

YAMAHA CORPORATION

Flash Report Consolidated Basis (Japanese GAAP) Results for the First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017–June 30, 2017)

August 1, 2017

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:	August 10, 2017
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 for the First Quarter of FY2018.3 (April 1, 2017–June 30, 2017)

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
First quarter of FY2018.3	¥101,249	2.9%	¥11,575	(1.7)%	¥11,219	(2.1)%
First quarter of FY2017.3	¥98,399	(6.8)%	¥11,775	33.0%	¥11,463	35.5%

Note: Comprehensive income: **First quarter of FY2018.3** **¥18,973 million, 839.8%**
First quarter of FY2017.3 **¥2,018 million, (55.9)%**

	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
First quarter of FY2018.3	¥9,332	(58.5)%	¥49.79	—
First quarter of FY2017.3	¥22,486	259.7%	¥119.83	—

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY2018.3 (As of June 30, 2017)	¥539,902	¥381,453	70.2%	¥2,022.74
FY2017.3 (As of March 31, 2017)	¥522,362	¥367,437	69.9%	¥1,948.01

(For reference) Shareholders' equity: **First quarter of FY2018.3** **¥379,128 million** FY2017.3 **¥365,123 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
FY2017.3	—	¥26.00	—	¥26.00	¥52.00
FY2018.3	—				
FY2018.3 (Forecast)		¥28.00	—	¥28.00	¥56.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Forecasts for FY2018.3 (April 1, 2017–March 31, 2018)

(Percentage figures for the full fiscal year are changes from the previous year, and those for the second quarter accumulation 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
Second quarter accumulation of FY2018.3	¥211,000	5.9%	¥26,500	7.5%	¥26,500	8.2%
FY2018.3	¥432,000	5.8%	¥50,000	12.9%	¥50,000	11.3%

	Net income attributable to owners of parent		Net income per share
	Millions of yen	% change from the previous year	Yen
Second quarter accumulation of FY2018.3	¥21,500	(21.0)%	¥114.71
FY2018.3	¥39,000	(16.5)%	¥208.07

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: 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)	First quarter of FY2018.3	197,255,025 shares	FY2017.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	First quarter of FY2018.3	9,821,323 shares	FY2017.3	9,820,691 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	First quarter of FY2018.3	187,434,041 shares	First quarter of FY2017.3	187,648,198 shares

*This quarterly flash report is exempt from the quarterly review procedures.

*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 first quarter of FY2018.3, please refer to “Outline of the Consolidated Financial Results for the First Quarter (Three Months) of the Fiscal Year Ending March 31, 2018 (FY2018.3) and Outlook for Consolidated Performance in FY2018.3”, which was released today (August 1, 2017).

Revision in Performance Forecast

After consideration of the financial results for the first quarter of FY2018.3, business trends, and currency exchange movements going forward, the Company has revised upward its consolidated forecast for the period through the end of the second quarter (six months) as follows: Net sales of ¥211.0 billion, operating income of ¥26.5 billion, and ordinary income of ¥26.5 billion, but the forecast for net income attributable to owners of parent remains unchanged. In addition, the forecast for the full year ending March 31, 2018, has also been revised upward as follows: Net sales of ¥432.0 billion, operating income of ¥50.0 billion, ordinary income of ¥50.0 billion, but net income attributable to owners of parent remains unchanged.

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. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	First quarter of FY2018.3 (as of June 30, 2017)	FY2017.3 (as of March 31, 2017)
ASSETS		
Current assets		
Cash and deposits	¥102,697	¥105,859
Notes and accounts receivable–trade	52,229	50,995
Merchandise and finished goods	71,674	66,149
Work in process	12,658	12,687
Raw materials and supplies	15,755	14,290
Other	24,822	23,977
Allowance for doubtful accounts	(1,237)	(1,239)
Total current assets	<u>278,599</u>	<u>272,720</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	31,083	31,034
Machinery, equipment and vehicles, net	12,617	12,976
Tools, furniture and fixtures, net	10,179	10,030
Land	43,879	43,851
Lease assets, net	281	294
Construction in progress	7,223	7,287
Total property, plant and equipment	<u>105,263</u>	<u>105,475</u>
Intangible assets	4,417	3,195
Investments and other assets		
Investment securities	143,263	132,771
Other	8,483	8,325
Allowance for doubtful accounts	(126)	(126)
Total investments and other assets	<u>151,621</u>	<u>140,970</u>
Total noncurrent assets	<u>261,302</u>	<u>249,641</u>
Total assets	<u>¥539,902</u>	<u>¥522,362</u>

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

(Millions of yen)

	First quarter of FY2018.3 (as of June 30, 2017)	FY2017.3 (as of March 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	¥ 18,860	¥ 17,828
Short-term loans payable	17,892	11,170
Current portion of long-term loans payable	30	30
Accounts payable–other and accrued expenses	33,633	43,961
Income taxes payable	2,477	2,410
Provision	1,888	1,814
Other	9,400	5,350
Total current liabilities	84,183	82,565
Noncurrent liabilities		
Long-term loans payable	32	40
Net defined benefit liabilities	22,593	23,039
Other	51,639	49,276
Total noncurrent liabilities	74,265	72,359
Total liabilities	158,448	154,924
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	255,109	250,649
Treasury stock	(23,733)	(23,731)
Total shareholders' equity	299,964	295,507
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87,636	80,282
Deferred gains or losses on hedges	(477)	103
Revaluation reserve for land	16,095	16,095
Foreign currency translation adjustment	(21,916)	(24,219)
Remeasurements of defined benefit plans	(2,174)	(2,645)
Total accumulated other comprehensive income	79,164	69,616
Non-controlling interests	2,324	2,314
Total net assets	381,453	367,437
Total liabilities and net assets	¥539,902	¥522,362

