

# YAMAHA CORPORATION

## Flash Report Consolidated Basis (Japanese GAAP) Results through the Third Quarter of the Fiscal Year Ending March 31, 2016 (April 1, 2015–December 31, 2015)

February 4, 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

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**Scheduled date to submit Quarterly Securities Report:** February 12, 2016

**Scheduled date to begin dividend payments:** —

**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 Third Quarter of FY2016.3 (April 1, 2015–December 31, 2015)

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 FY2016.3</b>	<b>¥335,759</b>	<b>3.9%</b>	<b>¥36,931</b>	<b>43.6%</b>	<b>¥37,596</b>	<b>44.9%</b>
Through the third quarter of FY2015.3	¥323,246	4.7%	¥25,712	12.9%	¥25,954	16.2%

Note: Comprehensive income: **Third quarter of FY2016.3** **¥22,360 million, (64.0)%**  
Third quarter of FY2015.3 **¥62,045 million, 40.2%**

	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 FY2016.3</b>	<b>¥30,497</b>	<b>47.3%</b>	<b>¥157.51</b>	—
Through the third quarter of FY2015.3	¥20,703	8.7%	¥106.92	—

#### (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 FY2016.3 (As of December 31, 2015)</b>	<b>¥543,578</b>	<b>¥363,361</b>	<b>66.4%</b>	<b>¥1,863.71</b>
FY2015.3 (As of March 31, 2015)	¥530,034	¥348,752	65.3%	¥1,787.42

(For reference) Shareholders' equity: **Third quarter of FY2016.3** **¥360,851 million** FY2015.3 **¥346,086 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
FY2015.3	—	¥13.50	—	¥22.50	¥36.00
FY2016.3	—	¥18.00	—		
FY2016.3 (Forecast)				¥26.00	¥44.00

Note: Revisions from recently announced dividend forecast: Yes

For the details, please refer to “Announcement of Revision of the Outlook for Cash Dividends for the End of FY2016.3,” which was released today (February 4, 2016).

## 3. Consolidated Financial Forecasts for FY2016.3 (April 1, 2015–March 31, 2016)

(Percentage figures 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
FY2016.3	¥437,000	1.1%	¥41,000	36.1%	¥41,500	32.9%

	Net income attributable to owners of parent		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2016.3	¥34,500	38.4%	¥178.53

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: Yes
  - (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 FY2016.3</b>	<b>197,255,025 shares</b>	FY2015.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	<b>Third quarter of FY2016.3</b>	<b>3,635,036 shares</b>	FY2015.3	3,631,425 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	<b>Third quarter of FY2016.3</b>	<b>193,621,827 shares</b>	Third quarter of FY2015.3	193,625,770 shares

### Status of Performance of Quarterly Review Procedures

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

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

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

For commentary information regarding the closing of accounts through the third quarter of the current fiscal year, please refer to "Outline of the Consolidated Financial Results through the Third Quarter (Nine Months) of the Fiscal Year Ending March 31, 2016 (FY2016.3), Outlook for Consolidated Performance for the Full Fiscal Year and Revision of the Forecast for Dividends", which was released today (February 4, 2016).

### Revision in the Forecast for Performance

In the revised consolidated outlook, the forecast for net sales remains unchanged, but the forecasts for income have been revised upwards as follows: operating income of ¥41.0 billion, ordinary income of ¥41.5 billion, and net income attributable to owners of the parent of ¥34.5 billion.

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

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## **1. Summary Information (Footnote Item)**

### **(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions (Changes in accounting principles)**

The “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combinations Accounting Standards”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Consolidated Financial Statements Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter referred to as the “Business Divestitures Accounting Standard”) became applicable at the beginning of the first quarter of FY2016.3. As a result, for subsidiaries the Company continues to control, differences arising due to changes in the equity portion are entered in capital surplus, and costs associated with the acquisition of shares are now treated as expenses in the consolidated fiscal year in which they are incurred.

In addition, for business combinations that are implemented after the beginning of the first quarter of FY2016.3, the allocation of the cost of acquisitions, as determined after review of provisional accounting treatment, is reflected in the quarterly consolidated financial statements for the quarter in which the business combination took place.

