

YAMAHA CORPORATION

Flash Report Consolidated Basis (Japanese GAAP) Results through the Third Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018–December 31, 2018)

February 5, 2019

Company name: YAMAHA CORPORATION
(URL <https://www.yamaha.com/en/>)

Code number: 7951

Stock listing: Tokyo Stock Exchange (First Section)

Address of headquarters: 10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan

Representative: Takuya Nakata, President and Representative Executive Officer

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Scheduled date to submit Quarterly Securities Report: February 14, 2019

Scheduled date to begin dividend payments: —

Supplementary materials to the quarterly financial statements have been prepared: Yes

Presentation will be held to explain the quarterly financial results: Yes (for securities analysts and institutional investors)

1. Results through the Third Quarter of FY2019.3 (April 1, 2018–December 31, 2018)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results (Accumulation)

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
Through the third quarter of FY2019.3	¥333,899	1.6%	¥48,088	16.0%	¥48,863	17.4%
Through the third quarter of FY2018.3	¥328,729	6.6%	¥41,471	11.0%	¥41,610	10.7%

Note: Comprehensive income: **Third quarter of FY2019.3** **¥10,994 million** **(84.5)%**
Third quarter of FY2018.3 **¥70,926 million** **11.4 %**

	Net income attributable to owners of parent		Net income per share	Net income per share after full dilution
	Millions of yen	% change from the previous year	Yen	Yen
Through the third quarter of FY2019.3	¥36,724	(25.9)%	¥201.95	—
Through the third quarter of FY2018.3	¥49,556	33.7%	¥264.57	—

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Third quarter of FY2019.3 (As of December 31, 2018)	¥526,899	¥387,373	73.3%	¥2,124.54
FY2018.3 (As of March 31, 2018)	¥552,309	¥388,345	70.0%	¥2,125.51

(For reference) Shareholders' equity: **Third quarter of FY2019.3** **¥386,339 million** FY2018.3 **¥386,519 million**

As indicated in “1. Consolidated Financial Statements and Major Notes,” “(3) Notes to the Quarterly Financial Statements, Additional Information” on page 6, “Partial Amendments to Accounting Standards for Tax-Effect Accounting” have been applied, and the method of presentation has been revised. Figures shown for the period ended March 31, 2018 have been restated retroactively applying the revised method of presentation.

2. Dividends

	Dividends applicable to the fiscal year				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
FY2018.3	—	¥28.00	—	¥28.00	¥56.00
FY2019.3	—	¥30.00	—		
FY2019.3 (Forecast)				¥30.00	¥60.00

Note: Revisions from recently announced dividend forecast: None

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 year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
FY2019.3	¥440,000	1.6%	¥55,000	12.6%	¥55,000	11.7%

	Net income attributable to owners of parent		Net income per share
	Millions of yen	% change from the previous year	Yen
FY2019.3	¥40,000	(26.4)%	¥219.97

Note: Revisions from recently announced performance forecast: Yes

Footnote Items

- (1) Changes in the state of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None
- (2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates, and changes in presentation due to revisions
 - (a) Changes in accounting principles accompanying revisions in accounting standards: None
 - (b) Changes other than those in (a) above: None
 - (c) Changes in accounting estimates: None
 - (d) Changes in presentation due to revisions: None
- (4) Number of shares outstanding (common shares)

(a) Number of shares outstanding at the end of the period (including treasury shares)	Third quarter of FY2019.3	191,555,025 shares	FY2018.3	197,255,025 shares
(b) Number of treasury shares at the end of the period	Third quarter of FY2019.3	9,709,036 shares	FY2018.3	15,406,885 shares
(c) Average number of shares outstanding during the period (quarterly accumulation period)	Third quarter of FY2019.3	181,846,960 shares	Third quarter of FY2018.3	187,312,582 shares

Based on the May 1, 2018 decision of the Board of Directors, a portion of the Company's treasury shares have been cancelled as of June 26, 2018, thus reducing the number of Company shares outstanding by 5,700,000.

*This quarterly flash report is exempt from the quarterly review 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 commentary information regarding the closing of accounts through the third quarter of FY2019.3, please refer to "Outline of the Yamaha Consolidated Financial Results through the Third Quarter (Nine Months) of the Fiscal Year Ending March 31, 2019 (FY2019.3) and Outlook for Consolidated Performance in FY2019.3," which was released today (February 5, 2019).

Revision in Performance Forecast

The consolidated forecast for ordinary income, operating income, and net income attributable to owners of the parent for FY2019.3 remains the same, but the forecast for net sales has been revised downward to ¥440.0 billion.

