



YAMAHA CORPORATION

Flash Report Consolidated Basis (IFRS) Results through the Third Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 – December 31, 2022)

February 7, 2023

Company name:	YAMAHA CORPORATION (URL https://www.yamaha.com/en/)
Code number:	7951
Stock listing:	TSE Prime Market
Address of headquarters:	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
Representative:	Takuya Nakata, President and Representative Executive Officer
For further information, please contact:	Tsunemitsu Torie, General Manager, Corporate Finance Division
Telephone:	+81-53-460-2156
Scheduled date to submit Quarterly Securities Report:	February 14, 2023
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. Consolidated Financial Results through the Third Quarter of FY2023.3 (April 1, 2022 – December 31, 2022)

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.)

	Revenue		Core operating profit		Operating profit		Profit before income taxes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Through the third quarter of FY2023.3	338,221	11.9	38,736	11.1	39,151	(3.6)	41,848	(0.0)
Through the third quarter of FY2022.3	302,331	11.0	34,860	20.1	40,626	52.1	41,864	62.5

Note: Comprehensive income: **Third quarter of FY2023.3** ¥36,804 million (6.1%)
Third quarter of FY2022.3 ¥39,211 million (17.1%)

	Profit for the period		Profit for the period attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Through the third quarter of FY2023.3	30,022	(0.0)	30,004	0.0	174.83	—
Through the third quarter of FY2022.3	30,029	69.6	30,002	70.3	172.41	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity ratio attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	%
Third quarter of FY2023.3 (As of December 31, 2022)	577,135	441,566	440,458	76.3
FY2022.3 (As of March 31, 2022)	580,927	415,927	414,773	71.4

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
FY2022.3	—	33.00	—	33.00	66.00
FY2023.3	—	33.00	—		
FY2023.3 (Forecast)				33.00	66.00

Note: Revisions from recently announced dividend forecast: None

3. Consolidated Financial Forecasts for FY2023.3 (April 1, 2022–March 31, 2023)

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

	Revenue		Core operating profit		Operating profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023.3	450,000	10.2	48,000	11.6	48,500	(1.7)

	Profit before income taxes		Profit for the period attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
FY2023.3	51,500	(2.9)	37,000	(0.7)	215.58

Note: Revisions from recently announced performance forecast: Yes

* Core operating profit corresponds to operating profit under Japanese GAAP and is calculated by subtracting selling, general and administrative expenses from gross profit.

Footnote

- (1) Changes in the status of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None
Newly included: — Excluded: —
- (2) Changes in accounting policies and changes in accounting estimates
(a) Changes in accounting policies required by IFRS: None
(b) Changes other than those in (a) above: None
(c) Changes in accounting estimates: None
- (3) Number of shares outstanding (common shares)

(a) Number of shares outstanding at the end of the period (including treasury shares)	Third quarter of FY2023.3	187,300,000 shares	FY2022.3	187,300,000 shares
(b) Number of treasury shares at the end of the period	Third quarter of FY2023.3	15,642,483 shares	FY2022.3	15,756,795 shares
(c) Average number of shares outstanding during the period (cumulative period)	Third quarter of FY2023.3	171,623,450 shares	Third quarter of FY2022.3	174,017,899 shares

*This quarterly flash report is exempt from the quarterly review procedures by certified public accountants or audit firm.

*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 FY2023.3, please refer to “Yamaha Reports Third Quarter (Nine Months) Results for the Fiscal Year Ending March 2023 and Full Year Outlook [IFRS]”, which was released today (February 7, 2023).

(Revisions from Recently Announced Consolidated Financial Forecasts)

Although there are signs of improvement in the product supply shortages that have resulted from semiconductor procurement difficulties and other factors, the Company has revised downward its forecasts for revenue, core operating profit, operating profit, profit before income taxes and profit for the period attributable to owners of the parent, in light of the disruption caused by the COVID-19 infection in China and cooling consumption in Europe, as well as revision of foreign exchange rates against the US dollar.

