

# YAMAHA CORPORATION

## Flash Report

### Consolidated Basis (Japanese GAAP)

Results for the fiscal year ended March 31, 2014

April 30, 2014

<b>Company name:</b>	YAMAHA CORPORATION (URL <a href="http://www.yamaha.com">http://www.yamaha.com</a> )
<b>Code number:</b>	7951
<b>Stock listing:</b>	Tokyo Stock Exchange (First Section)
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<b>Scheduled date of Ordinary General Shareholders' Meeting:</b>	June 24, 2014
<b>Scheduled date to submit Securities Report:</b>	June 25, 2014
<b>Scheduled date to begin dividend payments:</b>	June 25, 2014
<b>Supplementary materials to the financial statements have been prepared:</b>	Yes
<b>Presentation will be held to explain the financial statements:</b>	Yes (for securities analysts and institutional investors)

## 1. Results for FY2014.3 (April 1, 2013–March 31, 2014)

Figures of less than ¥1 million have been omitted.

### (1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year
<b>FY2014.3</b> (Ended March 31, 2014)	<b>¥410,304</b>	<b>11.8%</b>	<b>¥25,994</b>	<b>182.1%</b>	<b>¥26,146</b>	<b>204.7%</b>	<b>¥22,898</b>	<b>455.5%</b>
FY2013.3 (Ended March 31, 2013)	¥366,941	2.9%	¥9,215	13.6%	¥8,580	18.3%	¥4,122	—

Note: Comprehensive income:

<b>FY2014.3</b>	<b>¥51,201 million (98.9%)</b>
FY2013.3	¥25,747 million (—%)

	Net income per share	Net income per share after full dilution	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
<b>FY2014.3</b> (Ended March 31, 2014)	<b>¥118.26</b>	<b>¥—</b>	<b>9.2%</b>	<b>6.3%</b>	<b>6.3%</b>
FY2013.3 (Ended March 31, 2013)	¥21.29	¥—	1.9%	2.3%	2.5%

(For reference) Equity in earnings of non-consolidated subsidiaries and affiliates:

<b>FY2014.3</b>	<b>¥20 million</b>
FY2013.3	¥(0) million

## (2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>FY2014.3</b> (As of March 31, 2014)	<b>¥438,932</b>	<b>¥274,843</b>	<b>61.9%</b>	<b>¥1,403.12</b>
FY2013.3 (As of March 31, 2013)	¥390,610	¥229,636	58.1%	¥1,171.67

(For reference) Shareholders' equity:

**FY2014.3**    **¥271,681 million**  
 FY2013.3    ¥226,872 million

## (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>FY2014.3</b> (Ended March 31, 2014)	<b>¥33,213</b>	<b>¥(22,950)</b>	<b>¥(4,745)</b>	<b>¥57,524</b>
FY2013.3 (Ended March 31, 2013)	¥7,755	¥(12,617)	¥(5,536)	¥49,464

## 2. Dividends

	Annual dividends					Total dividends (annual)	Dividend propensity (consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year			
	Yen	Yen	Yen	Yen	Yen			
FY2013.3	—	¥5.00	—	¥5.00	¥10.00	¥1,936	47.0%	0.9%
<b>FY2014.3</b>	—	<b>¥7.50</b>	—	<b>¥19.50</b>	<b>¥27.00</b>	<b>¥5,227</b>	<b>22.8%</b>	<b>2.1%</b>
FY2015.3 (Forecast)	—	¥13.50	—	¥13.50	¥27.00		24.9%	

## 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 fiscal year, and those for the first half are changes from the previous same period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2015.3 First Half	¥206,500	4.5%	¥15,500	13.4%	¥15,000	11.3%	¥11,000	(12.0)%	¥56.81
FY2015.3	¥430,000	4.8%	¥29,000	11.6%	¥28,000	7.1%	¥21,000	(8.3)%	¥108.45

## 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) 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: Yes
- (c) Changes in accounting estimates: None
- (d) Changes in presentation due to revisions: None
- (3) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)	<b>FY2014.3</b>	<b>197,255,025 shares</b>	FY2013.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	<b>FY2014.3</b>	<b>3,628,117 shares</b>	FY2013.3	3,623,885 shares
(c) Average number of shares issued during the period	<b>FY2014.3</b>	<b>193,629,006 shares</b>	FY2013.3	193,635,600 shares

## (For Reference) Non-Consolidated Results

### 1. Non-consolidated results for FY2014.3 (April 1, 2013–March 31, 2014)

#### (1) Non-consolidated operating results

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

	Net sales		Operating income (loss)		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>FY2014.3</b> <b>(Ended March 31, 2014)</b>	<b>¥223,687</b>	<b>(3.3)%</b>	<b>¥8,132</b>	—	<b>¥15,508</b>	<b>148.9%</b>	<b>¥17,683</b>	<b>204.7%</b>
FY2013.3 (Ended March 31, 2013)	¥231,418	(3.3)%	¥(4,233)	—	¥6,231	965.2%	¥5,803	—

	Net income per share	Net income per share after full dilution
	Yen	Yen
<b>FY2014.3</b> <b>(Ended March 31, 2014)</b>	<b>¥91.32</b>	<b>¥—</b>
FY2013.3 (Ended March 31, 2013)	¥29.97	¥—

#### (2) Non-consolidated financial data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>FY2014.3</b> <b>(As of March 31, 2014)</b>	<b>¥315,981</b>	<b>¥197,074</b>	<b>62.4%</b>	<b>¥1,017.80</b>
FY2013.3 (As of March 31, 2013)	¥289,070	¥164,290	56.8%	¥848.47

(For reference) Shareholders' equity:

**FY2014.3**    **¥197,074 million**  
 FY2013.3    ¥164,290 million

**Footnote Items:****Status of Performance of Auditing Procedures**

This flash report is exempt from the auditing procedures based on Japan's Financial Instruments and Exchange Law. At the time when this flash report was disclosed, the auditing procedures based on the Financial Instruments and Exchange Law had not been completed.

