

YAMAHA CORPORATION

Flash Report

Consolidated Basis (Japanese GAAP)

Results for the fiscal year ended March 31, 2019

May 9, 2019

Company name:	YAMAHA CORPORATION (URL https://www.yamaha.com/en/)
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 Executive Officer
For further information, please contact:	Satoshi Yamahata, Managing Executive Officer, Executive General Manager of Corporate Management Unit
Telephone:	+81-53-460-2156
Scheduled date of Ordinary General Shareholders' Meeting:	June 24, 2019
Scheduled date to submit Securities Report:	June 25, 2019
Scheduled date to begin dividend payments:	June 25, 2019
Supplementary materials to the financial statements have been prepared:	Yes
Presentation will be held to explain the financial statements:	Yes (for securities analysts and institutional investors)

1. Results for FY2019.3 (April 1, 2018–March 31, 2019)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	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
FY2019.3 (Ended March 31, 2019)	¥437,416	1.0%	¥56,030	14.7%	¥58,423	18.7%	¥43,753	(19.5)%
FY2018.3 (Ended March 31, 2018)	¥432,967	6.1%	¥48,833	10.2%	¥49,233	9.6%	¥54,378	16.4%

Note: Comprehensive income:

FY2019.3	¥18,330 million, (67.5)%
FY2018.3	¥56,380 million, (26.0)%

	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	%	%	%
FY2019.3 (Ended March 31, 2019)	¥240.94	¥—	11.4%	11.0%	12.8%
FY2018.3 (Ended March 31, 2018)	¥291.81	¥—	14.5%	9.2%	11.3%

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

FY2019.3	¥12 million
FY2018.3	¥(8) million

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2019.3 (As of March 31, 2019)	¥514,762	¥382,771	74.1%	¥2,124.83
FY2018.3 (As of March 31, 2018)	¥552,309	¥388,345	70.0%	¥2,125.51

(For reference) Shareholders' equity:

FY2019.3 **¥381,695 million**

FY2018.3 ¥386,519 million

As indicated in “3. Consolidated Financial Statements and Major Notes,” “(5) Notes to the consolidated Financial Statements, Changes in the Method of Presentation” on page 14, “Partial Amendments to Accounting Standards for Tax-Effect Accounting” have been applied, and the method of presentation has been revised. Figures shown for the period ended March 31, 2018 have been restated retroactively applying the revised method of presentation.

(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
FY2019.3 (Ended March 31, 2019)	¥30,234	¥(23,092)	¥(28,479)	¥95,815
FY2018.3 (Ended March 31, 2018)	¥47,498	¥4,766	¥(35,584)	¥117,403

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			
FY2018.3	—	¥28.00	—	¥28.00	¥56.00	¥10,342	19.2%	2.7%
FY2019.3	—	¥30.00	—	¥30.00	¥60.00	¥10,844	24.9%	2.8%
FY2020.3 (Forecast)	—	¥33.00	—	¥33.00	¥66.00		27.7%	

3. Consolidated Financial Forecasts for FY2020.3 (April 1, 2019–March 31, 2020)

(Percentage figures for the full fiscal year are changes from the previous fiscal year.)

	Revenue		Core operating profit		Operating profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020.3 (Full Year)	¥444,000	—%	¥55,000	—%	¥55,000	—%

	Profit before income tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
FY2020.3 (Full Year)	¥58,000	—%	¥42,500	—%	¥238.33

1. The Company will voluntarily adopt the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2020. Since the consolidated financial forecasts for the fiscal year ending March 31, 2020 are prepared based on IFRS, the changes from the previous fiscal year are not stated.
2. Core operating profit corresponds to operating income under Japanese GAAP and is calculated by subtracting selling, general and administrative expenses from gross profit.

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

(a) Number of shares outstanding at the end of the period (including treasury shares)	FY2019.3	191,555,025 shares	FY2018.3	197,255,025 shares
(b) Number of treasury shares at the end of the period	FY2019.3	11,919,368 shares	FY2018.3	15,406,885 shares
(c) Average number of shares outstanding during the period	FY2019.3	181,598,344 shares	FY2018.3	186,347,105 shares

Based on the May 1, 2018 decision of the Board of Directors, a portion of the Company's treasury shares have been cancelled as of June 26, 2018, thus reducing the number of Company shares outstanding by 5,700,000.

