

YAMAHA CORPORATION

Flash Report Consolidated Basis (Japanese GAAP) Results through the Second Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016–September 30, 2016)

November 7, 2016

Company name:	YAMAHA CORPORATION (URL http://www.yamaha.com)
Code number:	7951
Stock listing:	Tokyo Stock Exchange (First Section)
Address of headquarters:	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
Representative director:	Takuya Nakata, President and Representative Director
For further information, please contact:	Yasushi Nishiyama, General Manager, Corporate Finance Division
Telephone:	+81-53-460-2158
Scheduled date to submit Quarterly Securities Report:	November 14, 2016
Scheduled date to begin dividend payments:	December 8, 2016
Supplementary materials to the quarterly financial statements have been prepared:	Yes
Presentation will be held to explain the quarterly financial results:	Yes (for securities analysts and institutional investors)

1. Results through the Second Quarter of FY2017.3 (April 1, 2016–September 30, 2016)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results (Accumulation)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
Through the second quarter of FY2017.3	¥199,153	(8.4)%	¥24,646	16.1%	¥24,488	10.1%
Through the second quarter of FY2016.3	¥217,452	5.4%	¥21,233	40.8%	¥22,239	47.7%

Note: Comprehensive income: **Second quarter of FY2017.3** **¥19,788 million (—)%**
 Second quarter of FY2016.3 **¥(800) 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
Through the second quarter of FY2017.3	¥27,214	56.3%	¥145.10	—
Through the second quarter of FY2016.3	¥17,410	61.4%	¥89.92	—

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Second quarter of FY2017.3 (As of September 30, 2016)	¥478,911	¥315,962	65.5%	¥1,674.59
FY2016.3 (As of March 31, 2016)	¥469,745	¥303,889	64.2%	¥1,601.55

(For reference) Shareholders' equity: **Second quarter of FY2017.3** **¥313,878 million** FY2016.3 **¥301,544 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
FY2016.3	—	¥18.00	—	¥26.00	¥44.00
FY2017.3	—	¥26.00			
FY2017.3 (Forecast)			—	¥26.00	¥52.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Forecasts for FY2017.3 (April 1, 2016–March 31, 2017)

(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
FY2017.3	¥402,000	(7.7)%	¥42,000	3.3%	¥42,000	2.7%

	Net income attributable to owners of parent		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2017.3	¥41,000	25.6%	¥218.67

Note: Revisions from recently announced performance forecast: Yes

Footnote Items

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

(Note) Regarding the methods for calculation of depreciation of property, plant and equipment, previously, the Company and its consolidated subsidiaries in Japan adopted the declining balance method, and overseas consolidated subsidiaries mainly applied the straight-line method for calculating depreciation. However, from the beginning of the first quarter of FY2017.3, the method for depreciation in the Company and its subsidiaries has been changed to the straight-line method. Since this matter corresponds to Article 10-5 of the Regulations for Preparation of Quarterly Consolidated Financial Statements, “Yes” is shown in the section “(b) Changes other than those in (a) above: Changes in accounting principles accompanying revisions in accounting standards” and in the section “(c) Changes in accounting estimates.”

For further details, please refer to page 2 of the supplementary materials, the section entitled: “1. Summary Information (Footnote Items), (1) “Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions.”

- (4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)	Second quarter of FY2017.3	197,255,025 shares	FY2016.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	Second quarter of FY2017.3	9,818,878 shares	FY2016.3	8,971,933 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	Second quarter of FY2017.3	187,557,360 shares	Second quarter of FY2016.3	193,622,382 shares

Status of Performance of Quarterly Review Procedures

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

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

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

For commentary information regarding the closing of accounts for the second quarter of FY2017.3, please refer to “Outline of the Consolidated Financial Results through the Second Quarter (Six Months) of the Fiscal Year Ending March 31, 2017 (FY2017.3) and Outlook for Consolidated Performance for the Full Fiscal Year,” which was released today (November 7, 2016).

