

# YAMAHA CORPORATION

## Flash Report

### Consolidated Basis (Japanese GAAP)

Results for the fiscal year ended March 31, 2018

May 1, 2018

<b>Company name:</b>	YAMAHA CORPORATION (URL <a href="https://www.yamaha.com/en/">https://www.yamaha.com/en/</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
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<b>Scheduled date of Ordinary General Shareholders' Meeting:</b>	June 25, 2018
<b>Scheduled date to submit Securities Report:</b>	June 26, 2018
<b>Scheduled date to begin dividend payments:</b>	June 26, 2018
<b>Supplementary materials to the financial statements have been prepared:</b>	Yes
<b>Presentation will be held to explain the financial statements:</b>	Yes (for securities analysts and institutional investors)

## 1. Results for FY2018.3 (April 1, 2017–March 31, 2018)

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
<b>FY2018.3</b> (Ended March 31, 2018)	¥432,967	6.1%	¥48,833	10.2%	¥49,233	9.6%	¥54,378	16.4%
FY2017.3 (Ended March 31, 2017)	¥408,248	(6.3)%	¥44,302	8.9%	¥44,926	9.8%	¥46,719	43.2%

Note: Comprehensive income:

<b>FY2018.3</b>	<b>¥56,380 million, (26.0)%</b>
FY2017.3	¥76,143 million, —%

	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	%	%	%
<b>FY2018.3</b> (Ended March 31, 2018)	¥291.81	¥—	14.5%	9.1%	11.3%
FY2017.3 (Ended March 31, 2017)	¥249.17	¥—	14.0%	9.1%	10.9%

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

<b>FY2018.3</b>	<b>¥(8) million</b>
FY2017.3	¥7 million

## (2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>FY2018.3</b> (As of March 31, 2018)	<b>¥560,184</b>	<b>¥388,345</b>	<b>69.0%</b>	<b>¥2,125.51</b>
FY2017.3 (As of March 31, 2017)	¥522,362	¥367,437	69.9%	¥1,948.01

(For reference) Shareholders' equity:

**FY2018.3**    **¥386,519 million**

FY2017.3    ¥365,123 million

## (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
<b>FY2018.3</b> (Ended March 31, 2018)	<b>¥47,498</b>	<b>¥4,766</b>	<b>¥(35,584)</b>	<b>¥117,403</b>
FY2017.3 (Ended March 31, 2017)	¥39,142	¥(9,663)	¥(12,588)	¥100,669

## 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			
FY2017.3	—	¥26.00	—	¥26.00	¥52.00	¥ 9,750	20.9%	2.9%
<b>FY2018.3</b>	—	<b>¥28.00</b>	—	<b>¥28.00</b>	<b>¥56.00</b>	<b>¥10,342</b>	<b>19.2%</b>	<b>2.7%</b>
FY2019.3 (Forecast)	—	¥30.00	—	¥30.00	¥60.00		27.3%	

## 3. Consolidated Financial Forecasts for FY2019.3 (April 1, 2018–March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2019.3 (Full Year)	¥442,000	2.1%	¥55,000	12.6%	¥55,000	11.7%	¥40,000	(26.4)%	¥219.96

## 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 issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)	<b>FY2018.3</b>	<b>197,255,025 shares</b>	FY2017.3	197,255,025 shares
(b) Number of treasury stock at the end of the period	<b>FY2018.3</b>	<b>15,406,885 shares</b>	FY2017.3	9,820,691 shares
(c) Average number of shares issued during the period	<b>FY2018.3</b>	<b>186,347,105 shares</b>	FY2017.3	187,500,903 shares

## (For Reference) Non-Consolidated Results

### Non-consolidated results for FY2018.3 (April 1, 2017–March 31, 2018)

- (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	%
<b>FY2018.3 (Ended March 31, 2018)</b>	<b>¥231,101</b>	<b>7.1%</b>	<b>¥26,038</b>	<b>66.5%</b>	<b>¥36,715</b>	<b>38.2%</b>	<b>¥47,538</b>	<b>39.9%</b>
FY2017.3 (Ended March 31, 2017)	¥215,839	(7.3)%	¥15,634	2.6%	¥26,574	(2.1)%	¥33,970	68.5%

	Net income per share	Net income per share after full dilution
	Yen	Yen
<b>FY2018.3 (Ended March 31, 2018)</b>	<b>¥255.10</b>	¥—
FY2017.3 (Ended March 31, 2017)	¥181.17	¥—

### (2) Non-consolidated financial data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
<b>FY2018.3 (As of March 31, 2018)</b>	<b>¥403,582</b>	<b>¥281,166</b>	<b>69.7%</b>	<b>¥1,546.16</b>
FY2017.3 (As of March 31, 2017)	¥375,638	¥269,028	71.6%	¥1,435.32

(For reference) Shareholders' equity:

**FY2018.3**    **¥281,166 million**  
 FY2017.3    ¥269,028 million

**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**

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 4.