**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 further information regarding consolidated financial forecasts, please refer to page 3.

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. Management Performance

## (1) Analysis of Management Performance

### 1. Review of the Fiscal Year (FY2014.3)

Amid a review of the global economic conditions during the fiscal year ended March 31, 2014, the United States enjoyed gradual economic recovery, while Japan's economic outlook improved due to economic measures and financial policies by the government. In Europe, however, while fears of financial crises subsided, economies continued to stagnate. Furthermore, growth slowed in emerging countries, including China, and the outlook is still not optimistic.

It was in these circumstances that the Yamaha Group devised policies for the Yamaha Management Plan 2016 (YMP2016), its medium-term management plan that started on April 1, 2013.

To accelerate growth in China and other emerging countries, we have taken measures to develop new markets, such as establishing a representative office in South Africa and starting operation at sales bases in Turkey and Vietnam, as well as working to expand sales in existing markets by improving our sales networks and launching products suited to each market.

To expand sales in our electronics business domain, we worked to expand our market share by setting ourselves apart from our competitors in the electronic keyboards market and enhanced our main product lines of commercial audio equipment. We also focused on our ICT (Information and Communication Technology) equipment business, switching to a solutions-oriented business model for our network equipment and expanding our audio communication equipment business.

To become more cost-competitive, we implemented production structural reforms in Japan and carried out cost-reduction activities. This absorbed the rise in overseas labor and material costs, making it possible to achieve a decrease in costs as planned. We also established a new local company for exploring new material procurement sources in China to strengthen our global material procurement operations and reduce costs.

As part of the domestic business structural reform, the business of our domestic production division for our musical instruments and audio equipment was taken over by three wholly owned subsidiaries after a company split in April 1 2014. The three newly founded subsidiaries are Yamaha Piano Manufacturing Japan Co., Ltd. (a subsidiary for piano manufacturing), Yamaha Musical Products Japan Co., Ltd. (a subsidiary for the production of wind, string, and percussion instruments), and Yamaha Music Electronics Japan Co., Ltd. (a subsidiary for the production of digital musical instruments and audio equipment).

In terms of growth investment in new businesses, Yamaha acquired Line 6, Inc. (head office: U.S.A.), a company that develops, produces, and sells products, such as peripheral devices for guitars, PA devices, and wireless microphones, in January 2014. We also acquired Revolabs, Inc. (head office: U.S.A.), a company that develops, produces, and sells products, such as wireless microphone systems for conference rooms and wireless conference phones, in March 2014. Both companies were acquired as wholly owned subsidiaries. We aim to accelerate growth in these new businesses and create a synergistic effect between these and our existing businesses.

Due to the company split in April 1 2013, our musical instrument and audio equipment wholesale business and its music school business were absorbed into a wholly owned subsidiary, then that subsidiary was merged with two other subsidiaries and named Yamaha Music Japan Co., Ltd. Eight musical instrument retailers were also merged with one another to form Yamaha Music Retailing Co., Ltd., a subsidiary of Yamaha Music Japan.

Consolidated net sales for the period was ¥410,304 million (an increase of 11.08% from the previous fiscal year), due to the increase in sales arising from foreign currency fluctuations.

In terms of profits, we achieved operating income of ¥25,994 million (an increase of 182.1% from the previous fiscal year), ordinary income of ¥26,146 million (an increase of 204.7% from the previous fiscal year), and net income of ¥22,898 million (an increase of 455.5% from the previous fiscal year).

Results of operations by segment were as follows. Along with the corporate organizational reform, the name of the AV/IT business was changed to "Audio equipment" from this fiscal year. In addition, the segment classification was reviewed, and professional audio equipment was moved from the "Musical instruments" business to the "Audio equipment" business. Please note that segment information of the previous fiscal year was restated using the classification method after the change.

### *Musical Instruments*

Piano sales were sluggish in Europe and emerging countries, but strong sales in North America and growth in domestic demand before the increase in consumption tax resulted in an overall increase in sales. In terms of digital musical instruments, sales of digital pianos and portable keyboards increased. Sales of wind instruments were strong in Japan and North America. Our string and percussion instrument sales decreased on an actual basis, excluding foreign exchange fluctuations, due to the suspension of production caused by a strike at our Indonesian guitar manufacturing subsidiary. Sales for our music software and the music school sales decreased.

As a result, sales of this segment amounted to ¥262,310 million (an increase of 11.4% from the previous fiscal year), and operating income was ¥19,728 million (an increase of 205.8% over the previous fiscal year).

### **Audio Equipment**

Among the severe market condition, sales of audio products decreased in all regions on an actual basis. In terms of PA equipment, sales of commercial audio equipment continued to stagnate. Sales of commercial online karaoke equipment decreased from the previous fiscal year, but sales of routers and conference systems increased.

As a result, sales of this segment were ¥105,485 million (an increase of 14.0% from the previous fiscal year), and operating income amounted to ¥5,866 million (an increase of 28.8% from the previous fiscal year).

### **Electronic Devices**

Sales increased for magnetic sensors (electronic compasses) for smart phones and tablet PCs, audio processing codecs.

Overall sales for this segment amounted to ¥18,828 million (an increase of 25.2% from the previous fiscal year) and operating income amounted to ¥770 million (an operating loss of ¥2,044 million occurred in the previous fiscal year) due to the increase in sales and a reduction of fixed costs.

