

A Track Record of Creating Value

Over the more than 60 years since its establishment, Yamaha Motor has constantly pursued the creation of new value in a variety of fields including mobility. Going forward, we will address changing times as opportunities for growth, while aiming to achieve sustainable growth.



Only eight months after Genichi Kawakami, the fourth president of Nippon Gakki Co., Ltd. (today's Yamaha Corporation), decided to enter the motorcycle market, Yamaha's first motorcycle, production and sales of the YA-1 began in January 1955. Yamaha Motor Co., Ltd. was born in July 1955.

1955-

Took up the challenge of the motorcycle business with the recovery of Japan's economy



1955
Yamaha's first motorcycle
YA-1

1960-

Modernized management and developed proprietary technologies to keep up with rapid economic growth



1960
Developed the marine market with boats made of new, strong and lightweight materials
CAT-21



1960
Delivered lightweight outboard motor with good engine starts for efficient fishing and enjoyable marine leisure
P-7 outboard motor

1970-

Enhanced the corporate structure and expanded the business under the global economic recession



1975
Created new demand by expanding our product lineup
YG-292 golf car

1990-

Created new markets by entering the industrial machinery business and expanding the product lineup



1967
Offered new excitement with a sports car that incorporated the latest, most advanced technologies
Toyota 2000GT



1977
Established "soft bikes" that allow women to ride with peace of mind
Passol



1993
Released commuter vehicle that is comfortable and environmentally friendly
PAS electrically power-assisted bicycle

2000-

Promoted globalization and structural reform during a prolonged recession



1978
Developed snow blower specifically for Japanese snow
YT665 six-hp snow blower



1968
Delivered greater accessibility on snow
SL350 snowmobile



2002
Introduced an environmentally friendly urban commuter scooter
Passol electric commuter

2010-

Pursued sensibility and rationality for a period of intense competition



2014
Achieved a new riding style with the stability of twin front wheels
Tricity LMW*

*Leaning Multi-Wheel: Yamaha's designation for vehicles with three or more wheels that lean like a motorcycle when making turns.



2017
Helped lighten the burden on researchers while reducing both development time and cost
CELL HANDLER™ cell picking & imaging system



2018
Achieved sporty, smooth cornering and natural steering with LMW front-end confidence
NIKEN



2010
Made lives more secure with safe water
Yamaha Clean Water Supply System, a small-scale water purification system



1995
Offered wheelchair electric power unit with light weight and long range for easier mobility
JW-1 wheelchair electric power unit



1987
Contributed to labor-saving and increased efficiency in agricultural operations
R-50 (L09) industrial-use unmanned helicopter



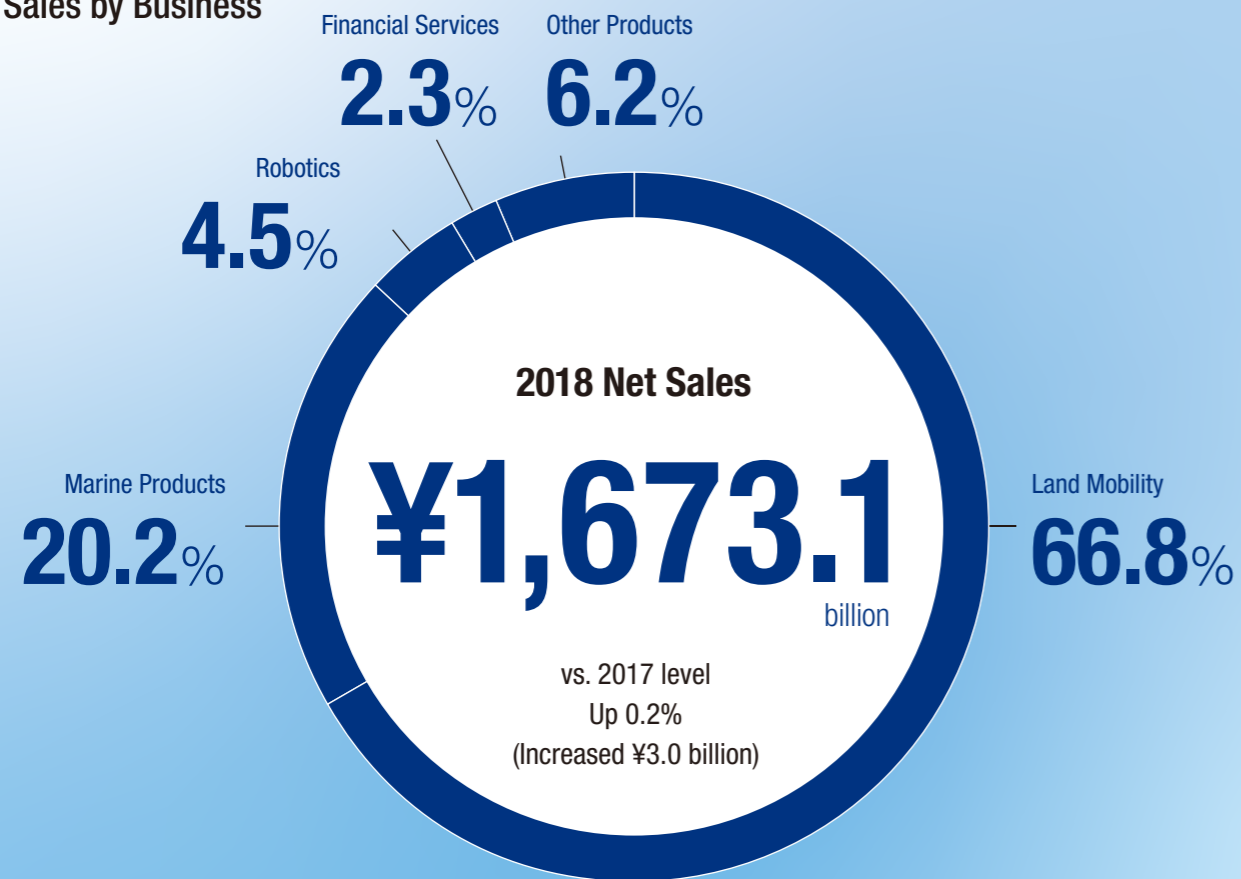
1987
Entered new field of surface mounters for printed circuit boards
YM4600S surface mounter

Continuing to pursue challenges as a *Kando* Creating Company

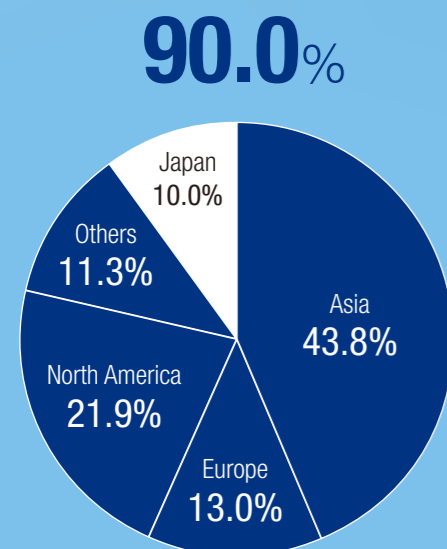
Net sales
¥1,673.1 billion

Company Overview

Sales by Business



Overseas Sales Ratio



Subsidiaries and Affiliates by Region

(As of December 31, 2018)

Yamaha Motor is an international company with approximately 140 consolidated subsidiaries and equity-method affiliates in roughly 30 countries and regions.