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 (FY2018.3)

Looking back at the operating environment during the fiscal year ended March 31, 2018, the world economy continued on a moderate recovery trend. By country and region, the United States showed steady growth along with improvement in the employment environment and incomes. In Europe, personal consumption and private capital investment increased, and the economy continued to show firm performance. In China, although the economy continued to expand, the rate of growth slowed, while consumer spending continued to recover in Japan.

Amid this operating environment, the Yamaha Group entered the second year of its new 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,” in the musical instruments business, Yamaha introduced a new series of Clavinova digital pianos and its Venova™ casual musical instrument, which won a Good Design Grand Award. In the audio equipment business, Yamaha launched a new model of its AV Soundbar, which has won a high appraisal for its high quality and design, a compact speaker for background music (BGM) use in commercial facilities, and an all-in-one camera/USB microphone/speaker for use in corporate teleconferencing. These newly launched products gave customers a feeling for Yamaha’s new technology and beautiful design.

To achieve the goal of “enhance customer interaction” in the musical instruments business, Yamaha upgraded its sales network, and, especially in the emerging countries, was well above its target for increasing the number of sales outlets. Also, Yamaha is implementing its “Music Time” music courses in the emerging countries to provide support for music education in those nations. Pupils participating in this program have now risen to an accumulated total of about 120,000, mainly in the emerging countries in Asia. In the audio equipment business, Yamaha worked to expand the number of customers among audio contractors. In Europe, which is the priority market for audio products, Yamaha made progress in upgrading its “Premium Y Island” in-store display corners, which feature MusicCast compatible products. In the network domain, along with the expansion in LAN products, Yamaha worked to expand its base among different types of customers, including educational institutions and retail stores, as well as through teamwork with surveillance camera sales.

To meet the objective of “continually reduce costs,” although there were some increases in procurement costs, mainly in the electronic devices area, Yamaha is continuing to take initiatives, such as redesigning its production processes, increasing production efficiency, and increasing productivity in administrative activities. Also, Yamaha began to build new factories in Indonesia and India during the fiscal year and made progress in boosting production capacity at existing factories.

To reach the goal of “strengthen global business platforms,” Yamaha is taking initiatives in the human resources area that transcend national boundaries. Yamaha is also moving ahead with initiatives in line with its plans: improve IT security; strengthen its global business support base by optimizing support functions globally, including the efficiency of distribution and logistics; and enhance the efficiency of business processes.

Turning to sales performance, net sales for the fiscal year were ¥432,967 million (an increase of 6.1% from the previous fiscal year). In terms of profits, the Group reported operating income of ¥48,833 million (an increase of 10.2% from the previous fiscal year), ordinary income of ¥49,233 million (an increase of 9.6% from the previous fiscal year), and net income attributable to owners of the parent of ¥54,378 million (an increase of 16.4% from the previous fiscal year). Yamaha, therefore, reported year-on-year increases in both sales and income. Operating income and net income attributable to owners of the parent were at the highest levels in history.

Results of operations by segment were as follows:

#### ***Musical Instruments***

Sales of acoustic pianos expanded led by favorable performance in China as a whole. Sales of digital pianos expanded, driven by favorable sales of new products. In the portable keyboard business, sales of high-priced models in Europe were strong, and sales of mass market priced products in emerging countries were also brisk. Sales of wind instruments in North America were strong, and sales of guitars expanded in China and emerging countries.

As a consequence, sales of this segment amounted to ¥274,486 million, an increase of ¥16,821 million, or 6.5%, year on year. Operating income was ¥34,644 million (an increase of ¥2,505 million, 7.8%, year on year).

#### ***Audio Equipment***

In audio products, sales in North America and Europe held firm, and sales in the professional audio equipment business in Europe and the emerging countries expanded. In the information and communications technology (ICT) equipment business, sales of voice communications equipment in Japan were favorable.

