

Consolidated Financial Statements and Notes

Consolidated Balance Sheet

Yamaha Corporation and its consolidated subsidiaries As of March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Assets			
Current assets:			
Cash and deposits (Notes 21 and 23)	¥122,731	¥105,859	\$1,155,224
Notes and accounts receivable—trade (Note 23)	56,499	50,995	531,805
Inventories (Note 9)	94,126	93,127	885,975
Deferred tax assets (Note 27)	10,279	8,579	96,753
Other	17,352	15,397	163,328
Allowance for doubtful accounts	(1,216)	(1,239)	(11,446)
Total current assets	299,772	272,720	2,821,649
Property, plant and equipment, net of accumulated depreciation (Notes 5 and 15):			
Buildings and structures, net	32,431	31,034	305,262
Machinery, vehicles, tools, furniture and fixtures, net	24,864	23,006	234,036
Land (Note 8)	43,880	43,851	413,027
Leased assets, net	240	294	2,259
Construction in progress	14,400	7,287	135,542
Total property, plant and equipment, net of accumulated depreciation	115,817	105,475	1,090,145
Investments and other assets:			
Investment securities (Notes 6, 23 and 24)	130,341	132,771	1,226,854
Long-term loans receivable	93	108	875
Net defined benefit assets (Note 26)	276	254	2,598
Deferred tax assets (Note 27)	2,295	2,261	21,602
Lease and guarantee deposits	4,087	4,108	38,470
Goodwill	—	60	—
Other (Note 6)	7,619	4,726	71,715
Allowance for doubtful accounts	(120)	(126)	(1,130)
Total investments and other assets	144,593	144,166	1,361,003
Total assets	¥560,184	¥522,362	\$5,272,816

See Notes to Consolidated Financial Statements.

As of March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Liabilities			
Current liabilities:			
Notes and accounts payable—trade (Note 23)	¥ 19,946	¥ 17,828	\$ 187,745
Short-term loans payable (Notes 23 and 30)	11,131	11,170	104,772
Current portion of long-term loans payable (Notes 23 and 30)	41	30	386
Accounts payable—other and accrued expenses (Note 23)	45,527	43,961	428,530
Income taxes payable	16,325	2,410	153,662
Deferred tax liabilities (Note 27)	33	11	311
Provision for product warranties	1,774	1,687	16,698
Other	7,171	5,465	67,498
Total current liabilities	101,953	82,565	959,648
Noncurrent liabilities:			
Long-term loans payable (Notes 23 and 30)	—	40	—
Long-term accounts payable	5,406	6,972	50,885
Deferred tax liabilities (Note 27)	23,243	22,161	218,778
Deferred tax liabilities for land revaluation (Note 8)	9,587	9,587	90,239
Net defined benefit liabilities (Note 26)	21,098	23,039	198,588
Long-term deposits received (Note 23)	9,090	9,102	85,561
Other	1,457	1,454	13,714
Total noncurrent liabilities	69,884	72,359	657,794
Contingent liabilities (Note 7)			
Net Assets			
Shareholders' equity:			
Capital stock:			
Authorized — 700,000,000 shares:			
Issued 2018 — 197,255,025 shares	28,534	—	268,581
2017 — 197,255,025 shares	—	28,534	—
Capital surplus	40,165	40,054	378,059
Retained earnings	294,904	250,649	2,775,828
Treasury stock	(48,556)	(23,731)	(457,041)
Total shareholders' equity	315,048	295,507	2,965,437
Accumulated other comprehensive income:			
Unrealized holding gain on securities	79,729	80,282	750,461
Unrealized gain from hedging instruments	109	103	1,026
Revaluation reserve for land (Note 8)	16,095	16,095	151,497
Foreign currency translation adjustments	(23,862)	(24,219)	(224,605)
Remeasurements of defined benefit plans	(600)	(2,645)	(5,648)
Total accumulated other comprehensive income	71,470	69,616	672,722
Non-controlling interests	1,826	2,314	17,188
Total net assets	388,345	367,437	3,655,356
Total liabilities and net assets	¥560,184	¥522,362	\$5,272,816

See Notes to Consolidated Financial Statements.

Consolidated Statement of Operations

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Net sales	¥432,967	¥408,248	\$4,075,367
Cost of sales (Notes 9, 10 and 12)	258,465	242,451	2,432,841
Gross profit	174,501	165,796	1,642,517
Selling, general and administrative expenses (Notes 11 and 12)	125,668	121,493	1,182,869
Operating income	48,833	44,302	459,648
Other income (expenses):			
Interest and dividend income	4,694	3,774	44,183
Interest expenses	(359)	(290)	(3,379)
Sales discounts	(2,903)	(2,616)	(27,325)
(Loss) gain on sales or disposal of property, plant and equipment, net (Note 13)	(221)	3,544	(2,080)
Gain on sales of investment securities (Note 14)	25,824	259	243,072
Loss on impairment of fixed assets (Note 15)	(27)	(630)	(254)
Amortization of goodwill (Note 16)	—	(1,499)	—
Business structural reform expenses (Notes 15 and 17)	—	(3,032)	—
Loss due to transition to a defined contribution pension plan	(148)	(892)	(1,393)
Tariff assessment from previous periods, etc.	(174)	—	(1,638)
Other, net (Note 18)	(1,045)	(20)	(9,836)
	25,638	(1,404)	241,322
Income before income taxes	74,471	42,898	700,970
Income taxes (Note 27):			
Current	21,377	8,728	201,214
Deferred	(1,330)	(12,706)	(12,519)
	20,046	(3,978)	188,686
Net income for the period	54,424	46,876	512,274
Net income attributable to non-controlling interests	46	156	433
Net income attributable to owners of parent	¥ 54,378	¥ 46,719	\$ 511,841

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Net income for the period	¥54,424	¥46,876	\$512,274
Other comprehensive income:			
Unrealized holding gain (loss) on securities	(568)	25,234	(5,346)
Unrealized gain from hedging instruments	5	200	47
Foreign currency translation adjustments	458	(4,853)	4,311
Remeasurements of defined benefit plans	2,045	8,675	19,249
Share of other comprehensive income of affiliates accounted for using equity method	15	9	141
Total other comprehensive income (Note 19)	1,956	29,267	18,411
Comprehensive income	¥56,380	¥76,143	\$530,685
(Composition)			
Comprehensive income attributable to owners of parent	¥56,232	¥76,133	\$529,292
Comprehensive income attributable to non-controlling interests	¥ 147	¥ 10	\$ 1,384

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2018	Millions of yen											Non-controlling interests	Total net assets
	Shareholders' equity					Accumulated other comprehensive income							
	Capital stock (Note 20)	Capital surplus	Retained earnings (Note 20)	Treasury stock (Note 20)	Total shareholders' equity (Note 20)	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2016	¥28,534	¥40,054	¥213,050	¥(20,945)	¥260,694	¥55,038	¥ (97)	¥16,743	¥(19,513)	¥(11,320)	¥40,850	¥2,344	¥303,889
Changes of items during the period:													
Dividends from surplus (Note 20)			(9,768)		(9,768)								(9,768)
Net income attributable to owners of parent			46,719		46,719								46,719
Reversal of revaluation reserve for land			648		648								648
Purchase of treasury stock				(2,785)	(2,785)								(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	—	—	37,598	(2,785)	34,813	25,244	200	(648)	(4,706)	8,675	28,765	(30)	63,548
Balance as of April 1, 2017	¥28,534	¥40,054	¥250,649	¥(23,731)	¥295,507	¥80,282	¥103	¥16,095	¥(24,219)	¥ (2,645)	¥69,616	¥2,314	¥367,437
Changes of items during the period:													
Dividends from surplus (Note 20)			(10,123)		(10,123)								(10,123)
Net income attributable to owners of parent			54,378		54,378								54,378
Reversal of revaluation reserve for land													
Purchase of treasury stock				(25,012)	(25,012)								(25,012)
Disposition of treasury stock		111		187	298								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	—	111	44,254	(24,824)	19,541	(553)	5	0	357	2,045	1,854	(488)	20,907
Balance as of March 31, 2018	¥28,534	¥40,165	¥294,904	¥(48,556)	¥315,048	¥79,729	¥109	¥16,095	¥(23,862)	¥ (600)	¥71,470	¥1,826	¥388,345

See Notes to Consolidated Financial Statements.