As a result, the Company has revised its full-year earnings forecast for the fiscal year ending March 31, 2023, announced on November 2, 2022, from ¥470.0 billion in revenue to ¥450.0 billion; from ¥52.0 billion in core operating profit to ¥48.0 billion; from ¥52.5 billion in operating profit to ¥48.5 billion; from ¥57.5 billion in profit before income taxes to ¥51.5 billion; and from ¥41.0 billion in profit for the period attributable to owners of the parent to ¥37.0 billion.

As indicated in “1. Condensed Quarterly Consolidated Financial Statements and Major Notes,” “(4) Notes to the Condensed Quarterly Consolidated Financial Statements, Subsequent Events” on page 10, the Company made a decision related to the acquisition of treasury shares at the meeting of the Board of Directors held on February 7, 2023. The effect of this decision on acquisition of treasury shares has not been taken into account in calculating “Basic earnings per share” in the consolidated financial forecasts for FY2023.3.

The materials distributed at the earnings presentation and other materials will be posted on the Company’s website immediately after the presentation is concluded.

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1. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	FY2022.3 (as of March 31, 2022)	Third quarter of FY2023.3 (as of December 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	172,495	114,052
Trade and other receivables	60,018	69,386
Other financial assets	4,352	1,078
Inventories	118,640	156,240
Other current assets	7,169	11,872
Total current assets	362,676	352,629
Non-current assets		
Property, plant and equipment	102,898	106,527
Right-of-use assets	21,655	21,122
Goodwill	177	192
Intangible assets	3,045	3,000
Financial assets	70,319	73,637
Deferred tax assets	7,892	9,847
Other non-current assets	12,261	10,178
Total non-current assets	218,250	224,505
Total assets	580,927	577,135

(Millions of yen)

	FY2022.3 (as of March 31, 2022)	Third quarter of FY2023.3 (as of December 31, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	63,184	59,181
Interest-bearing debt	10,523	2,211
Lease liabilities	5,727	5,515
Other financial liabilities	10,156	9,689
Income tax payables	20,260	2,829
Provisions	2,086	2,083
Other current liabilities	14,174	13,441
Total current liabilities	126,114	94,951
Non-current liabilities		
Lease liabilities	11,647	10,229
Financial liabilities	110	118
Retirement benefit liabilities	14,544	16,178
Provisions	2,399	2,793
Deferred tax liabilities	7,954	9,184
Other non-current liabilities	2,228	2,111
Total non-current liabilities	38,884	40,616
Total liabilities	164,999	135,568
Equity		
Capital stock	28,534	28,534
Capital surplus	2,114	1,692
Retained earnings	397,665	414,642
Treasury shares	(73,288)	(72,648)
Other components of equity	59,746	68,237
Equity attributable to owners of parent	414,773	440,458
Non-controlling interests	1,154	1,108
Total equity	415,927	441,566
Total liabilities and equity	580,927	577,135

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income

Condensed Quarterly Consolidated Statement of Income

Third quarter (nine months) ended December 31, 2021 and 2022

	(Millions of yen)	
	Third quarter of FY2022.3 (April 1, 2021 – December 31, 2021)	Third quarter of FY2023.3 (April 1, 2022 – December 31, 2022)
Revenue	302,331	338,221
Cost of sales	(185,794)	(207,447)
Gross profit	116,537	130,773
Selling, general and administrative expenses	(81,676)	(92,036)
Core operating profit	34,860	38,736
Other income	6,477	1,309
Other expenses	(711)	(894)
Operating profit	40,626	39,151
Finance income	3,244	3,043
Finance expenses	(2,006)	(346)
Profit before income taxes	41,864	41,848
Income taxes	(11,835)	(11,826)
Profit for the period	30,029	30,022
Profit for the period attributable to:		
Owners of parent		
Non-controlling interests	30,002	30,004
	27	17
Earnings per share		
Basic (Yen)	172.41	174.83
Diluted (Yen)	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