(For Reference) Non-Consolidated Results

Non-consolidated results for FY2019.3 (April 1, 2018–March 31, 2019)

- (1) Non-consolidated operating results
(Percentage figures are changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2019.3 (Ended March 31, 2019)	¥232,416	0.6%	¥19,518	(25.0)%	¥38,214	4.1%	¥32,817	(31.0)%
FY2018.3 (Ended March 31, 2018)	¥231,101	7.1%	¥26,038	66.5%	¥36,715	38.2%	¥47,538	39.9%

	Net income per share	Net income per share after full dilution
	Yen	Yen
FY2019.3 (Ended March 31, 2019)	¥180.72	¥—
FY2018.3 (Ended March 31, 2018)	¥255.10	¥—

(2) Non-consolidated financial data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2019.3 (As of March 31, 2019)	¥358,887	¥267,873	74.6%	¥1,491.20
FY2018.3 (As of March 31, 2018)	¥399,286	¥281,166	70.4%	¥1,546.16

(For reference) Shareholders' equity:

FY2019.3 **¥267,873 million**
 FY2018.3 ¥281,166 million

“Partial Amendments to Accounting Standards for Tax-Effect Accounting” have been applied from the fiscal year ended March 31, 2019, and the method of presentation has been revised.

Figures shown for the period ended March 31, 2018 have been restated retroactively applying the revised method of presentation.

***This flash report is exempt from the auditing procedures by certified public accountants or accounting auditors.**

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

The Company will voluntarily adopt the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2020. For this reason, the consolidated financial forecasts for the fiscal year ending March 31, 2020 are prepared based on IFRS.

The impact of the voluntary application of IFRS on the performance results is mainly due to the deduction of sales discounts from revenue that was recorded as non-operating expenses under Japanese GAAP. As a result, revenue and core operating profit (corresponding to operating income under Japanese GAAP) will decrease by approximately ¥3 billion, respectively. In addition, the impact on profit attributable to owners of parent includes such cases as gain on sales of investment securities is not included in profit attributable to owners of parent but recorded in other comprehensive income.

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 (FY2019.3)

Looking back at the operating environment during the fiscal year ended March 31, 2019, although the world economy continued on a moderate growth path, the uncertainty over the future has increased markedly due to the US-China trade frictions and the UK's impending withdrawal from the EU. By country and region, the United States remained strong, but the pace of growth slowed in Europe. In China, although growth continued to expand, its pace has slowed. In Japan, consumer spending continued to recover moderately.

Amid this operating environment, the Yamaha Group entered the final year of its Medium-Term Management Plan, "NEXT STAGE 12," and continued to implement its key initiatives of "develop products with distinctive individuality," "enhance customer interaction," "continually reduce costs," and "strengthen global business platforms."

To attain the goal of "develop products with distinctive individuality," Yamaha has worked to fuse technologies and create new value by bringing together the engineers who were dispersed in each business to the newly launched Innovation Center. As a result, the Company has been able to launch one-of-a-kind unique products that include, in the musical instruments business, the new models of AvantGrand hybrid pianos and TransAcoustic guitars, and in the audio equipment business, network turntables that make use of analogue and digital features and unified communication speakerphones that enable remote communication with clear voice.

To achieve the goal of "enhance customer interaction," in the musical instruments business, Yamaha upgraded its sales networks and music schools mainly in emerging countries and worked to expand the interface points with customers. The introduction of its instrumental music education programs through music education support activities in emerging countries progressed steadily and development was made to an accumulated total of 260 thousand students. In the audio equipment business, in addition to strengthening its internal personnel systems, the Company worked to increase significantly the number of audio contractors that are our collaboration partners and endeavored to expand the range of new customers.

To meet the objective of "continually reduce costs," although Yamaha did not reach the reduction target because it could not cover the cost increase due to higher procurement prices of electronic parts, the Company continued to take initiatives such as redesigning production processes and improving productivity of indirect work. Also, the construction of a new factory in India made progress in line with plans and the factory started producing portable keyboards for the Indian market.

To reach the goal of "strengthen global business platforms," in addition to making progress in upgrading the frameworks for global human resource management, Yamaha established the IT global trilateral system, worked to optimize the global logistics system and other initiatives. Also, preparations were made for the transition to the International Financing Reporting Standards (IFRS) from the fiscal year ending March 2020.

Turning to sales performance, net sales for the fiscal year were ¥437,416 million, an increase of ¥4,449 million (or 1.0%) from the previous fiscal year.

