

# YAMAHA CORPORATION

## Flash Report

### Consolidated Basis (Japanese GAAP)

Results through the Third Quarter of the Fiscal Year Ending March 31, 2014

(April 1, 2013—December 31, 2013)

February 5, 2014

<b>Company name:</b>	YAMAHA CORPORATION (URL <a href="http://www.yamaha.com">http://www.yamaha.com</a> )
<b>Code number:</b>	7951
<b>Stock listing:</b>	Tokyo Stock Exchange (First Section)
<b>Address of headquarters:</b>	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
<b>Representative director:</b>	Takuya Nakata, President and Representative Director
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<b>Scheduled date to submit Quarterly Securities Report:</b>	February 14, 2014
<b>Scheduled date to begin dividend payments:</b>	—
<b>Supplementary materials to the quarterly financial statements have been prepared:</b>	Yes
<b>Presentation will be held to explain the quarterly financial results:</b>	Yes (for securities analysts and institutional investors)

## 1. Results through the Third Quarter of FY2014.3 (April 1, 2013—December 31, 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
<b>Through the third quarter of FY2014.3</b>	<b>¥308,674</b>	<b>12.7%</b>	<b>¥22,775</b>	<b>118.6%</b>	<b>¥22,344</b>	<b>132.1%</b>
Through the third quarter of FY2013.3	¥273,932	1.2%	¥10,420	(5.1)%	¥9,627	1.9%

Note: Comprehensive income: **Third quarter of FY2014.3** **¥44,248 million, 668.7%**

Third quarter of FY2013.3 **¥5,756 million, —%**

	Net income		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 FY2014.3</b>	<b>¥19,041</b>	<b>326.8%</b>	<b>¥98.34</b>	—
Through the third quarter of FY2013.3	¥4,461	63.6%	¥23.04	—

### (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 FY2014.3</b> (As of December 31, 2014)	<b>¥445,141</b>	<b>¥267,891</b>	<b>59.5%</b>	<b>¥1,366.79</b>
FY2013.3 (As of March 31, 2013)	¥390,610	¥229,636	58.1%	¥1,171.67

(For reference) Shareholders' equity: **Third quarter of FY2014.3** **¥264,647 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)				¥15.00	¥22.50

Note: Revisions from recently announced dividend forecast: Yes

For further details, please refer to the “Announcement of Revision of the Outlook for Cash Dividends for the End of FY2014.3” which was released today (February 5, 2014).

## 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: None

After taking account of the Company’s performance through the third quarter and the outlook for business trends and foreign exchange rates, the Outlook for Performance for the Full Fiscal Year remains unchanged from the previously announced outlook.

**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)	<b>Third quarter of FY2014.3</b>	<b>197,255,025 shares</b>	FY2013.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	<b>Third quarter of FY2014.3</b>	<b>3,627,533 shares</b>	FY2013.3	3,623,885 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	<b>Third quarter of FY2014.3</b>	<b>193,629,594 shares</b>	Third quarter of FY2013.3	193,636,820 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 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, 2014 (FY2014.3) and Outlook for Consolidated Performance for the Full Fiscal Year and Revision of the Outlook for Dividends” which was released today (February 5, 2014).

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, remeasurements 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 third 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 third 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 third quarter of the fiscal year increased by ¥4,219 million and gross profit decreased by the same amount compared to the previous method. Also, selling, general and administrative expenses decreased by ¥4,631 million and operating income increased by ¥412 million.

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

(Share acquisition of 100% ownership of U.S. musical instruments and audio equipment manufacturer Line 6, Inc.)

On December 20, 2013, Yamaha Corporation reached an agreement with Line 6, Inc. (Head office: Calabasas, California, hereinafter referred to as “Line 6”), a company that engages in developing, producing, and selling guitar peripheral equipment, PA equipment, wireless microphones, etc. to make it a wholly owned subsidiary. Legal procedures for making Line 6 a wholly owned subsidiary were completed on January 23, 2014.

Line 6 was established in 1996. The company started with the development and sale of the world’s first digital modeling guitar amplifier, the “AxSys212,” followed by an expansion of its product lineup of guitar amplifiers. While expanding its lineup, Line 6 proposed new values to guitarists through such products as the “POD,” an amplifier simulator for guitar recording, and the “Variax,” a modeling guitar, earning itself high appraisal in the market. Line 6 further expanded its product lineups, including PA equipment, wireless systems, and wireless microphones for guitars, and succeeded in becoming a brand supported not only by guitarists but also by a wide range of musicians.

Through this acquisition of Line 6, the Yamaha Group will expand its portfolio of guitar peripheral equipment and PA equipment in the future to accelerate growth in the musical instruments and audio equipment area. Also, Yamaha will create new value for customers by combining Line 6’s product planning and development capability based on modeling and wireless technology and Yamaha’s own accumulated technological capability in the acoustic and digital areas, as well as by utilizing the global knowledge of markets and customers amassed by the two companies.