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2018	Thousands of U.S. dollars (Note 4)													
	Shareholders' equity					Accumulated other comprehensive income								Non-controlling interests
	Capital stock (Note 20)	Capital surplus	Retained earnings (Note 20)	Treasury stock (Note 20)	Total shareholders' equity (Note 20)	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2017	\$268,581	\$377,014	\$2,359,271	\$(223,372)	\$2,781,504	\$755,666	\$ 970	\$151,497	\$(227,965)	\$(24,896)	\$655,271	\$21,781	\$3,458,556	
Changes of items during the period:														
Dividends from surplus (Note 20)			(95,284)		(95,284)								(95,284)	
Net income attributable to owners of parent			511,841		511,841								511,841	
Reversal of revaluation reserve for land														
Purchase of treasury stock				(235,429)	(235,429)								(235,429)	
Disposition of treasury stock		1,045		1,760	2,805								2,805	
Net changes of items other than shareholders' equity						(5,205)	47	0	3,360	19,249	17,451	(4,593)	12,858	
Total changes of items during the period	—	1,045	416,547	(233,660)	183,933	(5,205)	47	0	3,360	19,249	17,451	(4,593)	196,790	
Balance as of March 31, 2018	\$268,581	\$378,059	\$2,775,828	\$(467,041)	\$2,965,437	\$750,461	\$1,026	\$151,497	\$(224,605)	\$(5,648)	\$672,722	\$17,188	\$3,655,356	

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Operating activities:			
Income before income taxes	¥ 74,471	¥ 42,898	\$ 700,970
Depreciation and amortization	10,777	11,145	101,440
Loss on impairment of fixed assets	27	630	254
Amortization of goodwill	61	2,307	574
Increase (decrease) in allowance for doubtful accounts	(38)	47	(358)
(Gain) on liquidation of subsidiaries and affiliates	—	(229)	—
Loss on valuation of investment securities	11	7	104
(Gain) on sales of investment securities	(25,821)	(259)	(243,044)
Increase (decrease) in net defined benefit liabilities	1,129	(7,166)	10,627
Interest and dividend income	(4,694)	(3,774)	(44,183)
Interest expenses	359	290	3,379
Foreign exchange losses (gains)	259	(111)	2,438
Equity in losses (gains) of affiliates	8	(7)	75
Loss (gain) on sales or disposal of property, plant and equipment, net	221	(3,544)	2,080
Business structural reform expenses	—	3,032	—
(Increase) in notes and accounts receivable—trade	(5,756)	(3,036)	(54,179)
(Increase) in inventories	(312)	(3,387)	(2,937)
Increase (decrease) in notes and accounts payable—trade	2,053	(650)	19,324
(Decrease) increase in accounts payable due to transition to a defined contribution pension plan	(1,235)	7,241	(11,625)
Other, net	1,527	(852)	14,373
Subtotal	53,049	44,679	499,332
Interest and dividend income received	4,672	3,780	43,976
Interest expenses paid	(274)	(230)	(2,579)
Payment of business structural reform expenses	(348)	(665)	(3,276)
Income taxes paid	(9,599)	(8,520)	(90,352)
Net cash provided by operating activities	47,498	39,142	447,082
Investing activities:			
Net (increase) in time deposits	(189)	(2,094)	(1,779)
Payments for purchase of property, plant and equipment	(22,962)	(13,276)	(216,133)
Proceeds from sales of property, plant and equipment	379	5,263	3,567
Payments for purchase of investment securities	(2)	(191)	(19)
Proceeds from sales and redemption of investment securities	27,535	318	259,177
Proceeds from liquidation of subsidiaries and affiliates	—	329	—
Payments for investments in capital	—	(9)	—
Payments of loans receivable	(29)	(38)	(273)
Collection of loans receivable	52	46	489
Other, net	(15)	(11)	(141)
Net cash provided by (used in) investing activities	4,766	(9,663)	44,861
Financing activities:			
Net increase in short-term loans payable	515	2,765	4,848
Repayments of long-term loans payable	(29)	(30)	(273)
Proceeds from deposits received from membership	125	125	1,177
Repayments for deposits received from membership	(365)	(5,582)	(3,436)
Purchase of treasury stock	(25,012)	(8)	(235,429)
Cash dividends paid	(10,123)	(9,768)	(95,284)
Cash dividends paid to non-controlling interests	(636)	(40)	(5,986)
Other, net	(58)	(47)	(546)
Net cash used in financing activities	(35,584)	(12,588)	(334,940)
Effect of exchange rate change on cash and cash equivalents	53	(1,238)	499
Net increase in cash and cash equivalents	16,733	15,651	157,502
Cash and cash equivalents at the beginning of period	100,669	85,018	947,562
Cash and cash equivalents at end of period (Note 21)	¥117,403	¥100,669	\$1,105,073

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Basis of presentation

Yamaha Corporation (the Company) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. However, in accordance with “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force (PITF) No.18), the accompanying consolidated financial statements have been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. The Company and all consolidated subsidiaries are referred to herein after as the “Yamaha Group.”

The consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan. As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. As of March 31, 2018, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 59 and 2 (66 and 2 in 2017). From the fiscal year ended March 31, 2018, the Company has excluded five domestic subsidiaries and two overseas subsidiaries from its scope of consolidation. Yamaha Piano Manufacturing Japan Co., Ltd. has been excluded from the scope of consolidation due to a merger with Yamaha Musical Products Corporation. As a result of this merger, the corporate name of Yamaha Musical Products Corporation has been changed to Yamaha Music Manufacturing Japan Corporation. Yamaha Music Media Corporation, Yamaha Music Artist, Inc., Yamaha Music Publishing, Inc., and Epicurus Corporation have been excluded from the scope of consolidation due to an absorption by Yamaha Music Entertainment Holdings, Inc. CAB INDUSTRIES S.A.R.L. and PATRICK CENSIER S.A.R.L. have been excluded from the scope of consolidation as a result of a merger with NEXO S.A.

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their operations are significantly affected in various ways by the Yamaha Group are accounted for by the equity method. Investments in two affiliates were accounted for by the equity method for the year ended March 31, 2018 (two in 2017). Investments in unconsolidated affiliates not accounted for by the equity method are carried at cost.

Eleven overseas subsidiaries have a financial closing date as of December 31, which differs from the financial closing date of the

Company; however, financial statements as of March 31 are prepared and reported by these overseas subsidiaries for consolidation purposes.

(c) Securities

Securities owned by the Yamaha Group have been classified into two categories, held-to-maturity and available-for-sale, in accordance with the accounting standards for financial instruments. Under these standards, held-to-maturity debt securities are either amortized or accumulated to face value by the straight-line method. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Nonmarketable securities classified as available-for-sale securities are carried at cost. If the market value of marketable securities classified as available-for-sale securities declines significantly, such securities are written down to their respective fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as a loss on valuation of investment securities unless the fair value is deemed recoverable. The Company has established a policy for the recognition of loss on valuation of investment securities if the market value at the year-end has declined significantly and a recovery to fair value is not anticipated. Cost of securities sold is determined by the weighted-average method.

(d) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the cost method (a method of reducing book value when the profitability of the inventories declines), cost being determined by the periodic average method. Inventories of the Company's overseas consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method.

(e) Depreciation

Depreciation of property, plant and equipment (excluding leased assets) is calculated by the straight-line method, at rates based on the estimated useful lives of the respective assets.