As a result, sales of this segment amounted to ¥121,788 million, an increase of ¥6,304 million, or 5.5%, year on year. Operating income was ¥10,715 million (an increase of ¥267 million, or 2.6%, year on year).

### ***Others***

Sales in the factory automation (FA) equipment business showed major expansion, and sales in Japan and to North America in the automobile interior wood components business increased.

As a consequence, sales of this segment amounted to ¥36,692 million (an increase of ¥1,592 million, or 4.5%, year on year). Operating income was ¥3,473 million (an increase of ¥1,756 million or 102.4%, 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 69.1%, 3.0 percentage points higher than in the previous fiscal year.

### ***Japan***

Sales on a consolidated basis in Japan for the fiscal year were ¥133,726 million, ¥4,677 million (or 3.4%) lower than in the previous fiscal year. Although sales of ICT, FA, and other equipment rose, operating income decreased due to the impact of the realignment of the resort business in the previous year and other factors.

### ***North America***

Sales in North America for the fiscal year were ¥86,888 million, ¥3,856 million (or 4.6%) higher than in the previous fiscal year. Gains in sales were recorded mainly in the wind instruments, audio equipment, automobile interior wood components, and other areas.

### ***Europe***

Sales in Europe for the fiscal year were ¥84,815 million, ¥8,351 million (or 10.9%) higher than in the previous fiscal year. Gains in sales were recorded mainly in the digital musical instrument, audio equipment, and other areas.

### ***China***

Sales in China for the fiscal year were ¥54,188 million, ¥8,360 million (or 18.2%) higher than in the previous fiscal year. Gains in sales were recorded mainly in the pianos, digital musical instruments, guitars, and other areas.

### ***Asia, Oceania, and Other Areas***

Sales in the rest of Asia (excluding Japan and China), Oceania, and other regions for the fiscal year were ¥73,348 million, ¥8,828 million (13.7%) higher than in the previous fiscal year. Gains in sales were recorded mainly in the digital musical instruments, professional audio equipment, and other areas.

## **2. Forecast for FY2019.3**

The forecast for consolidated performance for the year ending March 31, 2019 calls for net sales of ¥442.0 billion (an increase of 2.1%), operating income of ¥55.0 billion (an increase of 12.6%), ordinary income of ¥55.0 billion (an increase of 11.7%), and net income attributable to owners of parent of ¥40.0 billion (a decrease of 26.4%).

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.
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## **(2) Analysis of Financial Position**

### **1. Consolidated Financial Position**

#### **1) Assets**

Total assets increased ¥37,821 million (or 7.2%) from the end of the previous fiscal year, to ¥560,184 million. Of this total, current assets rose ¥27,051 million (or 9.9%), to ¥299,772 million, due to rises in cash and deposits as well as in notes and accounts receivable—trade. In addition, noncurrent assets increased ¥10,769 million (or 4.3%), to ¥260,411 million, due to an increase in property, plant and equipment, including construction in progress.

#### **2) Liabilities**

Total liabilities increased ¥16,914 million (or 10.9%) from the end of the previous fiscal year, to ¥171,838 million. Of this total, current liabilities increased ¥19,388 million (or 23.5%), to ¥101,953 million, because of increases in income taxes payable and other items. Noncurrent liabilities decreased ¥2,474 million (or 3.4%), to ¥69,884 million, because of a reduction in net defined benefit liabilities.

#### **3) Net Assets**

Net assets increased ¥20,907 million (or 5.7%) from the end of the previous fiscal year, to ¥388,345 million. This increase was due to a rise in retained earnings because of an increase in net income attributable to owners of parent.

### **2. Cash Flows**

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year ended March 31, 2018, showed an increase of ¥16,733 million (compared with an increase of ¥15,651 million in the previous fiscal year), and stood at ¥117,403 million.

#### ***Cash Flows from Operating Activities***

Net cash provided by operating activities amounted to ¥47,498 million (compared with cash flows provided by operating activities of ¥39,142 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 provided by investing activities amounted to ¥4,766 million (compared with net cash flows used in investing activities of ¥9,663 million in the previous fiscal year). This net cash inflow arose primarily due to proceeds from sales and redemption of investment securities.

#### ***Cash Flows from Financing Activities***

Net cash used in financing activities amounted to ¥35,584 million (compared with net cash used in financing activities of ¥12,588 million in the previous year). This net cash outflow arose primarily due to purchase of treasury stock and cash dividends paid.