Land Mobility

Net Sales

¥1,117.8 billion

Major products:

Motorcycles, knockdown parts for overseas production, intermediate parts for products, all-terrain vehicles, recreational off-highway vehicles, snowmobiles and electrically power-assisted bicycles



Marine Products

Net Sales

¥338.2 billion

Major products:

Outboard motors, personal watercraft, boats, FRP pools, fishing boats and utility boats



Robotics

Net Sales

¥74.9 billion

Major products:

Surface mounters, industrial robots and industrial-use unmanned helicopters



Other Products

Net Sales

¥103.3 billion

Major products:

Golf cars, generators, small-sized snow blowers, multi-purpose engines, automobile engines, automobile components and wheelchair electric power units



Financial Services, etc.

Net Sales

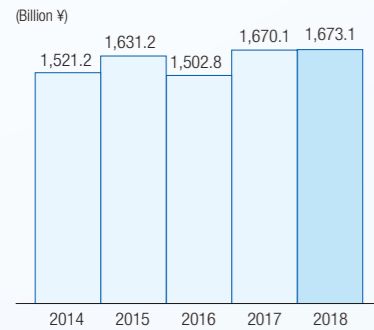
¥39.0 billion

Financial and Non-Financial Highlights

Net sales

¥1,673.1 bil.

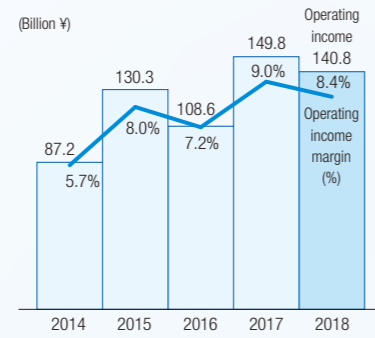
Net sales rose 0.2% from the previous year due to solid sales of the marine products business and the industrial machinery and robots business.



Operating income and operating income margin

¥140.8 bil. / **8.4** %

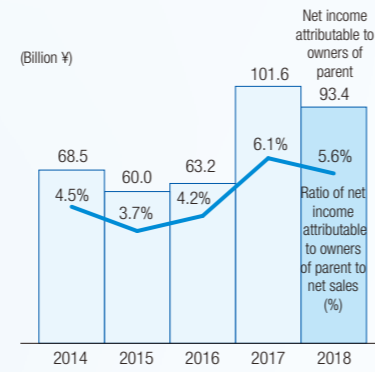
Although profitability improved at the motorcycle business, operating income declined from the previous year due to a decline in sales of motorcycles in developed markets and foreign exchange effects in emerging markets.



Net income attributable to owners of parent and ratio of net income attributable to owners of parent to net sales

¥93.4 bil. / **5.6** %

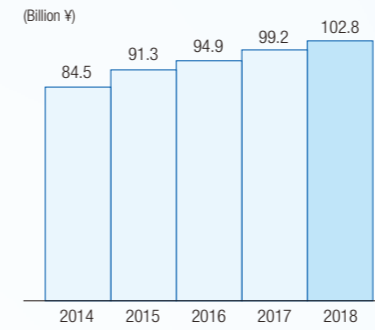
Net income declined 8.1% from the previous year, and the ratio to net sales decreased 0.5 percentage point.



R&D expenses

¥102.8 bil.

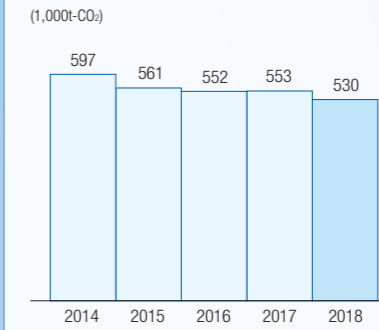
R&D expenses increased 3.6% from the previous year for 21.7% growth over past five years.



CO₂ emissions

530 thousand t-CO₂

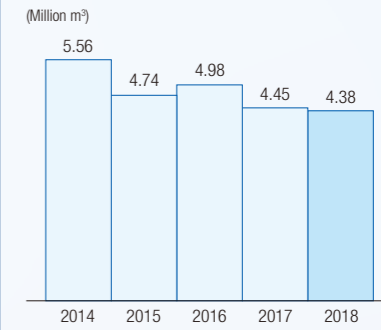
We are targeting an annual 1% reduction in CO₂ emissions per unit of sales as a common goal for the entire Group, and are working to reduce emissions in all of our business activities including product development and manufacturing.



Water intake

4.38 million m³

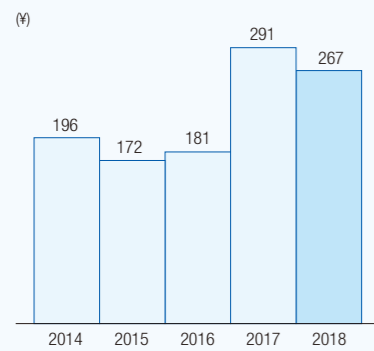
We will continue to strive to measure our global use of water resources and reduce the amount of water intake through promoting the reuse of coolant water and water collection (rainwater and other sources) at factories.



Net income per share

¥267.35

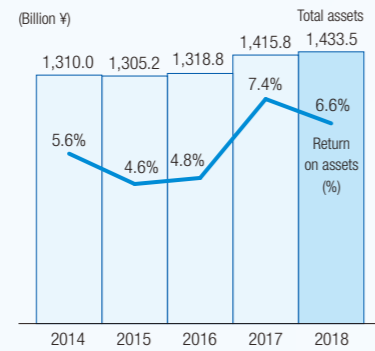
Net income per share declined from the previous year due to the decrease in net income attributable to owners of parent.



Total assets and return on assets

¥1,433.5 bil. / **6.6** %

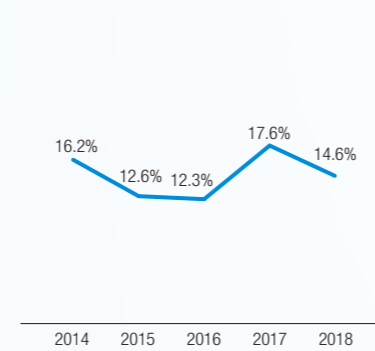
Total assets grew ¥17.6 billion from the previous year-end due to increases in current assets including inventories.



Return on equity (ROE)

14.6 %

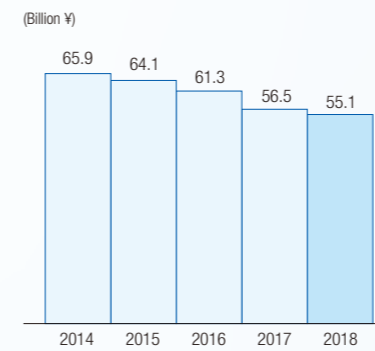
The decline in net income led to a 3.0 percentage point decrease in ROE from the previous year-end.



Capital expenditures

¥55.1 bil.

