

# YAMAHA CORPORATION

## Flash Report Consolidated Basis (Japanese GAAP) Results through the Third Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017–December 31, 2017)

February 5, 2018

<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)
<b>Address of headquarters:</b>	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
<b>Representative:</b>	Takuya Nakata, President and Representative Executive Officer
<b>For further information, please contact:</b>	Yasushi Nishiyama, General Manager, Corporate Finance Division
<b>Telephone:</b>	+81-53-460-2158
<b>Scheduled date to submit Quarterly Securities Report:</b>	February 14, 2018
<b>Scheduled date to begin dividend payments:</b>	—
<b>Supplementary materials to the quarterly financial statements have been prepared:</b>	Yes
<b>Presentation will be held to explain the quarterly financial results:</b>	Yes (for securities analysts and institutional investors)

### 1. Results through the Third Quarter of FY2018.3 (April 1, 2017–December 31, 2017)

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
<b>Through the third quarter of FY2018.3</b>	<b>¥328,729</b>	<b>6.6%</b>	<b>¥41,471</b>	<b>11.0%</b>	<b>¥41,610</b>	<b>10.7%</b>
Through the third quarter of FY2017.3	¥308,310	(8.2)%	¥37,355	1.1%	¥37,585	(0.0)%

Note: Comprehensive income: **Third quarter of FY2018.3** **¥70,926 million** **11.4%**  
Third quarter of FY2017.3 **¥63,653 million** **184.7%**

	Net income attributable to owners of parent		Net income per share	Net income per share after full dilution
	Millions of yen	% change from the previous year	Yen	Yen
<b>Through the third quarter of FY2018.3</b>	<b>¥49,556</b>	<b>33.7%</b>	<b>¥264.57</b>	—
Through the third quarter of FY2017.3	¥37,055	21.5%	¥197.61	—

#### (2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>Third quarter of FY2018.3 (As of December 31, 2017)</b>	<b>¥609,717</b>	<b>¥421,078</b>	<b>68.8%</b>	<b>¥2,255.90</b>
FY2017.3 (As of March 31, 2017)	¥522,362	¥367,437	69.9%	¥1,948.01

(For reference) Shareholders' equity: **Third quarter of FY2018.3** **¥419,231 million** FY2017.3 **¥365,123 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
FY2017.3	—	¥26.00	—	¥26.00	¥52.00
FY2018.3	—	¥28.00	—		
FY2018.3 (Forecast)				¥28.00	¥56.00

Note: Revisions from recently announced dividend forecast: None

## 3. Consolidated Financial Forecasts for FY2018.3 (April 1, 2017–March 31, 2018)

(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
FY2018.3	¥432,000	5.8%	¥50,000	12.9%	¥50,000	11.3%

	Net income attributable to owners of parent		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2018.3	¥57,000	22.0%	¥305.84

Note: Revisions from recently announced performance forecast: None

**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)	<b>Third quarter of FY2018.3</b>	<b>197,255,025 shares</b>	FY2017.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	<b>Third quarter of FY2018.3</b>	<b>11,417,507 shares</b>	FY2017.3	9,820,691 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	<b>Third quarter of FY2018.3</b>	<b>187,312,582 shares</b>	Third quarter of FY2017.3	187,520,823 shares

\*This quarterly flash report is exempt from the quarterly review procedures.

**\*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 third quarter of FY2018.3, please refer to “Outline of the Yamaha Consolidated Financial Results through the Third Quarter (Nine Months) of the Fiscal Year Ending March 31, 2018 (FY2018.3) and Outlook for Consolidated Performance in FY2018.3,” which was released today (February 5, 2018).

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 and Major Notes

## (1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter of FY2018.3 (as of December 31, 2017)	FY2017.3 (as of March 31, 2017)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	¥138,712	¥105,859
Notes and accounts receivable–trade	68,552	50,995
Merchandise and finished goods	70,649	66,149
Work in process	13,016	12,687
Raw materials and supplies	15,964	14,290
Other	29,498	23,977
Allowance for doubtful accounts	(1,534)	(1,239)
Total current assets	<u>334,859</u>	<u>272,720</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	32,122	31,034
Machinery, equipment and vehicles, net	13,581	12,976
Tools, furniture and fixtures, net	9,954	10,030
Land	43,965	43,851
Lease assets, net	250	294
Construction in progress	11,229	7,287
Total property, plant and equipment	<u>111,104</u>	<u>105,475</u>
Intangible assets	5,803	3,195
Investments and other assets		
Investment securities	149,543	132,771
Other	8,532	8,325
Allowance for doubtful accounts	(125)	(126)
Total investments and other assets	<u>157,950</u>	<u>140,970</u>
Total noncurrent assets	<u>274,858</u>	<u>249,641</u>
<b>Total assets</b>	<u>¥609,717</u>	<u>¥522,362</u>

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

(Millions of yen)