Estimated useful lives:

Buildings: 31–50 years (accompanying facilities: 15 years)

Structures: 10–30 years

Machinery and equipment: 4–12 years

Tools, furniture and fixtures: 5–6 years

Depreciation of leased assets under finance leases, other than those for which the ownership transfers to the lessee, is calculated by the straight-line method over the lease period with the residual value at zero.

(f) Allowance for doubtful accounts

To properly evaluate accounts receivable, the allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on the historical experience with write-offs for normal receivables and individual estimation of the collectability of receivables due from specific companies in financial difficulties.

(g) Provision for product warranties

Provision for product warranties is provided to cover the cost of customers' claims relating to after-sales service and repairs. The amount of this provision is based on a percentage of the amount or volume of sales after considering the historical experience with repairs of products under warranty or individual estimation.

(h) Retirement benefits

In calculating retirement benefit obligations, the benefit formula is primarily used as the method for allocating projected retirement benefits to periods of service up to March 31, 2018.

Prior service cost is amortized as incurred by the straight-line method over a period (10 years) that is shorter than the average remaining years of service of the employees participating in the plans.

Actuarial gain or loss is amortized in the following year in which the gain or loss is recognized, primarily by the straight-line method, over a period (10 years) that is shorter than the average remaining years of service of the employees participating in the plans.

(i) Construction contracts

For the construction work in progress, if the outcome of the construction activity during the course of the construction is deemed certain, the percentage of completion method is applied.

When the above condition is not met, the completed-contract method is applied.

The method for estimating the amount recognized by the percentage of completion method is based on the ratio of costs incurred to the estimated total cost.

(j) Criteria for presentation of finance leases (as lessor)

Finance lease transactions where the Company or a consolidated subsidiary is the lessor of the leased assets, in which ownership is not transferred to the lessee, are recorded as lease investment assets which are included in the item "Other" account under "Current assets." Sales and cost of sales related to these finance lease transactions are recognized at the time the lease fees are received.

(k) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date. The resulting exchange gain or loss is recognized as other income or expense. Assets and liabilities of overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date. The components of net assets excluding translation adjustment and non-controlling interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from translation are presented as translation adjustments and non-controlling interests in the accompanying consolidated balance sheet.

(l) Derivative financial instruments

The Company has entered into various derivative transactions in order to manage certain risk arising from adverse fluctuations in foreign currency exchange rates. Derivative financial instruments

are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

(Hedge accounting)

To manage the fluctuation of foreign exchange risk in normal export and import transactions, the Company and its consolidated subsidiaries arrange their forward foreign exchange contracts and currency options, within amounts necessary, in accordance with internal rules of each company.

Hedging instruments are forward foreign exchange contracts and purchased foreign currency put options. Hedged items consist of forecast transactions, and recognized receivables and payables denominated in foreign currencies. Forecast transactions denominated in foreign currencies designated as hedged items are accounted for by the benchmark method.

Where hedge effectiveness is not reassessed given that the anticipated cash flows have been fixed by hedging activities and the risk of changes in cash flows is completely avoided, forward foreign exchange contracts related to receivables and payables denominated in foreign currencies are accounted for by the allocation method whereby translation differences are allocated into the hedged items. See Note 25.

(m) Amortization method and amortization period for goodwill

Amortization of goodwill is carried out separately for each goodwill item over a reasonable amount of years using the straight-line method.

(n) Cash and cash equivalents

Cash on hand and in banks and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(o) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

The Company and certain of its domestic subsidiaries have adopted the consolidated taxation system.

(p) Consumption tax

National and local consumption taxes are excluded from transaction amounts. Non-deductible national and local consumption taxes on assets are treated as expenses.

- Step 1: Identify the contract(s) with the customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligation in the contract.
- Step 5: Recognize revenue when/as a performance obligation is satisfied.

2 New Accounting Standards Not Yet Adopted

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(a) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically the accounting standard establishes the following five-step model that will apply to revenue from customers.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2020.

(c) Impact of the adoption of accounting standard and implementation guidance.

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

3 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 (\$243,063 thousand) for the fiscal year.

4 U.S. Dollar Amounts

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2018 have been presented in U.S. dollars by translating all yen amounts at ¥106.24 = U.S.\$1.00, the exchange rate prevailing on March 31, 2018. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

5 Accumulated Depreciation

Accumulated depreciation of property, plant and equipment at March 31, 2018 and 2017 amounted to ¥185,212 million (\$1,743,336 thousand) and ¥182,053 million, respectively.

6 Investment Securities

Investment securities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Investment securities in unconsolidated subsidiaries and affiliates	¥917	¥918	\$8,631
Investments in capital in unconsolidated subsidiaries and affiliates	31	31	292

7 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 \$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 through FY2016.

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 contents of this matter are as follows.

In August 2017, YMPI received a notice of tax liability reassessment from the Indonesian tax authorities to pay taxes of \$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 \$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.

8 Land Revaluation

For the year ended March 31, 2018, the Company has carried over the revaluation of their landholdings at the date of revaluation in accordance with the "Law Concerning the Revaluation of Land" (Law No.34 published on March 31, 1998). The date of revaluation was March 31, 2002.

The Company determined the value of its land based on the respective value registered in the land tax list or the supplementary

land tax list as specified in No.10 or No.11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land" (Cabinet Order No.119 published on March 31, 1998).

The excess of the revalued carrying amount of such land over its market value at March 31, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Excess of revalued carrying amount of land over market value	¥(7,347)	¥(7,271)	\$(69,155)

9 Inventories

Inventories at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Merchandise and finished goods	¥65,064	¥66,149	\$612,425
Work in process	13,339	12,687	125,555
Raw materials and supplies	15,721	14,290	147,976
Total	¥94,126	93,127	\$885,975

Write-downs of inventories for the years ended March 31, 2018 and 2017 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Cost of sales	¥177	¥(107)	\$1,666

Note: Figure shown in parentheses is a profit item.

10 Provision for Loss on Construction Contracts

Provision for loss on construction contracts was included in the following account for the years ended March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Cost of sales	¥(11)	¥(149)	\$(104)

Note: Figure shown in parentheses is a profit item.

11 Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Sales commissions	¥ 1,186	¥ 1,157	\$ 11,163
Transport expenses	12,878	11,841	121,216
Advertising expenses and sales promotion expenses	19,416	17,558	182,756
Allowance for doubtful accounts	103	149	970
Provision for product warranties	612	(38)	5,761
Retirement benefit expenses	3,696	3,752	34,789
Salaries and benefits	52,957	52,238	498,466
Rent	3,410	3,740	32,097
Depreciation and amortization	2,104	2,299	19,804

Note: Figure shown in parentheses is a profit item.

12 R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2018 and 2017, amounted to ¥24,797 million (\$233,405 thousand) and ¥24,415 million, respectively.

13 Sales or Disposal of Property, Plant and Equipment

For the year ended March 31, 2018

Gain on sales of property, plant and equipment principally resulted from sales of land, and tools, furniture and fixtures. Loss on disposal of property, plant and equipment principally resulted from disposal of buildings, and machinery, tools, furniture and fixtures.

For the year ended March 31, 2017

Gain on sales of property, plant and equipment principally resulted from sales of noncurrent assets of ¥2,182 million related to realignment of the resort business. Loss on disposal of property, plant and equipment principally resulted from disposal of buildings and structures, and land.

14 Sales of Investment Securities

For the year ended March 31, 2018

Gain on sales of investment securities principally resulted from sales of a portion of its holdings of Yamaha Motor Co., Ltd. shares of ¥25,823 million (\$243,063 thousand) for the fiscal year.

15 Loss on Impairment of Fixed Assets

The following table summarizes loss on impairment of fixed assets for the year ended March 31, 2017. (The table for the year ended March 31, 2018 has been omitted since the amounts are not material.)

