

# YAMAHA CORPORATION

## Flash Report Consolidated Basis (Japanese GAAP) Results through the Second Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017–September 30, 2017)

November 1, 2017

<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
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<b>Scheduled date to submit Quarterly Securities Report:</b>	November 14, 2017
<b>Scheduled date to begin dividend payments:</b>	December 7, 2017
<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 Second Quarter of FY2018.3 (April 1, 2017–September 30, 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 second quarter of FY2018.3</b>	<b>¥209,800</b>	<b>5.3%</b>	<b>¥23,927</b>	<b>(2.9)%</b>	<b>¥24,727</b>	<b>1.0%</b>
Through the second quarter of FY2017.3	¥199,153	(8.4)%	¥24,646	16.1%	¥24,488	10.1%

Note: Comprehensive income: **Second quarter of FY2018.3** **¥47,423 million** **139.7%**  
 Second quarter of FY2017.3 ¥19,788 million —%

	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 second quarter of FY2018.3</b>	<b>¥19,637</b>	<b>(27.8)%</b>	<b>¥104.75</b>	—
Through the second quarter of FY2017.3	¥27,214	56.3%	¥145.10	—

#### (2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>Second quarter of FY2018.3 (As of September 30, 2017)</b>	<b>¥595,906</b>	<b>¥410,198</b>	<b>68.4%</b>	<b>¥2,174.95</b>
FY2017.3 (As of March 31, 2017)	¥522,362	¥367,437	69.9%	¥1,948.01

(For reference) Shareholders' equity: **Second quarter of FY2018.3** **¥407,825 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	¥39,000	(16.5)%	¥208.01

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>Second 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>Second quarter of FY2018.3</b>	<b>9,744,626 shares</b>	FY2017.3	9,820,691 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	<b>Second quarter of FY2018.3</b>	<b>187,466,943 shares</b>	Second quarter of FY2017.3	187,557,360 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 second quarter of FY2018.3, please refer to “Outline of the Yamaha Consolidated Financial Results through the Second Quarter (Six Months) of the Fiscal Year Ending March 31, 2018 (FY2018.3) and Outlook for Consolidated Performance in FY2018.3,” which was released today (November 1, 2017).

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)

	Second quarter of FY2018.3 (as of September 30, 2017)	FY2017.3 (as of March 31, 2017)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	¥115,339	¥105,859
Notes and accounts receivable–trade	61,635	50,995
Merchandise and finished goods	75,259	66,149
Work in process	12,893	12,687
Raw materials and supplies	15,783	14,290
Other	28,999	23,977
Allowance for doubtful accounts	(1,418)	(1,239)
Total current assets	<u>308,492</u>	<u>272,720</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	31,023	31,034
Machinery, equipment and vehicles, net	12,880	12,976
Tools, furniture and fixtures, net	10,168	10,030
Land	43,952	43,851
Lease assets, net	268	294
Construction in progress	11,179	7,287
Total property, plant and equipment	<u>109,472</u>	<u>105,475</u>
Intangible assets	5,815	3,195
Investments and other assets		
Investment securities	163,712	132,771
Other	8,540	8,325
Allowance for doubtful accounts	(126)	(126)
Total investments and other assets	<u>172,126</u>	<u>140,970</u>
Total noncurrent assets	<u>287,414</u>	<u>249,641</u>
<b>Total assets</b>	<u>¥595,906</u>	<u>¥522,362</u>

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

(Millions of yen)

	Second quarter of FY2018.3 (as of September 30, 2017)	FY2017.3 (as of March 31, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	¥ 19,966	¥ 17,828
Short-term loans payable	27,578	11,170
Current portion of long-term loans payable	31	30
Accounts payable–other and accrued expenses	40,103	43,961
Income taxes payable	5,865	2,410
Provision	1,793	1,814
Other	10,003	5,350
Total current liabilities	<u>105,342</u>	<u>82,565</u>
<b>Noncurrent liabilities</b>		
Long-term loans payable	25	40
Net defined benefit liabilities	22,076	23,039
Other	58,263	49,279
Total noncurrent liabilities	<u>80,365</u>	<u>72,359</u>
<b>Total liabilities</b>	<u>185,708</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	265,414	250,649
Treasury stock	(23,549)	(23,731)
Total shareholders' equity	<u>310,564</u>	<u>295,507</u>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	101,989	80,282
Deferred gains or losses on hedges	(268)	103
Revaluation reserve for land	16,095	16,095
Foreign currency translation adjustment	(18,844)	(24,219)
Remeasurements of defined benefit plans	(1,709)	(2,645)
Total accumulated other comprehensive income	<u>97,260</u>	<u>69,616</u>
<b>Non-controlling interests</b>	<u>2,373</u>	<u>2,314</u>
<b>Total net assets</b>	<u>410,198</u>	<u>367,437</u>
<b>Total liabilities and net assets</b>	<u>¥595,906</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)