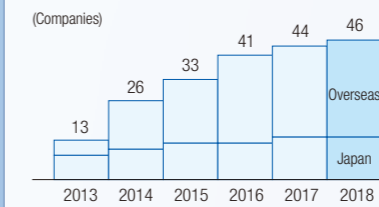
We are sowing seeds for the next stage of growth through efficient development of existing businesses.



Achievement of unified certification

100 %

We have been working toward global environmental ISO 14001 unified certification at Group companies in Japan and overseas since 2012. The program has been expanded to 46 companies, mainly manufacturing companies in Japan, Asia, Europe, the United States, and South America, and as of the end of 2017, unified certification had been obtained by all companies.



Brand ranking

No. 25

The Yamaha Brand, calculated by combining the brand value of both Yamaha Motor and Yamaha Corporation, was valued at US\$1,195 million (compared with US\$998 million in the previous year and US\$900 million two years earlier), for a ranking of 25 (from 27 in the previous year and 29 two years earlier).

*Brand value ranking of Japan-based brands carried out by Interbrand Japan (Japan's Best Global Brands Top 40 (2019))

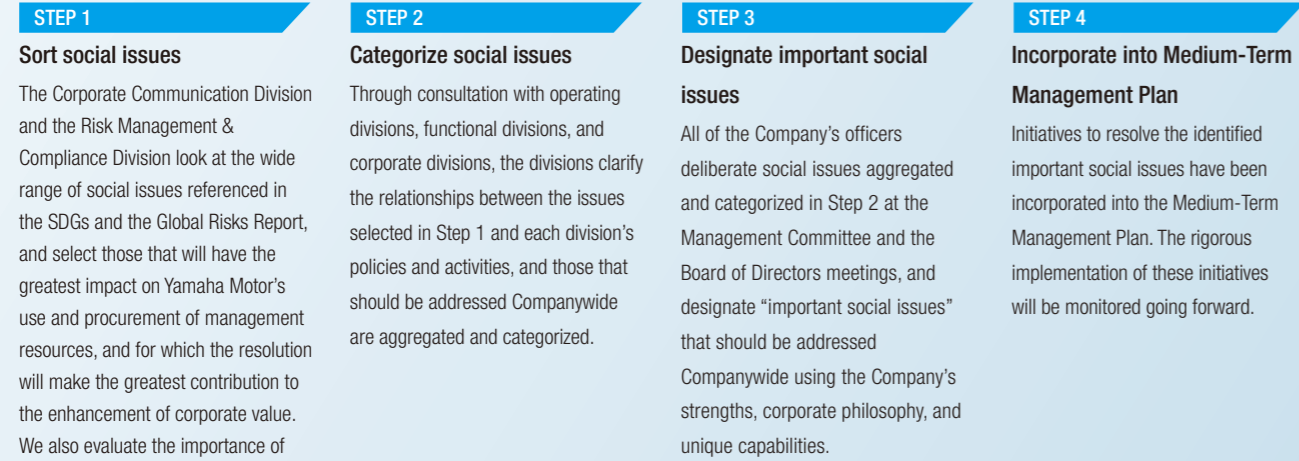


Identifying Important Social Issues

Yamaha Motor intends to resolve a variety of social issues in uniquely Yamaha ways.

Resolving social issues is also very important for Yamaha Motor's sustainable growth, and therefore, in formulating our Long-Term Vision and Medium-Term Management Plan, we have used the steps shown below to identify important social issues that we can resolve using Yamaha Motor's strengths.

Process for identifying important social issues



Selected social issues

	Important issue areas		
Importance to stakeholders ↑ <ul style="list-style-type: none"> Financial crisis in important economic zones Unmanageable inflation Failure of national governance Failure of regional or global governance Inter-government conflict over regional problems Deepened social uncertainty Abuse of technological progress 	<ul style="list-style-type: none"> Introduction of industrial processes taking into account clean technologies and efficient use of resources Heightened awareness of sustainability Promotion of economic growth based on fair work environments Reduction of waste materials Curtailment of corruption and bribery 	<ul style="list-style-type: none"> Improved energy efficiency (including promotion of use of renewable energy) Promotion of use of inexpensive, reliable energy Promotion of safe and secure work environments Advancement of diversity and inclusion Effective use of water resources and prevention of pollution Securing of clean water resources 	
<ul style="list-style-type: none"> Abolition of inequality Responses to multi-stakeholders Promotion of innovation (active use of global partnerships) Implementation of fair taxation Promotion of sustainable industrialization 	<ul style="list-style-type: none"> Elimination of discrimination against women/protection of human rights Use of women's skills Strengthened disaster prevention and response Eradication of forced labor, human trafficking, and child labor Increased employment for socially vulnerable people 	<ul style="list-style-type: none"> Prevention of pollution and damage from harmful chemical substances Strengthened measures to address climate change Sustainable use of natural resources Promotion of innovation (promotion of sustainable industrialization) Promotion of innovation (promotion of sustainable forms of consumption and production in developing countries) 	
<ul style="list-style-type: none"> Strengthened support for emerging and developing countries 	<ul style="list-style-type: none"> Promotion of protection and recovery of land ecosystems Provision of a stable living environment Halting of deforestation Protection and recovery of marine ecosystems 	<ul style="list-style-type: none"> Expansion of educational systems (including vocational training) Enhanced education environment in developing countries Promotion of social infrastructure development Prevention of traffic accidents Protection of small-scale agricultural and fishing industries Advancement of sustainable fishing industry Improved access to fishing areas and markets in least developed countries 	

Importance to Yamaha Motor →



Sustainable Development Goals (SDGs)

In 2015, the United Nations adopted 17 targets as SDGs to be achieved by 2030, in areas including addressing poverty and inequality, eradication of injustice, and responding to climate change. The SDGs call for the cooperation of companies, governments, and local communities around the world, with concrete action plans to achieve prosperity for humankind and the Earth. Companies are called upon to contribute to the resolution of social issues through all of their business activities.

Corporate Mission

Kando Creating Company (Offering new excitement and a more fulfilling life for people all over the world)



Important Capital That Forms Yamaha Motor's Strengths

After starting in the motorcycle business, the Company has since developed a diverse business portfolio while taking on many challenges along the way, and cultivating capital with this as its strength. Going forward, we will continue to create new value by leveraging the unique capital of the Company operating globally.



Development

- › Global research and development structure
- › Original and innovative ability to conceive new technologies
- › Creative, advanced technological capabilities and core technical competencies
- › Design capabilities that express individuality
- › Proprietary product development methods



Procurement

- › Procurement network organized around five global centers and mutually complementary across regions
- › Strong teamwork with roughly 1,400 business partners in total (250 global partners)
- › Proprietary theoretical-value-based procurement method



Manufacturing

- › Global production structure, structure for supplying products across regions
- › Abundant plant management expertise, capabilities in management technologies
- › Preeminent capabilities in manufacturing technology, strong on-site capabilities
- › Proprietary theoretical-value-based production method



Sales

- › Global sales network
- › Dealerships + Regional sales bases + Yamaha Motor's strong teamwork
- › Marketing methods that connect with customers over a lifetime



Human resources

- › Global talent that embodies the brand
- › Diverse specialist skills, management ability
- › Diversity in terms of specialization, nationality and culture, and gender



Traditional corporate culture

- › Emphasis on brand originality
- › Pursuit of innovation
- › Emphasis on passion and enthusiasm
- › Free and open-minded

Value Created through Our Businesses



Yamaha Clean Water Supply System, a water purification system, for emerging market countries facing shortages of drinking water



E-Vino electric scooter



NIKEN motorcycle with two front wheels

Environment and resources

We are promoting the manufacturing and sale of electric motorcycles, scooters, and other products with a goal of reducing the CO₂ emissions of Yamaha Motor products by 50% by 2050.