Group of fixed assets	Location	Impaired assets	Millions of yen
			2017
Idle assets, etc.	Kakegawa City, Shizuoka, and elsewhere	Buildings and structures	¥1,039
		Machinery, vehicles, tools, furniture and fixtures	123
		Land	1,437
		Construction in progress	34
Total			¥2,634

Of the above, impairment loss of ¥2,004 million related to realignment of the resort business is included in the business structural reform expenses.

Method for Grouping of Assets

Within its segment classification, the Yamaha Group forms the smallest asset units that generate cash flow together.

Background Leading to the Recognition of Impairment Losses

Impairment losses were recognized on idle assets that will not be used in the future, assets that are expected to become idle assets, and assets that the Company expects to dispose of.

Calculation of the Recovery Value

The recovery value of idle assets, etc., is estimated from the net sales value; indicators include value estimates prepared by real estate appraisers, the assessed value for the tangible fixed assets tax, and other sources.

16 Amortization of Goodwill**For the year ended March 31, 2018**

None

For the year ended March 31, 2017

An immediate amortization of goodwill was recognized based on Item 32 of the "Practical Guideline Related to Capital Consolidation Procedures in Consolidated Financial Statements" (Final Revision on November 28, 2014, the Accounting Practice Committee Report No.7 issued by the Japanese Institute of Certified Public Accountants).

17 Business Structural Reform Expenses**For the year ended March 31, 2018**

None

For the year ended March 31, 2017

In addition to losses of ¥2,652 million (including ¥2,004 million of impairment loss on noncurrent assets) incurred in connection with the realignment of the resort business, the Company incurred losses of ¥380 million due to extra retirement allowance in connection with reductions in personnel at overseas manufacturing and development operations.

18 Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Foreign exchange losses	¥(1,301)	¥(218)	\$(12,246)
Gain on liquidation of subsidiaries and affiliates	—	229	—
Loss on valuation of investment securities	(11)	(6)	(104)
Others	267	(25)	2,513
Other, net	¥(1,045)	¥ (20)	\$ (9,836)

19 Information on Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to each component of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Other comprehensive income			
Unrealized holding gain (loss) on securities			
Amount arising during the year	¥ 25,019	¥ 36,108	\$ 235,495
Reclassification adjustments for gains and losses recognized in the Statement of Operations	(25,824)	(244)	(243,072)
Amount before tax effect adjustment	(804)	35,864	(7,568)
Tax effect	235	(10,630)	2,212
Total	(568)	25,234	(5,346)
Unrealized gain (loss) from hedging instruments			
Amount arising during the year	7	287	66
Tax effect	(1)	(87)	(9)
Total	5	200	47
Foreign currency translation adjustments			
Amount arising during the year	458	(4,853)	4,311
Remeasurements of defined benefit plans			
Amount arising during the year	227	4,322	2,137
Reclassification adjustments for gains and losses recognized in the Statement of Operations	2,672	3,502	25,151
Amount before tax effect adjustment	2,899	7,824	27,287
Tax effect	(854)	850	(8,038)
Total	2,045	8,675	19,249
Share of other comprehensive income of affiliates accounted for using equity method			
Amount arising during the year	15	9	141
Total	¥ 1,956	¥ 29,267	\$ 18,411

20 Information on Consolidated Statement of Changes in Net Assets

The following tables present information related to the accompanying consolidated statement of changes in net assets for the years ended March 31, 2018 and 2017:

(a) Common stock

Number of shares	2018		2017	
	Beginning of the year	Increase	Beginning of the year	Increase
Beginning of the year	197,255,025	—	197,255,025	—
Increase	—	—	—	—
Decrease	—	—	—	—
End of the year	197,255,025	—	197,255,025	—

(b) Treasury stock

Number of shares	2018		2017	
	Beginning of the year	Increase	Beginning of the year	Increase
Beginning of the year	9,820,691	—	8,971,933	—
Increase	5,663,794*1	—	848,758*3	—
Decrease	77,600*2	—	—	—
End of the year	15,406,885	—	9,820,691	—

*1 Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 5,660,700 shares
Increase owing to purchase of outstanding fractional shares of less than one trading unit: 3,094 shares

*2 Decrease owing to disposition of treasury stock as restricted stock compensation: 77,600 shares

*3 Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 846,200 shares
Increase owing to purchase of outstanding fractional shares of less than one trading unit: 2,558 shares

(c) Subscription rights to shares

None

(d) Cash dividends

(1) Amount of dividend payments

2018

Date of approval	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 22, 2017 (Annual General Meeting of Shareholders)	Common stock	¥4,873	\$45,868	¥26.00	\$0.24	Mar. 31, 2017	Jun. 23, 2017
Nov. 1, 2017 (Board of Directors)	Common stock	¥5,250	\$49,416	¥28.00	\$0.26	Sept. 30, 2017	Dec. 7, 2017

Notes: Dividends per share of ¥26.00 (\$0.24) approved on June 22, 2017 consisted of regular dividends of ¥26.00 (\$0.24).
Dividends per share of ¥28.00 (\$0.26) approved on November 1, 2017 consisted of regular dividends of ¥28.00 (\$0.26).

2017

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 22, 2016 (Annual General Meeting of Shareholders)	Common stock	¥4,895	¥26.00	Mar. 31, 2016	Jun. 23, 2016
Nov. 7, 2016 (Board of Directors)	Common stock	¥4,873	¥26.00	Sept. 30, 2016	Dec. 8, 2016

Notes: Dividends per share of ¥26.00 approved on June 22, 2016 consisted of regular dividends of ¥26.00.
Dividends per share of ¥26.00 approved on November 7, 2016 consisted of regular dividends of ¥26.00.

(2) Dividends whose effective date is in the year subsequent to that in which the record date falls

2018

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 25, 2018 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥5,091	\$47,920	¥28.00	\$0.26	Mar. 31, 2018	Jun. 26, 2018

Note: Dividends per share of ¥28.00 (\$0.26) approved on June 25, 2018 consisted of regular dividends of ¥28.00 (\$0.26).

2017

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 22, 2017 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥4,873	¥26.00	Mar. 31, 2017	Jun. 23, 2017

Note: Dividends per share of ¥26.00 approved on June 22, 2017 consisted of regular dividends of ¥26.00.

21 Supplementary Cash Flow Information

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Cash and deposits	¥122,731	¥105,859	\$1,155,224
Time deposits with a maturity of more than three months	(5,327)	(5,189)	(50,141)
Cash and cash equivalents	¥117,403	¥100,669	\$1,105,073

22 Leases

2018

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2018 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2019	¥ 637	\$ 5,996
2020 and thereafter	2,056	19,352
Total	¥2,693	\$25,348

Finance Lease Transactions in which Ownership is not transferred to the Lessee Commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the year

As of March 31, 2018	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥799	¥500	¥298	\$7,521	\$4,706	\$2,805
Other	—	—	—	—	—	—
Total	¥799	¥500	¥298	\$7,521	\$4,706	\$2,805

Amounts corresponding to the acquisition costs include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2018

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2019	¥ 47	\$ 442
2020 and thereafter	250	2,353
Total	¥298	\$2,805

Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2018	Millions of yen	Thousands of U.S. dollars (Note 4)
Lease payments	¥47	\$442
Depreciation	47	442

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value at zero.

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2018 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2019	¥354	\$3,332
2020 and thereafter	303	2,852
Total	¥657	\$6,184

2017

Lessees' accounting

Operating Lease Transactions

Future minimum lease payments subsequent to March 31, 2017 on noncancellable leases are as follows:

Years ended / ending March 31	Millions of yen
2018	¥ 807
2019 and thereafter	2,490
Total	¥3,297

Finance Lease Transactions in which Ownership is not transferred to the Lessee Commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the year

As of March 31, 2017	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥799	¥453	¥345
Other	—	—	—
Total	¥799	¥453	¥345

Amounts corresponding to the acquisition costs include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2017

Years ended / ending March 31	Millions of yen
2018	¥ 47
2019 and thereafter	298
Total	¥345

Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2017	Millions of yen
Lease payments	¥47
Depreciation	47

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value at zero.