Additionally, the Company has changed the method of presenting consolidated quarterly net income and moved minority interests in income to the non-controlling interest item. To reflect these changes, the Company has reclassified its quarterly consolidated financial statements through the third quarter and consolidated financial statements for the previous fiscal year.

Regarding the application of the Business Combinations Accounting Standards, the Company has applied the provisional accounting treatment contained in Business Combination Accounting Standard 58-2 (4), Consolidated Financial Statements Accounting Standard 44-5 (4), and Business Divestitures Accounting Standard 57-4 (4) and will continue to apply these standards from the beginning of the first quarter of FY2016.3 into the future.

Please note, there was no material impact on the consolidated financial statements through the third quarter of FY2016.3.

### **(2) Additional Information**

(Extraordinary losses due to impairment loss on stock of consolidated subsidiary and immediate amortization of goodwill)

Through the end of the third quarter, the Company reported extraordinary losses because of the impairment loss on stock of a consolidated subsidiary held by the Company (in the non-consolidated closing) and the immediate amortization of goodwill (in the consolidated closing).

#### **1. Impairment loss of stock of consolidated subsidiary (in the non-consolidated closing)**

The Company reported ¥8,493 million of extraordinary losses as loss on valuation of stocks of subsidiaries and affiliates, namely, Line 6, Inc., a company that became a wholly owned subsidiary in January 2014, with its subsidiaries. This course of action was taken because performance results and results expected from drawing on the product planning and development capabilities of those subsidiaries diverged from initial plans. In addition, the Company reported extraordinary losses due to ¥209 million in provisions for loss on support of subsidiaries.

Please note that the extraordinary losses shown in the non-consolidated closing have been eliminated in consolidation; therefore, the impact of these extraordinary losses in the consolidated closing are equal to those shown in section 2.

#### **2. Immediate amortization of goodwill (in the consolidated closing)**

Accompanying the impairment loss in the non-consolidated closing noted in the previous item, in its consolidated closing, the Company reported extraordinary losses on the immediate amortization of goodwill related to these companies in the amount of ¥4,516 million.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter of FY2016.3 (as of December 31, 2015)	FY2015.3 (as of March 31, 2015)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	¥ 99,507	¥ 79,300
Notes and accounts receivable–trade	64,647	61,663
Merchandise and finished goods	65,442	58,477
Work in process	14,012	13,303
Raw materials and supplies	15,728	16,002
Other	23,630	20,240
Allowance for doubtful accounts	(1,884)	(1,354)
Total current assets	<u>281,084</u>	<u>247,632</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	34,621	35,754
Machinery, equipment and vehicles, net	13,040	13,405
Tools, furniture and fixtures, net	9,930	10,275
Land	47,540	49,207
Lease assets, net	338	375
Construction in progress	2,305	4,139
Total property, plant and equipment	<u>107,777</u>	<u>113,158</u>
Intangible assets		
Goodwill	5,354	12,179
Other	3,270	3,455
Total intangible assets	<u>8,625</u>	<u>15,635</u>
Investments and other assets		
Investment securities	138,135	144,836
Other	8,115	8,923
Allowance for doubtful accounts	(158)	(151)
Total investments and other assets	<u>146,092</u>	<u>153,608</u>
Total noncurrent assets	<u>262,494</u>	<u>282,402</u>
<b>Total assets</b>	<u>¥543,578</u>	<u>¥530,034</u>

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

(Millions of yen)

	Third quarter of FY2016.3 (as of December 31, 2015)	FY2015.3 (as of March 31, 2015)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	¥ 18,904	¥ 23,194
Short-term loans payable	20,425	11,748
Current portion of long-term loans payable	31	28
Accounts payable–other and accrued expenses	32,721	34,902
Income taxes payable	2,748	2,156
Provision	2,718	3,915
Other	8,490	5,030
Total current liabilities	86,039	80,976
<b>Noncurrent liabilities</b>		
Long-term loans payable	78	92
Net defined benefit liabilities	29,021	31,712
Other	65,077	68,501
Total noncurrent liabilities	94,178	100,306
<b>Total liabilities</b>	<b>180,217</b>	<b>181,282</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	210,003	186,436
Treasury stock	(3,720)	(3,711)
Total shareholders' equity	274,871	251,314
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	82,489	87,188
Deferred gains or losses on hedges	43	215
Revaluation reserve for land	17,204	18,085
Foreign currency translation adjustment	(12,678)	(9,106)
Remeasurements of defined benefit plans	(1,078)	(1,611)
Total accumulated other comprehensive income	85,979	94,771
<b>Non-controlling interests</b>	<b>2,509</b>	<b>2,666</b>
<b>Total net assets</b>	<b>363,361</b>	<b>348,752</b>
<b>Total liabilities and net assets</b>	<b>¥543,578</b>	<b>¥530,034</b>