### **Others**

Sales of automobile interior components for luxury European cars increased, but overall revenue for automobile interior components decreased. Order numbers for factory automation (FA) equipment failed to improve in Japan and China, leading to a decrease in sales. While our golf products business struggled in Japan, sales increased in such overseas countries as South Korea, leading to an increase in sales. Sales in our resort business were around the same as last year's.

As a result, sales of this sector as a whole amounted to ¥23,679 million (a decrease of 0.6% over the previous fiscal year), and the operating loss amounted to ¥370 million (compared with an operating income of ¥254 million in the previous fiscal year).

Sales by region, based on the location of customers, are as follows:

The percentage of consolidated net sales in overseas markets for the fiscal year was 59.1%, 4.3 percentage points higher than in the previous fiscal year.

### **Japan**

Sales on a consolidated basis in Japan for the fiscal year were ¥167,903 million, ¥2,113 million (or 1.3%) higher than in the previous fiscal year. This was primarily due to the increase in sales of semiconductor products and information and telecommunication equipment.

### **North America**

Sales in North America amounted to ¥66,635 million, ¥11,479 million (or 20.8%) higher than in the previous fiscal year. This increase included a gain due to foreign currency effects of approximately ¥11,000 million. After exclusion of these effects, sales were up about ¥400 million. This rise was due mainly to higher sales in the piano and digital musical instruments.

### **Europe**

Sales in Europe were ¥74,863 million, ¥14,251 million (or 23.5%) higher than in the previous fiscal year. This increase included an increase due to foreign currency effects of about ¥15,400 million. After exclusion of these effects, sales in Europe was approximately ¥1,100 million lower than in the previous fiscal year. This decrease was primarily accounted for by the lower sales in the string and percussion instruments, professional audio equipment, and other certain businesses.

### **Asia, Oceania, and Other Areas**

Sales in Asia (excluding Japan), Oceania, and other areas amounted to ¥100,901 million, ¥15,518 million (or 18.2%) higher than in the previous fiscal year.

These results include a gain of approximately ¥15.2 billion due to foreign currency fluctuations. Even if the effect of this factor is excluded, sales would have been about ¥300 million higher than in the same period of the previous fiscal year. In China, although sales of digital musical instruments remained on an upward trend, sales of PA equipment and factory automation (FA) equipment decreased. In other regions, although sales of pianos and string and percussion instruments decreased, sales of golf product showed major expansion.

## **2. Forecast for FY2015.3**

While a ¥2.4 billion decrease in sales due to foreign exchange fluctuations is expected for FY2015.3, sales are expected to increase, mainly for such products as digital musical instruments, string and percussion instruments, PA equipment, and communications equipment and in such regions as North America and emerging countries, such as China. In terms of profits, a ¥1.9 billion increase in income due to foreign exchange fluctuations is expected in addition to that resulting from the increase in sales.

Taking account of these and other factors, on a consolidated basis, Yamaha is forecasting net sales of ¥430 billion (an increase of 4.8%), operating income of ¥29 billion (an increase of 11.6%), ordinary income of ¥28 billion (an increase of 7.1%), and net income of ¥21 billion (a decrease of 8.3%).

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.
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## (2) Analysis of Financial Position

### 1. Consolidated Financial Position

#### 1) Assets

Total assets increased ¥48,322 million (or 12.4%), to ¥438,932 million. Of this total, current assets rose ¥16,584 million (or 8.4%), to ¥214,487 million, owing mainly to a rise in cash and deposits and notes and accounts receivable—trade. In addition, noncurrent assets increased ¥31,737 million (or 16.5%), to ¥224,445 million, mainly because of an increase in investment securities accompanying with the higher market values of other available-for-sale securities.

#### 2) Liabilities

Total liabilities rose ¥3,115 million (or 1.9%), to ¥164,089 million. Of this total, current liabilities increased ¥1,594 million (or 2.2%), to ¥73,145 million. On the other hand, noncurrent liabilities rose ¥1,521 million (or 1.7%), to ¥90,944 million.

#### 3) Net Assets

Net assets increased ¥45,206 million (or 19.7%) from the previous fiscal year, to ¥274,843 million. This rise was due to the increase of retained earnings because of reporting of net income for the fiscal year-end as well as an increase in total other comprehensive income resulting from an increase in the current market price of available-for-sale securities and a reduction of the negative gap in foreign currency translation adjustment due to fluctuations in the exchange rate.

### 2. Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year ended March 31, 2014, showed an increase of ¥8,060 million (compared with a decline of ¥6,454 million in the previous fiscal year), and stood at ¥57,524 million.

#### *Cash Flows from Operating Activities*

As a result mainly of the contribution to cash flows of income before income taxes and minority interests, cash flows provided by operating activities amounted to ¥33,213 million (compared with cash flows provided by operating activities of ¥7,755 million in the previous fiscal year).

#### *Cash Flows from Investing Activities*

Net cash used in investing activities amounted to ¥22,950 million (compared with net cash flows used in investing activities of ¥12,617 million in the previous fiscal year). This net cash outflow was used primarily for the purchase of property, plant and equipment, investment securities, and certain other items.

#### *Cash Flows from Financing Activities*

Net cash used in financing activities amounted to ¥4,745 million (compared with net cash used in financing activities of ¥5,536 million in the previous fiscal year). This net cash outflow was due mainly to repayments of short-term loans payable, cash dividends paid, and certain other items.

