# Financial Highlights

Yamaha Motor Co., Ltd. and Consolidated Subsidiaries
Years ended December 31

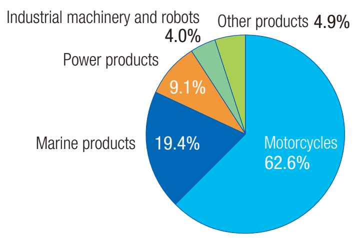
**POINT**

Net sales rose 11.1% from the previous year, to ¥1,670.1 billion, due to strong motorcycle sales in ASEAN and the effect of yen depreciation.

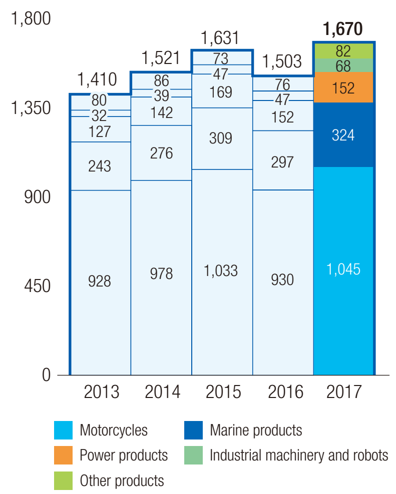
Record profit was achieved at all levels, including a 37.9% increase in operating income, to ¥149.8 billion, due to sales growth and improved profitability from cost reductions.

## Percentage of sales by product segment

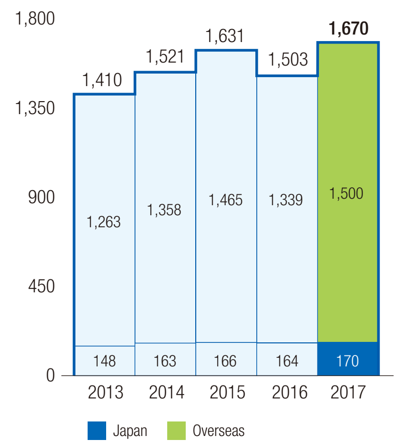
(Year ended December 31, 2017)




## Sales by product segment

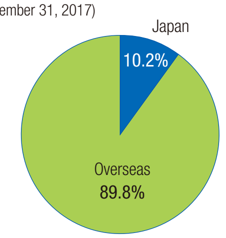



## Sales by market

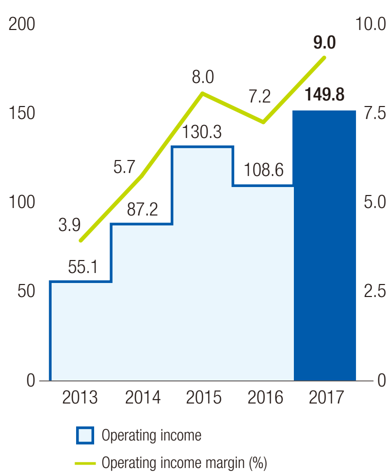



## Percentage of sales by market

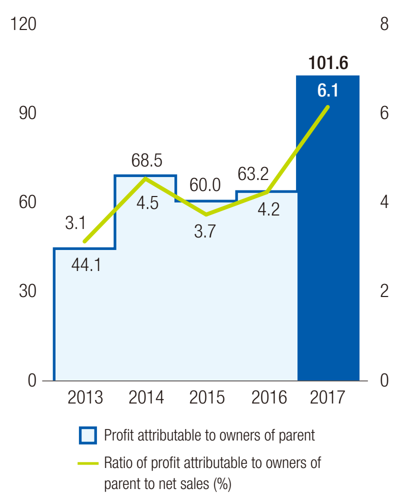
(Year ended December 31, 2017)