	Third quarter of FY2018.3 (as of December 31, 2017)	FY2017.3 (as of March 31, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	¥ 18,226	¥ 17,828
Short-term loans payable	25,901	11,170
Current portion of long-term loans payable	31	30
Accounts payable–other and accrued expenses	40,651	43,961
Income taxes payable	15,278	2,410
Provision	1,818	1,814
Other	9,999	5,350
Total current liabilities	<u>111,907</u>	<u>82,565</u>
<b>Noncurrent liabilities</b>		
Long-term loans payable	17	40
Net defined benefit liabilities	21,945	23,039
Other	54,769	49,279
Total noncurrent liabilities	<u>76,732</u>	<u>72,359</u>
<b>Total liabilities</b>	<u>188,639</u>	<u>154,924</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	28,534	28,534
Capital surplus	40,165	40,054
Retained earnings	290,082	250,649
Treasury stock	(30,369)	(23,731)
Total shareholders' equity	<u>328,413</u>	<u>295,507</u>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	93,159	80,282
Deferred gains or losses on hedges	(195)	103
Revaluation reserve for land	16,095	16,095
Foreign currency translation adjustment	(16,998)	(24,219)
Remeasurements of defined benefit plans	(1,242)	(2,645)
Total accumulated other comprehensive income	<u>90,818</u>	<u>69,616</u>
<b>Non-controlling interests</b>	<u>1,846</u>	<u>2,314</u>
<b>Total net assets</b>	<u>421,078</u>	<u>367,437</u>
<b>Total liabilities and net assets</b>	<u>¥609,717</u>	<u>¥522,362</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)

	Third quarter of FY2018.3 (April 1, 2017–December 31, 2017)	Third quarter of FY2017.3 (April 1, 2016–December 31, 2016)
<b>Net sales</b>	<b>¥328,729</b>	<b>¥308,310</b>
<b>Cost of sales</b>	<b>195,017</b>	<b>180,852</b>
Gross profit	<b>133,711</b>	<b>127,458</b>
<b>Selling, general and administrative expenses</b>	<b>92,240</b>	<b>90,102</b>
Operating income	<b>41,471</b>	<b>37,355</b>
<b>Non-operating income</b>		
Interest income	<b>537</b>	<b>471</b>
Dividends income	<b>2,224</b>	<b>1,828</b>
Foreign exchange gains	<b>—</b>	<b>307</b>
Other	<b>613</b>	<b>549</b>
Total non-operating income	<b>3,375</b>	<b>3,156</b>
<b>Non-operating expenses</b>		
Sales discounts	<b>2,122</b>	<b>1,947</b>
Foreign exchange losses	<b>426</b>	<b>—</b>
Other	<b>685</b>	<b>980</b>
Total non-operating expenses	<b>3,235</b>	<b>2,927</b>
<b>Ordinary income</b>	<b>41,610</b>	<b>37,585</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	<b>68</b>	<b>1,328</b>
Gain on sales of investment securities	<b>25,824</b>	<b>141</b>
Total extraordinary income	<b>25,892</b>	<b>1,470</b>
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets	<b>213</b>	<b>243</b>
Loss on valuation of investment securities	<b>6</b>	<b>6</b>
Loss on sales of investment securities	<b>3</b>	<b>—</b>
Impairment loss	<b>27</b>	<b>406</b>
Business structural reform expenses	<b>—</b>	<b>5,161</b>
Loss due to transition to a defined contribution pension plan	<b>148</b>	<b>—</b>
Tariff assessment from previous periods, etc.	<b>176</b>	<b>—</b>
Total extraordinary losses	<b>575</b>	<b>5,818</b>
<b>Income before income taxes</b>	<b>66,928</b>	<b>33,237</b>
<b>Income taxes—current</b>	<b>18,516</b>	<b>8,175</b>
<b>Income taxes—deferred</b>	<b>(1,172)</b>	<b>(12,104)</b>
<b>Total income taxes</b>	<b>17,343</b>	<b>(3,929)</b>
<b>Net income for the period</b>	<b>49,584</b>	<b>37,166</b>
<b>Net income attributable to non-controlling interests</b>	<b>27</b>	<b>110</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 49,556</b>	<b>¥ 37,055</b>

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

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter of FY2018.3 (April 1, 2017–December 31, 2017)	Third quarter of FY2017.3 (April 1, 2016–December 31, 2016)
<b>Net income for the period</b>	<b>¥49,584</b>	<b>¥37,166</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,860	22,815
Deferred gains or losses on hedges	(299)	(121)
Foreign currency translation adjustments	7,362	(1,001)
Remeasurements of defined benefit plans	1,403	4,778
Share of other comprehensive income of affiliates accounted for using equity method	16	14
Total other comprehensive income	21,342	26,486
<b>Comprehensive income</b>	<b>70,926</b>	<b>63,653</b>
(Composition)		
Comprehensive income attributable to owners of parent	70,758	63,622
Comprehensive income attributable to non-controlling interests	¥ 168	¥ 30

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

#### **Additional Information**

The Company sold a portion of its holdings of Yamaha Motor Co., Ltd. shares. As a result, the Company reported a gain on sales of investment securities of ¥25,823 million for the third quarter of FY2018.3.