Lessors' accounting

Operating Lease Transactions

Future minimum lease amounts receivable subsequent to March 31, 2017 on noncancellable leases are as follows:

Years ended / ending March 31	Millions of yen
2018	¥470
2019 and thereafter	445
Total	¥915

23 Financial Instruments

(a) Overview

(1) Policy for financial instruments

The Yamaha Group, in principle, limits its cash management to deposits for which principals are guaranteed and interest rates are fixed. In addition, the Yamaha Group raises funds mainly through bank borrowings. Further, Yamaha and its owned domestic subsidiaries practice group finance. The Yamaha Group uses derivatives for the purpose of reducing risk, and limits derivative transactions to actual exposure. The Yamaha Group does not enter into derivative transactions for speculative purposes.

(2) Types of financial instruments and related risk

Trade notes and accounts receivable are exposed to the credit risk of its customers. In addition, the Yamaha Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Short-term investment securities and investment securities are exposed to market risk. Those securities are composed of mainly the stock of Yamaha Motor Co., Ltd., a former affiliated company which shares the Yamaha brand, and shares of common stock of other companies with which it has business relationships. Trade notes and accounts payable, other accounts payable, and accrued expenses have payment due dates within one year. In addition, trade accounts payable that are denominated in foreign currencies are exposed to foreign currency exchange risk. Short-term loans payable are raised mainly in connection with business activities. Long-term deposits received are membership deposits received from customers in the Yamaha Group's resort business. The Yamaha Group is exposed to liquidity risk from its trade notes and accounts payable, other accounts payable, accrued expenses, short-term loans payable, and long-term deposits received.

Regarding derivatives, the Yamaha Group enters into forward foreign exchange contracts with netting arrangements and currency options (foreign currency put options) to reduce foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies in normal export and import transactions.

Forward foreign exchange contracts are exposed to foreign currency exchange risk. For currency options, since the Yamaha Group only uses purchased foreign currency put options, the risk of loss is limited to the option premium.

Derivative transactions are accounted for by hedge accounting. The method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities are described in Note 1 (l) Derivative financial instruments (Hedge accounting).

(b) Risk management for financial instruments

The Yamaha Group has established a Group financial management policy, and the Company and its consolidated subsidiaries have prepared rules based on this policy for the following risk:

(1) Credit risk (the risk that customers may default)

The Yamaha Group has prepared a policy for managing its credit exposure and trade receivables. In accordance with the rules, the Yamaha Group monitors the credit exposure limits of each customer and organizes all trade receivables by customer, and confirms the outstanding balances with customers regularly. For receivables that become past due, rules require taking steps to understand the causes and preparing a schedule for the recovery of this exposure.

To minimize the credit risk of the counterparty in derivative transactions, the Yamaha Group enters into transactions only with financial institutions that have a sound credit profile.

(2) Market risk (the risks arising from fluctuations in exchange rates, interest rates, and other indicators)

For trade receivables denominated in foreign currencies, the Yamaha Group minimizes the foreign exchange risk arising from the receivables by entering into forward foreign exchange contracts and arranging for currency options, after netting by the payables denominated in foreign currencies, within the limits of actual transactions. Also, the trade accounts payable denominated in foreign currencies are maintained within the amount of accounts receivable denominated in foreign currencies at all times.

For short-term investment securities and investment securities, the Yamaha Group periodically reviews the market value and the financial position of the issuer with which the Yamaha Group has a business relationship.

In conducting derivative transactions, based on the policy stated in (1) above, the Company and its consolidated subsidiaries hold discussions, establish internal rules for the management of derivatives, and then conduct and manage such transactions in accordance with the rules.

Derivative transactions of the Company and its subsidiaries are concentrated in each accounting and finance department of these companies. Internal rules set forth the roles of each accounting and finance department, reports to be submitted to top management, communications to be sent to related departments, and maximum upper limit on position.

Monthly reports including the outstanding balance of derivative transactions and quantitative information such as market trends of foreign exchange rates are submitted to top management.

(3) Liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled dates)

The Yamaha Group manages liquidity risk based on the cash flow plans of the Company and its consolidated subsidiaries and through the practice of group finance at the Company and its wholly owned subsidiaries in Japan.

(4) Supplementary explanation of the estimated fair value of financial instruments

The estimated fair value of financial instruments is their quoted market price if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

In addition, the notional amounts of derivatives in Note 25 are not indicative of the actual market risk involved in derivative transactions.

(c) Estimated fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2018 and 2017, and difference between carrying value and estimated fair value, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. See Note (ii) below:

As of March 31, 2018	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥122,731	¥122,731	¥ —	\$1,155,224	\$1,155,224	\$ —
Notes and accounts receivable—trade	56,499	56,499	—	531,805	531,805	—
Investment securities						
Subsidiaries and affiliates securities	721	352	(369)	6,787	3,313	(3,473)
Available-for-sale securities	127,658	127,658	—	1,201,600	1,201,600	—
Notes and accounts payable—trade	(19,946)	(19,946)	—	(187,745)	(187,745)	—
Accounts payable—other and accrued expenses	(45,527)	(45,527)	—	(428,530)	(428,530)	—
Derivatives*2	155	155	—	1,459	1,459	—

As of March 31, 2017	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥105,859	¥105,859	¥ —			
Notes and accounts receivable—trade	50,995	50,995	—			
Investment securities						
Subsidiaries and affiliates securities	723	414	(308)			
Available-for-sale securities	129,536	129,536	—			
Notes and accounts payable—trade	(17,828)	(17,828)	—			
Accounts payable—other and accrued expenses	(43,961)	(43,961)	—			
Derivatives*2	148	148	—			

*1 Figures shown in parentheses are liability items.

*2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

Notes:

(i) Methods for computing the estimated fair value of financial instruments, securities and derivative transactions

Cash and deposits and notes and accounts receivable — trade

Since these items are settled in a short period of time, the carrying value approximates fair value.

Investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either the quoted market price or prices provided by the financial institutions making markets in these securities.

Information on securities classified by holding purpose is contained in Note 24.

Notes and accounts payable — trade and accounts payable — other and accrued expenses

Since these items are settled in a short period of time, the carrying value approximates fair value.

Derivatives Transactions

See Note 25.

(iii) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Carrying value			
Unlisted stocks	¥1,962	¥2,512	\$18,468
Long-term deposits received	9,090	9,102	85,561

Because no quoted market price is available and estimating their future cash flows is deemed to be prohibitively expensive, the estimated fair value of these financial instruments was extremely difficult to determine, and has not been disclosed.

(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2018 and 2017

As of March 31, 2018	Millions of yen				Thousands of U.S. dollars (Note 4)			
	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥122,731	¥—	¥—	¥—	\$1,155,224	\$—	\$—	\$—
Notes and accounts receivable—trade	56,499	—	—	—	531,805	—	—	—
Total	¥179,230	¥—	¥—	¥—	\$1,687,029	\$—	\$—	\$—

As of March 31, 2017	Millions of yen				Thousands of U.S. dollars (Note 4)			
	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥105,859	¥—	¥—	¥—				
Notes and accounts receivable—trade	50,995	—	—	—				
Total	¥156,855	¥—	¥—	¥—				

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2018 and 2017

As of March 31, 2018	Millions of yen					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥11,131	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	41	—	—	—	—	—
Lease obligations	54	53	33	17	16	70
Other interest-bearing debt	—	—	—	—	—	—
Total	¥11,227	¥53	¥33	¥17	¥16	¥70

As of March 31, 2018	Thousands of U.S. dollars (Note 4)					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	\$104,772	\$—	\$—	\$—	\$—	\$—
Long-term loans payable	386	—	—	—	—	—
Lease obligations	508	499	311	160	151	659
Other interest-bearing debt	—	—	—	—	—	—
Total	\$105,676	\$499	\$311	\$160	\$151	\$659