### **3. Forecast for FY2019.3**

During the fiscal year ending March 31, 2019, the Company expects cash flows from operating activities to decline in comparison with FY2019.3 due to higher income taxes paid, despite the rise in operating income.

Among cash flows from investing activities, the Company is scheduled to implement capital investments in excess of depreciation expenses.

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.
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### **(3) Basic Policy for Allocation of Profit and Dividends for FY2018.3 and FY2019.3**

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 dividends with a target consolidated payout ratio of 30% or higher.

For the year-end dividend for FY2018.3, the Company decided to pay a regular dividend on its common stock of ¥28.00 per share (¥56.00 per share for the full fiscal year) in view of the above-mentioned policy for allocation of profit and dividends, its financial position, and other factors. Regarding dividends for FY2019.3, the Company is planning to pay a regular dividend of ¥60.00 per share for the full fiscal year (consisting of an interim dividend of ¥30.00 per share and a year-end dividend of ¥30.00 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.
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## **2. Basic Approach to Selection of Accounting Standards**

The Yamaha Group will voluntarily adopt the International Financial Reporting Standards (IFRS), beginning from the fiscal year ending March 2020 (FY2020.3), 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)

	FY2018.3 (As of Mar. 31, 2018)	FY2017.3 (As of Mar. 31, 2017)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	¥122,731	¥105,859
Notes and accounts receivable—trade	56,499	50,995
Merchandise and finished goods	65,064	66,149
Work in process	13,339	12,687
Raw materials and supplies	15,721	14,290
Deferred tax assets	10,279	8,579
Other	17,352	15,397
Allowance for doubtful accounts	(1,216)	(1,239)
Total current assets	<u>299,772</u>	<u>272,720</u>
<b>Noncurrent assets:</b>		
Property, plant and equipment:		
Buildings and structures, net	32,431	31,034
Machinery, equipment and vehicles, net	14,405	12,976
Tools, furniture and fixtures, net	10,459	10,030
Land	43,880	43,851
Lease assets, net	240	294
Construction in progress	14,400	7,287
Total property, plant and equipment	<u>115,817</u>	<u>105,475</u>
Intangible assets:	6,167	3,195
Investments and other assets:		
Investment securities	130,341	132,771
Long-term loans receivable	93	108
Net defined benefit assets	276	254
Deferred tax assets	2,295	2,261
Lease and guarantee deposits	4,087	4,108
Other	1,452	1,592
Allowance for doubtful accounts	(120)	(126)
Total investments and other assets	<u>138,426</u>	<u>140,970</u>
Total noncurrent assets	<u>260,411</u>	<u>249,641</u>
<b>Total assets</b>	<u>¥560,184</u>	<u>¥522,362</u>

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

(Millions of yen)

	FY2018.3 (As of Mar. 31, 2018)	FY2017.3 (As of Mar. 31, 2017)
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable—trade	¥ 19,946	¥ 17,828
Short-term loans payable	11,131	11,170
Current portion of long-term loans payable	41	30
Accounts payable—other and accrued expenses	45,527	43,961
Income taxes payable	16,325	2,410
Deferred tax liabilities	33	11
Provision for product warranties	1,774	1,687
Provision for sales returns	97	109
Provision for loss on construction contracts	4	16
Other	7,069	5,338
Total current liabilities	<u>101,953</u>	<u>82,565</u>
<b>Noncurrent liabilities:</b>		
Long-term loans payable	—	40
Long-term accounts payable	5,406	6,972
Deferred tax liabilities	23,243	22,161
Deferred tax liabilities for land revaluation	9,587	9,587
Net defined benefit liabilities	21,098	23,039
Long-term deposits received	9,090	9,102
Other	1,457	1,454
Total noncurrent liabilities	<u>69,884</u>	<u>72,359</u>
<b>Total liabilities</b>	<u>171,838</u>	<u>154,924</u>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	28,534	28,534
Capital surplus	40,165	40,054
Retained earnings	294,904	250,649
Treasury stock	(48,556)	(23,731)
Total shareholders' equity	<u>315,048</u>	<u>295,507</u>
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	79,729	80,282
Deferred gains or losses on hedges	109	103
Revaluation reserve for land	16,095	16,095
Foreign currency translation adjustment	(23,862)	(24,219)
Remeasurements of defined benefit plans	(600)	(2,645)
Total accumulated other comprehensive income	<u>71,470</u>	<u>69,616</u>
<b>Non-controlling interests</b>	<u>1,826</u>	<u>2,314</u>
<b>Total net assets</b>	<u>388,345</u>	<u>367,437</u>
<b>Total liabilities and net assets</b>	<u>¥560,184</u>	<u>¥522,362</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)