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

(Millions of yen)

	Third quarter of FY2016.3 (April 1, 2015–December 31, 2015)	Third quarter of FY2015.3 (April 1, 2014–December 31, 2014)
<b>Net sales</b>	¥335,759	¥323,246
<b>Cost of sales</b>	200,171	200,712
Gross profit	135,587	122,533
<b>Selling, general and administrative expenses</b>	98,656	96,821
Operating income	36,931	25,712
<b>Non-operating income</b>		
Interest income	483	507
Dividends income	1,439	1,041
Foreign exchange gains	83	—
Patent income	—	624
Tariff refund	702	—
Other	857	850
Total non-operating income	3,565	3,024
<b>Non-operating expenses</b>		
Sales discounts	2,196	1,957
Foreign exchange losses	—	187
Other	704	637
Total non-operating expenses	2,900	2,782
Ordinary income	37,596	25,954
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	6,209	93
Gain on sales of investment securities	3	1
Gain on liquidation of investment securities	13	—
Gain on liquidation of subsidiaries and affiliates	—	6
Total extraordinary income	6,226	101
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets	637	121
Loss on valuation of investment securities	0	—
Loss on sales of stocks of subsidiaries and affiliates	—	17
Impairment loss	170	665
Amortization of goodwill	4,516	—
Total extraordinary losses	5,325	804
<b>Income before income taxes</b>	38,497	25,251
<b>Income taxes—current</b>	8,094	5,664
<b>Income taxes—deferred</b>	(206)	(1,302)
<b>Total income taxes</b>	7,887	4,362
<b>Net income for the period</b>	30,609	20,888
<b>Net income attributable to non-controlling interests</b>	112	185
<b>Net income attributable to owners of parent</b>	¥ 30,497	¥ 20,703

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



## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter of FY2016.3 (April 1, 2015–December 31, 2015)	Third quarter of FY2015.3 (April 1, 2014–December 31, 2014)
<b>Net income for the period</b>	<b>¥30,609</b>	¥20,888
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(4,693)	23,492
Deferred gains or losses on hedges	(172)	43
Foreign currency translation adjustments	(3,911)	17,011
Remeasurements of defined benefit plans	533	595
Share of other comprehensive income of associates accounted for using equity method	(5)	13
Total other comprehensive income	<u>(8,249)</u>	<u>41,156</u>
<b>Comprehensive income</b>	<b>22,360</b>	<b>62,045</b>
(Composition)		
Comprehensive income attributable to owners of parent	22,387	61,341
Comprehensive income attributable to non-controlling interests	¥ (26)	¥ 704

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 third quarter of FY2016.3 (April 1, 2015–December 31, 2015)**

1. Sales and Income by Reporting Segment

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥216,741	¥90,619	¥10,507	¥17,891	¥335,759		¥335,759
Intersegment sales or transfers			426		426	¥(426)	
Total sales	¥216,741	¥90,619	¥10,933	¥17,891	¥336,185	¥(426)	¥335,759
Segment income	¥ 27,806	¥ 7,837	¥ 606	¥ 681	¥ 36,931		¥ 36,931

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

The sales adjustment item of ¥(426) million, which comprises eliminations of transactions among the Company's business segments

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

2. Information on Assets by Reporting Segment

None

3. Information on Impairment Losses on Noncurrent Assets or the Amount of Goodwill by Reporting Segment

**Material changes in goodwill amount**

In the Musical Instruments business, the Company reported an extraordinary loss due to the immediate amortization of goodwill related to Line 6, Inc. and its subsidiaries. Through the third quarter of FY2016.3, the decrease in goodwill related to this amortization was ¥5,573 million.