As of March 31, 2017	Millions of yen					
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Short-term loans payable	¥11,170	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	30	30	10	—	—	—
Lease obligations	59	55	55	33	17	86
Other interest-bearing debt	—	—	—	—	—	—
Total	¥11,260	¥85	¥65	¥33	¥17	¥86

24 Securities

(a) Available-for-sale securities with fair market value

As of March 31, 2018	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value	Acquisition costs	Unrealized gain	Carrying value	Acquisition costs	Unrealized gain
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥127,658	¥14,874	¥112,783	\$1,201,600	\$140,004	\$1,061,587
Other	—	—	—	—	—	—
Subtotal	¥127,658	¥14,874	¥112,783	\$1,201,600	\$140,004	\$1,061,587
Securities whose carrying value does not exceed their acquisition costs:						
Stock	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	¥127,658	¥14,874	¥112,783	\$1,201,600	\$140,004	\$1,061,587

As of March 31, 2017	Millions of yen		
	Carrying value	Acquisition costs	Unrealized gain
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥129,536	¥15,892	¥113,644
Other	—	—	—
Subtotal	¥129,536	¥15,892	¥113,644
Securities whose carrying value does not exceed their acquisition costs:			
Stock	¥ —	¥ —	¥ —
Other	—	—	—
Subtotal	—	—	—
Total	¥129,536	¥15,892	¥113,644

(b) Available-for-sale securities sold during the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Sales of available-for-sale securities	¥27,245	¥291	\$256,448
Gain on sales	25,824	259	243,072
Loss on sales	3	—	28

25 Derivatives and Hedging Activities

As of March 31, 2018 and 2017, there were no derivative transactions outstanding for which hedge accounting has not been applied. The notional amounts, the estimated fair value of the notional amount, and the estimated fair value of the derivative instruments outstanding as of March 31, 2018 and 2017, for which hedge accounting has been applied are summarized as follows:

As of March 31, 2018	Hedged items	Millions of yen			Calculation of fair value
		Notional amount	Estimated fair value of notional amount	Estimated fair value of derivative instruments	
Forward foreign exchange contracts accounted for by benchmark method:					Prices provided by financial institution
Sell:	Accounts receivable				
Euros		¥12,996	¥—	¥12,840	¥155
Forward foreign exchange contracts accounted for allocation method:					Market Price
Sell:	Accounts receivable				
Euros		1,861	—	—	—
Total		¥14,858	¥—	¥ —*	¥ —*

* The estimated fair value is included in the fair value of accounts receivable, since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.

As of March 31, 2018	Hedged items	Thousands of U.S. dollars (Note 4)			Calculation of fair value
		Notional amount	Estimated fair value of notional amount	Estimated fair value of derivative instruments	
Forward foreign exchange contracts accounted for by benchmark method:					Prices provided by financial institution
Sell:	Accounts receivable				
Euros		\$122,327	\$—	\$120,858	\$1,459
Forward foreign exchange contracts accounted for allocation method:					Market Price
Sell:	Accounts receivable				
Euros		17,517	—	—	—
Total		\$139,853	\$—	\$ —*	\$ —*

* The estimated fair value is included in the fair value of accounts receivable, since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.

As of March 31, 2017	Hedged items	Millions of yen			Calculation of fair value
		Notional amount	Estimated fair value of notional amount	Estimated fair value of derivative instruments	
Forward foreign exchange contracts accounted for by benchmark method:					Prices provided by financial institution
Sell:	Accounts receivable				
Euros		¥13,473	¥—	¥13,324	¥148
Forward foreign exchange contracts accounted for allocation method:					Market Price
Sell:	Accounts receivable				
Euros		815	—	—	—
Total		¥14,288	¥—	¥ —*	¥ —*

* The estimated fair value is included in the fair value of accounts receivable, since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.

26 Retirement Benefits

(a) Outline of the Company's retirement benefit system

To provide employee retirement benefits, the Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution pension plans.

The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annual pension based on the employee compensation point system.

In certain cases, the Company pays employees who are retiring, etc., additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods based on retirement benefit accounting principles.

Certain consolidated subsidiaries that have defined benefit pension plans calculate net defined benefit liabilities and retirement benefit expenses using the simplified method.

Revisions in the pension plans

Certain subsidiaries of Yamaha Corporation revised their pension plans as of October 1, 2017, and made the transition of a portion of such plans from defined benefit to defined contribution plans.

Accompanying this, Yamaha has applied "Accounting Treatment of Pension Plan Transitions" (Corporate Accounting Application Guidelines No. 1). As a consequence, the Company recognized an extraordinary loss due to transition to a defined contribution pension plan amounting to ¥148 million (\$1,393 thousand) for the year ended March 31, 2018.

(b) Defined benefit pension plans

(1) Changes in the retirement benefit obligations for the years ended March 31, 2018 and 2017 (excluding plans that apply the simplified method)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Retirement benefit obligations at the beginning of year	¥106,920	¥120,551	\$1,006,401
Service cost	4,040	4,665	38,027
Interest cost	720	544	6,777
Actuarial gain or loss	1,692	(1,123)	15,926
Retirement benefits paid	(7,633)	(8,571)	(71,847)
Prior service cost	—	(2,343)	—
Decrease due to transition to a defined contribution pension plan	—	(6,869)	—
Other	(238)	66	(2,240)
Retirement benefit obligations at end of year	¥105,502	¥106,920	\$993,053

(2) Changes in the plan assets for the years ended March 31, 2018 and 2017 (excluding plans that apply the simplified method)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Plan assets at the beginning of year	¥85,563	¥83,994	\$805,375
Expected return on plan assets	1,693	1,659	15,936
Actuarial gain or loss	1,886	837	17,752
Contribution by the Yamaha Group	2,941	5,579	27,683
Retirement benefits paid	(6,127)	(6,550)	(57,671)
Other	(9)	42	(85)
Plan assets at end of year	¥85,947	¥85,563	\$808,989

(3) Changes in net defined benefit liabilities for plans that apply the simplified method for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Net defined benefit liabilities at the beginning of year	¥1,428	¥1,461	\$13,441
Retirement benefit expenses	176	237	1,657
Retirement benefits paid	(138)	(213)	(1,299)
Contribution to plan	(27)	(29)	(254)
Decrease due to transition to a defined contribution pension plan	(204)	—	(1,920)
Other	32	(27)	301
Net defined benefit liabilities at end of year	¥1,266	¥1,428	\$11,916

(4) Reconciliation between the funded status of the plans (retirement benefit obligations and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Retirement benefit obligations of funded plans	¥ 87,073	¥ 89,328	\$ 819,588
Plan assets	(86,451)	(86,235)	(813,733)
	622	3,092	5,855
Retirement benefit obligations of unfunded plans	20,199	19,692	190,126
Net assets and liabilities recorded in the consolidated balance sheet	20,821	22,784	195,981
Net defined benefit liabilities	21,098	23,039	198,588
Net defined benefit assets	(276)	(254)	(2,598)
Net assets and liabilities recorded in the consolidated balance sheet	¥ 20,821	¥ 22,784	\$ 195,981

Note: Including plans that apply the simplified method.

(5) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Service cost	¥ 4,040	¥ 4,665	\$ 38,027
Interest cost	720	544	6,777
Expected return on plan assets	(1,693)	(1,659)	(15,936)
Amortization of actuarial gain or loss	2,904	3,385	27,334
Amortization of prior service cost	(188)	(475)	(1,770)
Retirement benefit expenses calculated by simplified method	176	237	1,657
Other	4	82	38
Retirement benefit expenses for defined benefit pension plans	5,964	6,781	56,137
Loss due to transition to a defined contribution pension plan	¥ 148	¥ 892	\$ 1,393

Note: In the year ended March 31, 2017, other than the amount described above the Company posted an extraordinary loss (business structural reform expenses) of ¥260 million on premium severance pay and other contribution items in connection with the realignment of resort business.