Third quarter (nine months) ended December 31, 2021 and 2022

	(Millions of yen)	
	Third quarter of FY2022.3 (April 1, 2021 – December 31, 2021)	Third quarter of FY2023.3 (April 1, 2022 – December 31, 2022)
Profit for the period	30,029	30,022
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2,194	(1,701)
Gains (losses) on financial assets measured at fair value through other comprehensive income	(712)	2,374
Total items that will not be reclassified to profit or loss	1,482	672
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	7,479	5,833
Gains (losses) on cash flow hedges	220	276
Total items that may be subsequently reclassified to profit or loss	7,699	6,109
Total other comprehensive income	9,181	6,782
Comprehensive income for the period	39,211	36,804
Comprehensive income for the period attributable to:		
Owners of parent	39,115	36,794
Non-controlling interests	95	10

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Third quarter of FY2022.3 (April 1, 2021 – December 31, 2021)

(Millions of yen)

	Equity attributable to owners of parent						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Remeasurements of defined benefit plans	Gains (losses) on financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
Balance at April 1, 2021	28,534	21,430	337,923	(65,086)	—	71,786	1,494
Profit for the period	—	—	30,002	—	—	—	—
Other comprehensive income	—	—	—	—	2,194	(712)	7,410
Total comprehensive income for the period	—	—	30,002	—	2,194	(712)	7,410
Purchase of treasury shares	—	—	—	(28,006)	—	—	—
Cancellation of treasury shares	—	(19,333)	(457)	19,790	—	—	—
Dividends	—	—	(11,501)	—	—	—	—
Share-based compensation	—	122	—	16	—	—	—
Reclassified to retained earnings	—	—	33,485	—	(2,194)	(31,290)	—
Total transactions with owners	—	(19,211)	21,526	(8,199)	(2,194)	(31,290)	—
Balance at December 31, 2021	28,534	2,219	389,451	(73,285)	—	39,782	8,905

(Millions of yen)

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Gain (losses) on cash flow hedges	Total			
Balance at April 1, 2021	(123)	73,156	395,958	991	396,949
Profit for the period	—	—	30,002	27	30,029
Other comprehensive income	220	9,113	9,113	68	9,181
Total comprehensive income for the period	220	9,113	39,115	95	39,211
Purchase of treasury shares	—	—	(28,006)	—	(28,006)
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	(11,501)	(68)	(11,570)
Share-based compensation	—	—	138	—	138
Reclassified to retained earnings	—	(33,485)	—	—	—
Total transactions with owners	—	(33,485)	(39,369)	(68)	(39,438)
Balance at December 31, 2021	96	48,784	395,704	1,018	396,722

Third quarter of FY2023.3 (April 1, 2022 – December 31, 2022)

(Millions of yen)

	Equity attributable to owners of parent						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
					Remeasurements of defined benefit plans	Gains (losses) on financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
Balance at April 1, 2022	28,534	2,114	397,665	(73,288)	—	39,659	20,432
Profit for the period	—	—	30,004	—	—	—	—
Other comprehensive income	—	—	—	—	(1,701)	2,374	5,841
Total comprehensive income for the period	—	—	30,004	—	(1,701)	2,374	5,841
Purchase of treasury shares	—	—	—	(5)	—	—	—
Cancellation of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	(11,325)	—	—	—	—
Share-based compensation	—	(421)	—	644	—	—	—
Reclassified to retained earnings	—	—	(1,702)	—	1,701	0	—
Total transactions with owners	—	(421)	(13,027)	639	1,701	0	—
Balance at December 31, 2022	28,534	1,692	414,642	(72,648)	—	42,033	26,273

(Millions of yen)