(For Reference) Trends in Cash-Flow Indicators

	FY2014.3	FY2013.3	FY2012.3	FY2011.3	FY2010.3
Shareholders' equity ratio	<b>61.9%</b>	58.1%	55.6%	61.9%	62.6%
Shareholders' equity ratio based on current market price	<b>58.6%</b>	46.3%	45.3%	46.7%	59.2%
Ratio of interest-bearing debt to cash flow	<b>26.5%</b>	129.8%	104.3%	52.5%	37.8%
Interest coverage ratio	<b>150.8 times</b>	31.8 times	35.1 times	63.4 times	89.8 times

(Calculation Methods)

Shareholders' equity ratio (%) = total shareholders' equity ÷ total assets

Shareholders' equity ratio based on current market price (%) = total market value of common stock ÷ total assets

Ratio of interest-bearing debt to cash flow (%) = interest-bearing debt ÷ net cash flows provided by (used in) operating activities

Interest coverage ratio (times) = net cash flows provided by (used in) operating activities ÷ interest payments

Notes: 1. All indicators are calculated based on consolidated financial figures.

2. Interest-bearing debt includes all balance-sheet debt for which interest payments are being made.

3. Figures for net cash flows provided by operating activities and interest payments are those from the cash flows from operating activities and interest paid from consolidated financial statements of cash flows.



### **3. Forecast for FY2015.3**

During the fiscal year ending March 31, 2015, cash flows from operating activities are expected to be the same level as fiscal year ending March 31, 2014. As to cash flows from investing activities, expenditures on capital investment are forecast to exceed depreciation.

### **(3) Basic Policy for Allocation of Profit and Dividends for FY2014.3 and FY2015.3**

The Company has adopted a basic policy for allocating profit that is linked to the level of consolidated net income in the medium term and provides for increasing the ratio of consolidated net income to shareholders' equity by making additions to retained earnings that are appropriate for strengthening the Company's management position through investments in R&D, sales capabilities, capital equipment and facilities, and other areas, while also providing a dividend to shareholders that reflects consolidated performance. Specifically, the Company will endeavor to sustain stable dividends and sets a goal of 30% or higher for its consolidated dividend payout ratio.

For the year-end dividend for FY2014.3, the Company decided to pay a regular dividend on its common stock of ¥19.5 per share in view of the above-mentioned policy for allocation of profit and dividends, its financial position, and other factors. Regarding dividends for FY2015.3, the Company is planning to pay a regular dividend of ¥27.0 per share for the full fiscal year (consisting of an interim dividend of ¥13.5 per share and a year-end dividend of ¥13.5 per share).

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.
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## **2. Management Policies**

### **(1) Basic Management Policy**

The Yamaha Group aims to sustain its growth as a company that draws on its accumulated technologies and know-how in its core field of sound and music as it works together with people throughout the world to enrich culture and create “*kando*\*.” To this end, the Company will expedite decision-making processes, work to create technological innovation, strengthen its capabilities for responding to rapidly changing markets, and meet customer needs through the constant development and provision of superior-quality products and services. In addition, Yamaha will make effective use of its management resources, rationalize and improve the efficiency of its business practices, and secure a strong competitive position in the global marketplace. Furthermore, the Company is seeking to increase the transparency of its management, make certain that it can realize a solid business performance, and accumulate and distribute earnings appropriately to ensure that it can meet the expectations of shareholders and investors. At the same time, the Company strives to act in accordance with its responsibilities as an exemplary corporate citizen by giving due consideration to safety and environmental protection and promoting its own rigorous compliance with relevant laws and regulations.

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

### **(2) Management Indicators Taken as Objectives**

Under Yamaha’s New Medium-Term Management Plan (covering the period from the fiscal year ended March 31, 2014 to the fiscal year ending March 31, 2016), entitled “Yamaha Management Plan 2016 (YMP2016),” Yamaha has set the following goals: Net sales of ¥430 billion, operating income of ¥30 billion, return on equity (ROE) of 10%, and total free cash flows over three years of ¥50 billion.

The targets for the next fiscal year ending March 31, 2015, are outlined and described in the following sections of this report: “3. Consolidated Financial Forecasts for FY2015.3” in the summary information; Page 3: “(1) Analysis of Management Performance: 2. Forecast for FY2015.3;” and Page 5: “(2) Analysis of Financial Position: 3. Forecast for FY2015.3.”

### **(3) The Group’s Medium- to Long-Term Management Strategy and (4) Issues to Be Addressed**

In order to achieve our medium- to long-term management vision, Yamaha started a new medium-term management plan entitled “Yamaha Management Plan 2016 (YMP2016)” from April 2013. YMP2016 states management policies, such as “attain continual growth,” “strengthen profitability to support growth,” and “enhance specialization and professionalism to create new added value,” with the aims of attaining steady growth in existing businesses and developing new businesses.

#### **1. The Group’s Medium- to Long-Term Management Vision: “What Yamaha Is Aiming For”**

- (1) Being “a brand that is trusted and admired”
- (2) Being a company with “operations centered on sound and music”
- (3) Attaining “growth through both products<sup>\*1</sup> and services<sup>\*2</sup>”

#### **2. Issues to Be Addressed under YMP2016**

##### **Accelerating Growth in China and the Other Emerging Countries**

Yamaha will give priority to investing its management resources in China and the other emerging markets with the objectives of moving forward with the development of sales networks and accelerating growth in those countries.

To increase the number of persons playing musical instruments in the emerging countries, Yamaha is conducting music popularization activities, including expansion in the number of Yamaha Music Schools and promoting the introduction of music education.

##### **Expanding Sales in the Electronics Business Domain**

In the field of digital keyboard instruments, including digital pianos and portable keyboards, Yamaha will work to establish clearly dominant market positions through rigorously differentiating its products by developing new, highly realistic sound and real-touch keyboards. Yamaha will also make an in-depth response to market needs by enhancing its offerings of local content. Yamaha is also developing and introducing new, entry-level products to the emerging markets and working to expand sales.

In the field of professional audio products, priority measures will include strengthening development capabilities for systems equipment with digital networks at their core and expanding Yamaha’s product lineup in this business. In addition, to expand business scale, Yamaha will enter the commercial installation market and professional production market.