For your information, there has been no material impact on the consolidated performance of our Company from this acquisition.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter of FY2014.3 (as of December 31, 2013)	FY2013.3 (as of March 31, 2013)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	¥ 68,080	¥ 51,445
Notes and accounts receivable—trade	66,266	52,069
Short-term investment securities	—	250
Merchandise and finished goods	61,125	54,647
Work in process	15,142	14,090
Raw materials and supplies	12,561	13,276
Other	14,029	13,211
Allowance for doubtful accounts	(1,440)	(1,088)
Total current assets	<u>235,765</u>	<u>197,902</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	36,530	36,845
Machinery, equipment and vehicles, net	13,053	11,887
Tools, furniture and fixtures, net	9,566	9,518
Land	49,679	49,634
Lease assets, net	323	336
Construction in progress	1,699	2,104
Total property, plant and equipment	<u>110,853</u>	<u>110,325</u>
Intangible assets	3,438	3,224
Investments and other assets		
Investment securities	86,866	71,568
Other	8,351	8,181
Allowance for doubtful accounts	(133)	(591)
Total investments and other assets	<u>95,084</u>	<u>79,157</u>
Total noncurrent assets	<u>209,376</u>	<u>192,707</u>
<b>Total assets</b>	<u>¥445,141</u>	<u>¥390,610</u>

(Millions of yen)

	Third quarter of FY2014.3 (as of December 31, 2013)	FY2013.3 (as of March 31, 2013)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable—trade	¥ 20,959	¥ 20,339
Short-term loans payable	17,496	9,360
Current portion of long-term loans payable	33	486
Accounts payable—other and accrued expenses	27,632	31,309
Income taxes payable	3,176	1,582
Provision	2,761	2,710
Other	7,973	5,761
Total current liabilities	<u>80,034</u>	<u>71,550</u>
<b>Noncurrent liabilities</b>		
Long-term loans payable	141	165
Provision for retirement benefits	—	41,148
Net defined benefit liabilities	43,041	—
Other	54,032	48,108
Total noncurrent liabilities	<u>97,215</u>	<u>89,422</u>
<b>Total liabilities</b>	<u>177,250</u>	<u>160,973</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	164,481	140,473
Treasury stock	(3,704)	(3,699)
Total shareholders' equity	<u>229,365</u>	<u>205,363</u>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	44,914	34,810
Deferred gains or losses on hedges	(360)	(41)
Revaluation reserve for land	17,139	17,184
Foreign currency translation adjustment	(16,976)	(30,443)
Remeasurements of defined benefit plans	(9,435)	—
Total accumulated other comprehensive income	<u>35,281</u>	<u>21,508</u>
<b>Minority interests</b>	<u>3,244</u>	<u>2,764</u>
<b>Total net assets</b>	<u>267,891</u>	<u>229,636</u>
<b>Total liabilities and net assets</b>	<u>¥445,141</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 third quarter of FY2014.3 (April 1, 2013–December 31, 2013)	Accumulated through the third quarter of FY2013.3 (April 1, 2012–December 31, 2012)
<b>Net sales</b>	<b>¥308,674</b>	<b>¥273,932</b>
<b>Cost of sales</b>	<b>196,168</b>	<b>175,794</b>
Gross profit	<b>112,506</b>	<b>98,137</b>
<b>Selling, general and administrative expenses</b>	<b>89,730</b>	<b>87,717</b>
Operating income	<b>22,775</b>	<b>10,420</b>
<b>Non-operating income</b>		
Interest income	<b>395</b>	<b>300</b>
Dividends income	<b>836</b>	<b>608</b>
Other	<b>781</b>	<b>618</b>
Total non-operating income	<b>2,013</b>	<b>1,527</b>
<b>Non-operating expenses</b>		
Sales discounts	<b>1,820</b>	<b>1,402</b>
Foreign exchange losses	<b>4</b>	<b>365</b>
Other	<b>620</b>	<b>552</b>
Total non-operating expenses	<b>2,445</b>	<b>2,319</b>
Ordinary income	<b>22,344</b>	<b>9,627</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	<b>488</b>	<b>486</b>
Gain on sales of investment securities	<b>987</b>	<b>206</b>
Loss on liquidation of subsidiaries and affiliates	<b>—</b>	<b>8</b>
Total extraordinary income	<b>1,475</b>	<b>700</b>
<b>Extraordinary losses</b>		
Loss on retirement of noncurrent assets	<b>204</b>	<b>147</b>
Loss on valuation of investment securities	<b>—</b>	<b>32</b>
Loss on valuation of investments in capital of subsidiaries and affiliates	<b>—</b>	<b>105</b>
Impairment loss	<b>126</b>	<b>—</b>
Business structural reform expenses	<b>552</b>	<b>2,284</b>
Loss on closure of operations	<b>456</b>	<b>—</b>
Total extraordinary losses	<b>1,340</b>	<b>2,571</b>
<b>Income before income taxes and minority interests</b>	<b>22,479</b>	<b>7,757</b>
<b>Income taxes—current</b>	<b>4,934</b>	<b>3,204</b>
<b>Income taxes—deferred</b>	<b>(1,664)</b>	<b>(107)</b>
<b>Total income taxes</b>	<b>3,269</b>	<b>3,096</b>
<b>Income before minority interests</b>	<b>19,210</b>	<b>4,661</b>
<b>Minority interests in income</b>	<b>169</b>	<b>199</b>
<b>Net income</b>	<b>¥ 19,041</b>	<b>¥ 4,461</b>

