

YAMAHA CORPORATION

Flash Report Consolidated Basis (Japanese GAAP) Results through the Third Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016–December 31, 2016)

February 3, 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:	February 14, 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 through the Third Quarter of FY2017.3 (April 1, 2016–December 31, 2016)

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 third quarter of FY2017.3	¥308,310	(8.2)%	¥37,355	1.1%	¥37,585	(0.0)%
Through the third quarter of FY2016.3	¥335,759	3.9%	¥36,931	43.6%	¥37,596	44.9%

Note: Comprehensive income: **Third quarter of FY2017.3** **¥63,653 million, 184.7%**
Third quarter of FY2016.3 **¥22,360 million, (64.0)%**

	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
Through the third quarter of FY2017.3	¥37,055	21.5%	¥197.61	—
Through the third quarter of FY2016.3	¥30,497	47.3%	¥157.51	—

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Third quarter of FY2017.3 (As of December 31, 2016)	¥527,892	¥354,950	66.8%	¥1,881.27
FY2016.3 (As of March 31, 2016)	¥469,745	¥303,889	64.2%	¥1,601.55

(For reference) Shareholders' equity: **Third quarter of FY2017.3** **¥352,615 million** FY2016.3 **¥301,544 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
FY2016.3	—	¥18.00	—	¥26.00	¥44.00
FY2017.3	—	¥26.00	—		
FY2017.3 (Forecast)				¥26.00	¥52.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Forecasts for FY2017.3 (April 1, 2016–March 31, 2017)

(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
FY2017.3	¥405,000	(7.0)%	¥42,000	3.3%	¥43,000	5.1%

	Net income attributable to owners of parent		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2017.3	¥42,000	28.7%	¥224.00

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

Note: Regarding the methods for calculation of depreciation of property, plant and equipment, previously, the Company and its consolidated subsidiaries in Japan adopted the declining balance method, and overseas consolidated subsidiaries mainly applied the straight-line method for calculating depreciation. However, from the beginning of the first quarter of FY2017.3, the method for depreciation in the Company and its subsidiaries has been changed to the straight-line method. Since this matter corresponds to Article 10-5 of the Regulations for Preparation of Quarterly Consolidated Financial Statements, “Yes” is shown in the section “(b) Changes other than those in (a) above: Changes in accounting principles accompanying revisions in accounting standards” and in the section “(c) Changes in accounting estimates.”

For further details, please refer to page 2 of the supplementary materials, the section entitled: “1. Summary Information (Footnote Items), (1) “Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions.”

(4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)	Third quarter of FY2017.3	197,255,025 shares	FY2016.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	Third quarter of FY2017.3	9,819,829 shares	FY2016.3	8,971,933 shares
(c) Average number of shares issued during the period (quarterly accumulation period)	Third quarter of FY2017.3	187,520,823 shares	Third quarter of FY2016.3	193,621,827 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 FY2017.3, please refer to “Outline of the Consolidated Financial Results through the Third Quarter (Nine Months) of the Fiscal Year Ending March 31, 2017 (FY2017.3) and Outlook for Consolidated Performance for the Full Fiscal Year,” which was released today (February 3, 2017).

Revision in Performance Forecast

The forecast for the full fiscal year calls for an upward revision of net sales to ¥405.0 billion, ordinary income to ¥43.0 billion, and net income attributable to the owners of parent to ¥42.0 billion. Operating income remains unchanged from the previous forecasts.

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.

Table of Contents of Supplementary Materials

1. Summary Information (Footnote Items).....	2
(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions.....	2
(2) Additional Information.....	2
2. Consolidated Financial Statements.....	3
(1) Consolidated Balance Sheets.....	3
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income.....	5
(3) Notes to the Quarterly Financial Statements.....	7
Notes Regarding Assumptions as a Going Concern.....	7
Notes Regarding Any Major Change in the Amount of Consolidated Shareholders' Equity.....	7
Segment Information, Etc.....	7

1. Summary Information (Footnote Items)

(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions

Changes in the depreciation method for calculation of property, plant and equipment

Regarding the methods for calculation of depreciation of property, plant and equipment, previously, the Company and its consolidated subsidiaries in Japan adopted the declining balance method, and overseas consolidated subsidiaries mainly applied the straight-line method for calculating depreciation. However, from the beginning of the first quarter of FY2017.3, the method for depreciation in the Company and its subsidiaries has been changed to the straight-line method.