Revision in Performance Forecast

The forecast for the full fiscal year calls for a downward revision of net sales to ¥402.0 billion and net income attributable to the owners of parent to ¥41.0 billion. Operating income and ordinary income remain unchanged from the previous forecasts.

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.

Table of Contents of Supplementary Materials

1. Summary Information (Footnote Items).....	2
(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions.....	2
(2) Additional Information.....	2
2. Consolidated Financial Statements.....	3
(1) Consolidated Balance Sheets.....	3
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income.....	5
(3) Notes to the Quarterly Financial Statements	7
Notes Regarding Assumptions as a Going Concern.....	7
Notes Regarding Any Major Change in the Amount of Consolidated Shareholders' Equity	7
Segment Information, Etc.....	7

1. Summary Information (Footnote Items)

(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions

Changes in the depreciation method for calculation of property, plant and equipment

Regarding the methods for calculation of depreciation of property, plant and equipment, previously, the Company and its consolidated subsidiaries in Japan adopted the declining balance method, and overseas consolidated subsidiaries mainly applied the straight-line method for calculating depreciation. However, from the beginning of the first quarter of FY2017.3, the method for depreciation in the Company and its subsidiaries has been changed to the straight-line method.

Under the new medium-term management plan “NEXT STAGE 12,” which will cover the three-year period beginning from the current fiscal year, as a part of its key strategies, the Company has set the objectives of continually reducing costs, including reorganization of production processes and strengthening its global business platforms. In addition, along with the expansion of the sales and production overseas and the increasing number of overseas subsidiaries through M&A, the importance of overseas bases is increasing. Since standardization of accounting treatment throughout the Group has risen in importance, on the occasion of preparing a new medium-term management plan, the Company reconsidered the methods for calculating depreciation of property, plant and equipment.

Taking into account the actual usage and capital investments in the past as well as the usage plans and capital investments in the future, since the outlook is for the property, plant and equipment to be used stably over long useful lives, the Company has decided that it will be reasonable for depreciation expenses to be spread evenly over the useful lives of these assets through the use of the straight-line method of depreciation.

As a result of this change, operating income, ordinary income, and income before income taxes through the second quarter (accumulated) were ¥213 million higher than they would have been in the absence of such changes, respectively. Please note that the effect of this change to the segment information is stated in the related section.

(2) Additional Information

Presentation of deferred tax assets accompanying the application of “Implementation Guidance on Recoverability of Deferred Tax Assets”

The Company has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016) from the beginning of the first quarter of FY2017.3, and based on the recent performance trends and other factors, the Company has revised the recoverability of deferred tax assets.

As a result, during the second quarter (accumulated) of FY2017.3, deferred tax assets have been additionally recorded in the consolidated financial statements, with ¥13,585 million to be credited as income taxes-deferred.

Realignment of Resort Business

In response to major changes in the environment for the resort business, Yamaha has decided to realign its resort businesses. Among the three resort facilities that the Yamaha Group manages, namely Tsumagoi, Katsuragi Kitanomaru, and Katsuragi Golf Club, Yamaha has decided to conclude the operation of Tsumagoi for the general public on December 25, 2016 and concentrate its resources on the remaining two resorts: Katsuragi Kitanomaru and Katsuragi Golf Club.

In connection with this realignment, the business structural reform expenses of ¥4,867 million are reported for the second quarter of the fiscal year ending March 31, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Second quarter of FY2017.3 (as of September 30, 2016)	FY2016.3 (as of March 31, 2016)
ASSETS		
Current assets		
Cash and deposits	¥ 94,378	¥ 88,166
Notes and accounts receivable–trade	54,248	49,026
Merchandise and finished goods	68,337	63,232
Work in process	12,228	12,825
Raw materials and supplies	13,897	15,808
Other	22,715	27,324
Allowance for doubtful accounts	(1,263)	(1,247)
Total current assets	264,541	255,135
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	30,359	33,728
Machinery, equipment and vehicles, net	11,678	12,722
Tools, furniture and fixtures, net	9,305	9,889
Land	44,532	46,061
Lease assets, net	282	333
Construction in progress	3,276	1,544
Total property, plant and equipment	99,434	104,280
Intangible assets		
Goodwill	1,830	2,456
Other	2,795	3,104
Total intangible assets	4,625	5,560
Investments and other assets		
Investment securities	102,821	96,911
Other	7,609	7,962
Allowance for doubtful accounts	(121)	(104)
Total investments and other assets	110,310	104,769
Total noncurrent assets	214,370	214,610
Total assets	¥478,911	¥469,745