In addition, our clean water business in emerging market countries provides safe water to many people, and in addition to better hygiene, releases women and children from the hard work of drawing water.

Transportation, education and industry

We are implementing systematic vocational training, focusing on Asia and Central and South America, to promote the development of manufacturing technicians and service technicians. This contributes to human resource development and industrial promotion in new markets.

We are addressing transportation issues with land car-based, low-cost mobility services as a way to provide means of transportation to older persons, mainly in underpopulated, rural areas of Japan.



Developing a system to foster technical instructors for developing countries such as Africa



Land car-based, low-speed automated driving system

Creating diverse value through *Monozukuri*

By resolving social issues in uniquely Yamaha ways, we aim to contribute to the realization of a sustainable society and to increase corporate value over the medium to long term.



We have begun working with NVIDIA (United States) to add intelligent features to our products.



Work-life balance

Taking a global perspective, we strive to create workplaces that respect diversity and inclusion. With the aim of creating an organizational structure that is based on the “sharing of ideas, equally high ambitions and spirit, cooperation, and joy in our work” among the Company and its employees, we believe this will lead to the creation of products with high added-value and the enhancement of corporate value.



Initiatives to Address Important Social Issues



We solve important social issues in each country and region through each of our businesses. Here, we showcase three examples of our main initiatives.

Environmental initiatives: “Environmental Plan 2050”

Toward achieving the Yamaha Motor Group Environmental Plan 2050

A variety of issues that are related to the environment and resources that could have an effect on the realization of a sustainable society are becoming increasingly serious on a global level, including the advance of global warming, energy and water utilization, and conservation of biodiversity.

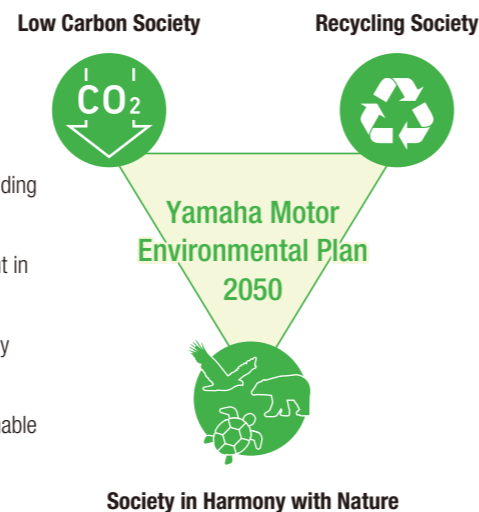
Until now, the Company has promoted efforts to maintain harmony with the global environment in all of its corporate activities. Going forward, under the three targets of **a low carbon society, a recycling society, and a society in harmony with nature**, the Company aims to reduce its environmental impact while actively promoting conservation of the natural environment, where many of the Company’s main products are used, and to contribute to a sustainable society as a “Kando Creating Company.”

Environmental management initiatives

The environmental activities of Yamaha Motor started in 1990 with the setting of a Global Environmental Policy. In 1997, the Environment Committee was established as a governance structure for environmental management, and as Groupwide initiatives, the Yamaha Motor Group Environmental Plan 2010 was established in 2003, and the Yamaha Motor Group Environmental Plan 2020 was established in 2009, under which environmental activities were promoted in the four categories of “Eco Products,” “Eco Operations,” “Eco Management,” and “Eco Mind.”

In terms of results as of December 31, 2018, we have reduced CO₂ emissions per net sales for the Group by 40% versus our set target of 12% (from the base year of 2009) and reduced the total waste volume for Yamaha Motor by 25.4% versus our set target of 9% (from the base year of 2012), and our targets were achieved ahead of 2020.

Currently, underpinned by the “2°C scenario,” to suppress the temperature rise from before the industrial revolution to less than 2°C, the common understanding of CO₂ reduction in the international



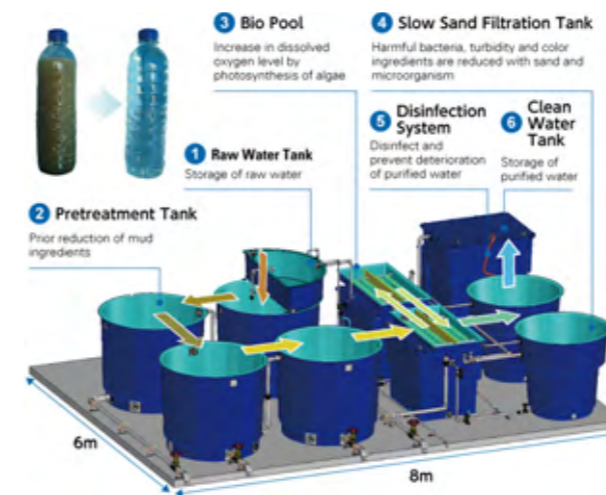
community involves a reduction of 50% to 80% by 2050, and zero or negative emissions by 2100. In addition, there are ever-increasing social demands for Sustainable Development Goals (SDGs) and other initiatives aiming for the achievement of a sustainable society. Against this backdrop, the Yamaha Motor Group Environmental Plan 2020 was completed ahead of schedule at the end of 2018. In 2019, we began the Yamaha Motor Group Environmental Plan 2050, which was developed with the aim of resolving issues such as climate change and community issues.

See page 72 for the fields where we are working as well as numerical targets.

Resource initiatives: “Clean water business”

Each year, 525,000 children under the age of five die from diarrhea worldwide.* The Company has developed the Yamaha Clean Water Supply System, a water purification system that is simple and easy to maintain, and continues to install it in emerging and developing countries in Africa and Asia. This system enables local residents to operate water supply stations independently, which contributes to improving village health. Since its launch in 2010, a total of 21 systems have been installed in Africa and 15 in Asia.

*According to a 2017 World Health Organization (WHO) study



Industry initiatives: “Modernization of the fishing industry in Africa”

For many years, the fishing industry in Africa has relied on hand-paddled, wooden fishing boats. Because such boats cannot travel far, they were only able to catch a few varieties of fish, and the lengthy time required to bring a catch to market prevented the fish from fetching high prices due to poor freshness, and in some cases the fish had to be disposed of. In addition, the lack of motor power during stormy weather and the lack of strength and stability with the wooden fishing boats resulted in accidents costing precious lives and materials. Therefore, we are promoting the modernization of the fishing industry as well as the safety of operation and navigation by advancing the motorization of fishing boats using the Company’s outboard motors, and are beginning the introduction of safe and cleaner fiberglass reinforced plastic (FRP) boats.