As indicated in "1. Consolidated Financial Statements and Major Notes," "(3) Notes to the Quarterly Financial Statements, Important Subsequent Events" on page 9, the Company made a decision related to the acquisition of treasury shares at the meeting of the Board of Directors held on February 5, 2019. The effect of this decision on acquisition of shares has not been taken into account in calculating "Net income per share" in the consolidated financial forecasts for FY2019.3.

The materials to be distributed for this earnings presentation and other materials will be posted on the Company's website immediately after the presentation is concluded.

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1. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter of FY2019.3 (as of December 31, 2018)	FY2018.3 (as of March 31, 2018)
ASSETS		
Current assets		
Cash and deposits	¥109,583	¥122,731
Notes and accounts receivable–trade	64,200	56,499
Merchandise and finished goods	69,346	65,064
Work in process	14,977	13,339
Raw materials and supplies	18,269	15,721
Other	21,926	17,352
Allowance for doubtful accounts	(1,349)	(1,216)
Total current assets	296,955	289,493
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	41,389	32,431
Machinery, equipment and vehicles, net	14,674	14,405
Tools, furniture and fixtures, net	10,772	10,459
Land	43,472	43,880
Lease assets, net	399	240
Construction in progress	8,432	14,400
Total property, plant and equipment	119,141	115,817
Intangible assets	7,325	6,167
Investments and other assets		
Investment securities	92,323	130,341
Other	11,261	10,610
Allowance for doubtful accounts	(108)	(120)
Total investments and other assets	103,476	140,831
Total noncurrent assets	229,943	262,816
Total assets	¥526,899	¥552,309

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

(Millions of yen)

	Third quarter of FY2019.3 (as of December 31, 2018)	FY2018.3 (as of March 31, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable–trade	¥ 18,079	¥ 19,946
Short-term loans payable	19,119	11,131
Current portion of long-term loans payable	—	41
Accounts payable–other and accrued expenses	36,248	45,527
Income taxes payable	3,725	16,325
Provision	1,904	1,876
Other	8,779	7,069
Total current liabilities	87,859	101,919
Noncurrent liabilities		
Net defined benefit liabilities	21,093	21,098
Other	30,572	40,944
Total noncurrent liabilities	51,666	62,043
Total liabilities	139,525	163,963
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	21,565	40,165
Retained earnings	318,107	294,904
Treasury stock	(30,596)	(48,556)
Total shareholders' equity	337,611	315,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53,514	79,729
Deferred gains or losses on hedges	210	109
Revaluation reserve for land	20,342	16,095
Foreign currency translation adjustment	(25,369)	(23,862)
Remeasurements of defined benefit plans	30	(600)
Total accumulated other comprehensive income	48,728	71,470
Non-controlling interests	1,033	1,826
Total net assets	387,373	388,345
Total liabilities and net assets	¥526,899	¥552,309

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)

	Third quarter of FY2019.3 (April 1, 2018–December 31, 2018)	Third quarter of FY2018.3 (April 1, 2017–December 31, 2017)
Net sales	¥333,899	¥328,729
Cost of sales	192,118	195,017
Gross profit	141,781	133,711
Selling, general and administrative expenses	93,692	92,240
Operating income	48,088	41,471
Non-operating income		
Interest income	630	537
Dividends income	2,231	2,224
Foreign exchange gains	10	—
Other	1,074	613
Total non-operating income	3,947	3,375
Non-operating expenses		
Sales discounts	2,433	2,122
Foreign exchange losses	—	426
Other	739	685
Total non-operating expenses	3,172	3,235
Ordinary income	48,863	41,610
Extraordinary income		
Gain on sales of noncurrent assets	127	68
Gain on sales of investment securities	384	25,824
Gain on exchange of noncurrent assets	2,034	—
Total extraordinary income	2,546	25,892
Extraordinary losses		
Loss on retirement of noncurrent assets	116	213
Loss on valuation of investment securities	—	6
Loss on sales of investment securities	0	3
Impairment loss	232	27
Loss due to transition to a defined contribution pension plan	—	148
Tariff assessment from previous periods, etc.	—	176
Total extraordinary losses	350	575
Income before income taxes	51,060	66,928
Income taxes—current	11,019	18,516
Income taxes—deferred	3,278	(1,172)
Total income taxes	14,298	17,343
Net income for the period	36,761	49,584
Net income attributable to non-controlling interests	37	27
Net income attributable to owners of parent	¥ 36,724	¥ 49,556