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

(Millions of yen)

	Second quarter of FY2017.3 (as of September 30, 2016)	FY2016.3 (as of March 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	¥ 17,045	¥ 19,353
Short-term loans payable	24,347	8,409
Current portion of long-term loans payable	30	30
Accounts payable–other and accrued expenses	32,916	37,222
Income taxes payable	3,223	2,307
Provision	4,538	2,620
Other	12,845	5,516
Total current liabilities	94,947	75,459
Noncurrent liabilities		
Long-term loans payable	55	71
Net defined benefit liabilities	35,663	38,024
Other	32,282	52,301
Total noncurrent liabilities	68,002	90,396
Total liabilities	162,949	165,856
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	235,563	213,050
Treasury stock	(23,725)	(20,945)
Total shareholders' equity	280,427	260,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	59,092	55,038
Deferred gains or losses on hedges	83	(97)
Revaluation reserve for land	16,549	16,743
Foreign currency translation adjustment	(35,282)	(19,513)
Remeasurements of defined benefit plans	(6,991)	(11,320)
Total accumulated other comprehensive income	33,451	40,850
Non-controlling interests	2,083	2,344
Total net assets	315,962	303,889
Total liabilities and net assets	¥478,911	¥469,745

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

(Millions of yen)

	Second quarter of FY2017.3 (April 1, 2016–September 30, 2016)	Second quarter of FY2016.3 (April 1, 2015–September 30, 2015)
Net sales	¥199,153	¥217,452
Cost of sales	115,017	130,125
Gross profit	84,136	87,326
Selling, general and administrative expenses	59,489	66,093
Operating income	24,646	21,233
Non-operating income		
Interest income	326	299
Dividends income	1,599	1,224
Foreign exchange gains	—	65
Tariff refund	—	703
Other	487	560
Total non-operating income	2,414	2,854
Non-operating expenses		
Sales discounts	1,208	1,347
Foreign exchange losses	975	—
Other	388	500
Total non-operating expenses	2,571	1,847
Ordinary income	24,488	22,239
Extraordinary income		
Gain on sales of noncurrent assets	225	543
Gain on sales of investment securities	—	3
Total extraordinary income	225	546
Extraordinary losses		
Loss on retirement of noncurrent assets	157	103
Loss on valuation of investment securities	0	0
Impairment loss	406	170
Business structural reform expenses	4,867	—
Total extraordinary losses	5,431	274
Income before income taxes	19,283	22,512
Income taxes—current	5,570	5,720
Income taxes—deferred	(13,585)	(674)
Total income taxes	(8,015)	5,045
Net income for the period	27,298	17,466
Net income attributable to non-controlling interests	84	56
Net income attributable to owners of parent	¥ 27,214	¥ 17,410

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Second quarter of FY2017.3 (April 1, 2016–September 30, 2016)	Second quarter of FY2016.3 (April 1, 2015–September 30, 2015)
Net income for the period	¥27,298	¥ 17,466
Other comprehensive income		
Valuation difference on available-for-sale securities	4,054	(15,727)
Deferred gains or losses on hedges	180	(93)
Foreign currency translation adjustments	(16,073)	(2,819)
Remeasurements of defined benefit plans	4,329	375
Share of other comprehensive income of associates accounted for using equity method	(0)	(2)
Total other comprehensive income	(7,509)	(18,266)
Comprehensive income	19,788	(800)
(Composition)		
Comprehensive income attributable to owners of parent	20,008	(792)
Comprehensive income attributable to non-controlling interests	¥ (220)	¥ (7)

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

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

None

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

None

Segment Information, Etc.