In terms of profits, operating income was ¥56,030 million, an increase of ¥7,197 million (or 14.7%) from the previous fiscal year, ordinary income of ¥58,423 million, an increase of ¥9,189 million (or 18.7%) from the previous fiscal year. However, net income attributable to owners of the parent was ¥43,753 million, a decrease of ¥10,624 million (or 19.5%) from the previous fiscal year, due to the lack of reporting of gain on sales of investment securities (extraordinary income) of ¥25.8 billion because of sales of a portion of shares in Yamaha Motor Co., Ltd. in the previous fiscal year. Note that Yamaha reported its seventh consecutive year-on-year increase in operating income and ordinary income, and both were at the highest levels in history.

In addition, under the Medium-Term Management Plan, "NEXT STAGE 12," with the fiscal year ended March 31, 2019 as the final year, the Company has achieved its management targets of attaining operating income ratio of 12%, ROE of 10% level, and EPS of ¥200 level, respectively.

Results of operations by segment were as follows:

Musical Instruments

Sales of acoustic pianos continued double-digit growth in China and led the sales increase. Sales of digital pianos and guitars showed double-digit increase in China and the North America and sales of wind instruments also expanded in all overseas regions. Sales in this segment as a whole were favorable.

As a result, sales of this segment amounted to ¥281,993 million, an increase of ¥7,506 million (or 2.7%) year on year. Operating income was ¥42,945 million, an increase of ¥8,301 million (or 24.0%) year on year.

Audio Equipment

Sales in the professional audio equipment business held firm in all regions and sales of audio equipment installations expanded in Japan. On the other hand, sales of audio products decreased in the North America and other regions.

As a result, sales of this segment amounted to ¥120,710 million, a decrease of ¥1,078 million (or 0.9%) year on year. Operating income was ¥10,618 million, a decrease of ¥97 million (or 0.9%) year on year.

Others

Sales in the industrial machinery/components business decreased reflecting the slowing market condition.

As a result, sales of this segment amounted to ¥34,713 million, a decrease of ¥1,978 million (or 5.4%) year on year. Operating income was ¥2,466 million, a decrease of ¥1,007 million (or 29.0%) year on year.

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

The percentage of consolidated net sales in overseas markets for the fiscal year was 70.4%, or 1.3 percentage points higher than in the previous fiscal year.

Japan

Sales in Japan for the fiscal year were ¥129,693 million, ¥4,032 million (or 3.0%) lower than in the previous fiscal year. Although sales of professional audio equipment and other items rose, electronic devices and other items decreased.

North America

Sales in North America for the fiscal year were ¥92,048 million, ¥5,159 million (or 5.9%) higher than in the previous fiscal year. This includes ¥0.1 billion of negative impact of exchange rates, and if this influence is excluded, sales increased ¥5.2 billion year on year. Increases in sales were recorded mainly in the digital musical instruments, wind instruments, and other items.

Europe

Sales in Europe for the fiscal year were ¥83,858 million, ¥956 million (or 1.1%) lower than in the previous fiscal year. This includes ¥0.7 billion of negative impact of exchange rates, and if this influence is excluded, sales decreased ¥0.3 billion year on year. Decreases in sales were recorded mainly in guitars and other items.

China

Sales in China for the fiscal year were ¥59,240 million, ¥5,052 million (or 9.3%) higher than in the previous fiscal year. This includes ¥0.7 billion of negative impact of exchange rates, and if this influence is excluded, sales increased ¥5.7 billion year on year. Increases in sales were recorded mainly in the pianos, digital musical instruments, guitars, and other items.

Asia, Oceania, and Other Areas

Sales in the rest of Asia (excluding Japan and China), Oceania, and other regions for the fiscal year were ¥72,575 million, ¥773 million (or 1.1%) lower than in the previous fiscal year. This includes ¥2.5 billion of negative impact of exchange rates, and if this influence is excluded, sales increased ¥1.8 billion year on year. Increases in sales were recorded mainly in the digital musical instruments, guitars, professional audio equipment, and other items.

2. Forecast for FY2020.3

The Company will voluntarily adopt the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2020. For this reason, the consolidated financial forecasts for the fiscal year ending March 31, 2020 are prepared based on IFRS.

The forecast for consolidated performance for the year ending March 31, 2020 calls for revenue of ¥444.0 billion, core operating profit of ¥55.0 billion, and profit attributable to owners of parent of ¥42.5 billion.