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

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Third quarter of FY2019.3 (April 1, 2018–December 31, 2018)	Third quarter of FY2018.3 (April 1, 2017–December 31, 2017)
Net income for the period	¥36,761	¥49,584
Other comprehensive income		
Valuation difference on available-for-sale securities	(26,199)	12,860
Deferred gains or losses on hedges	101	(299)
Revaluation reserve for land	1,273	—
Foreign currency translation adjustments	(1,558)	7,362
Remeasurements of defined benefit plans	630	1,403
Share of other comprehensive income of affiliates accounted for using equity method	(15)	16
Total other comprehensive income	(25,766)	21,342
Comprehensive income	10,994	70,926
(Composition)		
Comprehensive income attributable to owners of parent	11,008	70,758
Comprehensive income attributable to non-controlling interests	¥ (13)	¥ 168

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

(3) Notes to the Quarterly Financial Statements

Notes Regarding Assumptions as a Going Concern

None

Notes Regarding Any Major Change in the Amount of Consolidated Shareholders' Equity

None

Additional Information

“Partial Amendments to Accounting Standards for Tax-Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the first quarter of the fiscal year ending March 31, 2019. As a result, on the consolidated balance sheets for the previous fiscal year, “Other” under “Current assets” was reduced ¥10,279 million, “Other” under “Current liabilities” was reduced ¥33 million, and “Other” under “Noncurrent liabilities” was reduced ¥7,841 million, respectively. Also, “Other” under “Investments and other assets” was increased ¥2,404 million.

Segment Information, Etc.**(Segment Information)****Accumulated through the third quarter of FY2019.3 (April 1, 2018–December 31, 2018)****1. Sales and Income by Reportable Segment**

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥215,026	¥90,970	¥305,996	¥27,902	¥333,899		¥333,899
Intersegment sales or transfers				257	257	¥(257)	
Total sales	¥215,026	¥90,970	¥305,996	¥28,160	¥334,157	¥(257)	¥333,899
Segment income	¥ 35,778	¥ 9,245	¥ 45,024	¥ 3,064	¥ 48,088		¥ 48,088

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

The sales adjustment item of ¥(257) 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.

Accumulated through the third quarter of FY2018.3 (April 1, 2017–December 31, 2017)**1. Sales and Income by Reportable Segment**

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Sales to external customers	¥208,792	¥92,283	¥301,075	¥27,654	¥328,729		¥328,729
Intersegment sales or transfers				289	289	¥(289)	
Total sales	¥208,792	¥92,283	¥301,075	¥27,943	¥329,018	¥(289)	¥328,729
Segment income	¥ 28,135	¥10,064	¥ 38,200	¥ 3,270	¥ 41,471		¥ 41,471

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

The sales adjustment item of ¥(289) million, which comprises eliminations of transactions among the Company’s reportable segments

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

Reference Information

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

Accumulated through the third quarter of FY2019.3 (April 1, 2018–December 31, 2018)

(Millions of yen)

(millions of yen)								
	Japan	Overseas						Consolidated
		North America		Europe	China	Asia, Oceania, and other areas	Total	
			U.S.A.					
Net sales	¥94,530	¥69,227	¥60,146	¥66,668	¥47,584	¥55,887	¥239,368	¥333,899
% of net sales	28.3%	20.7%	18.0%	20.0%	14.3%	16.7%	71.7%	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

Accumulated through the third quarter of FY2018.3 (April 1, 2017–December 31, 2017)

(Millions of yen)

(millions of yen)								
	Japan	Overseas						Consolidated
		North America		Europe	China	Asia, Oceania, and other areas	Total	
			U.S.A.					
Net sales	¥98,820	¥65,144	¥56,814	¥66,550	¥42,489	¥55,724	¥229,908	¥328,729
% of net sales	30.1%	19.8%	17.3%	20.2%	12.9%	17.0%	69.9%	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

Important Subsequent Events

The Company decided at the meeting of the Board of Directors held on February 5, 2019, the following items related to the acquisition of treasury shares based on the application of the provisions of Article 156 of Japan's Companies Act pursuant to the rewording of Article 165-3.

1. Reasons for the acquisition of Treasury Shares

The reasons for the acquisition of treasury shares are to provide a return to shareholders and to increase capital efficiency.

2. Content of Items Related to Acquisition

- | | |
|--|--|
| (1) Type of shares to be acquired: | Common shares of the Company |
| (2) Total number of shares to be acquired: | 5,000,000 shares (maximum)
(Representing 2.7% of outstanding shares, excluding treasury shares) |
| (3) Total amount of acquisition: | ¥20.0 billion (maximum) |
| (4) Acquisition period: | February 6, 2019 to July 31, 2019 |
| (5) Acquisition method: | Purchase on the Tokyo Stock Exchange market |