Under the new medium-term management plan “NEXT STAGE 12,” which will cover the three-year period beginning from the current fiscal year, as a part of its key strategies, the Company has set the objectives of continually reducing costs, including reorganization of production processes and strengthening its global business platforms. In addition, along with the expansion of the sales and production overseas and the increasing number of overseas subsidiaries through M&A, the importance of overseas bases is increasing. Since standardization of accounting treatment throughout the Group has risen in importance, on the occasion of preparing a new medium-term management plan, the Company reconsidered the methods for calculating depreciation of property, plant and equipment.

Taking into account the actual usage and capital investments in the past as well as the usage plans and capital investments in the future, since the outlook is for the property, plant and equipment to be used stably over long useful lives, the Company has decided that it will be reasonable for depreciation expenses to be spread evenly over the useful lives of these assets through the use of the straight-line method of depreciation.

As a result of this change, operating income, ordinary income, and income before income taxes through the third quarter (accumulated) were ¥458 million higher than they would have been in the absence of such changes, respectively. Please note that the effect of this change to the segment information is stated in the related section.

(2) Additional Information

Presentation of deferred tax assets accompanying the application of “Implementation Guidance on Recoverability of Deferred Tax Assets”

The Company has applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016) from the beginning of the first quarter of FY2017.3, and based on the recent performance trends and other factors, the Company has revised the recoverability of deferred tax assets.

As a result, during the third quarter (accumulated) of FY2017.3, deferred tax assets have been additionally recorded in the consolidated financial statements, with ¥12,104 million to be credited as income taxes-deferred.

Realignment of Resort Business

The Company has decided to realign its resort businesses and, regarding “Tsumagoi” that the Yamaha Group manages, has concluded a basic agreement concerning the transfer of its real estate and trademark with Hotel Management International Co., Ltd. (HMI) on December 27, 2016. The Yamaha Group will fully close its operations as of March 31, 2017, and, on the same day, HMI will receive transfer of these assets from the Company.

In connection with this realignment, the business structural reform expenses of ¥4,867 million were reported for the second quarter of the fiscal year ending March 31, 2017. A detailed assessment of the final effects of the transfer on consolidated performance for the fiscal year ending March 31, 2017 will be provided after the signing of the agreement.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter of FY2017.3 (as of December 31, 2016)	FY2016.3 (as of March 31, 2016)
ASSETS		
Current assets		
Cash and deposits	¥ 97,686	¥ 88,166
Notes and accounts receivable–trade	63,989	49,026
Merchandise and finished goods	70,081	63,232
Work in process	13,312	12,825
Raw materials and supplies	13,984	15,808
Other	23,084	27,324
Allowance for doubtful accounts	(1,485)	(1,247)
Total current assets	<u>280,654</u>	<u>255,135</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	31,076	33,728
Machinery, equipment and vehicles, net	12,682	12,722
Tools, furniture and fixtures, net	9,839	9,889
Land	44,297	46,061
Lease assets, net	272	333
Construction in progress	6,690	1,544
Total property, plant and equipment	<u>104,858</u>	<u>104,280</u>
Intangible assets		
Goodwill	1,888	2,456
Other	3,151	3,104
Total intangible assets	<u>5,039</u>	<u>5,560</u>
Investments and other assets		
Investment securities	129,416	96,911
Other	8,046	7,962
Allowance for doubtful accounts	(123)	(104)
Total investments and other assets	<u>137,339</u>	<u>104,769</u>
Total noncurrent assets	<u>247,237</u>	<u>214,610</u>
Total assets	<u>¥527,892</u>	<u>¥469,745</u>

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

(Millions of yen)