We are also promoting the local production of FRP boats through training and support for FRP boat-building technologies developed by the Company to build boats with specifications that meet local needs and to cultivate the local boat-building industry. We have opened technical support plants in 15 countries worldwide and are producing 3,000 boats each year.



The clean water business and modernization of the fishing industry in Africa are business activities of the Company’s Overseas Market Development Operation Business Unit.

Yoshihiro Hidaka
President, Chief Executive Officer
and Representative Director

ART for Human Possibilities

Creating uniquely Yamaha *Kando* to resolve social issues and achieve sustainable growth, while recognizing the importance of technologies and sensibilities developed over the years

- Formulation of Long-Term Vision to 2030
- Accelerating Innovation through Partnerships
- Initiatives to Address Social Issues
- New Medium-Term Management Plan
- Message to Stakeholders

ART for Human Possibilities

Advancing

×

Robotics

Rethinking

×

Solution

Transforming

×

Mobility

We will Advance the use of Robotics, Rethink Solution and Transform Mobility to expand human possibilities for a better society and more fulfilling life.

Formulation of Long-Term Vision to 2030

Moving toward transformation by 2030 under the banner of ART for Human Possibilities

Yamaha Motor has formulated a new Long-Term Vision extending to 2030.

With our all-embracing corporate mission of being a “*Kando* Creating Company,” Yamaha Motor has continued to grow based on the traditions, strengths, and pride of creating new value through technologies and sensibilities. This will not change going forward, as we continue to work to refine the Yamaha brand and increase its value.

At the same time, with advances in information technology (IT) and artificial intelligence (AI), the world is changing quicker than ever before. People’s values are becoming increasingly diverse, and issues involving the global environment and society are becoming more complex. Global efforts are being carried out from a long-term perspective to achieve the targets set in the Paris Agreement and the United Nations’ Sustainable Development Goals (SDGs).

Given this operating environment, we are working to resolve social issues and achieve sustainable growth by creating uniquely Yamaha *Kando* while applying the technologies and sensibilities we have developed over the years. This approach is encapsulated in the phrase “ART for Human Possibilities.” “ART” is an acronym for the three focus areas we intend to emphasize to 2030—using robotics (“Advancing Robotics”) to address social issues in uniquely Yamaha ways (“Rethinking Solution”) and transform mobility (“Transforming Mobility”)—with the aim of expanding the scope of human possibilities and creating a better society and better daily lives.

Yamaha Motor was established in 1955 by making the motorcycle division of Yamaha Corporation, a manufacturer of musical instruments and audio products, an independent company.



Musical instruments and motorcycles both appeal to human sensibilities, and playing an instrument or riding a motorcycle brings people joy as well as growth. To date, we have emphasized the concept of ART of Engineering, which sees engineering as an art, and have engaged in *Monozukuri* that appeals to human sensibilities while expanding our fields of operations from land mobility like motorcycles to marine products such as boats and outboard motors. Going forward, we will continuously focus on people and pursue unique Yamaha growth as a *Monozukuri* company that expands human possibilities.

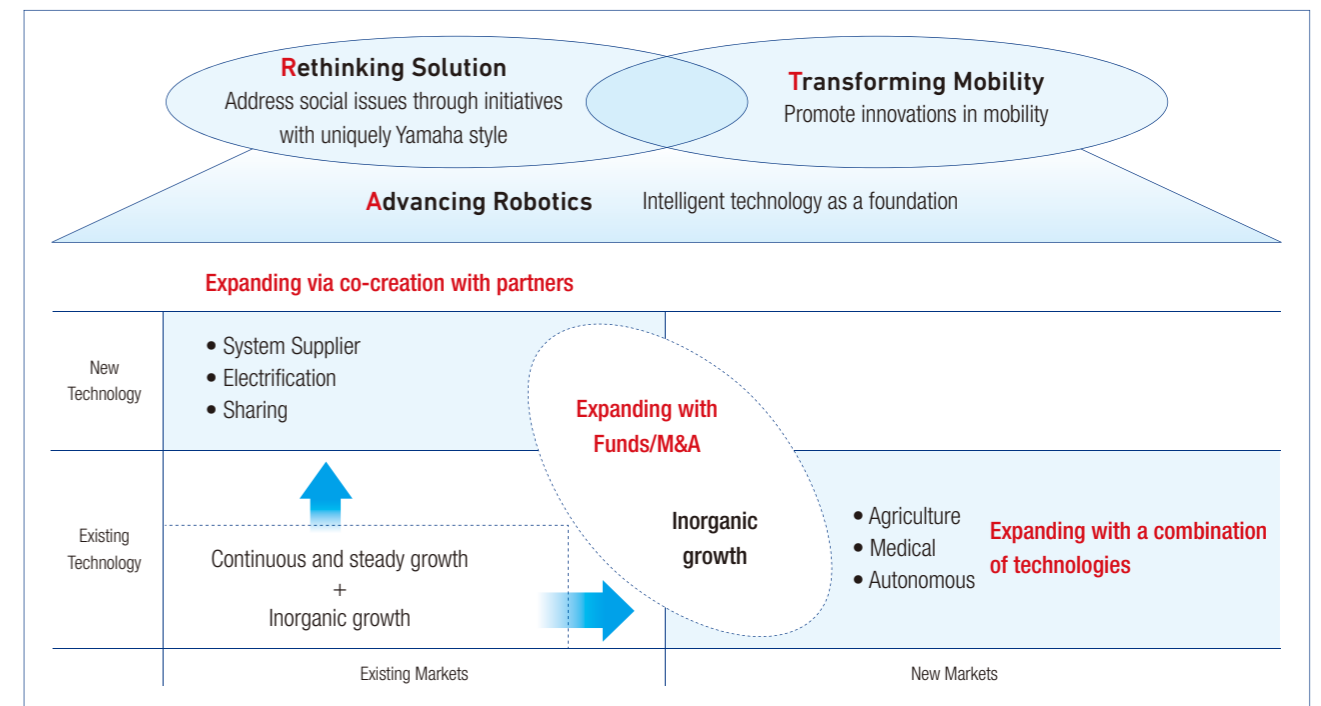


Initiatives in three areas of focus (1)

Transforming Mobility—Promote innovations in mobility

Yamaha Motor will contribute to the resolution of social issues with unique products that integrate technologies from a new field called CASE (Connected, Autonomous, Shared & Services, Electric) with our electric power technologies developed with PAS electrically power-assisted bicycles, control technologies from the MOTOBOT autonomous motorcycle-riding robot, and Leaning Multi-Wheel technologies that deliver greater confidence, comfort, and enjoyment. For example, “bikes that lean but don’t fall” can bring the exhilaration of motorcycle riding to more people, while electric powertrains can reduce greenhouse gas emissions, and the development of autonomous driving technologies can provide social infrastructure as “last-mile mobility.”

Three Focus Areas and Growth Strategies





Initiatives in three areas of focus (2)

Rethinking Solution—Address social issues through initiatives with uniquely Yamaha style

Hilly and mountainous regions account for 70% of Japan's land surface, which makes it difficult to maintain public mobility services, and mobility for older persons is emerging as a social issue. Yamaha Motor is currently engaged in field testing of land car-based transport systems for older persons and underpopulated areas and multi-use customer and freight transportation systems across Japan. Going forward, we will look beyond low-speed self-driving vehicles to contribute to community development with a focus on slow mobility, including electrically power-assisted bicycles and electric wheelchairs.

