

YAMAHA CORPORATION

Flash Report Consolidated Basis (Japanese GAAP)

Results through the Second Quarter of the Fiscal Year Ending March 31, 2014
(April 1, 2013—September 30, 2013)

October 31, 2013

Company name:	YAMAHA CORPORATION (URL http://www.yamaha.com)
Code number:	7951
Stock listing:	Tokyo Stock Exchange (First Section)
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Scheduled date to submit Quarterly Securities Report:	November 14, 2013
Scheduled date to begin dividend payments:	December 3, 2013
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 FY2014.3 (April 1, 2013—September 30, 2013)

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 FY2014.3	¥197,673	11.8%	¥13,674	100.7%	¥13,474	120.6%
Through the second quarter of FY2013.3	¥176,831	0.1%	¥6,811	8.1%	¥6,107	14.5%

	Net income		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 FY2014.3	¥12,506	273.4%	¥64.59	—
Through the second quarter of FY2013.3	¥3,349	18.9%	¥17.30	—

Note: Comprehensive income: **Second quarter of FY2014.3** ¥23,481 million, —%
Second quarter of FY2013.3 ¥(15,437) million, —%

(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 FY2014.3 (As of September 30, 2013)	¥424,288	¥248,579	57.9%	¥1,268.23
FY2013.3 (As of March 31, 2013)	¥390,610	¥229,636	58.1%	¥1,171.67

(For reference) Shareholders' equity: **Second quarter of FY2014.3** ¥245,566 million FY2013.3 ¥226,872 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
FY2013.3	—	¥5.00	—	¥5.00	¥10.00
FY2014.3	—	¥7.50			
FY2014.3 (Forecast)			—	¥7.50	¥15.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Forecasts for FY2014.3 (April 1, 2013—March 31, 2014)

(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
FY2014.3	¥408,000	11.2%	¥22,000	138.7%	¥20,500	138.9%

	Net income		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2014.3	¥18,000	336.6%	92.96

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: None
 - (d) Changes in presentation due to revisions: None

Note: For further details, please refer to the “1. Summary Information (Footnote Item), (1) Changes in accounting principles, changes in accounting estimates, and changes in presentation due to revisions” section of the attachment on page 2.

(4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)	Second quarter of FY2014.3	197,255,025 shares	FY2013.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	Second quarter of FY2014.3	3,625,786 shares	FY2013.3	3,623,885 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	Second quarter of FY2014.3	193,630,138 shares	Second quarter of FY2013.3	193,638,773 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 the current fiscal year, please refer to “Outline of the Consolidated Financial Results through the Second Quarter of the Fiscal Year Ending March 31, 2014 (FY2014.3) and Outlook for Performance for the Full Fiscal Year,” which was released today (October 31, 2013).

Revisions in the Consolidated Financial Forecasts

The outlook for the full fiscal year for consolidated net sales remains unchanged at ¥408.0 billion. The Company has taken account of the ¥1 billion adverse effect on operating income due to the strike at the guitar manufacturing subsidiary in Indonesia. However, as a result of the expected rise in income due to a revision of the outlook for foreign currency exchange rates and other factors, income indicators have been revised upward. The current outlook is for operating income of ¥22.0 billion, ordinary income of ¥20.5 billion, and net income of ¥18.0 billion. Also, please note that the outlook for net income takes account of business structural reform expenses of ¥0.75 billion, which have been accounted for as an extraordinary loss, in a domestic musical instruments sales subsidiary.

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 “Accounting Standards for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012, hereinafter referred to as the “Retirement Benefits Accounting Standards”) and the “Guidance on the Accounting Standards for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) became applicable at the beginning of the consolidated fiscal year which started April 1, 2013. These accounting standards, etc. were applied from the first quarter of this fiscal year. Consequently, the amount of retirement benefit obligations minus pension assets was recorded as net defined benefit liabilities, and the unrecognized actuarial difference and unrecognized past service costs were also recorded in net defined benefit liabilities. In addition, the calculation method regarding retirement benefit obligations and service costs was reviewed and the obligations are recognized in the period in which the benefit was earned by the employees rather than by the proportional attribution method. In addition, the discount rate was changed.

With regard to the application of the retirement benefits accounting standards, etc., in accordance with the progressive treatment stipulated in Section 37 of the retirement benefits accounting standards, the amount of retirement benefit obligations minus pension assets was recorded as net defined benefit liabilities at the beginning of the fiscal year (April 1, 2013). The amount of financial impact resulting from this recording was added to, or deducted from remeasurement of defined benefit plans in accumulated other comprehensive income. In addition, the amount of financial impact resulting from changes of the calculation method for retirement benefit obligations and service costs was added to, or deducted from, retained earnings.