	Third quarter of FY2017.3 (as of December 31, 2016)	FY2016.3 (as of March 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	¥ 16,568	¥ 19,353
Short-term loans payable	24,499	8,409
Current portion of long-term loans payable	31	30
Accounts payable–other and accrued expenses	38,280	37,222
Income taxes payable	4,490	2,307
Provision	4,714	2,620
Other	8,679	5,516
Total current liabilities	97,264	75,459
Noncurrent liabilities		
Long-term loans payable	48	71
Net defined benefit liabilities	35,224	38,024
Other	40,404	52,301
Total noncurrent liabilities	75,677	90,396
Total liabilities	172,941	165,856
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	240,771	213,050
Treasury stock	(23,728)	(20,945)
Total shareholders' equity	285,632	260,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	77,869	55,038
Deferred gains or losses on hedges	(219)	(97)
Revaluation reserve for land	16,309	16,743
Foreign currency translation adjustment	(20,433)	(19,513)
Remeasurements of defined benefit plans	(6,542)	(11,320)
Total accumulated other comprehensive income	66,983	40,850
Non-controlling interests	2,334	2,344
Total net assets	354,950	303,889
Total liabilities and net assets	¥527,892	¥469,745

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

(Millions of yen)

	Third quarter of FY2017.3 (April 1, 2016–December 31, 2016)	Third quarter of FY2016.3 (April 1, 2015–December 31, 2015)
Net sales	¥308,310	¥335,759
Cost of sales	180,852	200,171
Gross profit	127,458	135,587
Selling, general and administrative expenses	90,102	98,656
Operating income	37,355	36,931
Non-operating income		
Interest income	471	483
Dividends income	1,828	1,439
Foreign exchange gains	307	83
Tariff refund	—	702
Other	549	857
Total non-operating income	3,156	3,565
Non-operating expenses		
Sales discounts	1,947	2,196
Other	980	704
Total non-operating expenses	2,927	2,900
Ordinary income	37,585	37,596
Extraordinary income		
Gain on sales of noncurrent assets	1,328	6,209
Gain on sales of investment securities	141	3
Gain on liquidation of investment securities	—	13
Total extraordinary income	1,470	6,226
Extraordinary losses		
Loss on retirement of noncurrent assets	243	637
Loss on valuation of investment securities	6	0
Impairment loss	406	170
Business structural reform expenses	5,161	—
Amortization of goodwill	—	4,516
Total extraordinary losses	5,818	5,325
Income before income taxes	33,237	38,497
Income taxes—current	8,175	8,094
Income taxes—deferred	(12,104)	(206)
Total income taxes	(3,929)	7,887
Net income for the period	37,166	30,609
Net income attributable to non-controlling interests	110	112
Net income attributable to owners of parent	¥ 37,055	¥ 30,497

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter of FY2017.3 (April 1, 2016–December 31, 2016)	Third quarter of FY2016.3 (April 1, 2015–December 31, 2015)
Net income for the period	¥37,166	¥ 30,609
Other comprehensive income		
Valuation difference on available-for-sale securities	22,815	(4,693)
Deferred gains or losses on hedges	(121)	(172)
Foreign currency translation adjustments	(1,001)	(3,911)
Remeasurements of defined benefit plans	4,778	533
Share of other comprehensive income of associates accounted for using equity method	14	(5)
Total other comprehensive income	26,486	(8,249)
Comprehensive income	63,653	22,360
(Composition)		
Comprehensive income attributable to owners of parent	63,622	22,387
Comprehensive income attributable to non-controlling interests	¥ 30	¥ (26)

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 FY2017.3 (April 1, 2016–December 31, 2016)

1. Sales and Income by Reporting Segment

(Millions of yen)

	Reporting segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥196,527	¥84,962	¥281,489	¥26,820	¥308,310		¥308,310
Intersegment sales or transfers				303	303	¥(303)	
Total sales	¥196,527	¥84,962	¥281,489	¥27,124	¥308,614	¥(303)	¥308,310
Segment income	¥ 27,339	¥ 8,454	¥ 35,794	¥ 1,561	¥ 37,355		¥ 37,355

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

The sales adjustment item of ¥(303) million, which comprises eliminations of transactions among the Company's business segments

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

2. Information on impairment losses on noncurrent assets, goodwill, etc., by reporting segment

(Material impairment loss on noncurrent assets)

In the others business, impairment losses of ¥2,000 million were reported in connection with the realignment of the Company's resorts business.

Note that the amount of impairment losses is included in business structural reform expenses incurred in the second quarter of the fiscal year.