#### **Notes Regarding Consolidated Balance Sheets**

##### **(Contingent Liabilities)**

At the end of the third quarter, five of the Company's consolidated subsidiaries in Indonesia (hereinafter, Consolidated Subsidiaries), including PT. Yamaha Musical Products Indonesia, received notices of tax liability reassessments from the Indonesian tax authorities to pay a total of US\$22,678 thousand, including additional taxes, etc. (which amounts to ¥2,562 million when converted at the exchange rate prevailing at the end of the third quarter) related to tax returns filed from FY2008.3 through FY2016.3.

Since the Company and its Consolidated Subsidiaries cannot agree with the content of the points raised by the tax authorities, they are proceeding with filing objections with the tax authorities, taking the matter to tax courts, and proceeding with other related action.

The main content of this matter is as follows.

In August 2017, PT. Yamaha Musical Products Indonesia received a notice of tax liability reassessment from the Indonesian tax authorities to pay taxes of US\$12,953 thousand, including additional taxes, etc. (which amounts to ¥1,463 million when converted at the exchange rate prevailing at the end of the third quarter) in connection with sales prices, etc., during the fiscal year ended March 31, 2016.

However, the points raised by the Indonesian tax authorities are unreasonable, including a requirement for one of Yamaha's subsidiaries, which functions only as a manufacturing subcontractor, to report an extremely high level of operating profit of more than 40%. The Company and its Indonesian subsidiary, therefore, cannot agree with the points raised by the tax authorities and filed formal objections in November 2017.

**Segment Information, Etc.****(Segment Information)****Accumulated through the third quarter of FY2018.3 (April 1, 2017–December 31, 2017)****1. Sales and Income by Reportable Segment**

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥208,792	¥92,283	¥301,075	¥27,654	¥328,729		¥328,729
Intersegment sales or transfers				289	289	¥(289)	
Total sales	¥208,792	¥92,283	¥301,075	¥27,943	¥329,018	¥(289)	¥328,729
Segment income	¥ 28,135	¥10,064	¥ 38,200	¥ 3,270	¥ 41,471		¥ 41,471

Notes: 1. The item “Adjustments” contains the following:

The sales adjustment item of ¥(289) million, which comprises eliminations of transactions among the Company’s reportable segments

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

Accumulated through the third quarter of FY2017.3 (April 1, 2016–December 31, 2016)

**1. Sales and Income by Reportable Segment**

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥196,527	¥84,962	¥281,489	¥26,820	¥308,310		¥308,310
Intersegment sales or transfers				303	303	¥(303)	
Total sales	¥196,527	¥84,962	¥281,489	¥27,124	¥308,614	¥(303)	¥308,310
Segment income	¥ 27,339	¥ 8,454	¥ 35,794	¥ 1,561	¥ 37,355		¥ 37,355

Notes: 1. The item “Adjustments” contains the following:

The sales adjustment item of ¥(303) million, which comprises eliminations of transactions among the Company’s reportable segments

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

## Reference Information

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

Accumulated through the third quarter of FY2018.3 (April 1, 2017–December 31, 2017)

(Millions of yen)

	Japan	Overseas					Consolidated	
		North America	Europe	China	Asia, Oceania, and other areas	Total		
								U.S.A.
Net sales	¥98,820	¥65,144	¥56,814	¥66,550	¥42,489	¥55,724	¥229,908	¥328,729
% of net sales	30.1%	19.8%	17.3%	20.2%	12.9%	17.0%	69.9%	100.0%

Notes: 1. Sales information is based on the geographical location of the 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: Republic of Korea, Australia

Accumulated through the third quarter of FY2017.3 (April 1, 2016–December 31, 2016)

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥101,285	¥61,908	¥60,875	¥84,240	¥207,024	¥308,310
% of net sales	32.9%	20.1%	19.7%	27.3%	67.1%	100.0%

Notes: 1. Sales information is based on the geographical location of the 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 third quarter of FY2018.3 (April 1, 2017–December 31, 2017)**

(Millions of yen)

	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥107,087	¥68,150	¥67,030	¥37,640	¥48,819	¥328,729		¥328,729
Intersegment sales or transfers	136,083	1,787	1,834	25,245	47,859	212,810	¥(212,810)	
Total sales	¥243,171	¥69,938	¥68,864	¥62,886	¥96,678	¥541,539	¥(212,810)	¥328,729
Segment income	¥ 28,791	¥ 3,199	¥ 1,612	¥ 6,290	¥ 5,439	¥ 45,333	¥ (3,862)	¥ 41,471

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 ¥(212,810) million, which comprises eliminations of transactions among the Company’s reportable segments

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

**Accumulated through the third quarter of FY2017.3 (April 1, 2016–December 31, 2016)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥107,602	¥65,003	¥61,058	¥ 74,646	¥308,310		¥308,310
Intersegment sales or transfers	123,289	1,866	1,872	68,423	195,451	¥(195,451)	
Total sales	¥230,891	¥66,870	¥62,930	¥143,069	¥503,762	¥(195,451)	¥308,310
Segment income	¥ 18,311	¥ 3,958	¥ 4,188	¥ 12,464	¥ 38,922	¥ (1,566)	¥ 37,355

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 ¥(195,451) million, which comprises eliminations of transactions among the Company’s reportable segments

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