As a result, accumulated other comprehensive income at the beginning of the second quarter of the consolidated fiscal year (April 1, 2013) decreased by ¥10,716 million and accumulated retained earnings increased by ¥7,062 million. Please note that effects of these changes on consolidated income (loss) and segment information in the consolidated financial statements accumulated through the end of the second quarter were not material.

(2) Additional information

(Classification of costs of sales and selling, general and administrative expenses)

Along with the organizational reform, the manufacturing functions of the Company and consolidated production subsidiaries were reviewed. As a result, a part of the amounts that had been recorded as selling, general and administrative expenses was recorded as the cost of sales from the first quarter of the fiscal year.

Based on this change, the cost of sales through the second quarter of the fiscal year increased by ¥2,766 million and gross profit decreased by the same amount compared to the previous method. Also, selling, general and administrative expenses decreased by ¥3,155 million and operating income increased by ¥389 million.

The amount of financial impact on business segments is stated in the Segment Information section.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter of FY2014.3 (as of September 30, 2013)	FY2013.3 (as of March 31, 2013)
ASSETS		
Current assets		
Cash and deposits	¥ 62,706	¥ 51,445
Notes and accounts receivable—trade	57,884	52,069
Short-term investment securities	—	250
Merchandise and finished goods	62,801	54,647
Work in process	14,297	14,090
Raw materials and supplies	13,422	13,276
Other	13,118	13,211
Allowance for doubtful accounts	(1,294)	(1,088)
Total current assets	222,936	197,902
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	36,400	36,845
Machinery, equipment and vehicles, net	12,263	11,887
Tools, furniture and fixtures, net	9,680	9,518
Land	49,612	49,634
Lease assets, net	325	336
Construction in progress	1,879	2,104
Total property, plant and equipment	110,162	110,325
Intangible assets	3,234	3,224
Investments and other assets		
Investment securities	79,713	71,568
Other	8,566	8,181
Allowance for doubtful accounts	(324)	(591)
Total investments and other assets	87,955	79,157
Total noncurrent assets	201,352	192,707
Total assets	¥424,288	¥390,610

(Millions of yen)

	Second quarter of FY2014.3 (as of September 30, 2013)	FY2013.3 (as of March 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	¥ 22,147	¥ 20,339
Short-term loans payable	19,937	9,360
Current portion of long-term loans payable	32	486
Accounts payable—other and accrued expenses	27,717	31,309
Income taxes payable	2,739	1,582
Provision	2,663	2,710
Other	5,717	5,761
Total current liabilities	<u>80,955</u>	<u>71,550</u>
Noncurrent liabilities		
Long-term loans payable	149	165
Provision for retirement benefits	—	41,148
Net defined benefit liabilities	43,502	—
Other	51,102	48,108
Total noncurrent liabilities	<u>94,754</u>	<u>89,422</u>
Total liabilities	<u>175,709</u>	<u>160,973</u>
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	159,398	140,473
Treasury stock	(3,702)	(3,699)
Total shareholders' equity	<u>224,285</u>	<u>205,363</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,304	34,810
Deferred gains or losses on hedges	(75)	(41)
Revaluation reserve for land	17,139	17,184
Foreign currency translation adjustment	(26,255)	(30,443)
Remeasurements of defined benefit plans	(9,832)	—
Total accumulated other comprehensive income	<u>21,280</u>	<u>21,508</u>
Minority interests	<u>3,013</u>	<u>2,764</u>
Total net assets	<u>248,579</u>	<u>229,636</u>
Total liabilities and net assets	<u>¥424,288</u>	<u>¥390,610</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)

	Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013)	Accumulated through the second quarter of FY2013.3 (April 1, 2012–September 30, 2012)
Net sales	¥197,673	¥176,831
Cost of sales	125,237	112,408
Gross profit	72,436	64,422
Selling, general and administrative expenses	58,762	57,611
Operating income	13,674	6,811
Non-operating income		
Interest income	264	222
Dividends income	681	446
Other	419	373
Total non-operating income	1,364	1,042
Non-operating expenses		
Sales discounts	1,110	842
Foreign exchange losses	50	604
Other	403	298
Total non-operating expenses	1,564	1,746
Ordinary income	13,474	6,107
Extraordinary income		
Gain on sales of noncurrent assets	102	430
Gain on sales of investment securities	987	173
Total extraordinary income	1,090	604
Extraordinary losses		
Loss on retirement of noncurrent assets	103	80
Loss on valuation of investment securities	—	139
Loss on valuation of investments in capital of subsidiaries and affiliates	—	76
Impairment loss	73	—
Business structural reform expenses	—	988
Total extraordinary losses	177	1,284
Income before income taxes and minority interests	14,387	5,427
Income taxes—current	3,427	2,072
Income taxes—deferred	(1,738)	(162)
Total income taxes	1,689	1,909
Income before minority interests	12,698	3,518
Minority interests in income	192	168
Net income	¥ 12,506	¥ 3,349