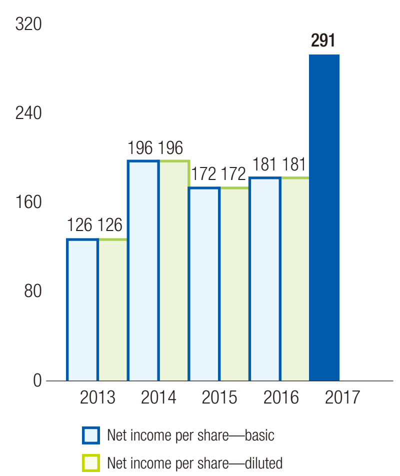

## Operating income and operating income margin




## Profit attributable to owners of parent and ratio of profit attributable to owners of parent to net sales

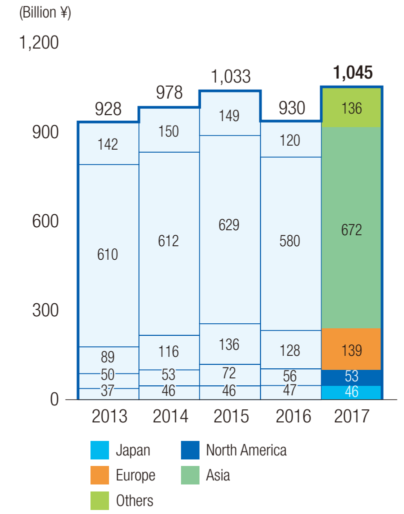



## Net income per share

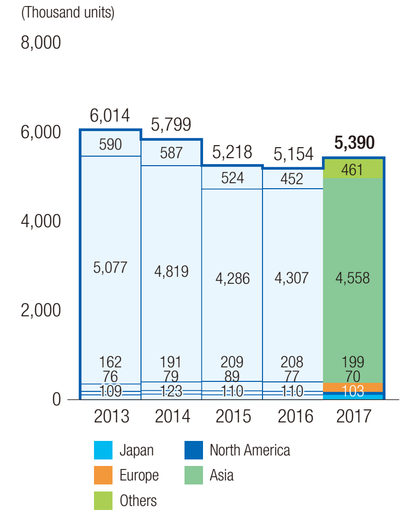



Note: Net income per share—diluted for fiscal 2017 is not listed as there were no potential shares with dilutive effect.

