the second quarter of FY2015.3 (April 1, 2014–September 30, 2014)	Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013)
Income before minority interests	¥10,953	¥12,698
Other comprehensive income		
Valuation difference on available-for-sale securities	14,466	5,474
Deferred gains or losses on hedges	25	(33)
Foreign currency translation adjustments	5,834	4,462
Remeasurements of defined benefit plans	412	884
Share of other comprehensive income of associates accounted for using equity method	5	(4)
Total other comprehensive income	20,744	10,782
Comprehensive income	31,698	23,481
(Composition)		
Comprehensive income attributable to owners of the parent	31,313	23,145
Comprehensive income attributable to minority shareholders	¥ 384	¥ 335

Note: Figures of less than ¥1 million have been omitted.

(3) Notes to the Quarterly Financial Statements
Notes Regarding Assumptions as a Going Concern

None

Notes Regarding Any Major Change in the Amount of Consolidated Shareholders' Equity

None

Segment Information, Etc.

(Segment Information)

Accumulated through the second quarter of FY2015.3 (April 1, 2014–September 30, 2014)

1. Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥136,089	¥50,757	¥7,518	¥12,025	¥206,391		¥206,391
Intersegment sales or transfers			299		299	¥(299)	
Total sales	136,089	50,757	7,818	12,025	206,691	¥(299)	¥206,391
Segment income (loss)	¥ 14,120	¥ 1,960	¥ (883)	¥ (112)	¥ 15,084		¥ 15,084

Notes: 1. The item "Adjustments" contains the following:

The sales adjustment item of ¥(299) million, which comprises eliminations of transactions among the Company's business segments

2. "Segment income (loss)" means the operating income (loss) of the segment as presented in the Consolidated Statements of Operations.

2. Information on impairment losses on noncurrent assets or the amount of goodwill by reporting segment

(Material changes in goodwill amount)

Line 6, Inc. and its subsidiaries were newly consolidated from the first quarter of FY2015.3 due to the increase in their materiality.

In the Musical instruments business, goodwill was recognized from this consolidation and increased by ¥5,752 million for the second quarter of FY2015.3

Revolabs, Inc. and its subsidiaries were newly consolidated from the first quarter of FY2015.3 due to the increase in their materiality.

In the Audio equipment business, goodwill was recognized from this consolidation and increased by ¥6,546 million for the second quarter of FY2015.3

Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013)

1. Sales and Income by Reporting Segment

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥126,924	¥48,730	¥10,144	¥11,874	¥197,673		¥197,673
Intersegment sales or transfers			321		321	¥(321)	
Total sales	¥126,924	¥48,730	¥10,466	¥11,874	¥197,995	¥(321)	¥197,673
Segment income	¥ 9,556	¥ 2,622	¥ 1,188	¥ 307	¥ 13,674		¥ 13,674

Notes: 1. The item "Adjustments" contains the following:

The sales adjustment item of ¥(321) million, which comprises eliminations of transactions among the Company's business segments

2. "Segment income" means the operating income of the segment as presented in the Consolidated Statements of Operations.

2. Information on impairment losses on noncurrent assets or the amount of goodwill by reporting segment

(Material changes in goodwill amount)

None

Reference Information
(Sales Information Based on the Geographical Location of the Customers)

Accumulated through the second quarter of FY2015.3 (April 1, 2014–September 30, 2014) (Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥78,528	¥36,863	¥38,151	¥52,847	¥127,862	¥206,391
% of net sales	38.0%	17.9%	18.5%	25.6%	62.0%	100.0%

Notes: 1. Sales information is based on the geographical location of customers, and it is classified by country or region.

2. Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013) (Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥82,264	¥31,238	¥33,731	¥50,439	¥115,409	¥197,673
% of net sales	41.6%	15.8%	17.1%	25.5%	58.4%	100.0%

Notes: 1. Sales information is based on the geographical location of customers, and it is classified by country or region.

2. Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania, and other areas: People's Republic of China, Republic of Korea, Australia

(Sales Information Based on Group Locations Where Sales Take Place)

Accumulated through the second quarter of FY2015.3 (April 1, 2014–September 30, 2014)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 83,950	¥39,829	¥37,063	¥45,547	¥206,391		¥206,391
Intersegment sales or transfers	83,149	351	962	47,838	132,301	¥(132,301)	
Total sales	¥167,100	¥40,180	¥38,026	¥93,385	¥338,693	¥(132,301)	¥206,391
Segment income	¥ 10,550	¥ 122	¥ 1,268	¥ 7,556	¥ 19,497	¥ (4,413)	¥ 15,084

Notes: 1. Sales information is based on Group locations where sales take place and it is classified by country or region.

2. Main country and regional divisions:

This classification is the same as the one for “Sales Information Based on the Geographical Location of the Customers.”

3. The item “Adjustments” contains the following:

The sales adjustment item of ¥(132,301) million, which comprises eliminations of transactions among the Company’s business segments

4. “Segment income” means the operating income of the segment as presented in the Consolidated Statements of Operations.

Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 88,401	¥30,899	¥33,966	¥44,406	¥197,673		¥197,673
Intersegment sales or transfers	79,151	442	1,457	45,976	127,028	¥(127,028)	
Total sales	¥167,552	¥31,342	¥35,423	¥90,383	¥324,702	¥(127,028)	¥197,673
Segment income	¥ 9,723	¥ 1,242	¥ 498	¥ 6,822	¥ 18,287	¥ (4,613)	¥ 13,674

Notes: 1. Sales information is based on Group locations where sales take place and it is classified by country or region.

2. Main country and regional divisions:

This classification is the same as the one for “Sales Information Based on the Geographical Location of the Customers.”

3. The item “Adjustments” contains the following:

The sales adjustment item of ¥(127,028) million, which comprises eliminations of transactions among the Company’s business segments

4. “Segment income” means the operating income of the segment as presented in the Consolidated Statements of Operations.