The impact of voluntary application of IFRS on the performance results, is mainly due to the deduction of sales discounts from revenue that was recorded as non-operating expenses under Japanese GAAP. As a result, revenue and core operating profit (corresponding to operating income under Japanese GAAP) will decrease by approximately ¥3 billion, respectively. In addition, the impact on profit attributable to owners of parent includes such cases as gain on sales of investment securities is not included in profit attributable to owners of parent but recorded in other comprehensive income.

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.

(2) Analysis of Financial Position

1. Consolidated Financial Position

Total assets at the end of fiscal year ended March 31, 2019, decreased ¥37,546 million (or 6.8%) from ¥552,309 million at the end of the previous fiscal year, to ¥514,762 million.

Total liabilities decreased ¥31,973 million (or 19.5%) from ¥163,963 million at the end of the previous fiscal year, to ¥131,990 million.

Net assets decreased ¥5,573 million (or 1.4%) from ¥388,345 million at the end of the previous fiscal year, to ¥382,771 million.

2. Cash Flows

Cash and cash equivalents (hereinafter, cash) for the fiscal year ended March 31, 2019, decreased ¥21,587 million (compared with an increase of ¥16,733 million in the previous fiscal year), and stood at ¥95,815 million.

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year, amounted to ¥30,234 million (compared with cash flows provided by operating activities of ¥47,498 million in the previous fiscal year). This net cash inflow was due mainly to contribution of income before income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities for the fiscal year amounted to ¥23,092 million (compared with net cash flows provided by investing activities of ¥4,766 million in the previous fiscal year). This net cash outflow arose primarily due to purchase of property, plant and equipment and intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities for the fiscal year, amounted to ¥28,479 million (compared with net cash used in financing activities of ¥35,584 million in the previous fiscal year). This net cash outflow arose primarily due to purchase of treasury stock and cash dividends paid.

3. Forecasts for FY2020.3

As for the outlook for the full fiscal year ending March 31, 2020, the Company is forecasting cash flows from operating activities of ¥62.0 billion, cash flow used in investing activities of ¥22.0 billion, and a free cash inflow of ¥40.0 billion.

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.

(3) Basic Policy for Allocation of Profit and Dividends for FY2019.3 and FY2020.3

Keeping in mind the improvement of its consolidated return on equity, the Company undertakes investments for growth—including R&D, investing in marketing capabilities and the making of other capital investments—on the basis of its medium-term consolidated income level, while proactively returning profits to shareholders. Taking continuous and steady cash dividends as the basis of its shareholder returns, the Company will implement flexible shareholder returns as it sees fit with the aim of improving its capital efficiency, while giving due consideration to the maintaining of a balance between adequate internal reserves of investment for future growth. The Company will implement shareholder returns with a target consolidated total return ratio of 50% (cumulative amount of medium-term management plan period).

For the year-end dividend for FY2019.3, the Company decided to pay a regular dividend on its common shares of ¥30.00 per share (¥60.00 per share for the full fiscal year) in view of the above-mentioned policy, its financial position, and other factors. Regarding dividends for FY2020.3, the Company is planning to pay a regular dividend of ¥66.00 per share for the full fiscal year (consisting of an interim dividend of ¥33.00 per share and a year-end dividend of ¥33.00 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.

2. Basic Approach to Selection of Accounting Standards

The Company will voluntarily adopt the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2020, with the aims of increasing the feasibility of international comparisons of financial information in financial markets and improving the level of management globally.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019.3 (As of Mar. 31, 2019)	FY2018.3 (As of Mar. 31, 2018)
ASSETS		
Current assets:		
Cash and deposits	¥106,061	¥122,731
Notes and accounts receivable—trade	55,527	56,499
Merchandise and finished goods	67,983	65,064
Work in process	13,771	13,339
Raw materials and supplies	18,580	15,721
Other	20,770	17,352
Allowance for doubtful accounts	(1,085)	(1,216)
Total current assets	<u>281,608</u>	<u>289,493</u>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	43,121	32,431
Machinery, equipment and vehicles, net	15,982	14,405
Tools, furniture and fixtures, net	11,561	10,459
Land	43,402	43,880
Lease assets, net	225	240
Construction in progress	7,641	14,400
Total property, plant and equipment	<u>121,934</u>	<u>115,817</u>
Intangible assets	7,301	6,167
Investments and other assets:		
Investment securities	93,354	130,341
Long-term loans receivable	96	93
Net defined benefit assets	394	276
Deferred tax assets	4,708	4,699
Lease and guarantee deposits	3,970	4,087
Other	1,541	1,452
Allowance for doubtful accounts	(147)	(120)
Total investments and other assets	<u>103,918</u>	<u>140,831</u>
Total noncurrent assets	<u>233,153</u>	<u>262,816</u>
Total assets	<u>¥514,762</u>	<u>¥552,309</u>