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Gain (losses) on cash flow hedges	Total		Total	
Balance at April 1, 2022	(345)	59,746	414,773	1,154	415,927
Profit for the period	—	—	30,004	17	30,022
Other comprehensive income	276	6,789	6,789	(7)	6,782
Total comprehensive income for the period	276	6,789	36,794	10	36,804
Purchase of treasury shares	—	—	(5)	—	(5)
Cancellation of treasury shares	—	—	—	—	—
Dividends	—	—	(11,325)	(56)	(11,382)
Share-based compensation	—	—	222	—	222
Reclassified to retained earnings	—	1,702	—	—	—
Total transactions with owners	—	1,702	(11,108)	(56)	(11,165)
Balance at December 31, 2022	(69)	68,237	440,458	1,108	441,566

(4) Notes to the Condensed Quarterly Consolidated Financial Statements

Notes Regarding Assumptions as a Going Concern

Not applicable

Segment Information

(1) Summary of reportable segments

The Group's reportable segments are composed of business units where separate financial information can be obtained 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 Group's reportable segments, based on its economic features and similarity of products and services, comprise its two principal reportable segments, which are the "musical instruments" and "audio equipment." Other businesses are included in the "others" segment.

The musical instruments segment includes the manufacture and sales of pianos; digital musical instruments; wind, string, and percussion instruments; and other music-related activities. The audio equipment segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment, and certain other products. The "others" segment includes electronic devices business, automobile interior wood components, factory automation (FA) equipment, golf products, resort, and certain other lines of business.

(2) Reportable segment information

The Group's reportable segment information is as follows.

The Group reports core operating profit as segment profit. Core operating profit corresponds to operating profit under Japanese GAAP and is calculated by subtracting selling, general and administrative expenses from gross profit.

Third quarter of FY2022.3 (April 1, 2021 – December 31, 2021)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Revenue							
Revenue from external customers	204,696	70,724	275,420	26,910	302,331	—	302,331
Intersegment revenue	—	—	—	241	241	(241)	—
Total	204,696	70,724	275,420	27,152	302,573	(241)	302,331
Core operating profit [Segment profit]	29,102	1,575	30,677	4,182	34,860	—	34,860
Other income							6,477
Other expenses							(711)
Operating profit							40,626
Finance income							3,244
Finance expenses							(2,006)
Profit before income taxes							41,864

Note: Intersegment revenue is based on the prevailing market price.

Third quarter of FY2023.3 (April 1, 2022 – December 31, 2022)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Consolidated
	Musical instruments	Audio equipment	Total				
Revenue							
Revenue from external customers	230,434	76,140	306,574	31,646	338,221	—	338,221
Intersegment revenue	—	—	—	218	218	(218)	—
Total	230,434	76,140	306,574	31,864	338,439	(218)	338,221
Core operating profit [Segment profit]	31,384	1,709	33,093	5,642	38,736	—	38,736
Other income							1,309
Other expenses							(894)
Operating profit							39,151
Finance income							3,043
Finance expenses							(346)
Profit before income taxes							41,848

Note: Intersegment revenue is based on the prevailing market price.

Contingent Liabilities

During the third quarter of FY2023.3, Yamaha Music Europe GmbH (hereinafter “YME”), a consolidated subsidiary of Yamaha Corporation (hereinafter the “Company”), was served with a collective proceedings competition law claim on December 29, 2022. No provision has been made for this lawsuit because the lawsuit has not progressed, and the financial impact cannot be reliably estimated at this time.

(1) Cause of action and circumstances leading to the filing of the lawsuit

YME was subject to a UK competition law decision finding that it engaged in resale price maintenance practices with one UK business partner in the online sale of our musical instrument products in the UK from March 2013 to March 2017. A collective proceedings claim has been filed by consumers alleging that the actions of the company resulted in consumers paying higher prices for products and seeking compensation for the resulting damages.

(2) Outline of the litigants

The group of plaintiffs is proposed to be made up of UK consumers of the affected musical instrument products, and they will be represented by a claimant representative, Elisabetta Sciallis (an employee of the consumer organization, “Which?”, located in London, UK).