	Second quarter of FY2018.3 (April 1, 2017–September 30, 2017)	Second quarter of FY2017.3 (April 1, 2016–September 30, 2016)
<b>Net sales</b>	<b>¥209,800</b>	¥199,153
<b>Cost of sales</b>	<b>125,712</b>	115,017
Gross profit	<b>84,088</b>	84,136
<b>Selling, general and administrative expenses</b>	<b>60,160</b>	59,489
Operating income	<b>23,927</b>	24,646
<b>Non-operating income</b>		
Interest income	313	326
Dividends income	1,972	1,599
Other	374	487
Total non-operating income	<b>2,659</b>	2,414
<b>Non-operating expenses</b>		
Sales discounts	1,304	1,208
Foreign exchange losses	239	975
Other	315	388
Total non-operating expenses	<b>1,859</b>	2,571
<b>Ordinary income</b>	<b>24,727</b>	24,488
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	27	225
Total extraordinary income	<b>27</b>	225
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets	131	157
Loss on valuation of investment securities	6	0
Impairment loss	23	406
Business structural reform expenses	—	4,867
Loss due to transition to a defined contribution pension plan	148	—
Tariff assessment from previous periods, etc.	176	—
Total extraordinary losses	<b>485</b>	5,431
<b>Income before income taxes</b>	<b>24,269</b>	19,283
<b>Income taxes—current</b>	<b>7,411</b>	5,570
<b>Income taxes—deferred</b>	<b>(2,828)</b>	(13,585)
<b>Total income taxes</b>	<b>4,583</b>	(8,015)
<b>Net income for the period</b>	<b>19,686</b>	27,298
<b>Net income attributable to non-controlling interests</b>	<b>48</b>	84
<b>Net income attributable to owners of parent</b>	<b>¥ 19,637</b>	¥ 27,214

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

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter of FY2018.3 (April 1, 2017–September 30, 2017)	Second quarter of FY2017.3 (April 1, 2016–September 30, 2016)
<b>Net income for the period</b>	<b>¥19,686</b>	<b>¥27,298</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	21,690	4,054
Deferred gains or losses on hedges	(372)	180
Foreign currency translation adjustments	5,467	(16,073)
Remeasurements of defined benefit plans	935	4,329
Share of other comprehensive income of affiliates accounted for using equity method	16	(0)
Total other comprehensive income	27,737	(7,509)
<b>Comprehensive income</b>	<b>47,423</b>	<b>19,788</b>
(Composition)		
Comprehensive income attributable to owners of parent	47,282	20,008
Comprehensive income attributable to non-controlling interests	¥ 141	¥ (220)

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

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

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

At the end of the second 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 ¥2,556 million when converted at the exchange rates prevailing at the end of the second 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 ¥1,460 million when converted at the exchange rates prevailing at the end of the second 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 are preparing to file formal objections.

**Segment Information, Etc.****(Segment Information)****Accumulated through the second quarter of FY2018.3 (April 1, 2017–September 30, 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	¥134,173	¥57,563	¥191,737	¥18,063	¥209,800		¥209,800
Intersegment sales or transfers				205	205	¥(205)	
Total sales	¥134,173	¥57,563	¥191,737	¥18,269	¥210,006	¥(205)	¥209,800
Segment income	¥ 16,639	¥ 5,179	¥ 21,818	¥ 2,109	¥ 23,927		¥ 23,927

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

The sales adjustment item of ¥(205) 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 second quarter of FY2017.3 (April 1, 2016–September 30, 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	¥128,458	¥53,006	¥181,464	¥17,689	¥199,153		¥199,153
Intersegment sales or transfers				230	230	¥(230)	
Total sales	¥128,458	¥53,006	¥181,464	¥17,919	¥199,383	¥(230)	¥199,153
Segment income	¥ 18,796	¥ 4,836	¥ 23,633	¥ 1,013	¥ 24,646		¥ 24,646

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

The sales adjustment item of ¥(230) 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 second quarter of FY2018.3 (April 1, 2017–September 30, 2017)

(Millions of yen)

	Japan	Overseas					Consolidated	
		North America	Europe	China	Asia, Oceania, and other areas	Total		
		U.S.A.						
Net sales	¥66,721	¥41,013	¥35,770	¥38,853	¥27,868	¥35,343	¥143,079	¥209,800
% of net sales	31.8%	19.5%	17.0%	18.5%	13.3%	16.9%	68.2%	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 second quarter of FY2017.3 (April 1, 2016–September 30, 2016)

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
		Net sales	¥67,592	¥39,680	¥37,088	
% of net sales	33.9%	19.9%	18.6%	27.6%	66.1%	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 second quarter of FY2018.3 (April 1, 2017–September 30, 2017)**

(Millions of yen)

	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 72,201	¥43,021	¥39,162	¥24,476	¥30,938	¥209,800		¥209,800
Intersegment sales or transfers	91,682	1,284	1,137	16,409	32,448	142,962	¥(142,962)	
Total sales	¥163,884	¥44,306	¥40,299	¥40,885	¥63,387	¥352,763	¥(142,962)	¥209,800
Segment income	¥ 18,937	¥ 1,997	¥ 367	¥ 3,983	¥ 3,430	¥ 28,717	¥ (4,789)	¥ 23,927

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 ¥(142,962) 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 second quarter of FY2017.3 (April 1, 2016–September 30, 2016)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 72,042	¥41,792	¥37,133	¥48,185	¥199,153		¥199,153
Intersegment sales or transfers	87,061	1,362	1,190	47,811	137,426	¥(137,426)	
Total sales	¥159,103	¥43,155	¥38,323	¥95,997	¥336,579	¥(137,426)	¥199,153
Segment income	¥ 13,213	¥ 2,609	¥ 2,181	¥ 8,795	¥ 26,799	¥ (2,153)	¥ 24,646

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 ¥(137,426) 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.