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

(Millions of yen)

	FY2019.3 (As of Mar. 31, 2019)	FY2018.3 (As of Mar. 31, 2018)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	¥ 17,548	¥ 19,946
Short-term loans payable	8,936	11,131
Current portion of long-term loans payable	—	41
Accounts payable—other and accrued expenses	42,481	45,527
Income taxes payable	2,474	16,325
Provision for product warranties	1,840	1,774
Provision for sales returns	111	97
Provision for loss on construction contracts	8	4
Other	7,094	7,069
Total current liabilities	<u>80,495</u>	<u>101,919</u>
Noncurrent liabilities:		
Long-term accounts payable	3,902	5,406
Deferred tax liabilities	5,152	15,402
Deferred tax liabilities for land revaluation	9,544	9,587
Net defined benefit liabilities	22,460	21,098
Long-term deposits received	8,997	9,090
Other	1,437	1,457
Total noncurrent liabilities	<u>51,494</u>	<u>62,043</u>
Total liabilities	<u>131,990</u>	<u>163,963</u>
NET ASSETS		
Shareholders' equity:		
Capital stock	28,534	28,534
Capital surplus	21,565	40,165
Retained earnings	325,141	294,904
Treasury stock	(42,533)	(48,556)
Total shareholders' equity	<u>332,707</u>	<u>315,048</u>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	54,796	79,729
Deferred gains or losses on hedges	85	109
Revaluation reserve for land	20,379	16,095
Foreign currency translation adjustment	(24,691)	(23,862)
Remeasurements of defined benefit plans	(1,582)	(600)
Total accumulated other comprehensive income	<u>48,987</u>	<u>71,470</u>
Non-controlling interests	<u>1,076</u>	<u>1,826</u>
Total net assets	<u>382,771</u>	<u>388,345</u>
Total liabilities and net assets	<u>¥514,762</u>	<u>¥552,309</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)

	FY2019.3 (Apr. 1, 2018–Mar. 31, 2019)	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)
Net sales	¥437,416	¥432,967
Cost of sales	255,291	258,465
Gross profit	182,124	174,501
Selling, general and administrative expenses	126,094	125,668
Operating income	56,030	48,833
Non-operating income:		
Interest income	860	772
Dividends income	3,791	3,921
Subsidy income	1,296	189
Other	793	792
Total non-operating income	6,742	5,676
Non-operating expenses:		
Interest expenses	437	359
Sales discounts	3,240	2,903
Foreign exchange losses	141	1,301
Other	529	711
Total non-operating expenses	4,349	5,276
Ordinary income	58,423	49,233
Extraordinary income:		
Gain on sales of noncurrent assets	186	125
Gain on sales of investment securities	821	25,824
Gain on exchange of property, plant and equipment	2,034	—
Total extraordinary income	3,042	25,949
Extraordinary loss:		
Loss on retirement of noncurrent assets	470	346
Loss on sales of investment securities	0	3
Loss on valuation of investment securities	—	11
Impairment loss	295	27
Business structural reform expenses	214	—
Loss due to transition to a defined contribution pension plan	—	148
Tariff assessment from previous periods, etc.	—	174
Total extraordinary loss	980	712
Income before income taxes	60,485	74,471
Income taxes—current	14,561	21,377
Income taxes—deferred	2,105	(1,330)
Total income taxes	16,667	20,046
Net income for the period	43,817	54,424
Net income attributable to non-controlling interests	63	46
Net income attributable to owners of parent	¥ 43,753	¥ 54,378

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2019.3 (Apr. 1, 2018–Mar. 31, 2019)	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)
Net income for the period	¥43,817	¥54,424
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,917)	(568)
Deferred gains or losses on hedges	(24)	5
Revaluation reserve for land	1,315	—
Foreign currency translation adjustments	(863)	458
Remeasurements of defined benefit plans	(982)	2,045
Share of other comprehensive income of affiliates accounted for using equity method	(14)	15
Total other comprehensive income	(25,487)	1,956
Comprehensive income	18,330	56,380
(Composition)		
Comprehensive income attributable to owners of parent	18,300	56,232
Comprehensive income attributable to non-controlling interests	¥ 29	¥ 147