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before taxes)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Prior service cost	¥ (234)	¥1,844	\$ (2,203)
Actuarial gain or loss	3,134	5,980	29,499
Total	¥2,899	¥7,824	\$27,287

(7) Accumulated remeasurements of defined benefit plans

Components of accumulated remeasurements of defined benefit plans (before taxes)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Unrecognized prior service cost	¥(2,050)	¥(2,284)	\$ (19,296)
Unrecognized actuarial gain or loss	2,826	5,960	26,600
Total	¥ 776	¥ 3,676	\$ 7,304

(8) Items for plan assets**(i) Components of plan assets**

Ratio of primary components of total plan assets

	2018	2017
Life insurance company general accounts	57%	58%
Stocks	23%	20%
Bonds	13%	19%
Cash and deposits	1%	1%
Other	6%	2%
Total	100%	100%

(ii) Determining expected long-term rate of return

In determining the long-term rate of return of plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(9) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations as of March 31, 2018 and 2017

	2018	2017
Discount rate	0.4%	0.5%
Expected long-term rate of return	2.0%	2.0%

(c) Defined contribution pension plans

Required contributions to defined contribution pension plans of consolidated subsidiaries totaled ¥1,376 million (\$12,952 thousand) and ¥664 million in the years ended March 31, 2018 and 2017, respectively. In addition, aside from the above required contributions, the Company also posted ¥134 million of additional retirement benefit expenses in the year ended March 31, 2017.

27 Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes, and enterprise tax which, in the aggregate, resulted in effective statutory tax rates of approximately 30.2% and 30.2% for the years ended March 31, 2018 and 2017, respectively. Income taxes of the overseas consolidated subsidiaries are, in general, based on the tax rates applicable in their respective countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Deferred tax assets:			
Write-downs of inventories	¥ 1,686	¥ 1,769	\$ 15,870
Unrealized gain on inventories and property, plant and equipment	3,822	1,847	35,975
Allowance for doubtful accounts	280	319	2,636
Depreciation	6,962	7,214	65,531
Loss on impairment of fixed assets	3,534	3,616	33,264
Loss on valuation of investment securities	1,963	2,011	18,477
Accrued employees' bonuses	2,298	2,362	21,630
Provision for product warranties	304	310	2,861
Long-term accounts payable	1,816	2,186	17,093
Net defined benefit liabilities	5,934	6,568	55,855
Tax loss carryforwards	5,085	5,835	47,863
Other	6,179	5,275	58,161
Gross deferred tax assets	39,867	39,320	375,254
Valuation allowance	(12,922)	(13,282)	(121,630)
Total deferred tax assets	¥ 26,944	¥ 26,037	\$ 253,614
Deferred tax liabilities:			
Reserve for deferred gain on property, plant and equipment	¥ (793)	¥ (820)	\$ (7,464)
Reserve for special account for acquisition of replacement property	(2,204)	(2,204)	(20,745)
Reserve for special depreciation	(2)	(4)	(19)
Unrealized holding gain on securities	(33,250)	(33,485)	(312,971)
Other	(1,396)	(853)	(13,140)
Total deferred tax liabilities	(37,647)	(37,369)	(354,358)
Net deferred tax liabilities	¥(10,702)	¥(11,331)	\$(100,734)

A reconciliation between the effective statutory tax rate and the effective tax rate for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Effective statutory tax rate	30.2%	30.2%
Adjustments:		
Differences in tax rates of overseas consolidated subsidiaries	(1.2)	(1.7)
Non-temporary differences not deductible for tax purposes	(0.6)	(0.7)
Per capita inhabitants' taxes	0.2	0.4
Foreign withholding tax	1.1	1.0
Allowances for changes in valuation	(2.2)	(39.2)
Amortization of goodwill	0.0	1.6
Special deduction for R&D expenses	(1.6)	(0.8)
Other	1.0	(0.1)
Effective tax rate after adjustments for tax-effect accounting	26.9%	(9.3)%

(Change in the Method of Presentation)

In the previous fiscal year, special deduction for R&D expenses was included in other in the above table.

However, since the amount has become material, it has been presented separately from the year ended March 31, 2018. To reflect this change in presentation, the corresponding figure for the previous fiscal year has been reclassified.

As a result, in the above table for the previous fiscal year, other, which was reported as (0.9)%, has been restated as special deduction for R&D expenses of (0.8)% and other of (0.1)%.

28 Segment Information

For the years ended March 31, 2018 and 2017

(a) Summary of reporting segments

Business 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 business segments, based on its economic features and similarity of products and services, comprise its two principal reporting segments, which are musical instruments and audio equipment. Other businesses have been grouped together in the "Others" segment.

The musical instruments business segment includes the manufacture and sales of pianos; digital musical instruments; wind, string, and percussion instruments; and other music-related activities. The audio equipment business 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.

(b) Method for calculating the sales, income (loss), assets, liabilities, and other items for reporting segments

The accounting treatment for reporting segments is carried out through principles and procedures that are the same as those used for preparing the consolidated financial statements.

Figures for income in reporting segments are on an operating income basis.

Intersegment sales and transfers are based on prevailing market prices.

(c) Information by product and service

As of March 31, 2018	Reporting segment					Adjustments and elimination	Consolidated
	Musical instruments	Audio equipment	Total	Others	Total		
Millions of yen							
Sales:							
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
Loss on impairment of fixed assets	¥ 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

As of March 31, 2018	Reporting segment					Adjustments and elimination	Consolidated
	Musical instruments	Audio equipment	Total	Others	Total		
Thousands of U.S. dollars (Note 4)							
Sales:							
Sales to external customers	\$2,583,641	\$1,146,348	\$3,729,998	\$ 345,369	\$4,075,367	\$ —	\$4,075,367
Intersegment sales or transfers	—	—	—	3,219	3,219	(3,219)	—
Total	2,583,641	1,146,348	3,729,998	348,598	4,078,596	(3,219)	4,075,367
Segment income	\$ 326,092	\$ 100,857	\$ 426,948	\$ 32,690	\$ 459,648	\$ —	\$ 459,648
Segment assets	\$3,027,334	\$ 732,154	\$3,759,488	\$1,513,319	\$5,272,816	—	\$5,272,816
Other items:							
Depreciation and amortization	\$ 69,042	\$ 25,424	\$ 94,465	\$ 6,965	\$ 101,440	\$ —	\$ 101,440
Loss on impairment of fixed assets	\$ 254	\$ —	\$ 254	\$ —	\$ 254	\$ —	\$ 254
Increase in property, plant and equipment and intangible assets	\$ 173,569	\$ 39,599	\$ 213,168	\$ 19,625	\$ 232,794	\$ —	\$ 232,794

Notes: 1. The item "Adjustments and elimination" for the year ended March 31, 2018 contains the following:

The sales adjustment item of ¥(342) million (\$3,219 thousand) comprises eliminations of transactions among the Company's business segments.

2. "Segment income" for the year ended March 31, 2018 means the operating income of the segment as presented in the Consolidated Statement of Operations.

3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheet) were ¥110,164 million (\$1,036,935 thousand).

As of March 31, 2017	Reporting segment						Adjustments and elimination	Consolidated
	Musical instruments	Audio equipment	Total	Others	Total	Total		
Sales:								
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	
Loss on impairment of fixed assets	¥ 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 and elimination" for the year ended March 31, 2017 contains the following:
 The sales adjustment item of ¥402 million comprises eliminations of transactions among the Company's business segments.
 2. "Segment income" for the year ended March 31, 2017 means the operating income of the segment as presented in the Consolidated Statement of Operations.
 3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying consolidated balance sheet) were ¥114,325 million.