Also, Yamaha will further expand sales in the electronics domain by leveraging its position in the ICT (Information & Communication Technology) device field, which includes a high domestic market share in the router business for the “small office home office” or SOHO market and conference system business.

##### **Strengthening Cost-Competitiveness**

At existing factories, Yamaha will clarify their respective roles and functions and then work to strengthen their manufacturing capabilities and strive to lower costs by improving operating rates and cutting unit costs. In domestic factories, Yamaha will work to create lean operating structures capable of dealing flexibly with change by splitting these operations off into subsidiary companies. Overseas, in Chinese and Indonesian factories, to deal with rising labor costs, Yamaha will boost local procurement of materials and bring outsourced production of parts in-house as well as introduce new production methods and improve processes.

**Developing New Businesses**

To expand existing businesses and make way for growth in the quantum leap phase, Yamaha will step up its investments in M&A and capital tie-ups. In these investment activities, Yamaha will give priority to commercial audio products, where further expansion is expected.

In addition, as Yamaha continues its yamaha+ new business development activities, Yamaha will work to secure next-generation technologies and services that will contribute to its future growth by strengthening its initiatives to invest in venture businesses.

\*1 Product Businesses: Our businesses as a manufacturer that produces products with outstanding quality and value using both advanced and traditional technologies

\*2 Service Businesses: Our businesses in which we provide systems, services, and content in areas where the Yamaha Group excels

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	FY2014.3 (As of Mar. 31, 2014)	FY2013.3 (As of Mar. 31, 2013)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	¥ 60,558	¥ 51,445
Notes and accounts receivable—trade	57,890	52,069
Short-term investment securities	—	250
Merchandise and finished goods	55,653	54,647
Work in process	14,013	14,090
Raw materials and supplies	13,023	13,276
Deferred tax assets	4,778	2,241
Other	9,749	10,969
Allowance for doubtful accounts	(1,179)	(1,088)
Total current assets	<u>214,487</u>	<u>197,902</u>
<b>Noncurrent assets:</b>		
Property, plant and equipment:		
Buildings and structures, net	36,238	36,845
Machinery, equipment and vehicles, net	12,800	11,887
Tools, furniture and fixtures, net	9,265	9,518
Land	49,595	49,634
Lease assets, net	315	336
Construction in progress	1,768	2,104
Total property, plant and equipment	<u>109,984</u>	<u>110,325</u>
Intangible assets:		
Goodwill	279	356
Other	3,027	2,868
Total intangible assets	<u>3,307</u>	<u>3,224</u>
Investments and other assets:		
Investment securities	103,170	71,568
Long-term loans receivable	156	365
Net defined benefit assets	4	—
Deferred tax assets	1,517	1,290
Lease and guarantee deposits	4,730	5,019
Other	1,707	1,506
Allowance for doubtful accounts	(133)	(591)
Total investments and other assets	<u>111,154</u>	<u>79,157</u>
Total noncurrent assets	<u>224,445</u>	<u>192,707</u>
<b>Total assets</b>	<u>¥438,932</u>	<u>¥390,610</u>

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

(Millions of yen)

	FY2014.3 (As of Mar. 31, 2014)	FY2013.3 (As of Mar. 31, 2013)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable—trade	¥ 21,595	¥ 20,339
Short-term loans payable	8,590	9,360
Current portion of long-term loans payable	32	486
Accounts payable—other and accrued expenses	31,805	31,309
Income taxes payable	2,786	1,582
Specific advances received	—	14
Deferred tax liabilities	7	625
Provision for product warranties	2,539	2,596
Provision for directors' bonuses	53	21
Provision for sales returns	89	92
Other	5,644	5,120
Total current liabilities	<u>73,145</u>	<u>71,550</u>
<b>Noncurrent liabilities:</b>		
Long-term loans payable	133	165
Deferred tax liabilities	24,059	18,491
Deferred tax liabilities for land revaluation	12,415	12,439
Provision for retirement benefits	—	41,148
Net defined benefit liabilities	36,450	—
Long-term deposits received	15,339	15,445
Other	2,547	1,732
Total noncurrent liabilities	<u>90,944</u>	<u>89,422</u>
<b>Total liabilities</b>	<u>164,089</u>	<u>160,973</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	168,338	140,473
Treasury stock	(3,705)	(3,699)
Total shareholders' equity	<u>233,222</u>	<u>205,363</u>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	45,540	34,810
Deferred gains or losses on hedges	(101)	(41)
Revaluation reserve for land	17,139	17,184
Foreign currency translation adjustment	(20,347)	(30,443)
Remeasurements of defined benefit plans	(3,771)	—
Total accumulated other comprehensive income	<u>38,459</u>	<u>21,508</u>
<b>Minority interests</b>	<u>3,161</u>	<u>2,764</u>
<b>Total net assets</b>	<u>274,843</u>	<u>229,636</u>
<b>Total liabilities and net assets</b>	<u>¥438,932</u>	<u>¥390,610</u>

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

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

(Millions of yen)

	FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)	FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)
<b>Net sales</b>	<b>¥410,304</b>	¥366,941
<b>Cost of sales</b>	<b>262,310</b>	238,261
<b>Gross profit</b>	<b>147,994</b>	128,680
<b>Selling, general and administrative expenses</b>	<b>121,999</b>	119,465
Operating income	<b>25,994</b>	9,215
<b>Non-operating income:</b>		
Interest income	552	465
Dividends income	1,556	874
Patent royalty revenue	353	—
Other	1,045	970
Total non-operating income	<b>3,507</b>	2,309
<b>Non-operating expenses:</b>		
Interest expenses	216	259
Sales discounts	2,404	1,980
Foreign exchange losses	126	57
Other	607	646
Total non-operating expenses	<b>3,355</b>	2,943
Ordinary income	<b>26,146</b>	8,580
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	587	1,857
Gain on sales of investment securities	990	1,089
Gain on liquidation of subsidiaries and affiliates	—	8
Total extraordinary income	<b>1,578</b>	2,955
<b>Extraordinary loss:</b>		
Loss on retirement of noncurrent assets	301	253
Loss on valuation of investment securities	16	32
Loss on valuation of investments in capital of subsidiaries and affiliates	—	102
Impairment loss	192	293
Business structural reform expenses	869	3,059
Loss on closure of operations	525	—
Total extraordinary loss	<b>1,906</b>	3,740
<b>Income before income taxes and minority interests</b>	<b>25,818</b>	7,795
<b>Income taxes—current</b>	<b>5,778</b>	3,635
<b>Income taxes—deferred</b>	<b>(3,088)</b>	(179)
<b>Total income taxes</b>	<b>2,690</b>	3,455
<b>Income before minority interests</b>	<b>23,128</b>	4,339
<b>Minority interests in income</b>	<b>229</b>	217
<b>Net income</b>	<b>¥ 22,898</b>	¥ 4,122

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

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)	FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)
<b>Income before minority interests</b>	¥ 23,128	¥ 4,339
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,711	7,474
Deferred gains or losses on hedges	(59)	326
Foreign currency translation adjustments	10,481	13,607
Remeasurements of defined benefit plans	6,944	—
Share of other comprehensive income of associates accounted for using equity method	(5)	0
Total other comprehensive income	28,073	21,408
<b>Comprehensive income</b>	51,201	25,747
(Composition)		
Comprehensive income attributable to owners of the parent	50,717	25,091
Comprehensive income attributable to minority shareholders	¥ 484	¥ 656

### (3) Consolidated Statements of Changes in Shareholders' Equity

FY2014.3 (April 1, 2013—March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	¥28,534	¥40,054	¥140,473	¥(3,699)	¥205,363
Cumulative effects of changes in accounting policies	—	—	7,062	—	7,062
Balance at beginning of the period after adjustments	28,534	40,054	147,536	(3,699)	212,425
Changes of items during the period					
Dividends from surplus			(2,420)		(2,420)
Net income			22,898		22,898
Change of scope of consolidation			(203)		(203)
Change of scope of equity method			482		482
Reversal of revaluation reserve for land			44		44
Purchase of treasury stock				(5)	(5)
Net changes of items other than shareholders' equity					
Total changes of items during the period			20,802	(5)	20,796
Balance at the end of period	¥28,534	¥40,054	¥168,338	¥(3,705)	¥233,222

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥34,810	¥(41)	¥17,184	¥(30,443)	¥—	¥21,508	¥2,764	¥229,636
Cumulative effects of changes in accounting policies.	—	—	—	—	(10,716)	(10,716)	—	(3,654)
Balance at beginning of the period after adjustments	34,810	(41)	17,184	(30,443)	(10,716)	10,792	2,764	225,982
Changes of items during the period								
Dividends from surplus								(2,420)
Net income								22,898
Change of scope of consolidation								(203)
Change of scope of equity method								482
Reversal of revaluation reserve for land								44
Purchase of treasury stock								(5)
Net changes of items other than shareholders' equity	10,730	(59)	(44)	10,096	6,944	27,667	396	28,064
Total changes of items during the period	10,730	(59)	(44)	10,096	6,944	27,667	396	48,860
Balance at the end of period	¥45,540	¥(101)	¥17,139	¥(20,347)	¥(3,771)	¥38,459	¥3,161	¥274,843



FY2013.3 (April 1, 2012 – March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	¥28,534	¥40,054	¥138,152	¥(3,690)	¥203,050
Cumulative effects of changes in accounting policies.	—	—	—	—	—
Balance at beginning of the period after adjustments	28,534	40,054	138,152	(3,690)	203,050
Changes of items during the period					
Dividends from surplus			(1,936)		(1,936)
Net income			4,122		4,122
Change of scope of consolidation			14		14
Change of scope of equity method			—		—
Reversal of revaluation reserve for land			120		120
Purchase of treasury stock				(9)	(9)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,321	(9)	2,312
Balance at the end of period	¥28,534	¥40,054	¥140,473	¥(3,699)	¥205,363

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	¥27,337	¥(367)	¥17,304	¥(43,611)	¥—	¥662	¥3,118	¥206,832
Cumulative effects of changes in accounting policies.	—	—	—	—	—	—	—	—
Balance at beginning of the period after adjustments	27,337	(367)	17,304	(43,611)	—	662	3,118	206,832
Changes of items during the period								
Dividends from surplus								(1,936)
Net income								4,122
Change of scope of consolidation								14
Change of scope of equity method								—
Reversal of revaluation reserve for land								120
Purchase of treasury stock								(9)
Net changes of items other than shareholders' equity	7,472	326	(120)	13,167	—	20,845	(353)	20,492
Total changes of items during the period	7,472	326	(120)	13,167	—	20,845	(353)	22,804
Balance at the end of period	¥34,810	¥ (41)	¥17,184	¥(30,443)	¥—	¥21,508	¥2,764	¥229,636