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

(3) Consolidated Statements of Changes in Shareholders' Equity

FY2019.3 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	¥28,534	¥40,165	¥294,904	¥(48,556)	¥315,048
Changes of items during the period					
Dividends from surplus			(10,547)		(10,547)
Net income attributable to owners of parent			43,753		43,753
Reversal of revaluation reserve for land			(2,969)		(2,969)
Purchase of treasury stock				(11,948)	(11,948)
Cancellation of treasury stock		(17,964)		17,964	—
Disposal of treasury stock		5		6	11
Purchase of shares of consolidated subsidiaries		(641)			(641)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(18,600)	30,237	6,022	17,659
Balance at the end of period	¥28,534	¥21,565	¥325,141	¥(42,533)	¥332,707

	Accumulated other comprehensive income						Non-controlling 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	¥79,729	¥109	¥16,095	¥(23,862)	¥ (600)	¥71,470	¥1,826	¥388,345
Changes of items during the period								
Dividends from surplus								(10,547)
Net income attributable to owners of parent								43,753
Reversal of revaluation reserve for land								(2,969)
Purchase of treasury stock								(11,948)
Cancellation of treasury stock								—
Disposal of treasury stock								11
Purchase of shares of consolidated subsidiaries								(641)
Net changes of items other than shareholders' equity	(24,932)	(24)	4,284	(828)	(982)	(22,483)	(749)	(23,233)
Total changes of items during the period	(24,932)	(24)	4,284	(828)	(982)	(22,483)	(749)	(5,573)
Balance at the end of period	¥54,796	¥ 85	¥20,379	¥(24,691)	¥(1,582)	¥48,987	¥1,076	¥382,771

FY2018.3 (April 1, 2017—March 31, 2018)

(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	¥250,649	¥(23,731)	¥295,507
Changes of items during the period					
Dividends from surplus			(10,123)		(10,123)
Net income attributable to owners of parent			54,378		54,378
Reversal of revaluation reserve for land					—
Purchase of treasury stock				(25,012)	(25,012)
Cancellation of treasury stock					—
Disposal of treasury stock		111		187	298
Purchase of shares of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	111	44,254	(24,824)	19,541
Balance at the end of period	¥28,534	¥40,165	¥294,904	¥(48,556)	¥315,048

	Accumulated other comprehensive income						Non-controlling 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	¥80,282	¥103	¥16,095	¥(24,219)	¥ (2,645)	¥69,616	¥2,314	¥367,437
Changes of items during the period								
Dividends from surplus								(10,123)
Net income attributable to owners of parent								54,378
Reversal of revaluation reserve for land								—
Purchase of treasury stock								(25,012)
Cancellation of treasury stock								—
Disposal of treasury stock								298
Purchase of shares of consolidated subsidiaries								—
Net changes of items other than shareholders' equity	(553)	5	0	357	2,045	1,854	(488)	1,366
Total changes of items during the period	(553)	5	0	357	2,045	1,854	(488)	20,907
Balance at the end of period	¥79,729	¥109	¥16,095	¥(23,862)	¥ (600)	¥71,470	¥1,826	¥388,345

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019.3 (Apr. 1, 2018–Mar. 31, 2019)	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)
Net cash provided by (used in) operating activities:		
Income before income taxes	¥60,485	¥74,471
Depreciation and amortization	10,835	10,777
Impairment loss	295	27
Amortization of goodwill	24	61
(Decrease) in allowance for doubtful accounts	(90)	(38)
Loss on valuation of investment securities	—	11
(Gain) on sales of investment securities	(820)	(25,821)
Increase (Decrease) in net defined benefit liabilities	(182)	1,129
Interest and dividends income	(4,652)	(4,694)
Interest expenses	437	359
Foreign exchange (gains) losses	(322)	259
Equity in (gains) losses of affiliates	(12)	8
(Gain) on sales of noncurrent assets	(186)	(125)
Loss on retirement of noncurrent assets	470	346
Gain on exchange of property, plant and equipment	(2,034)	—
(Increase) Decrease in notes and accounts receivable—trade	1,180	(5,756)
(Increase) in inventories	(6,511)	(312)
Increase (Decrease) in notes and accounts payable—trade	(2,456)	2,053
(Decrease) in accounts payable due to transition to a defined contribution pension plan	(1,558)	(1,235)
Other, net	442	1,527
Subtotal	55,342	53,049
Interest and dividends income received	4,654	4,672
Interest expenses paid	(442)	(274)
Payment of business structural reform expenses	—	(348)
Income taxes paid	(29,319)	(9,599)
Net cash provided by (used in) operating activities	¥30,234	¥47,498