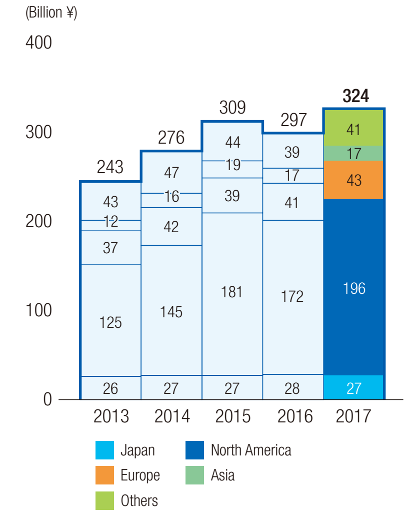
## Motorcycle sales by market



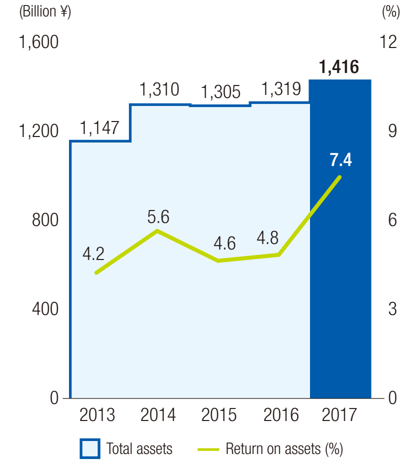

## Motorcycle unit sales by market



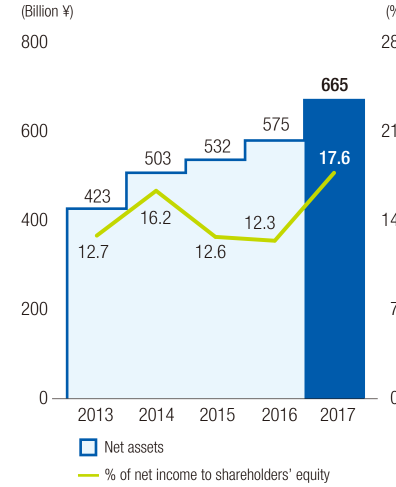

## Marine product sales by market



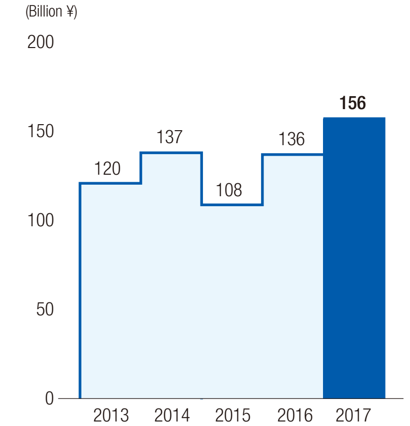

## Total assets and return on assets



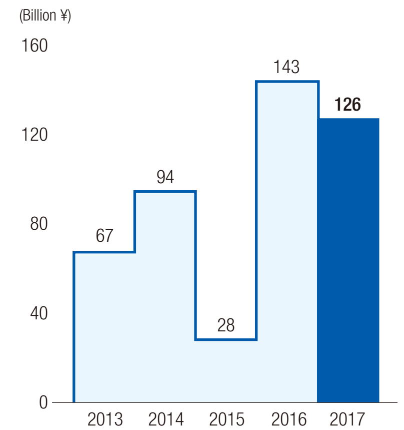

## Net assets and % of net income to shareholders' equity



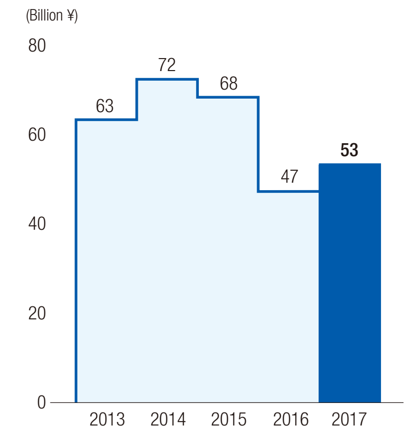

## Cash and cash equivalents at the end of the year



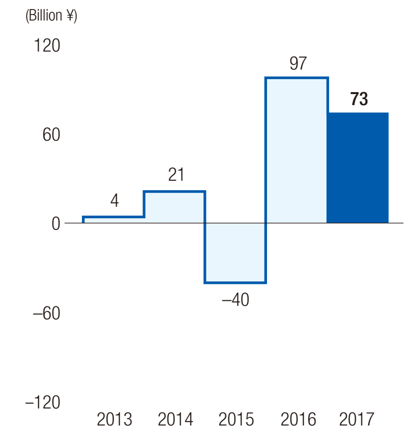

## Cash provided by operating activities




## Cash used in investing activities




## Free cash flows



# Five-Year Summary

Yamaha Motor Co., Ltd. and Consolidated Subsidiaries
Years ended December 31, 2013, 2014, 2015, 2016 and 2017

| | Millions of yen | | | | | % change |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | **2017** | 2017/2016 |
| **For the year:** | | | | | | |
| Net sales | ¥1,410,472 | ¥1,521,207 | ¥1,631,158 | ¥1,502,834 | **¥1,670,090** | 11.1 % |
| Sales by product: | | | | | | |
| Motorcycles | 928,203 | 977,580 | 1,032,560 | 930,112 | **1,045,211** | 12.4 |
| Marine products | 243,362 | 276,367 | 309,337 | 297,216 | **323,838** | 9.0 |
| Power products | 126,722 | 142,204 | 169,495 | 152,310 | **151,622** | (0.5) |
| Industrial machinery and robots | 32,261 | 38,942 | 46,501 | 46,871 | **67,571** | 44.2 |
| Other products | 79,922 | 86,113 | 73,262 | 76,322 | **81,845** | 7.2 |
| Gross profit | 318,765 | 372,849 | 436,525 | 402,660 | **458,629** | 13.9 |
| Operating income | 55,137 | 87,249 | 130,329 | 108,594 | **149,782** | 37.9 |
| Ordinary income | 60,092 | 97,279 | 125,231 | 102,073 | **154,826** | 51.7 |
| Profit attributable to owners of parent | 44,057 | 68,452 | 60,023 | 63,153 | **101,603** | 60.9 |
| Net cash provided by operating activities | 66,976 | 93,618 | 28,475 | 143,163 | **126,342** | (11.7) |
| Net cash used in investing activities | (62,679) | (72,470) | (68,475) | (46,541) | **(53,194)** | 14.3 |
| Free cash flows | 4,296 | 21,148 | (40,000) | 96,622 | **73,147** | (24.3) |
| Net cash provided by (used in) financing activities | 3,620 | (8,908) | 6,845 | (67,627) | **(52,830)** | (21.9) |
| Capital expenditures | 56,800 | 65,871 | 64,064 | 61,330 | **56,532** | (7.8) |
| Depreciation expenses | 36,407 | 37,667 | 44,324 | 42,434 | **45,457** | 7.1 |
| **At year-end:** | | | | | | |
| Total assets | ¥1,146,591 | ¥1,310,040 | ¥1,305,236 | ¥1,318,776 | **¥1,415,845** | 7.4 % |
| Net assets | 422,792 | 503,224 | 531,700 | 575,404 | **665,232** | 15.6 |
| Interest-bearing debt | 382,929 | 403,652 | 410,148 | 364,381 | **353,490** | (3.0) |
| **Ratios:** | | | | | | |
| Operating income margin (%) | 3.9 | 5.7 | 8.0 | 7.2 | **9.0** | |
| Return on equity (%) | 12.7 | 16.2 | 12.6 | 12.3 | **17.6** | |
| Equity ratio (%) | 33.5 | 35.1 | 37.6 | 40.5 | **44.0** | |
| Price/earnings ratio (times) | 12.5 | 12.5 | 16.0 | 14.2 | **12.7** | |
| Debt/equity ratio (%) | 99.7 | 87.8 | 83.6 | 68.2 | **56.8** | |