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)	FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes and minority interests	¥25,818	¥ 7,795
Depreciation and amortization	12,759	11,613
Impairment loss	192	293
Amortization of goodwill	95	105
Decrease in allowance for doubtful accounts	(474)	(355)
Loss on valuation of investments in capital of subsidiaries and affiliates	—	102
Gain on liquidation of subsidiaries and affiliates	—	(8)
Loss on valuation of investment securities	16	32
(Gain) on sales of investment securities	(990)	(1,089)
(Decrease) in provision for retirement benefits	—	(771)
(Decrease) in net defined benefit liabilities	(1,691)	—
Interest and dividends income	(2,108)	(1,339)
Interest expenses	216	259
Foreign exchange (gains) losses	47	(181)
Equity in losses (earnings) of affiliates	(20)	0
Gain on sales of noncurrent assets	(587)	(1,857)
Loss on retirement of noncurrent assets	301	253
Business structural reform expenses	869	3,059
Loss on closure of operations	525	—
(Increase) in notes and accounts receivable—trade	(2,372)	(2,178)
Decrease in inventories	4,783	2,004
Decrease in notes and accounts payable—trade	(304)	(4,464)
Other, net	(1,311)	(630)
Subtotal	35,764	12,643
Interest and dividends income received	2,125	1,327
Interest expenses paid	(220)	(244)
Payment of business structural reform expenses	(546)	(1,940)
Income taxes paid	(3,909)	(4,030)
Net cash provided by (used in) operating activities	¥33,213	¥ 7,755

(Millions of yen)

	FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)	FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)
<b>Net cash provided by (used in) investing activities:</b>		
Net increase in time deposits	¥ (649)	¥ (1,043)
Purchase of property, plant and equipment	(11,248)	(13,115)
Proceeds from sales of property, plant and equipment	1,177	2,680
Purchase of investment securities	(15,632)	(150)
Proceeds from sales and redemption of investment securities	3,380	283
Purchase of stocks of subsidiaries and affiliates	—	(675)
Proceeds from the sale of stock of subsidiaries and affiliates	—	5
Payments for investments in capital of subsidiaries and affiliates	—	(601)
Proceeds from liquidation of subsidiaries and affiliates	—	11
Payments for investments in capital	(16)	—
Payments of loans receivable	(39)	(31)
Collection of loans receivable	108	36
Other, net	(30)	(16)
Net cash provided by (used in) investing activities	(22,950)	(12,617)
<b>Net cash provided by (used in) financing activities:</b>		
Net (decrease) in short-term loans payable	(1,627)	(2,336)
Repayment of long-term loans payable	(486)	(998)
Proceeds from deposits received from membership	176	265
Repayments for deposits received from membership	(290)	(337)
Purchase of treasury stock	(5)	(9)
Cash dividends paid	(2,420)	(1,936)
Cash dividends paid to minority shareholders	(87)	(180)
Other, net	(4)	(3)
Net cash provided by (used in) financing activities	(4,745)	(5,536)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>2,323</b>	<b>3,825</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,841</b>	<b>(6,573)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>49,464</b>	<b>55,919</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>231</b>	<b>130</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>(12)</b>	<b>(12)</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 57,524</b>	<b>¥ 49,464</b>

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

## **(5) Notes to the Consolidated Financial Statements**

### **Notes Regarding Assumptions as a Going Concern**

None applicable

### **Changes in Accounting Principles**

The “Accounting Standards for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012, hereinafter referred to as the “Retirement Benefits Accounting Standards”) and the “Guidance on the Accounting Standards for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012, hereinafter “Guidance on Retirement Benefits”) became applicable at the beginning of the consolidated fiscal year that started April 1, 2013. These accounting standards, etc. were applied from this fiscal year. Consequently, the amount of retirement benefit obligations minus pension assets was recorded as net defined benefit liabilities, and the unrecognized actuarial difference and unrecognized past service costs were also recorded in net defined benefit liabilities. In addition, the calculation method regarding retirement benefit obligations and service costs was reviewed, and the obligations are recognized in the period in which the benefit was earned by the employees rather than by the proportional attribution method. In addition, the discount rate was changed.

With regard to the application of the retirement benefits accounting standards, etc., in accordance with the progressive treatment stipulated in Section 37 of the retirement benefits accounting standards, the amount of retirement benefit obligations minus pension assets was recorded as net defined benefit liabilities at the beginning of the fiscal year (April 1, 2013). The amount of financial impact resulting from this recording was added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income. In addition, the amount of financial impact resulting from changes of the calculation method for retirement benefit obligations and service costs was added to, or deducted from, retained earnings.

As a result, while the Company reported net defined benefit liabilities of ¥36,450 million, accumulated other comprehensive income decreased by ¥3,771 million and accumulated retained earnings increased by ¥7,062 million at the beginning of the consolidated fiscal year (April 1, 2013). Please note that effects of these changes on consolidated income (loss) and segment information in the consolidated financial statements accumulated through the end of the fiscal year were not material.

### **Additional Information**

(Classification of costs of sales and selling, general and administrative expenses)

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

Based on this change, the cost of sales in this fiscal year increased by ¥5,698 million, and gross profit decreased by the same amount compared to the previous method. Also, selling, general and administrative expenses decreased by ¥6,136 million and operating income increased by ¥437 million.

The amount of financial impact on business segments is stated in the Segment Information section.

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

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

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

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

For your information, the amount of financial impact from this acquisition for this consolidated fiscal year is not material.

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

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

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

While Yamaha has also been developing, manufacturing, and selling voice communication devices and professional audio equipment for the expanding audio equipment market, mutual sharing of the product lines, technology, know-how, and sales networks of both companies will enable the Yamaha Group to provide high-quality solutions for the diversifying needs of the market in the future.

Please note that the amount of financial impact from this acquisition for this consolidated fiscal year is not material.

(Change of the effective statutory tax rate)

Under the Act for Partial Amendment of the Income Tax Act announced on March 31, 2014, a special corporate tax for reconstruction will not be charged as of the consolidated fiscal year starting on April 1, 2014. As a result, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for this consolidated fiscal year has been changed from last consolidated fiscal year's rate of 36.99% to 34.61% as the temporary difference is expected to be resolved in the consolidated fiscal year starting on April 1, 2014.