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)

	First quarter of FY2018.3 (April 1, 2017–June 30, 2017)	First quarter of FY2017.3 (April 1, 2016–June 30, 2016)
Net sales	¥101,249	¥ 98,399
Cost of sales	59,886	56,489
Gross profit	41,362	41,910
Selling, general and administrative expenses	29,786	30,134
Operating income	11,575	11,775
Non-operating income		
Interest income	154	178
Dividends income	308	292
Other	95	199
Total non-operating income	559	671
Non-operating expenses		
Sales discounts	625	592
Foreign exchange losses	160	294
Other	129	96
Total non-operating expenses	914	983
Ordinary income	11,219	11,463
Extraordinary income		
Gain on sales of noncurrent assets	10	209
Total extraordinary income	10	209
Extraordinary losses		
Loss on retirement of noncurrent assets	51	29
Loss on valuation of investment securities	5	0
Impairment loss	23	406
Tariff assessment from previous periods, etc.	175	—
Total extraordinary losses	255	435
Income before income taxes	10,975	11,237
Income taxes—current	2,110	2,196
Income taxes—deferred	(531)	(13,500)
Total income taxes	1,578	(11,303)
Net income for the period	9,396	22,540
Net income attributable to non-controlling interests	63	54
Net income attributable to owners of parent	¥ 9,332	¥ 22,486

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

	First quarter of FY2018.3 (April 1, 2017–June 30, 2017)	First quarter of FY2017.3 (April 1, 2016–June 30, 2016)
Net income for the period	¥ 9,396	¥ 22,540
Other comprehensive income		
Valuation difference on available-for-sale securities	7,341	(11,324)
Deferred gains or losses on hedges	(580)	683
Foreign currency translation adjustments	2,332	(13,674)
Remeasurements of defined benefit plans	471	3,802
Share of other comprehensive income of affiliates accounted for using equity method	12	(8)
Total other comprehensive income	9,577	(20,521)
Comprehensive income	18,973	2,018
(Composition)		
Comprehensive income attributable to owners of parent	18,880	2,220
Comprehensive income attributable to non-controlling interests	¥ 93	¥ (201)

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)

First quarter of FY2018.3 (April 1, 2017–June 30, 2017)

1. Sales and Income by Reportable Segment

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥65,588	¥26,494	¥92,083	¥9,165	¥101,249		¥101,249
Intersegment sales or transfers				102	102	¥(102)	
Total sales	¥65,588	¥26,494	¥92,083	¥9,268	¥101,351	¥(102)	¥101,249
Segment income	¥ 8,250	¥ 1,930	¥ 10,181	¥1,394	¥ 11,575		¥ 11,575

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

The sales adjustment item of ¥(102) 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.

First quarter of FY2017.3 (April 1, 2016–June 30, 2016)

1. Sales and Income by Reportable Segment

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥64,655	¥25,540	¥90,195	¥8,203	¥98,399		¥98,399
Intersegment sales or transfers				127	127	¥(127)	
Total sales	¥64,655	¥25,540	¥90,195	¥8,330	¥98,526	¥(127)	98,399
Segment income	¥ 9,368	¥ 2,015	¥ 11,383	¥ 392	¥11,775		¥11,775

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

The sales adjustment item of ¥(127) 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.

Reference Information

Sales Information Based on the Geographical Location of the Customers

First quarter of FY2018.3 (April 1, 2017—June 30, 2017)

(Millions of yen)

	Japan	Overseas					Total	Consolidated
		North America	Europe	China	Asia, Oceania, and other areas			
						U.S.A.		
Net Sales	¥34,457	¥18,789	¥16,783	¥18,557	¥13,586	¥15,857	¥66,791	101,249
% of net sales	34.0%	18.6%	16.6%	18.3%	13.4%	15.7%	66.0%	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

First quarter of FY2017.3 (April 1, 2016–June 30, 2016)

(Millions of yen)

	Japan	Overseas				Total	Consolidated
		North America	Europe	Asia, Oceania, and other areas			
Net sales	¥34,414	¥18,849	¥18,875	¥26,260	¥63,984	¥98,399	
% of net sales	35.0%	19.2%	19.2%	26.6%	65.0%	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

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

First quarter of FY2018.3 (April 1, 2017–June 30, 2017)

(Millions of yen)

	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥37,270	¥19,810	¥18,588	¥11,620	¥13,958	¥101,249		¥101,249
Intersegment sales or transfers	43,578	513	584	8,045	15,372	68,094	¥(68,094)	
Total sales	¥80,849	¥20,323	¥19,173	¥19,665	¥29,331	¥169,343	¥(68,094)	¥101,249
Segment income	¥ 9,258	¥ 835	¥ 218	¥ 1,938	¥ 1,157	¥ 13,407	¥ (1,832)	¥ 11,575

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 ¥(68,094) million, which comprises eliminations of transactions among the Company's reportable segments

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

First quarter of FY2017.3 (April 1, 2016–June 30, 2016)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥36,734	¥19,949	¥18,842	¥22,872	¥ 98,399		¥98,399
Intersegment sales or transfers	42,564	683	670	23,964	67,883	¥(67,883)	
Total sales	¥79,299	¥20,633	¥19,512	¥46,836	¥166,282	¥(67,883)	¥98,399
Segment income	¥ 6,623	¥ 889	¥ 932	¥ 4,045	¥ 12,490	¥ (714)	¥11,775

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 ¥(67,883) million, which comprises eliminations of transactions among the Company's reportable segments

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