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Accumulated through the second quarter of FY2014.3 (April 1, 2013–September 30, 2013)	Accumulated through the second quarter of FY2013.3 (April 1, 2012–September 30, 2012)
Income before minority interests	¥12,698	¥ 3,518
Other comprehensive income		
Valuation difference on available-for-sale securities	5,474	(12,833)
Deferred gains or losses on hedges	(33)	218
Foreign currency translation adjustments	4,462	(6,341)
Remeasurements of defined benefit plans	884	—
Share of other comprehensive income of associates accounted for using equity method	(4)	(0)
Total other comprehensive income	<u>10,782</u>	<u>(18,955)</u>
Comprehensive income	<u>23,481</u>	<u>(15,437)</u>
(Composition)		
Comprehensive income attributable to owners of the parent	23,145	(15,454)
Comprehensive income attributable to minority shareholders	¥ 335	¥ 17

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 FY2014.3 (April 1, 2013—September 30, 2013)

1. Sales and Income by Reporting Segment

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥126,924	¥48,730	¥10,144	¥11,874	¥197,673		¥197,673
Intersegment sales or transfers			321		321	¥(321)	
Total sales	¥126,924	¥48,730	¥10,466	¥11,874	¥197,995	¥(321)	¥197,673
Segment income	¥ 9,556	¥ 2,622	¥ 1,188	¥ 307	¥ 13,674		¥ 13,674

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

The sales adjustment item of ¥(321) 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.

Accumulated through the second quarter of FY2013.3 (April 1, 2012—September 30, 2012)

Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Musical instruments	Audio equipment	Electronic devices	Others	Total	Adjustments	Consolidated
Sales to external customers	¥115,007	¥41,536	¥7,896	¥12,391	¥176,831		¥176,831
Intersegment sales or transfers			430		430	¥(430)	
Total sales	¥115,007	¥41,536	¥8,327	¥12,391	¥177,262	¥(430)	¥176,831
Segment income (loss)	¥ 4,726	¥ 2,285	¥ (940)	¥ 739	¥ 6,811		¥ 6,811

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

The sales adjustment item of ¥(430) 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. Item Related to Reporting Segment Change

Along with the corporate organizational reform, the name of the AV/IT business was changed to "Audio equipment" as of the first quarter. In addition, the segment classification was reviewed and professional audio equipment was moved from the "Musical instruments" business to the "Audio equipment" business.

Please note that segment information through the second quarter of the previous fiscal year was restated using the classification method after the change.

In addition, as stated in Additional information, along with the organizational reform, the manufacturing functions of the Company and consolidated production subsidiaries was reviewed. As a result, a part of the amounts that had been recorded as selling, general and administrative expenses were recorded as the cost of sales from the first quarter of the fiscal year.

As a result of these changes, income of the "Musical instruments" segment through the second quarter of the fiscal year increased by ¥299 million and income of the "Audio equipment" segment increased by ¥78 million compared to the previous method. Also, income of the "Electronic devices" segment increased by ¥3 million and income of "Others" increased by ¥7 million.

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

Accumulated through the second quarter of FY2014.3 (April 1, 2013—September 30, 2013) (Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥82,264	¥31,238	¥33,731	¥50,439	¥115,409	¥197,673
% of net sales	41.6%	15.8%	17.1%	25.5%	58.4%	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

Accumulated through the second quarter of FY2013.3 (April 1, 2012—September 30, 2012) (Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥84,443	¥24,664	¥26,586	¥41,137	¥92,388	¥176,831
% of net sales	47.8%	13.9%	15.0%	23.3%	52.2%	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 FY2014.3 (April 1, 2013—September 30, 2013)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 88,401	¥30,899	¥33,966	¥44,406	¥197,673		¥197,673
Intersegment sales or transfers	79,151	442	1,457	45,976	127,028	¥(127,028)	
Total sales	¥167,552	¥31,342	¥35,423	¥90,383	¥324,702	¥(127,028)	¥197,673
Segment income	¥ 9,723	¥ 1,242	¥ 498	¥ 6,822	¥ 18,287	¥ (4,613)	¥ 13,674

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 ¥(127,028) million, which comprises eliminations of transactions among the Company’s regional 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 FY2013.3 (April 1, 2012—September 30, 2012)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥ 90,738	¥24,449	¥26,551	¥35,092	¥176,831		¥176,831
Intersegment sales or transfers	65,953	310	557	35,855	102,676	¥(102,676)	
Total sales	¥156,691	¥24,759	¥27,108	¥70,947	¥279,507	¥(102,676)	¥176,831
Segment income	¥ 2,997	¥ 917	¥ 609	¥ 4,864	¥ 9,389	¥ (2,578)	¥ 6,811

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 ¥(102,676) million, which comprises eliminations of transactions among the Company’s regional segments.

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