| | Yen | | | | | % change |
|---|---|---|---|---|---|---|
| **Per share amounts:** | | | | | | |
| Net income—basic | ¥ 126.20 | ¥ 196.06 | ¥ 171.89 | ¥ 180.84 | **¥ 290.93** | 60.9 % |
| Net income—diluted | 126.20 | 196.04 | 171.88 | 180.83 | **—** | — |
| Net assets | 1,099.84 | 1,316.58 | 1,405.35 | 1,529.53 | **1,783.35** | 16.6 |
| Cash dividends | 26.00 | 40.00 | 44.00 | 60.00 | **88.00** | 46.7 |

| | Millions of yen, except per share data | | | | | % change |
|---|---|---|---|---|---|---|
| **Share performance** (at year-end)**:** | | | | | | |
| Price per share (yen) | ¥ 1,577 | ¥ 2,442 | ¥ 2,744 | ¥ 2,574 | **¥ 3,695** | 43.6 % |
| Market capitalization | 550,585 | 852,683 | 958,264 | 898,931 | **1,290,413** | 43.5 |

| | Persons | | | | | % change |
|---|---|---|---|---|---|---|
| **Other data** (at year-end)**:** | | | | | | |
| Number of shareholders | 29,474 | 30,416 | 34,214 | 42,031 | **34,566** | (17.8)% |
| Number of employees | 53,382 | 52,662 | 53,306 | 53,150 | **53,579** | 0.8 |

Notes: • References to fiscal years are to 12-month periods commencing on January 1 and ending on December 31.
• With regard to amounts stated in million yen units, amounts less than ¥1 million are truncated. For amounts stated in 0.1 billion or billion yen units, amounts less than ¥0.1 billion or ¥1 billion, respectively, are rounded off.
• From the fiscal year ended December 31, 2016, the presentation of sales finance-related income and expenses has changed from recording under "Selling, general and administrative expenses," "Non-operating income," and "Non-operating expenses" to recording under "Net sales," "Cost of sales," and "Selling, general and administrative expenses." To reflect this change in presentation method, the consolidated financial statements for the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2015 have been reclassified.



# Management Discussion and Analysis of Operations

## Overview

During the fiscal year ended December 31, 2017 (fiscal 2017), the global economy continued to recover at a moderate pace amid a sense of uncertainty over the future caused by geopolitical risks. In developed markets, the economic recovery continued in Europe and the United States against a backdrop of expanding personal consumption and exports, and in emerging markets, domestic demand improved due to the recovery of prices of resources. In addition, exchange rate trends remained stable during the year.

Against this backdrop, the Company's consolidated net sales for the fiscal year under review rose ¥167.3 billion, or 11.1% year on year, to ¥1,670.1 billion, and the Company achieved its highest ever operating income, ordinary income and profit attributable to owners of parent. Operating income rose ¥41.2 billion, or 37.9%, to ¥149.8 billion, ordinary income rose ¥52.8 billion, or 51.7%, to ¥154.8 billion, and profit attributable to owners of parent rose ¥38.5 billion, or 60.9%, to ¥101.6 billion.