3. Changes in Reporting Segments

(Change in business segments)

From the beginning of the first quarter of FY2017.3, the reporting segment classification and presentation have been changed.

Accompanying the decrease in size of the electronic devices business, it has been excluded from the reporting segment and included in the others segment. Sales of this business to external customers through the third quarter in the previous fiscal year amounted to ¥10,507 million and segment income was ¥606 million.

Also, as a result of the review of the classification of businesses, the soundproof product business has been moved from the musical instruments segment to the audio equipment segment from the beginning of the first quarter of FY2017.3. The impact of this change was not material.

Please note that segment information through the third quarter (accumulated) of the previous fiscal year has been prepared and presented after the change in business segments.

(Changes in the depreciation method for calculation of property, plant and equipment)

As noted in "1. Summary Information (Footnote Items), (1) "Changes in Accounting Principles, Changes in Accounting Estimates, and Changes in Presentation due to Revisions," the method for depreciation has been changed. Regarding the methods for calculation of depreciation of property, plant and equipment, previously, the Company and its consolidated subsidiaries in Japan adopted the declining balance method, and overseas consolidated subsidiaries mainly applied the straight-line method for calculating depreciation. However, from the beginning of the first quarter of FY2017.3, the method for depreciation in the Company and its subsidiaries has been changed to the straight-line method.

As a result of this change, segment income of musical instruments, audio equipment, and others was ¥324 million, ¥130 million, and ¥3 million higher than they would have been in the absence of this change, respectively.

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

1. Sales and Income by Reporting Segment

(Millions of yen)

	Reporting segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥215,596	¥91,764	¥307,361	¥28,398	¥335,759		¥335,759
Intersegment sales or transfers				426	426	¥(426)	
Total sales	¥215,596	¥91,764	¥307,361	¥28,824	¥336,185	¥(426)	¥335,759
Segment income	¥ 27,885	¥ 7,758	¥ 35,644	¥ 1,287	¥ 36,931		¥ 36,931

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

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

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

2. Information on impairment losses on noncurrent assets, goodwill, etc., by reporting segment

(Material changes in goodwill)

In the musical instruments business segment, the Company made a one-time amortization of goodwill related to Line 6 and that company’s subsidiaries and reported this as an extraordinary loss. Through the end of the third quarter, reduction in goodwill related to this matter, etc., amounted to ¥5,573 million.

Reference Information

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

Accumulated through the third quarter of FY2017.3 (April 1, 2016–December 31, 2016)

(Millions of yen)

	Japan	Overseas				Consolidated
		North America	Europe	Asia, Oceania, and other areas	Total	
Overseas sales	¥101,285	¥61,908	¥60,875	¥84,240	¥207,024	¥308,310
% of net sales	32.9%	20.1%	19.7%	27.3%	67.1%	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 FY2016.3 (April 1, 2015–December 31, 2015)

(Millions of yen)

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

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

2. Main country and regional divisions:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

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

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

Accumulated through the third quarter of FY2017.3 (April 1, 2016–December 31, 2016)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥107,602	¥65,003	¥61,058	¥ 74,646	¥308,310		¥308,310
Intersegment sales or transfers	123,289	1,866	1,872	68,423	195,451	¥(195,451)	
Total sales	¥230,891	¥66,870	¥62,930	¥143,069	¥503,762	¥(195,451)	¥308,310
Segment income	¥ 18,311	¥ 3,958	¥ 4,188	¥ 12,464	¥ 38,922	¥ (1,566)	¥ 37,355

Notes: 1. Sales information is based on Group locations where sales take place, and it is classified by country or region.

2. Main country and regional divisions:

This classification is the same as the one for “Sales Information Based on the Geographical Location of the Customers.”

3. The item “Adjustments” contains the following:

The sales adjustment item of ¥(195,451) million, which comprises eliminations of transactions among the Company’s business segments

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

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

(Millions of yen)

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

Notes: 1. Sales information is based on Group locations where sales take place, and it is classified by country or region.

2. Main country and regional divisions:

This classification is the same as the one for “Sales Information Based on the Geographical Location of the Customers.”

3. The item “Adjustments” contains the following:

The sales adjustment item of ¥(220,493) million, which comprises eliminations of transactions among the Company’s business segments

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