	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)	FY2017.3 (Apr. 1, 2016–Mar. 31, 2017)
<b>Net sales</b>	<b>¥432,967</b>	¥408,248
<b>Cost of sales</b>	<b>258,465</b>	242,451
<b>Gross profit</b>	<b>174,501</b>	165,796
<b>Selling, general and administrative expenses</b>	<b>125,668</b>	121,493
<b>Operating income</b>	<b>48,833</b>	44,302
<b>Non-operating income:</b>		
Interest income	772	665
Dividends income	3,921	3,108
Other	981	951
Total non-operating income	<b>5,676</b>	4,725
<b>Non-operating expenses:</b>		
Interest expenses	359	290
Sales discounts	2,903	2,616
Foreign exchange losses	1,301	218
Other	711	977
Total non-operating expenses	<b>5,276</b>	4,101
<b>Ordinary income</b>	<b>49,233</b>	44,926
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	125	3,848
Gain on sales of investment securities	25,824	259
Gain on liquidation of subsidiaries and affiliates	—	229
Total extraordinary income	<b>25,949</b>	4,337
<b>Extraordinary loss:</b>		
Loss on retirement of noncurrent assets	346	304
Loss on sales of investment securities	3	—
Loss on valuation of investment securities	11	6
Impairment loss	27	630
Amortization of goodwill	—	1,499
Business structural reform expenses	—	3,032
Loss due to transition to a defined contribution pension plan	148	892
Tariff assessment from previous periods, etc.	174	—
Total extraordinary loss	<b>712</b>	6,366
<b>Income before income taxes</b>	<b>74,471</b>	42,898
<b>Income taxes—current</b>	<b>21,377</b>	8,728
<b>Income taxes—deferred</b>	<b>(1,330)</b>	(12,706)
<b>Total income taxes</b>	<b>20,046</b>	(3,978)
<b>Net income for the period</b>	<b>54,424</b>	46,876
<b>Net income attributable to non-controlling interests</b>	<b>46</b>	156
<b>Net income attributable to owners of parent</b>	<b>¥ 54,378</b>	¥ 46,719

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

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	<b>FY2018.3</b>	<b>FY2017.3</b>
	<b>(Apr. 1, 2017–Mar. 31, 2018)</b>	<b>(Apr. 1, 2016–Mar. 31, 2017)</b>
<b>Net income for the period</b>	<b>¥54,424</b>	<b>¥46,876</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(568)	25,234
Deferred gains or losses on hedges	5	200
Foreign currency translation adjustments	458	(4,853)
Remeasurements of defined benefit plans	2,045	8,675
Share of other comprehensive income of affiliates accounted for using equity method	15	9
Total other comprehensive income	<b>1,956</b>	<b>29,267</b>
<b>Comprehensive income</b>	<b>56,380</b>	<b>76,143</b>
(Composition)		
Comprehensive income attributable to owners of parent	56,232	76,133
Comprehensive income attributable to non-controlling interests	¥ 147	¥ 10

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

### (3) Consolidated Statements of Changes in Shareholders' Equity

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)
Disposition of treasury stock		111		187	298
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)
Disposition of treasury stock								298
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

FY2017.3 (April 1, 2016 – March 31, 2017)

(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	¥213,050	¥(20,945)	¥260,694
Changes of items during the period					
Dividends from surplus			(9,768)		(9,768)
Net income attributable to owners of parent			46,719		46,719
Reversal of revaluation reserve for land			648		648
Purchase of treasury stock				(2,785)	(2,785)
Disposition of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	37,598	(2,785)	34,813
Balance at the end of period	¥28,534	¥40,054	¥250,649	¥(23,731)	¥295,507

	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	¥55,038	¥(97)	¥16,743	¥(19,513)	¥(11,320)	¥40,850	¥2,344	¥303,889
Changes of items during the period								
Dividends from surplus								(9,768)
Net income attributable to owners of parent								46,719
Reversal of revaluation reserve for land								648
Purchase of treasury stock								(2,785)
Disposition of treasury stock								—
Net changes of items other than shareholders' equity	25,244	200	(648)	(4,706)	8,675	28,765	(30)	28,735
Total changes of items during the period	25,244	200	(648)	(4,706)	8,675	28,765	(30)	63,548
Balance at the end of period	¥80,282	¥103	¥16,095	¥(24,219)	¥(2,645)	¥69,616	¥2,314	¥367,437