## Sales Performance by Business Segment

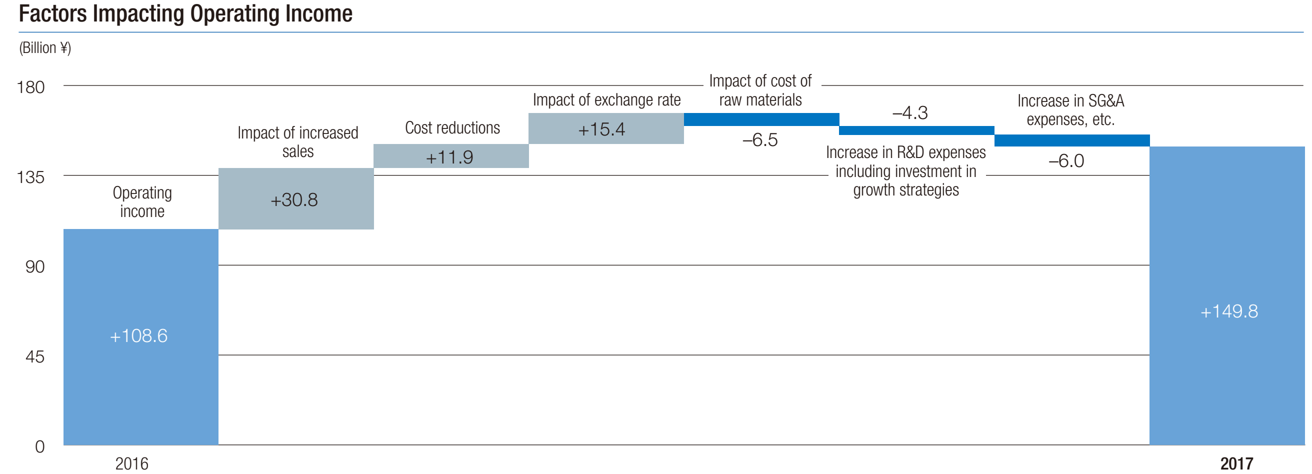
### Motorcycles

Net sales rose ¥115.1 billion, or 12.4% year on year, to ¥1,045.2 billion, and operating income rose ¥32.9 billion, or 91.4% year on year, to ¥68.8 billion.

Unit sales increased in countries such as the Philippines, Thailand, Taiwan and Vietnam, and declined in developed markets, Indonesia and other countries, leading to unit sales of approximately 5.4 million across the business as a whole, the largest year-on-year increase since 2011. As a result, net sales increased and operating income rose significantly due to expanded sales of higher-priced products in ASEAN countries, Brazil and other emerging markets as well as the effects of cost reductions.

While maintaining increased profitability from platform models in ASEAN countries, the Company shall release models that will command a strong presence in each market. In addition, in developed markets, the Company shall create new demand, while introducing models that leverage the unique characteristics of the Yamaha brand and marketing that embodies Yamaha's unique style.

### Factors Impacting Operating Income



### Marine Products

Net sales rose ¥26.6 billion, or 9.0% year on year, to ¥323.8 billion, and operating income rose ¥4.1 billion, or 7.4%, to ¥59.5 billion.

Unit sales of outboard motors and personal watercraft increased year on year, while in the boat business, the Company is proceeding with the acquisition of a boat builder in Europe following acquisitions in the United States, and the number of units produced increased. As a result, net sales rose and operating income also increased, partly because the model mix improved owing to expanded sales of large models of outboard motors in North America and Europe.

In addition, the Company is creating a business model for the future aimed at becoming a system supplier, including acquiring boat peripheral device manufacturers in North America.

### Power Products

Net sales declined ¥0.7 billion, or 0.5% year on year, to ¥151.6 billion, and operating loss was ¥1.5 billion, against operating income of ¥4.5 billion in the fiscal year ended December 31, 2016.

Recreational off-highway vehicle (ROV) inventory adjustments were completed and their effects led to a decline in sales and profits.

The Company shall implement new product strategies and expand the market sectors in which it operates.

### Industrial Machinery and Robots

Net sales rose ¥20.7 billion, or 44.2% year on year, to ¥67.6 billion, and operating income rose ¥8.1 billion, or 107.0%, to ¥15.6 billion.

A new plant began operating in March and unit sales of surface mounters and industrial robots rose significantly, which led to an increase in sales and profits.