(Millions of yen)

	FY2019.3 (Apr. 1, 2018–Mar. 31, 2019)	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)
Net cash provided by (used in) investing activities:		
Net (increase) in time deposits	¥ (4,955)	¥ (189)
Purchase of property, plant and equipment	(20,192)	(22,962)
Proceeds from sales of property, plant and equipment	600	379
Purchase of investment securities	(1)	(2)
Proceeds from sales and redemption of investment securities	2,380	27,535
Payments of loans receivable	(53)	(29)
Collection of loans receivable	48	52
Payments for acquisition of business	(981)	—
Other, net	63	(15)
Net cash provided by (used in) investing activities	(23,092)	4,766
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	(2,613)	515
Repayment of long-term loans payable	(41)	(29)
Proceeds from deposits received from membership	125	125
Repayments for deposits received from membership	(238)	(365)
Purchase of treasury stock	(11,948)	(25,012)
(Increase) in cash segregated as deposits for purchasing of treasury stock	(1,765)	—
Purchase of shares of subsidiaries that are not accompanied by a change of the scope of consolidation	(1,329)	—
Cash dividends paid	(10,547)	(10,123)
Cash dividends paid to non-controlling interests	(90)	(636)
Other, net	(29)	(58)
Net cash provided by (used in) financing activities	(28,479)	(35,584)
Effect of exchange rate change on cash and cash equivalents	(250)	53
Net increase (decrease) in cash and cash equivalents	(21,587)	16,733
Cash and cash equivalents at beginning of period	117,403	100,669
Cash and cash equivalents at end of period	¥ 95,815	¥117,403

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

(5) Notes to the Consolidated Financial Statements

Notes Regarding Assumptions as a Going Concern

Not applicable

Changes in the Method of Presentation

Notes Regarding Consolidated Balance Sheets

“Partial Amendments to Accounting Standards for Tax-Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the fiscal year ended March 31, 2019. As a result, on the consolidated balance sheets for the previous fiscal year, “Deferred tax assets” under current assets was reduced ¥10,279 million, “Deferred tax liabilities” under current liabilities was reduced ¥33 million, and “Deferred tax liabilities” under noncurrent liabilities was reduced ¥7,841 million, respectively. Also, “Deferred tax assets” under investments and other assets was increased ¥2,404 million.

Notes Regarding Consolidated Statements of Operations

In the consolidated financial statements for the previous fiscal year, “Subsidy income” was included in “Other” under non-operating income. However, since the amount of this item has become material, it has been presented as an independent item from the fiscal year ended March 31, 2019. Due to this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, in the consolidated statement of operations for the previous fiscal year, the “Other” under non-operating income, which was reported as ¥981 million, has been restated as ¥189 million of “Subsidy income” and ¥792 million of “Other”.

Segment Information, Etc.

Segment Information

1. Summary of Reportable Segments

Reportable segments are composed of business units that provide separate financial information and are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions.

The Company's reportable segments, based on its economic features and similarity of products and services, comprise its two principal reportable segments, which are musical instruments and audio equipment. Other businesses have been grouped together in the Others segment.

The musical instruments segment includes the manufacture and sales of pianos; digital musical instruments; wind, string, and percussion instruments; and other music-related activities. The audio equipment segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment, and certain other products. The Others segment includes electronic devices business, 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 Reportable Segments

The accounting treatment for reportable segments is carried out through principles and procedures that are all the same as the methods adopted for preparation of the consolidated financial statements.

Figures for income in reportable segments are on an operating income basis.

Intersegment sales and transfers are based on prevailing market prices.