We are developing automatic operation technologies in the marine business as well. Boat captains perform many tasks—operating the engine, steering the boat, and keeping watch—which means that they are unable to enjoy themselves. At Yamaha Motor, we aim to deliver a safe and comfortable marine lifestyle with technologies enabling you to set a destination, cruise there automatically, and maintain position once at the destination so that you can enjoy fishing from the boat.

Initiatives in three areas of focus (3)

Advancing Robotics—Intelligent technologies using robotics

In the field of robotics, we are focusing on the agricultural and medical segments.

Developed market countries today are increasingly faced with shortages of workers in fruit and vegetable agriculture, and the annual global market potential for agricultural robots and drones is estimated to be ¥4 trillion. Yamaha Motor's unmanned helicopters have built up a track record going back more than 30 years in Japan's agricultural market, and in the United States, we are developing a crop-dusting business in California. Going forward, we will work to contribute to a stable food supply through labor savings and improved productivity in agriculture by proactively introducing drones and unmanned ground vehicles.

In the medical segment, in 2017 we began selling the CELL HANDLER™, which reduces the work performed by researchers in various steps of the drug discovery process, contributing to improved productivity and a higher drug discovery success rate. In addition to selling CELL HANDLER™ units, we are investigating possibilities for a solutions business that would include subcontracted services through equity investment in venture capital companies. Through these initiatives, we are establishing a presence in personalized medicine, antibodies, and drug discovery, areas that are said to be worth a combined ¥3 trillion annually.

Accelerating innovation through partnerships

Work with partners who share our vision and expand support with newly established funds

Achieving our Long-Term Vision will require more than just steady growth in existing markets and technological fields; we will also need to incorporate new technologies and create new markets.



Accelerating Innovation through Partnerships

Mobility segment (1) Gogoro (Taiwan)

Contributing to the prevention of global warming with electric scooters and expanded infrastructure

We are pursuing a collaboration with Gogoro Inc. of Taiwan to develop and manufacture electric scooters with sharing of battery-swapping stations.

Gogoro operates an electric motorcycle business in Taiwan with its own brand of electric scooters and battery-swapping stations. When a scooter's battery runs low, the rider can swap the battery with a charged unit at a station and continue riding. There are 750 battery-swapping stations in Taiwan, and plans are to increase this to more than 1,000 during 2019. Yamaha Motor sells 290,000 motorcycles annually in Taiwan, and manufactures and sells the E-Vino retro-pop-style fashion scooter in the electric vehicle segment. Under the new partnership, Yamaha Motor will design Yamaha-brand electric scooters based on Gogoro's production vehicles, which will be manufactured by Gogoro and sold by Yamaha Motor Taiwan Co., Ltd. The first model is scheduled for release in the summer of 2019. Yamaha Motor and Gogoro will share the energy infrastructure of battery-swapping stations, and contribute to the prevention of global warming by expanding the market for electric scooters with a high level of customer convenience.



Mobility segment (2) Grab (Singapore)

Yamaha Motor and Grab agree to strategic partnership in motorcycle ride-hailing service

Grab Holdings Inc. is Southeast Asia's largest operator of ride-hailing services, and Yamaha Motor and Grab have announced a strategic partnership in motorcycle ride-hailing services in Southeast Asia, focusing on Indonesia. As part of this agreement, Yamaha Motor will invest US\$150 million in Grab.

Through this partnership, Yamaha Motor and Grab aim to develop next-generation mobility services by implementing solutions and innovations that 1) leverage Yamaha Motor's motorcycle safety-related technology and know-how to increase user satisfaction by demonstrating safety and confidence in response to motorcycle ride-hailing service demand and 2) lower the barriers to motorcycle purchases for those engaged in (or considering) motorcycle ride-hailing (i.e., becoming motorcycle taxi drivers). This will enable Yamaha Motor to use Grab's customer base in Southeast Asia and expertise in motorcycle ride-hailing for future product development.



Accelerating Innovation through Partnerships

Robotics segment (1) NVIDIA (U.S.); DMP (Japan)

Advances in automation through AI, including unmanned agricultural vehicles and drones

Seeing AI as the core of control technologies going forward, we are working to accelerate innovation through partnerships. We are collaborating with NVIDIA, a leading AI computing company, to add intelligent technology to robot products. This collaboration will involve the use of image processing technologies using GPUs (graphics processing units) and the development environment to support our upstream development of AI technologies.

We have also entered into a business capital tie-up agreement with AI computing specialist Digital Media Professionals Inc. (DMP). By incorporating DMP's deep-learning, image processing, and image recognition technologies into our products and technologies, we intend to expand the possibilities for the creation of new value using low-speed automatic/autonomous driving systems, robot utilization in agricultural applications, and advanced safety technologies in various areas of mobility.

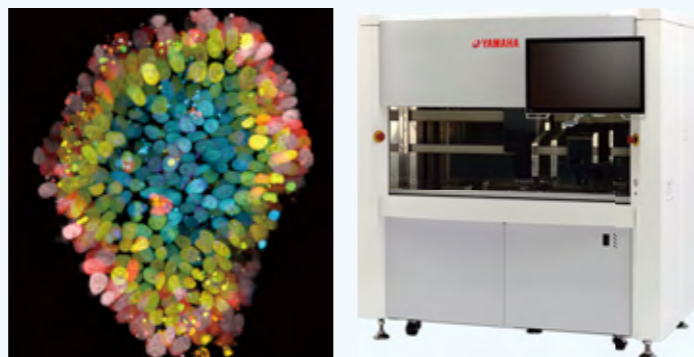


Robotics segment (2) Hubrecht Organoid Technology (the Netherlands)

Accelerating technological development in the biomedical engineering field

Yamaha Motor is conducting joint research with Hubrecht Organoid Technology (HUB) to accelerate its research and development into organoids, which are patient-derived cell cultures that mimic human organ function.

HUB is one of the world's leading research centers in the field of organoids, and was established in 2013 by the Hubrecht Institute, the Royal Netherlands Academy of Arts and Sciences, and University Medical Center Utrecht. Using organoid technology and working with academic institutions and pharmaceutical companies, HUB is promoting medical research, drug development, and personalized medicine in areas including cancer and cystic fibrosis. Through this joint research, Yamaha Motor will strengthen its cell-picking and image-processing technologies, which are the core features of the CELL HANDLER™ cell-handling device, and contribute to advances in organoid research, thereby promoting medical research and new drug development.



With regard to new technologies, we have begun to work with companies that share our Long-Term Vision, including Taiwanese developer and seller of electric scooters Gogoro, major Indian bicycle manufacturer Hero Cycles, and ride-hailing provider Grab in Southeast Asia, to incorporate electrification and sharing technologies in the field of mobility. To cultivate new markets, we are pursuing joint technological development with NVIDIA in the United States in the field of robotics, with the aim of adding intelligent technologies to our products.