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)	FY2017.3 (Apr. 1, 2016–Mar. 31, 2017)
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes	¥74,471	¥42,898
Depreciation and amortization	10,777	11,145
Impairment loss	27	630
Amortization of goodwill	61	2,307
(Decrease) Increase in allowance for doubtful accounts	(38)	47
(Gain) on liquidation of subsidiaries and affiliates	—	(229)
Loss on valuation of investment securities	11	7
(Gain) on sales of investment securities	(25,821)	(259)
Increase (Decrease) in net defined benefit liabilities	1,129	(7,166)
Interest and dividends income	(4,694)	(3,774)
Interest expenses	359	290
Foreign exchange (gains) losses	259	(111)
Equity in (gains) losses of affiliates	8	(7)
(Gain) on sales of noncurrent assets	(125)	(3,848)
Loss on retirement of noncurrent assets	346	304
Business structural reform expenses	—	3,032
(Increase) in notes and accounts receivable—trade	(5,756)	(3,036)
(Increase) in inventories	(312)	(3,387)
Increase (Decrease) in notes and accounts payable—trade	2,053	(550)
(Decrease) increase in accounts payable due to transition to a defined contribution pension plan	(1,235)	7,241
Other, net	1,527	(852)
Subtotal	<u>53,049</u>	<u>44,679</u>
Interest and dividends income received	4,672	3,780
Interest expenses paid	(274)	(230)
Payment of business structural reform expenses	(348)	(565)
Income taxes paid	(9,599)	(8,520)
Net cash provided by (used in) operating activities	<u>¥47,498</u>	<u>¥39,142</u>



(Millions of yen)

	FY2018.3 (Apr. 1, 2017–Mar. 31, 2018)	FY2017.3 (Apr. 1, 2016–Mar. 31, 2017)
<b>Net cash provided by (used in) investing activities:</b>		
Net (increase) in time deposits	¥ (189)	¥ (2,094)
Purchase of property, plant and equipment	(22,962)	(13,276)
Proceeds from sales of property, plant and equipment	379	5,263
Purchase of investment securities	(2)	(191)
Proceeds from sales and redemption of investment securities	27,535	318
Proceeds from liquidation of subsidiaries and affiliates	—	329
Payments for investments in capital	—	(9)
Payments of loans receivable	(29)	(38)
Collection of loans receivable	52	46
Other, net	(15)	(11)
Net cash provided by (used in) investing activities	<b>4,766</b>	(9,663)
<b>Net cash provided by (used in) financing activities:</b>		
Net increase in short-term loans payable	515	2,765
Repayment of long-term loans payable	(29)	(30)
Proceeds from deposits received from membership	125	125
Repayments for deposits received from membership	(365)	(5,582)
Purchase of treasury stock	(25,012)	(8)
Cash dividends paid	(10,123)	(9,768)
Cash dividends paid to non-controlling interests	(636)	(40)
Other, net	(58)	(47)
Net cash provided by (used in) financing activities	<b>(35,584)</b>	(12,588)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>53</b>	(1,238)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>16,733</b>	15,651
<b>Cash and cash equivalents at beginning of period</b>	<b>100,669</b>	85,018
<b>Cash and cash equivalents at end of period</b>	<b>¥117,403</b>	¥100,669

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

### **Additional Information**

The Company sold a portion of its holdings of Yamaha Motor Co., Ltd. shares. As a result, the Company reported a gain on sales of investment securities of ¥25,823 million for the fiscal year.

### **Notes Regarding Consolidated Balance Sheets**

#### **(Contingent Liabilities)**

At the end of the fiscal year ended March 31, 2018, five of the Company's consolidated subsidiaries in Indonesia (hereinafter, Consolidated Subsidiaries), including PT. Yamaha Musical Products Indonesia (hereinafter, YMPI) received notices of tax liability reassessments from the Indonesian tax authorities to pay a total of US\$36,218 thousand, including additional taxes, etc. (which amounts to ¥3,847 million when converted at the exchange rate prevailing at the end of the fiscal year) related to tax returns filed from FY2008.3 through FY2016.3.