In the surface mounter business, the Company shall provide customers with more high-efficiency solutions, as it has developed a product lineup that covers products ranging from the ultra-high-speed sector to the high-speed sector, which has a large market size.

### Other Products

Net sales rose ¥5.5 billion, or 7.2% year on year, to ¥81.8 billion, and operating income rose ¥2.1 billion, or 41.0%, to ¥7.3 billion.

Unit sales of electrically power-assisted bicycles increased in Japan, and exports of E-kits (drive units for electrically power-assisted bicycles) to Europe also rose significantly, leading to an increase in sales and profits.

Looking ahead, the Company shall further broaden its customer base as it increases customers among elderly people, housewives with children, and students, while also focusing on developing new sports markets.

## Income and Expenses

### R&D Expenses

The Yamaha Motor Group aims to be a "*Kando* Creating Company," and seeks to achieve this through continuous growth as an excellent engineering, manufacturing and marketing enterprise with a prominent presence in the global market, while also pursuing customers' changing dreams. Our technological development uses original and innovative ideas to provide pure enjoyment backed by reliability, together with a refined uniqueness that people find attractive. From this, our mission is to create products and technologies that embody the unique style of Yamaha.

We continue to take on new challenges in the three areas of "fulfilling lifestyles," "enjoyment in personal mobility" and "innovative technologies that harmonize with people, society and the Earth." Our proactive R&D activities seek to offer original, innovative solutions that build on our optimal control technologies for power sources, vehicle bodies, boats and airframes, and to create products that incorporate logic and emotion through core technologies for high performance, light weight, fuel efficiency and compactness, with an emphasis on original styling, shapes, materials and appeal to captivate our customers.

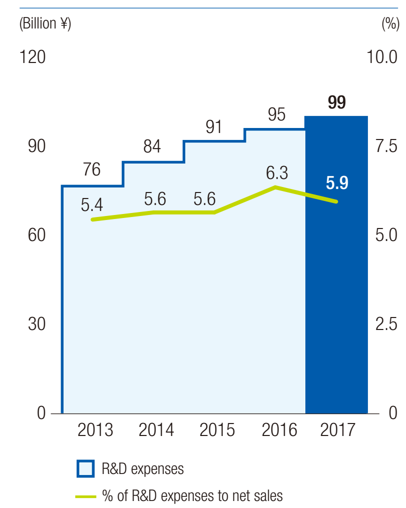
By delivering products that embody the unique style of Yamaha, we seek to create strong connections with customers around the world. Our global R&D structure is at the core of these efforts, and we are proactively pursuing R&D activities in close cooperation with affiliated companies in Japan and overseas. Furthermore, the seeds we have sown while pursuing our growth strategies are taking shape in the form of businesses that are now developing. Medical equipment and drones, for example, emerged through the exploration of new areas in the existing domains of robotics and industrial-use helicopters.

Under these circumstances, the Group's overall R&D expenses were ¥99.2 billion.

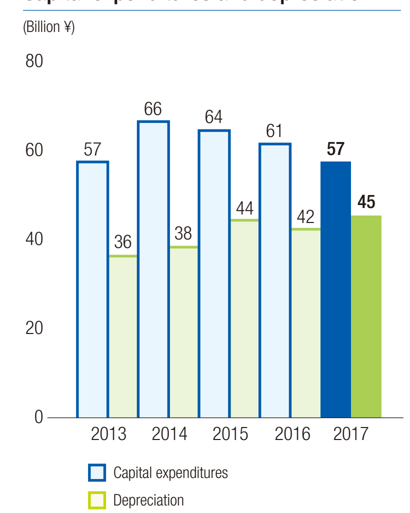
### Non-Operating Income and Expenses

Net non-operating income was positive in the amount of ¥5.0 billion, compared with a negative ¥6.5 billion in the previous year. This included share of profit of entities accounted for using the equity method of ¥2.8 billion (compared with ¥0.8 billion in the previous year), interest income of ¥4.6 billion (compared with ¥4.3 billion in the previous year), interest expenses of ¥3.9 billion (compared with ¥4.6 billion in the previous year), and foreign exchange losses of ¥1.7 billion (compared with ¥8.3 billion in the previous year).