To accelerate our activities toward the achievement of our Long-Term Vision, we are also stepping up our strategic equity investment from a global perspective. We established the Yamaha Motor Ventures & Laboratory Silicon Valley (YMVSV) in Silicon Valley in 2015 to study and build on themes for new business development, promote commercialization, and develop new business models, and to date have invested roughly US\$47 million in nine venture capital companies working in the field of robotics and other areas. In November 2018, we established and began operating a proprietary Yamaha Motor Exploratory Fund, L.P., which we envision making aggregate investments of US\$100 million over the next 10 years.

Contributing to the resolution of designated important social issues in uniquely Yamaha ways

Society is increasingly calling for companies to contribute to the resolution of social issues through their business as part of their corporate duty. At Yamaha Motor, we have designated four important issues to address: Environment and resources; Transportation, education, and industry; Innovation; and Work-life balance.

With regard to the environment and resources, we have set a target of reducing our products' CO₂ emissions by 50% by 2050. We have already been manufacturing and selling many electric products, and will work to meet this target by pursuing further electrification in addition to improved fuel efficiency. We will also continue the clean water business that we have developed in Africa and Southeast Asia. By providing safe water to more people, we intend to free women and children from the arduous task of carrying water and enable children to attend school.

In the areas of transportation, education, and industry, first, we will address transportation issues by providing the land mobility-based transport services mentioned previously and through support for community development. We are also holding riding safety courses for motorcycle owners and training service engineers for our various products around the world. We aim to address shortages of agricultural workers using our unmanned technologies.

In terms of innovation, we are accelerating innovation to be able to work effectively as we address environmental and resource issues and transportation, education, and industry issues. In particular, we are promoting the development of new forms of mobility using intelligent technologies and advanced control technologies, and are using robotics to provide solutions to the agricultural and medical fields. We are moving quickly in these areas while also promoting partnerships with other companies.

Initiatives to Address Social Issues



With regard to work-life balance, we believe that further promoting diversity globally and utilizing diverse individual talents regardless of nationality, race, or gender will lead to enhanced performance as a company where people are enthused about their work. We will enhance productivity by creating workplace environments where employees feel safe and can have peace of mind, and by renovating IT platforms.

In 2017, we registered as a participating company in the United Nations Global Compact, which sets 10 principles for voluntary action in such areas as human rights, labor, the environment, and anti-corruption. In 2018, we committed to the Science Based Targets initiative (SBTi) for the reduction of CO₂ based on scientific evidence. In these ways, Yamaha Motor is following and participating in international initiatives as it actively pursues the resolution of social issues in uniquely Yamaha ways, across the entire Group including the supply chain, to contribute to the achievement of the SDGs.

New Medium-Term Management Plan

We have launched the first Medium-Term Management Plan to change Yamaha Motor.

The new Medium-Term Management Plan runs from 2019 and covers the first three years of transformation toward the realization of our Long-Term Vision: ART for Human Possibilities. To date, Yamaha Motor has grown by offering new solutions in the existing business areas of motorcycles and marine products, while at the same time pursuing new fields like electrically power-assisted bicycles and robotics. Under the new Medium-Term Management Plan, we will focus on updating our business and management platforms and developing new businesses to change what we are by 2030.

Review of the previous Medium-Term Management Plan

Although we achieved our targets for earnings and financial strength, sales growth remains an issue.

Before explaining the new Medium-Term Management Plan, I would like to give a brief recap of the previous one (2016-2018).

In 2018, we recorded consolidated net sales of ¥1,673.1 billion, with operating income of ¥140.8 billion and an operating income margin of 8.4%, and major financial indicators of 14.6% for ROE, an equity ratio of 45.9%, and net income per share of ¥267.35. Excluding the negative impact of the difference between the exchange rate assumptions underlying our medium-term targets of ¥115/US\$1 and ¥130/euro and the actual rates of ¥110/US\$1 and ¥130/euro, we achieved our targets for earnings and financial strength of an operating income margin of at least 9%, ROE of at least 15%, and an equity ratio of more than 45%. We were unable to achieve our sales growth target, however, with net sales roughly flat with that of 2015. The marine products, robotics, and electrically power-assisted bicycle businesses all recorded solid growth, but net sales of the motorcycle business in developed markets and in Indonesia and India, and in the recreational off-highway vehicle (ROV) business were lower than forecast, and the fact that the developed market motorcycle and ROV businesses were unable to achieve profitability remains an issue.

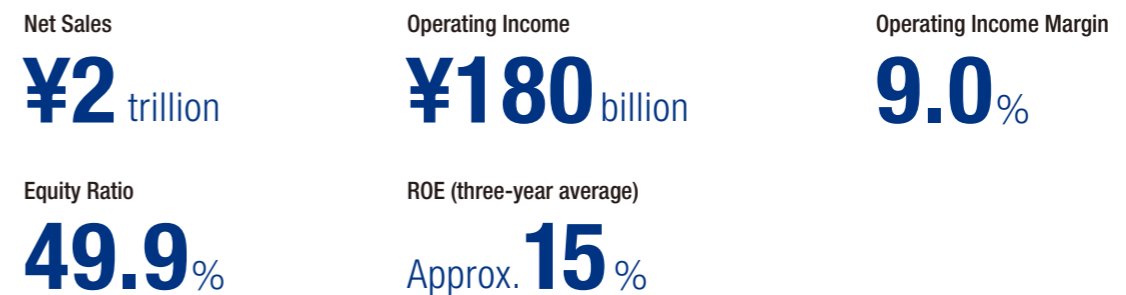
Direction and targets under the new Medium-Term Management Plan

We will maintain and reinforce the earnings strength of existing businesses and strengthen the foundation for growth as we once again pursue net sales of ¥2 trillion with operating income of ¥180 billion.