Since the Company and its Consolidated Subsidiaries cannot agree with the content of the points raised by the tax authorities, they are proceeding with filing objections with the tax authorities, taking the matter to tax courts, requesting mutual agreement procedures, and other related action. Note that depending on the results of filing of a formal objection, the Company may be liable for tax surcharges.

The main content of this matter is as follows.

In August 2017, YMPI received a notice of tax liability reassessment from the Indonesian tax authorities to pay taxes of US\$12,953 thousand, including additional taxes, etc. (which amounts to ¥1,376 million when converted at the exchange rate prevailing at the end of the fiscal year) in connection with sales prices, etc., during the fiscal year ended March 31, 2016.

However, the points raised by the Indonesian tax authorities are unreasonable, including a requirement for YMPI, which functions only as a manufacturing subcontractor, to report an extremely high level of operating profit of about 40%. The Company and YMPI, therefore, cannot agree with the points raised by the tax authorities and filed formal objections in November 2017. In addition, from the perspective of preventing double taxation, the Company has filed a request with Japan's National Tax Administration Agency for mutual agreement procedures based on tax treaties in March 2018.

In addition, in February 2018, YMPI received a notice of tax liability reassessment from the Indonesian tax authorities to pay taxes of US\$13,999 thousand, including additional taxes, etc. (which amounts to ¥1,487 million when converted at the exchange rate prevailing at the end of the fiscal year) in connection with sales prices, etc., during the fiscal year ended March 31, 2013.

However, the points raised by the Indonesian tax authorities are unreasonable, including a requirement for YMPI, which functions only as a manufacturing subcontractor, to report an extremely high level of operating profit of about 40%. The Company and YMPI, therefore, cannot agree with the points raised by the tax authorities and will make a formal objection.

## **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

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	321,624	77,784	399,408	160,775	560,184		560,184
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.

FY2017.3 (April 1, 2016—March 31, 2017)

(Millions of yen)

	Reportable Segments			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥257,664	¥115,484	¥373,148	¥ 35,099	¥408,248		¥408,248
Intersegment sales or transfers				402	402	(402)	
Total	257,664	115,484	373,148	35,501	408,650	(402)	408,248
Segment income	¥ 32,138	¥ 10,447	¥ 42,586	¥ 1,716	¥ 44,302		¥ 44,302
Segment assets	294,687	75,555	370,242	152,120	522,362		522,362
Other items							
Depreciation and amortization	7,245	2,920	10,166	978	11,145		11,145
Impairment loss	546	83	630	2,004	2,634		2,634
Increase in property, plant and equipment and intangible assets	¥ 11,469	¥ 4,047	¥ 15,516	¥ 2,364	¥ 17,881		¥ 17,881

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

The sales adjustment item of ¥(402) 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 ¥114,325 million.

## Related Information

### Information by geographical segment

#### (1) Sales and Property, plant and equipment

#### Information based on the geographical location of the customers

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

(Millions of yen)

	Japan	Overseas					Consolidated	
		North America	Europe	China	Asia, Oceania, and other areas	Total		
								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

**FY2017.3 (April 1, 2016—March 31, 2017)**

(Millions of yen)

	Japan	Overseas					Consolidated	
		North America	Europe	China	Asia, Oceania, and other areas	Total		
								U.S.A.
Net sales	¥138,404	¥83,032	¥74,231	¥76,463	¥45,827	¥64,520	¥269,843	¥408,248
% of net sales	33.9%	20.3%	18.2%	18.7%	11.2%	15.9%	66.1%	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 based on Group locations where sales take place**
**FY2018.3 (April 1, 2017—March 31, 2018)**

(Millions of yen)

	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥144,277	¥90,846	¥85,473	¥48,024	¥64,344	¥432,967		¥432,967
Intersegment sales or transfers	170,472	2,338	2,461	31,372	59,861	266,506	(266,506)	
Total	314,749	93,184	87,935	79,397	124,206	699,473	(266,506)	432,967
Segment income	¥ 32,027	¥ 3,587	¥ 1,059	¥ 7,357	¥ 6,360	¥ 50,392	(1,559)	¥ 48,833
Segment assets	374,688	41,360	40,759	54,765	75,270	586,844	(26,660)	560,184
Property, plant and equipment	¥ 84,502	¥ 1,635	¥ 3,585	¥11,547	¥14,547	¥115,817		¥ 115,817

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 ¥(266,506) 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.