(Segment Information)

Accumulated through the second quarter of FY2017.3 (April 1, 2016–September 30, 2016)

1. Sales and Income by Reporting Segment

(Millions of yen)

	Reporting 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 business segments

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

2. Changes in Reporting Segments

(Change in business segments)

From the beginning of the first quarter of FY2017.3, the reporting segment classification and presentation have been changed.

Accompanying the decrease in size of the electronic devices business, it has been excluded from the reporting segment and included in the others segment. Sales of this business to external customers through the second quarter in the previous fiscal year amounted to ¥7,932 million and segment income was ¥674 million.

Also, as a result of the review of the classification of businesses, the soundproof product business has been moved from the musical instruments segment to the audio equipment segment from the beginning of the first quarter of FY2017.3. The impact of this change was not material.

Please note that segment information through the second quarter (accumulated) of the previous fiscal year has been prepared and presented after the change in business segments.

(Changes in the depreciation method for calculation of property, plant and equipment)

As noted in "1. Summary Information (Footnote Items), (1) "Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions," the method for depreciation has been changed. Regarding the methods for calculation of depreciation of property, plant and equipment, previously, the Company and its consolidated subsidiaries in Japan adopted the declining balance method, and overseas consolidated subsidiaries mainly applied the straight-line method for calculating depreciation. However, from the beginning of the first quarter of FY2017.3, the method for depreciation in the Company and its subsidiaries has been changed to the straight-line method.

As a result of this change, segment income of musical instruments and audio equipment was ¥166 million and ¥58 million higher, and others was ¥10 million lower than they would have been in the absence of this change, respectively.

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

(Material impairment losses on noncurrent assets)

In the others business category, the Company reported impairment losses amounting to ¥2,000 million related to the realignment of its resort businesses.

Please note that these impairment losses are included in the business structural reform expenses reported for the second quarter of FY2017.3

Accumulated through the second quarter of FY2016.3 (April 1, 2015–September 30, 2015)

1. Sales and Income by Reporting Segment

(Millions of yen)

	Reporting segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥142,367	¥55,264	¥197,631	¥19,820	¥217,452		¥217,452
Intersegment sales or transfers				298	298	¥(298)	
Total sales	¥142,367	¥55,264	¥197,631	¥20,118	¥217,750	¥(298)	¥217,452
Segment income	¥ 16,799	¥ 3,454	¥ 20,253	¥ 979	¥ 21,233		¥ 21,233

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

The sales adjustment item of ¥(298) million, which comprises eliminations of transactions among the Company’s business segments

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

Reference Information

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

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	
Overseas sales	¥67,592	¥39,680	¥37,088	¥54,792	¥131,561	¥199,153
% 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 customers, and it is classified by country or region.

2. Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

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

Accumulated through the second quarter of FY2016.3 (April 1, 2015–September 30, 2015)

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Overseas sales	¥73,114	¥43,853	¥38,793	¥61,690	¥144,337	¥217,452
% of net sales	33.6%	20.2%	17.8%	28.4%	66.4%	100.0%

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

2. Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

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

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

Accumulated through the second quarter of 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 business segments

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

Accumulated through the second quarter of FY2016.3 (April 1, 2015–September 30, 2015)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 78,100	¥46,609	¥39,086	¥ 53,655	¥217,452		¥217,452
Intersegment sales or transfers	91,523	1,433	1,089	54,216	148,263	¥(148,263)	
Total sales	¥169,624	¥48,043	¥40,176	¥107,871	¥365,715	¥(148,263)	¥217,452
Segment income	¥ 11,517	¥ 1,065	¥ 1,968	¥ 8,928	¥ 23,479	¥ (2,246)	¥ 21,233

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 ¥(148,263) million, which comprises eliminations of transactions among the Company’s business segments

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