(3) Description of lawsuit and compensation for damages

(a) Description of the lawsuit

This lawsuit is against YME and YME’s parent company, the Company, claiming compensation for damages alleged to have been potentially incurred by consumers due to YME’s resale price maintenance.

(b) Value of the purpose of the lawsuit

The total amount of damages claimed by the plaintiffs against YME and the Company has not been disclosed.

(4) Future outlook

The size of the plaintiffs’ group and the value of the claim are expected to become known in due course.

Subsequent Events

(Business combination)

Yamaha Guitar Group, Inc. (hereinafter “YGG”), a subsidiary of Yamaha Corporation (hereinafter the “Company”) in the guitar business, has acquired the equity interest of Cordoba Music Group, LLC (hereinafter “Cordoba”) making it a subsidiary of the Company. Cordoba is a company that designs, develops, manufactures, and distributes guitars and related products.

(1) Outline of the business combination

(a) Name and business description of the acquired company

Name: Cordoba Music Group, LLC

Business description: Planning, development, manufacturing and distribution of guitars and related products; Importer of strings (US only)

(b) Acquisition date

February 7, 2023

(c) Percentage of equity interest acquired

100%

(d) Purpose of the business combination

Under the medium-term management plan “Make Waves 2.0,” which covers the three-year period from April 2022, the Company aims to further expand its musical instruments business. In particular, the Company has set the direction to aim for scale expansion of the guitar business, which is expected to grow rapidly, through proactive investment making it a pillar of the Company’s musical instruments business in the future. The acquisition of equity interest in Cordoba aligns with this policy.

Cordoba is a manufacturer of acoustic and electric guitars, ukuleles, and musical instrument accessories. Cordoba brand nylon string guitars and ukuleles, and Guild brand acoustic and electric guitars are loved by musicians in the United States and around the world. The company’s headquarters are located in Santa Monica, California and distribution and manufacturing facilities are located in Oxnard.

In the Yamaha Group’s guitar business, Line 6, which plans, develops, manufactures, and sells guitar peripherals and other products, became a subsidiary in 2014. In 2018, the company changed its name to YGG and began planning, development, and marketing as a multi-brand US base, which included Yamaha brand guitars. In the same year, YGG took over the Ampeg brand business, which is well-known worldwide for its bass amplifiers, steadily strengthening the foundation for business growth.

By adding Cordoba to the Group, the Yamaha Group expects to complement and expand its product lineup, strengthen product planning and development, and enhance brand communication capabilities through leveraging Cordoba’s expertise.

(e) Acquisition method of acquired company’s control

Equity interest acquisition in exchange for cash.

(2) Equity interest acquisition cost

US\$ 39 million (approx. ¥5.1 billion)

Notes: The acquisition cost is subject to be adjusted with the balance of cash and deposits, debt, and changes in working capital, as of the closing date.

(3) Fair value of acquired assets and liabilities

Not yet determined.

(Acquisition of Treasury Stock)

Yamaha Corporation (hereinafter the “Company”) decided at the meeting of the Board of Directors held on February 7, 2023, the following items related to the acquisition of treasury stock based on the application of the provisions of Article 156 of Japan’s Companies Act pursuant to the rewording of Article 165-3.

(1) Reason for Acquisition of Treasury Stock

The objective is to improve shareholder returns and capital efficiency.

(2) Details of Items Related to Acquisition

- | | |
|--|--|
| (a) Type of shares to be acquired: | Common stock of the Company |
| (b) Total number of shares to be acquired: | 5,000,000 shares (maximum)
(Representing 2.9% of outstanding shares, excluding treasury shares) |
| (c) Total amount of acquisition: | ¥15.0 billion (maximum) |
| (d) Acquisition period: | February 8, 2023 to July 31, 2023 |
| (e) Acquisition method: | Purchase on the Tokyo Stock Exchange market |