**FY2017.3 (April 1, 2016—March 31, 2017)**

(Millions of yen)

	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total	Adjustments	Consolidated
Sales to external customers	¥147,306	¥86,991	¥76,664	¥40,077	¥ 57,207	¥408,248		¥408,248
Intersegment sales or transfers	152,887	2,371	2,460	31,459	56,153	245,332	(245,332)	
Total	300,193	89,363	79,125	71,537	113,360	653,580	(245,332)	408,248
Segment income	¥ 20,675	¥ 4,610	¥ 4,052	¥ 7,941	¥ 6,467	¥ 43,747	555	¥ 44,302
Segment assets	344,333	42,541	37,466	47,696	72,443	544,482	(22,119)	522,362
Property, plant and equipment	¥ 75,880	¥ 1,768	¥ 3,183	¥10,793	¥ 13,851	¥105,475		¥105,475

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 ¥(245,332) 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.

**Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reportable segment**  
**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	¥—	¥—	¥—	¥—

**FY2017.3 (April 1, 2016—March 31, 2017)** (Millions of yen)

	Musical instruments	Audio equipment	Others	Total
Amount amortized in FY2017.3	¥57	¥2,249	¥—	¥2,307
Balance as of March 31, 2017	¥57	¥ 3	¥—	¥ 60

**Information on profit arising from negative goodwill by reportable segment**

Not applicable

**Per Share Information**

(Yen)

<b>FY2018.3</b> (April 1, 2017—March 31, 2018)		<b>FY2017.3</b> (April 1, 2016—March 31, 2017)	
Net assets per share	¥2,125.51	Net assets per share	¥1,948.01
Net income per share	¥291.81	Net income per share	¥ 249.17

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

	<b>FY2018.3</b> (April 1, 2017—March 31, 2018)	<b>FY2017.3</b> (April 1, 2016—March 31, 2017)
Net income per share:		
Net income attributable to owners of parent	¥54,378 million	¥46,719 million
Value not attributed to common stock	— million	— million
Net income attributed to common stock and owners of parent	54,378 million	46,719 million
Average number of outstanding shares during the period	186,347,105 shares	187,500,903 shares

## Important Subsequent Events

### (Reduction in Capital Reserve and Cancellation of Treasury Stock)

Yamaha decided at its Board of Directors meeting on May 1, 2018, to place a proposal entitled Reduction in Capital Reserve on the agenda of the 194th Ordinary General Shareholders' Meeting which will be held on June 25, 2018, to provide the funding for the cancellation of treasury stock.

In addition, accompanying the completion of the buyback of the Company's shares that was announced on November 28, 2017 and concluded on March 23, 2018, the same Board of Directors meeting decided to cancel a portion of Company treasury stock, based on Article 178 of the Companies Act. Please note that after resolution of the proposal entitled Reduction in Capital Reserve by the shareholders at the Ordinary General Shareholders' Meeting, the cancellation of shares will take place without delay.

#### 1. Objective of the reduction in capital reserve

To provide for the cancellation of treasury stock, the Company will reduce the level of the capital reserve and transfer this amount to other capital surplus, as provided for in Article 448-1 of the Companies Act.

#### 2. Outline of the reduction in capital reserve

##### (1) Amount of capital reserve to be reduced

Reduction of ¥37,000,000,000 in total capital reserve of ¥40,054,319,267

##### (2) Item of capital surplus to be increased and amount

Increase in other capital surplus: ¥37,000,000,000

#### 3. Schedule for reduction in capital reserve

- |  |                           |
|--|---------------------------|
| (1) Date for Board decision:                             | May 1, 2018               |
| (2) Date of announcement to creditors:                   | May 15, 2018 (scheduled)  |
| (3) Final date for submission of creditor objections:    | June 15, 2018 (scheduled) |
| (4) Date of resolution at General Shareholders' Meeting: | June 25, 2018 (scheduled) |
| (5) Date of effectiveness:                               | June 26, 2018 (scheduled) |

#### 4. Outline of the cancellation of treasury stock

##### (1) Type of treasury shares to be cancelled:

The Company's common stock

##### (2) Number of treasury shares to be cancelled:

5,700,000 (representing 2.89% of Company shares issued prior to the cancellation)

##### (3) Date of cancellation:

June 26, 2018 (scheduled)

Note: After the cancellation of shares, the total number of shares issued will be 191,555,025.

#### 5. Other matters

This matter will not result in any change in total net assets or have an effect on performance.