Please note that the amount of financial impact from this change for this consolidated fiscal year is not material.

## Consolidated Statements of Operations

FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)

Impairment Losses

Outline of asset groups where impairment losses were recognized

(Millions of yen)

Use	Location	Impairment losses	
Idle assets, etc.	Fukuoka, Fukuoka, and elsewhere	Buildings and structures	¥197
		Tools, furniture and fixtures	19
		Land	115
		Total	¥332

Of the total shown above, ¥139 million was reported as business structural reform expenses in connection with the consolidation and concentration of music store and school.

### Method for Grouping of Assets

Within its segment classification, the Yamaha Group groups the smallest asset units that generate cash flow together.

### Background Leading to the 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.

### Calculation of the Recovery Value

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

FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)

Impairment Losses

Outline of asset groups where impairment losses were recognized

(Millions of yen)

Use	Location	Impairment losses	
Idle assets, etc.	Sapporo, Hokkaido, and elsewhere	Buildings and structures	¥503
		Tools, furniture and fixtures	2
		Land	350
		Total	¥855

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

### Method for Grouping of Assets

Within its segment classification, the Yamaha Group groups the smallest asset units that generate cash flow together.

### Background Leading to the 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.

### Calculation of the Recovery Value

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

## Segment Information

### 1. Summary of Reporting Segments

Business segments are composed of business units that provide separate financial information, are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions, and that have been grouped to consolidate products and services with similar economic characteristics and contents.

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, information and telecommunication equipment, professional audio 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.

### 2. Method for Calculating the Sales, Income (Loss), Assets, Liabilities, and Other Items for Reporting Segments

The accounting treatment for reporting business segments is carried out through principles and procedures that are the same as those set forth in "Methods of Accounting Treatment Adopted for Preparation of 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.

### 3. Item Related to Reporting Segment Change

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

Please note that segment information of the previous fiscal year was restated using the classification method after the change.

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

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

#### 4. Information on the Amounts of Sales, Income (Loss), Assets, Liabilities, and Other Items for Reporting Segments

**FY2014.3 (April 1, 2013—March 31, 2014)**

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥262,310	¥105,485	¥18,828	¥23,679	¥410,304		¥410,304
Intersegment sales or transfers			619		619	(619)	
Total	262,310	105,485	19,448	23,679	410,923	(619)	410,304
Segment income (loss)	¥ 19,728	¥ 5,866	¥ 770	¥ (370)	¥ 25,994		25,994
Segment assets	251,273	80,396	13,414	93,847	438,932		438,932
Other items							
Depreciation and amortization	8,519	2,647	761	830	12,759		12,759
Impairment loss	757				757		757
Increase in property, plant and equipment and intangible assets	¥ 6,659	¥ 2,877	¥ 216	¥ 1,172	¥ 10,926		¥ 10,926

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

The sales adjustment item of ¥(619) 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.

3. Among the assets of the Others segment, the amount of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the Consolidated Balance Sheets) is ¥70,147 million.

**FY2013.3 (April 1, 2012—March 31, 2013)**

(Millions of yen)

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

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

The sales adjustment item of ¥(697) million, which comprises eliminations of transactions among the Company's business segments.

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

3. Among the assets of the Others segment, the amount of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the Consolidated Balance Sheets) is ¥55,009 million.



## Related Information

### 1. Information by product and service

Since the Company discloses the same information in its segment information section, it has been omitted.

### 2. Information by geographical segment

#### (1) Sales and Property, plant and equipment

##### Sales information based on the geographical location of the customers

**FY2014.3 (April 1, 2013—March 31, 2014)**

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥167,903	¥66,635	¥74,863	¥100,901	¥242,400	¥410,304
% of net sales	40.9%	16.2%	18.3%	24.6%	59.1%	100.0%

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

2. Main country and regional divisions:

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

**FY2013.3 (April 1, 2012—March 31, 2013)**

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥165,790	¥55,156	¥60,611	¥85,383	¥201,151	¥366,941
% of net sales	45.2%	15.0%	16.5%	23.3%	54.8%	100.0%

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

2. Main country and regional divisions:

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

**FY2014.3 (April 1, 2013—March 31, 2014)**

(Millions of yen)

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

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 ¥(230,077) million, which comprises eliminations of transactions among the Company’s business segments.

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

**FY2013.3 (April 1, 2012—March 31, 2013)**

(Millions of yen)

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

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

2. Main country and regional divisions:

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 ¥(186,381) million, which comprises eliminations of transactions among the Company’s business segments.

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

**3. Information by principal customer**

None applicable

**Information on impairment losses on noncurrent assets by reporting segment**

Since the Company discloses the same information in its segment information section, it has been omitted.

**Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reporting segment**

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

**Information on profit arising from negative goodwill by reporting segment**

None applicable

## Per Share Information

(Yen)

FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)		FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)	
Net assets per share	¥1,403.12	Net assets per share	¥1,171.67
Net income per share	¥ 118.26	Net loss per share	¥ 21.29

Notes: 1. There are no latent shares and no figures for earnings per share after adjustment for latent shares have been disclosed.

### 2. Basis for Calculations of Net Income per Share

	FY2014.3 (Apr. 1, 2013–Mar. 31, 2014)	FY2013.3 (Apr. 1, 2012–Mar. 31, 2013)
Net income per share:		
Net income	22,898 million	4,122 million
Value not attributed to common stock	— million	— million
Net income attributed to common stock	22,898 million	4,122 million
Average number of outstanding shares during the period	193,629 thousand shares	193,635 thousand shares

## Important Subsequent Events

None applicable

## 4. Other

### (1) Management Appointment and Resignations

See appendix.