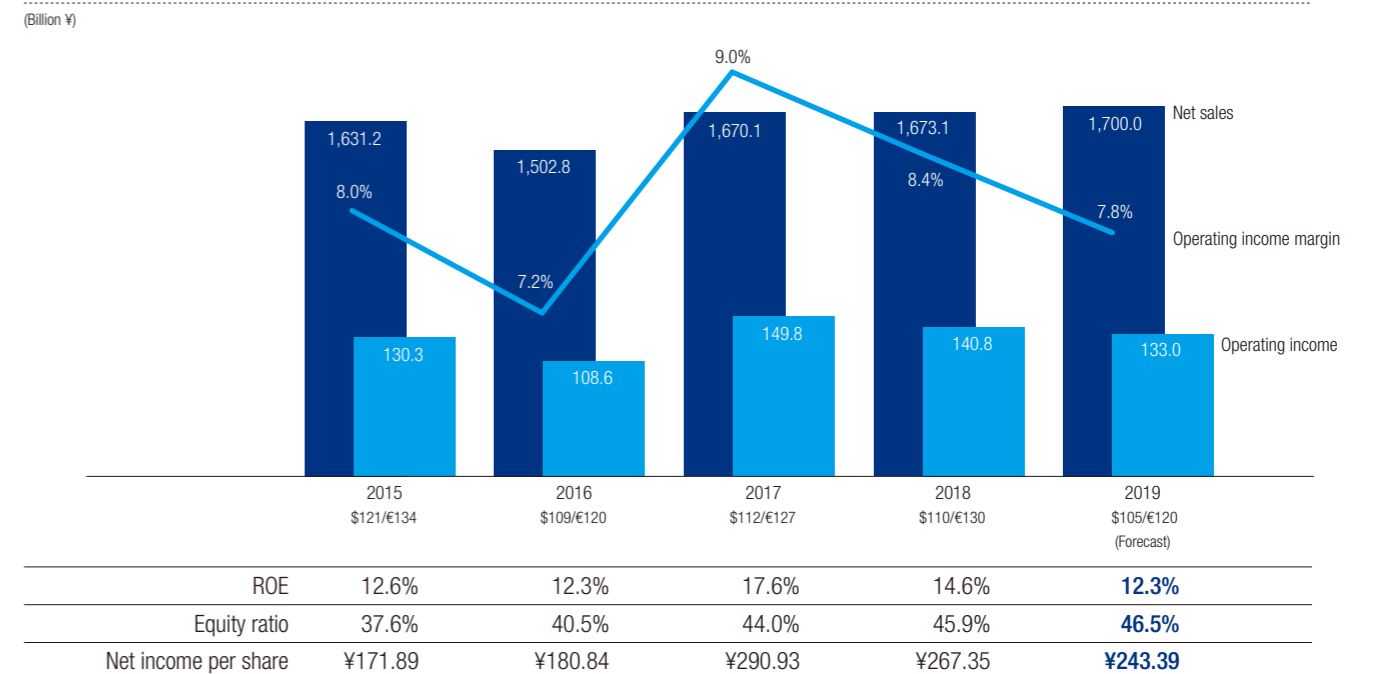
During the period to 2018, Yamaha Motor has maintained stable profits while investing for new growth, against the backdrop of a gradual expansion of the global economy.

Our outlook for the global economy in 2019 is mixed, with European economies slowing from the shock of Brexit, trade frictions between the United States and China, and improved resistance to economic fluctuations in ASEAN and other emerging markets. Given this operating environment, we

Numerical Targets of the Medium-Term Management Plan



Net Sales/Operating Income/Operating Income Margin





will maintain the earnings strength of existing businesses and strengthen our foundation for growth. Our forecasts for 2019 results are for net sales of ¥1,700.0 billion (an increase of ¥26.9 billion, or 1.6% from 2018), with operating income of ¥133.0 billion (a ¥7.8 billion or 5.5% decrease) and an operating income margin of 7.8%.

We plan to introduce new land mobility products that comply with new environmental regulations during 2020, and in 2021, we will once again pursue the challenge of meeting the targets set in the previous Medium-Term Management Plan: net sales of ¥2 trillion, with operating income of ¥180 billion and an operating income margin of 9%. Compared with our 2018 results, these figures represent a ¥330 billion or 20% increase in net sales and a ¥40 billion or 28% increase in operating income.

The breakdown of these targets by segment is as follows.

The land mobility business is targeting net sales of ¥1,350 billion, with operating income of ¥92 billion and an operating income margin of 6.8%. In addition to the previous developed market and emerging market motorcycle businesses, this segment also includes the ROV business and the electrically power-assisted bicycle business in order to pursue synergies in electric mobility going forward. We aim to restore profitability to the developed market motorcycle and ROV businesses by integrating their sales structures and restructuring their production structures. In emerging markets, we will pursue a platform strategy and target the premium segment of the markets in the Philippines and India. For the Smart Power Vehicle (SPV) business including electrically power-assisted bicycles, we will approach the markets where the Yamaha brand has a presence as appropriate for each market.

Our targets for the marine products business are for net sales of ¥374 billion, with operating income of ¥76 billion and an operating income margin above 20% as we transform from being an engine supplier to a system supplier, and work to strengthen our high profitability and establish a foundation for sustainable growth.

The robotics business will aim to bolster its profitability further, while expanding the scale and domain of the business. Numerical targets are for ¥101.5 billion in net sales, with operating income of ¥26 billion and a 26% operating income margin.

Yamaha Motor views increasing shareholder value as an important management issue and strives to increase corporate value. With regard to the dividend, we seek to “create a stable financial foundation and increase new growth investment and stock dividends,” and have set a benchmark for the dividend payout ratio at 30% of net income attributable to owners of parent. For 2018, we paid a full-year dividend of ¥90 per share, consisting of a ¥45 interim dividend and a ¥45 year-end dividend. We plan to pay a full-year dividend of ¥90 per share again in 2019, with a ¥45 interim dividend and a ¥45 year-end dividend.

We will aim to achieve sustainable growth by providing new, uniquely Yamaha *Kando* to realize our Long-Term Vision, while at the same time contributing to the resolution of social issues in uniquely Yamaha ways. I humbly ask for the understanding and support, from a medium- to long-term perspective, of all stakeholders.

Message to Stakeholders

Message from the Director, Chief General Manager of Corporate Planning & Finance Center

We will balance increases in investments for new growth and returns to shareholders within the range of our cash flow while maintaining and reinforcing the earning power of our existing businesses



Tatsumi Okawa
Director, Senior Executive Officer
Chief General Manager of Corporate Planning & Finance Center

Basic policy for financial strategy

Under our Medium-Term Management Plan, Yamaha Motor is renewing the challenge of achieving ¥2 trillion in annual net sales while pursuing continued growth of our existing businesses and the development of new businesses. As benchmarks for a stable financial foundation, we are aiming for an operating income margin at the 9% level while maintaining an equity ratio of at least 40%.

“Balancing investments for new growth and returns to shareholders, within the range of our cash flow” does not represent a major change in our financial policy. The previous Medium-Term Management Plan also called for “promoting growth strategies,” but even when the financial resources were in place, we were unable to follow through completely in terms of both expenses and investments. This was mainly because we did not sufficiently narrow down the growth areas to pursue, but we did proactively search for and cultivate new areas. In fact, after establishing a venture capital company in Silicon Valley in 2015, each operating division considered many proposals and learned many things, and investments grew.

Therefore, as we formulated the current Long-Term Vision, we held discussions at the global level and made our goals clear. Our organization and funds have begun to operate at a global level, so that investments, including for mergers and acquisitions, are carried out quickly. We are allocating financial resources for growth more concretely and more proactively than in the past. We are also strengthening the management base that will be the platform for growth, and pursuing a digital transformation.

In terms of the financial resources underlying these initiatives, we have increased our investment budget to an aggregate of ¥70 billion for research and development and ¥140 billion for investments including

mergers and acquisitions over three years.

With regard to returns to shareholders, we seek to maintain a stable and continuous dividend with a benchmark payout ratio of 30%, and going forward, we will also proactively consider a total return ratio and the indicator known as TSR (total shareholder return). In addition, from the perspective of making efficient use of shareholders’ equity, we are designating return on equity (ROE) as an important management indicator, with a benchmark of maintaining ROE above the cost of capital at roughly 15%.

We will also proactively expand the financial services business with a funding strategy of using leverage. The business currently operates primarily in Australia, Brazil, Canada and the United States, and has grown to having an outstanding receivables balance totaling roughly ¥300 billion. Under the current Medium-Term Management Plan, we aim to expand the business to Europe and other regions, and to increase our outstanding receivables balance to roughly ¥450 billion.

Cash flow investment strategy