(d) Information by geographical segment

(i) Sales information based on the geographical location of the customers

Year ended March 31, 2018	Overseas						Total	Consolidated
	Japan	North America (U.S.A.)	Europe	China	Asia, Oceania, and other areas	Total		
Net sales	¥133,726	¥86,888 (76,249)	¥84,815	¥54,188	¥73,348	¥299,240	¥432,967	
Sales as a percentage of consolidated net sales	30.9%	20.1% (17.6)%	19.6%	12.5%	16.9%	69.1%	100.0%	

Year ended March 31, 2018	Overseas						Total	Consolidated
	Japan	North America (U.S.A.)	Europe	China	Asia, Oceania, and other areas	Total		
Net sales	\$1,258,716	\$817,846 (717,705)	\$798,334	\$510,053	\$690,399	\$2,816,642	\$4,075,367	
Sales as a percentage of consolidated 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 customers, and is classified by country or region.
 2. Main country and regional divisions other than Japan:
 (a) North America: U.S.A. and Canada
 (b) Europe: Germany, France, and U.K.
 (c) Asia, Oceania, and other areas: Republic of Korea and Australia

Year ended March 31, 2017	Overseas						Total	Consolidated
	Japan	North America (U.S.A.)	Europe	China	Asia, Oceania, and other areas	Total		
Net sales	¥138,404	¥83,032 (74,231)	¥76,463	¥45,827	¥64,520	¥269,843	¥408,248	
Sales as a percentage of consolidated 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 customers, and is classified by country or region.
 2. Main country and regional divisions other than Japan:
 (a) North America: U.S.A. and Canada
 (b) Europe: Germany, France, and U.K.
 (c) Asia, Oceania, and other areas: Republic of Korea, and Australia

(ii) Sales, income (loss), assets, and property, plant and equipment information based on group locations

Year ended March 31, 2018	Millions of yen						Adjustments and elimination	Consolidated
	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total		
Sales:								
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 (loss)	¥ 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

Year ended March 31, 2018	Thousands of U.S. dollars (Note 4)						Adjustments and elimination	Consolidated
	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total		
Sales:								
Sales to external customers	\$1,358,029	\$855,102	\$804,527	\$452,033	\$ 605,648	\$4,075,367	\$ —	\$4,075,367
Intersegment sales or transfers	1,604,593	22,007	23,165	295,294	563,451	2,508,528	(2,508,528)	—
Total	2,962,622	877,108	827,701	747,336	1,169,108	6,583,895	(2,508,528)	4,075,367
Segment income (loss)	\$ 301,459	\$ 33,763	\$ 9,968	\$ 69,249	\$ 59,864	\$ 474,322	\$ (14,674)	\$ 459,648
Segment assets	\$3,526,807	\$389,307	\$383,650	\$515,484	\$ 708,490	\$5,523,758	\$ (250,941)	\$5,272,816
Property, plant and equipment	\$ 795,388	\$ 15,390	\$ 33,744	\$108,688	\$ 136,926	\$1,090,145	\$ —	\$1,090,145

Notes:1. Sales information is based on Group locations where sales take place, and is classified by country or region.
 2. Main country and regional divisions other than Japan:
 This classification is the same as "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 (\$2,508,528 thousand) comprises eliminations of transactions among the Company's business segments.
 4. Consolidated segment income corresponds to operating income presented in the consolidated statement of operations.

Year ended March 31, 2017	Millions of yen						Adjustments and elimination	Consolidated
	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total		
Sales:								
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 is classified by country or region.
 2. Main country and regional divisions other than Japan:
 This classification is the same as "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 comprises eliminations of transactions among the Company's business segments.
 4. Consolidated segment income corresponds to operating income presented in the consolidated statement of operations.

(e) Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reporting segment
For the year ended March 31, 2018

	Millions of yen			
	Musical instruments	Audio equipment	Others	Total
Amounts amortized in the year ended	¥57	¥ 3	¥—	¥61
Balance as of March 31, 2018	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars (Note 4)			
	Musical instruments	Audio equipment	Others	Total
Amounts amortized in the year ended	\$537	\$28	\$—	\$574
Balance as of March 31, 2018	\$ —	\$ —	\$—	\$ —

For the year ended March 31, 2017

	Millions of yen			
	Musical instruments	Audio equipment	Others	Total
Amounts amortized in the year ended	¥57	¥2,249	¥—	¥2,307
Balance as of March 31, 2017	¥57	¥ 3	¥—	¥ 60

(f) Information on gain on negative goodwill by reporting segment
None

29 Amounts per Share

Years ended March 31	Yen		U.S. dollars (Note 4)
	2018	2017	2018
Net income per share:			
Basic	¥291.81	¥249.17	\$2.75

As of March 31	Yen		U.S. dollars (Note 4)
	2018	2017	2018
Net assets per share	¥2,125.51	¥1,948.01	\$20.01

Basic net income per share is computed based on the net income and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share for the years ended March 31, 2018 and 2017 has not been presented because there were no potentially dilutive securities at March 31, 2018 and 2017.

Net assets per share are based on the number of shares of common stock outstanding at each balance sheet date.

The basic net income per share is calculated as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Basic net income per share:			
Net income attributable to owners of parent	¥54,378	¥46,719	\$511,841
Amounts not attributable to shareholders of common stock	—	—	—
Net income attributable to shareholders of common stock	54,378	46,719	511,841
Weighted-average number of shares outstanding (shares)	186,347,105	187,500,903	—

30 Short-Term Loans Payable and Long-Term Debt

Short-term and long-term loans payable, lease obligations, and guarantee deposits as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Short-term loans payable	¥11,131	¥11,170	\$104,772
Current portion of long-term loans payable	41	30	386
Current portion of lease obligations	54	59	508
Long-term loans payable	—	40	—
Lease obligations	190	248	1,788
Guarantee deposits	40	39	377
Total	¥11,459	¥11,589	\$107,860

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2018 were as follows:

	2018
Short-term loans payable	1.8%
Current portion of long-term loans payable	1.8%
Long-term loans payable	—
Guarantee deposits	1.2%

Note: The average interest rate shown above is the weighted average of the interest rates on loans calculated by using the balance of such obligations outstanding at the end of the year. For lease obligations, no average interest rate is shown because the amounts in the consolidated balance sheet include the amounts corresponding to interest paid from total lease payments.

31 Notes Receivable and Payable Maturing on the Balance Sheet Date

Notes receivable and payable are settled on the date of clearance. As March 31, 2018 was bank holiday, notes receivable and payable maturing on that date could not be settled and were settled on the following business day and included in the ending balances of notes and accounts receivable-trade, and notes and accounts payable-trade as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2018	2017	2018
Notes receivable	¥ 5	¥—	\$ 47
Notes payable	¥13	¥—	\$122

32 Related Party Transactions

None

33 Subsequent Events

Reduction in Capital Reserve and Cancellation of Treasury Stock

The Company announced on May 1, 2018, that the Board of Directors decided to place a proposal entitled "Reduction in Capital Reserve" on the agenda of the 194th Ordinary General Shareholders' Meeting to be held on June 25, 2018, to provide funding for the cancellation of treasury stock. The proposal was subsequently approved at this meeting.

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 Board of Directors decided at the same meeting to cancel a portion of the Company's treasury stock based on Article 178 of the Companies Act of Japan.

The details are as follows:

(a) 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.

(b) Outline of the reduction in capital reserve

- (1) Amount of capital reserve to be reduced
Reduction of ¥37,000,000,000 (\$348,268,072) in total capital reserve of ¥40,054,319,267 (\$377,017,312)
- (2) Item of capital surplus to be increased and amount
Increase in other capital surplus: ¥37,000,000,000 (\$348,268,072)

(c) Schedule for reduction in capital reserve

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

(d) 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

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

(e) Other matters

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

Independent Auditor's Report



Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
YAMAHA CORPORATION

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young Shin Nihon LLC

June 26, 2018
Hamamatsu, Japan

A member firm of Ernst & Young Global Limited