**Accumulated through the third quarter of FY2015.3 (April 1, 2014–December 31, 2014)**

1. Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥212,388	¥82,540	¥10,550	¥17,766	¥323,246		¥323,246
Intersegment sales or transfers			417		417	¥(417)	
Total sales	¥212,388	¥82,540	¥10,968	¥17,766	¥323,663	¥(417)	¥323,246
Segment income (loss)	¥ 21,965	¥ 4,651	¥(1,193)	¥ 288	¥ 25,712		¥ 25,712

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

The sales adjustment item of ¥(417) million, which comprises eliminations of transactions among the Company’s business segments

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

2. Information on Assets by Reporting Segment

In the “Others” business, the value of assets rose ¥33,986 million in comparison with the amount reported in the consolidated financial statements at the end of the previous fiscal year due to an increase in the market value of securities investments in Yamaha Motor Co., Ltd.

3. Information on Impairment Losses on Noncurrent Assets or the Amount of Goodwill by Reporting Segment

**Material changes in goodwill amount**

In the Musical Instruments business, Line 6, Inc. and its subsidiaries grew in importance, and the company was brought into consolidation. With this transaction, goodwill increased. As of the third quarter of FY2015.3, goodwill thus increased by ¥5,963 million.

In the Audio Equipment business, Revolabs, Inc. and its subsidiaries grew in importance, and the company was brought into consolidation. With this transaction, goodwill increased. As of the third quarter of FY2015.3, goodwill thus increased ¥6,809 million.

## Reference Information

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

Accumulated through the third quarter of FY2016.3 (April 1, 2015–December 31, 2015)

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Overseas sales	¥107,346	¥67,974	¥66,215	¥94,223	¥228,412	¥335,759
% of net sales	32.0%	20.2%	19.7%	28.1%	68.0%	100.0%

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

2. Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

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

Accumulated through the third quarter of FY2015.3 (April 1, 2014–December 31, 2014)

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Overseas sales	¥117,831	¥57,987	¥63,818	¥83,608	¥205,414	¥323,246
% of net sales	36.5%	17.9%	19.7%	25.9%	63.5%	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 third quarter of FY2016.3 (April 1, 2015–December 31, 2015)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥114,345	¥72,297	¥66,631	¥ 82,485	¥335,759		¥335,759
Intersegment sales or transfers	134,894	2,883	1,756	80,959	220,493	¥(220,493)	
Total sales	¥249,239	¥75,180	¥68,388	¥163,445	¥556,253	¥(220,493)	¥335,759
Segment income	¥ 18,618	¥ 1,975	¥ 4,640	¥ 13,401	¥ 38,635	¥ (1,703)	¥ 36,931

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 ¥(220,493) 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 third quarter of FY2015.3 (April 1, 2014–December 31, 2014)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥125,467	¥62,622	¥62,166	¥ 72,989	¥323,246		¥323,246
Intersegment sales or transfers	120,924	715	1,810	71,622	195,073	¥(195,073)	
Total sales	¥246,392	¥63,337	¥63,976	¥144,612	¥518,319	¥(195,073)	¥323,246
Segment income	¥ 14,093	¥ 22	¥ 3,482	¥ 10,677	¥ 28,276	¥ (2,564)	¥ 25,712

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 ¥(195,073) 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.

**Significant Subsequent Events**

At the Board of Directors meeting on February 4, 2016, the following decisions relating to the acquisition of treasury stock were made based on the application of the provisions of Article 156 of Japan’s Companies Act pursuant to the rewording of Article 165-3.

## 1. Purpose of acquisition of treasury stock

To increase the return to shareholders and improve capital efficiency

## 2. Detail of matters relating to the acquisition

- |   |   |
|---|---|
| (1) Type of shares to be acquired         | : Common stock of the Company   |
| (2) Total number of shares to be acquired | : 9,000,000 shares (maximum)<br>(4.6% of total shares outstanding (excluding treasury stock)) |
| (3) Total amount of acquisition           | : ¥20,000,000,000 (maximum)   |
| (4) Acquisition period                    | : From February 5, 2016 to July 15, 2016  |
| (5) Acquisition method                    | : Purchase in the market through a trust bank   |