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

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Accumulated through the third quarter of FY2014.3 (April 1, 2013–December 31, 2013)	Accumulated through the third quarter of FY2013.3 (April 1, 2012–December 31, 2012)
<b>Income before minority interests</b>	<b>¥19,210</b>	¥ 4,661
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,083	(3,980)
Deferred gains or losses on hedges	(318)	(465)
Foreign currency translation adjustments	13,995	5,540
Remeasurements of defined benefit plans	1,281	—
Share of other comprehensive income of associates accounted for using equity method	(3)	0
Total other comprehensive income	<u>25,037</u>	<u>1,094</u>
<b>Comprehensive income</b>	<b>44,248</b>	<b>5,756</b>
(Composition)		
Comprehensive income attributable to owners of the parent	43,682	5,361
Comprehensive income attributable to minority shareholders	¥ 566	¥ 394

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 FY2014.3 (April 1, 2013—December 31, 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	¥196,656	¥79,374	¥14,838	¥17,804	¥308,674		¥308,674
Intersegment sales or transfers			443		443	¥(443)	
Total sales	¥196,656	¥79,374	¥15,282	¥17,804	¥309,117	¥(443)	¥308,674
Segment income	¥ 15,882	¥ 5,290	¥ 1,281	¥ 320	¥ 22,775		¥ 22,775

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

The sales adjustment item of ¥(443) 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 third quarter of FY2013.3 (April 1, 2012—December 31, 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	¥176,027	¥68,464	¥11,354	¥18,085	¥273,932		¥273,932
Intersegment sales or transfers			554		554	¥(554)	
Total sales	¥176,027	¥68,464	¥11,908	¥18,085	¥274,486	¥(554)	¥273,932
Segment income (loss)	¥ 6,905	¥ 4,490	¥(1,632)	¥ 656	¥ 10,420		¥ 10,420

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

The sales adjustment item of ¥(554) 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 third 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 divisions 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.

As a result of these changes, income of the "Musical instruments" segment through the third quarter of the fiscal year increased by ¥336 million, and income of the "Audio equipment" segment increased by ¥64 million compared to the previous method. Also, income of the "Electronic devices" segment increased by ¥3 million, and income of "Others" increased by ¥8 million.

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

**Accumulated through the third quarter of FY2014.3 (April 1, 2013—December 31, 2013)** (Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥123,235	¥50,113	¥58,410	¥76,915	¥185,439	¥308,674
% of net sales	39.9%	16.3%	18.9%	24.9%	60.1%	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 third quarter of FY2013.3 (April 1, 2012—December 31, 2012)** (Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Net sales	¥125,186	¥39,769	¥45,750	¥63,226	¥148,746	¥273,932
% of net sales	45.7%	14.5%	16.7%	23.1%	54.3%	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 FY2014.3 (April 1, 2013—December 31, 2013)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥131,665	¥49,601	¥58,738	¥ 68,669	¥308,674		¥308,674
Intersegment sales or transfers	114,316	607	1,993	66,463	183,380	¥(183,380)	
Total sales	¥245,981	¥50,208	¥60,731	¥135,132	¥492,054	¥(183,380)	¥308,674
Segment income	¥ 12,213	¥ 2,045	¥ 2,084	¥ 10,164	¥ 26,506	¥ (3,731)	¥ 22,775

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 ¥(183,380) 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 third quarter of FY2013.3 (April 1, 2012—December 31, 2012)**

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥134,026	¥39,443	¥45,829	¥ 54,632	¥273,932		¥273,932
Intersegment sales or transfers	93,794	425	1,021	52,101	147,342	¥(147,342)	
Total sales	¥227,821	¥39,868	¥46,851	¥106,733	¥421,274	¥(147,342)	¥273,932
Segment income	¥ 2,240	¥ 1,637	¥ 1,780	¥ 6,921	¥ 12,580	¥ (2,159)	¥ 10,420

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 ¥(147,342) 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.