3. Information on the Amounts of Sales, Income (Loss), Assets, Liabilities, and Other Items for Reportable Segments

FY2019.3 (April 1, 2018—March 31, 2019)

(Millions of yen)

	Reportable Segments			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥281,993	¥120,710	¥402,703	¥34,713	¥437,416		¥437,416
Intersegment sales or transfers				334	334	¥(334)	
Total	281,993	120,710	402,703	35,047	437,751	¥(334)	437,416
Segment income	¥ 42,945	¥ 10,618	¥ 53,563	¥ 2,466	¥ 56,030		¥ 56,030
Segment assets	309,022	81,933	390,955	123,806	514,762		514,762
Other items							
Depreciation and amortization	7,019	2,980	9,999	835	10,835		10,835
Impairment loss	264	66	331	8	339		339
Increase in property, plant and equipment and intangible assets	¥ 12,635	¥ 2,984	¥ 15,620	¥ 1,387	¥ 17,008		¥ 17,008

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

The sales adjustment item of ¥(334) 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.

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 ¥75,209 million.

FY2018.3 (April 1, 2017—March 31, 2018)

(Millions of yen)

	Reportable Segments			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥274,486	¥121,788	¥396,275	¥ 36,692	¥432,967		¥432,967
Intersegment sales or transfers				342	342	¥(342)	
Total	274,486	121,788	396,275	37,035	433,310	¥(342)	432,967
Segment income	¥ 34,644	¥ 10,715	¥ 45,359	¥ 3,473	¥ 48,833		¥ 48,833
Segment assets	315,893	76,466	392,359	159,949	552,309		552,309
Other items							
Depreciation and amortization	7,335	2,701	10,036	740	10,777		10,777
Impairment loss	27		27		27		27
Increase in property, plant and equipment and intangible assets	¥ 18,440	¥ 4,207	¥ 22,647	¥ 2,085	¥ 24,732		¥ 24,732

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

The sales adjustment item of ¥(342) 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.

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 ¥110,164 million.

4. "Partial Amendments to Accounting Standards for Tax-Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the fiscal year ended March 31, 2019, and the method of presentation has been revised. Figures for the segment assets in FY2018.3 have been restated retroactively applying the revised method of presentation.

Related Information

Information by geographical segment

Information based on the geographical location of the customers

FY2019.3 (April 1, 2018—March 31, 2019)

(Millions of yen)

	Japan	Overseas					Total	Consolidated
		North America		Europe	China	Asia, Oceania, and other areas		
		U.S.A.						
Net sales	¥129,693	¥92,048	¥80,551	¥83,858	¥59,240	¥72,575	¥307,722	¥437,416
% of net sales	29.6%	21.0%	18.4%	19.2%	13.5%	16.7%	70.4%	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

FY2018.3 (April 1, 2017—March 31, 2018)

(Millions of yen)

	Japan	Overseas					Total	Consolidated
		North America		Europe	China	Asia, Oceania, and other areas		
		U.S.A.						
Net sales	¥133,726	¥86,888	¥76,249	¥84,815	¥54,188	¥73,348	¥299,240	¥432,967
% of net sales	30.9%	20.1%	17.6%	19.6%	12.5%	16.9%	69.1%	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: Republic of Korea, Australia

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

FY2019.3 (April 1, 2018—March 31, 2019)

(Millions of yen)

	Musical instruments	Audio equipment	Others	Total
Amount amortized in FY2019.3	¥ 24	¥—	¥—	¥ 24
Balance as of March 31, 2019	¥136	¥—	¥—	¥136

FY2018.3 (April 1, 2017—March 31, 2018)

(Millions of yen)

	Musical instruments	Audio equipment	Others	Total
Amount amortized in FY2018.3	¥57	¥ 3	¥—	¥61
Balance as of March 31, 2018	¥—	¥—	¥—	¥—

Information on profit arising from negative goodwill by reportable segment

Not applicable

Per Share Information

(Yen)

FY2019.3 (April 1, 2018—March 31, 2019)		FY2018.3 (April 1, 2017—March 31, 2018)	
Net assets per share	¥2,124.83	Net assets per share	¥2,125.51
Net income per share	¥240.94	Net income per share	¥291.81

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

2. Basis for calculations of net income per share

	FY2019.3 (April 1, 2018—March 31, 2019)	FY2018.3 (April 1, 2017—March 31, 2018)
Net income per share:		
Net income attributable to owners of parent	¥43,753 million	¥54,378 million
Value not attributed to common share	— million	— million
Net income attributed to common share and owners of parent	43,753 million	54,378 million
Average number of shares outstanding during the period	181,598,344 shares	186,347,105 shares

Important Subsequent Events

Not applicable