R&D expenses and % of R&D expenses to net sales




Capital expenditures and depreciation




### Extraordinary Income and Loss

Net extraordinary income was negative in the amount of ¥2.5 billion, compared with a negative ¥2.3 billion in the previous year. This was mainly from an impairment loss totaling ¥2.1 billion (compared with ¥1.4 billion in the previous year) and a loss on disposal of non-current assets of ¥1.4 billion (compared with ¥1.0 billion in the previous year) at the Company and overseas subsidiaries.

### Income Taxes

Income taxes increased ¥9.7 billion, or 38.1% year on year, to ¥35.2 billion.

### Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests includes interests owned by non-controlling shareholders in Yamaha Motor Vietnam Co., Ltd., Yamaha Motor Taiwan Co., Ltd., PT. Yamaha Indonesia Motor Manufacturing, Industria Colombiana de Motocicletas Yamaha S.A., and Thai Yamaha Motor Co., Ltd., and increased ¥4.4 billion, or 39.9% from the previous year, to ¥15.5 billion.

## Capital Resources and Liquidity

### Assets, Liabilities and Total Net Assets

Total assets as of December 31, 2017 increased ¥97.1 billion, from December 31, 2016, to ¥1,415.8 billion. Current assets rose ¥60.1 billion, due to increases in cash and deposits, accounts receivable - trade and inventories, and other factors. Non-current assets increased ¥37.0 billion as a result of factors including an increase in long-term sales finance receivables.

Total liabilities increased ¥7.2 billion to ¥750.6 billion, mainly from an increase in accounts payable - trade.

Total net assets increased ¥89.8 billion to ¥665.2 billion, which included the recording of ¥101.6 billion of profit attributable to owners of parent and ¥24.1 billion of cash dividends paid. As a result, the shareholders' equity ratio as of December 31, 2017 was 44.0% (an improvement of 3.5 percentage points from the end of the previous fiscal year). The net debt-equity ratio was 0.3 times, compared with 0.4 times at the end of the previous fiscal year.

Note 1: Equity ratio: (Shareholders' equity + Accumulated other comprehensive income) / Total assets x 100 (%)

### Capital Expenditures

The Group made investments of ¥56.5 billion in total during fiscal 2017.

In the motorcycle business, investments of ¥31.2 billion were made for new products and research and development in Japan and overseas, and enhancement of production capacity in India. In the marine products business, investments of ¥12.1 billion were made for new products and for enhancing domestic production capacity. In the power products business, investments of ¥9.1 billion were made mainly for new ROV products and for developing new products of multi-purpose engines resulting from technology transfer. In the industrial machinery and robots business, investments of ¥0.4 billion were made mainly for new products. In the other products business, investments of ¥3.6 billion were made mainly for research and development of automobile engines and electrically power-assisted bicycles.

### Cash Flows

Net cash provided by operating activities during fiscal 2017 was ¥126.3 billion (compared with ¥143.2 billion provided in the previous year). This mainly reflected cash provided from profit before income taxes of ¥152.3 billion (¥99.7 billion) and depreciation of ¥45.5 billion (¥42.4 billion), against cash used for a combined increase in notes and accounts receivable - trade and sales finance receivables of ¥50.3 billion (compared with an increase of ¥2.2 billion in the previous year).

Net cash used in investing activities during fiscal 2017 was ¥53.2 billion (compared with ¥46.5 billion used in the previous year), which included ¥64.4 billion used for purchase of property, plant and equipment and intangible assets (¥50.4 billion).

Net cash used in financing activities during fiscal 2017 was ¥52.8 billion (compared with ¥67.6 billion used in the previous year), which included cash dividends paid and the repayment of loans payable.

As a result of the activities discussed above, free cash flows for fiscal 2017 were a positive ¥73.1 billion (compared with a ¥96.6 billion positive free cash flow in fiscal 2016). Interest-bearing debt at the end of the fiscal year was ¥353.5 billion (a ¥10.9 billion decrease), and cash and cash equivalents totaled ¥155.6 billion (a ¥20.1 billion increase). Interest-bearing debt included ¥248.7 billion (a ¥34.1 billion increase) in borrowings for sales finance.

### Demand for Funds

The Group's fund requirements are primarily to cover the cost of procuring materials and parts used in product manufacturing and costs incurred in the manufacturing process, as well as purchasing costs for products and merchandise, SG&A expenses, working capital and capital expenditures.

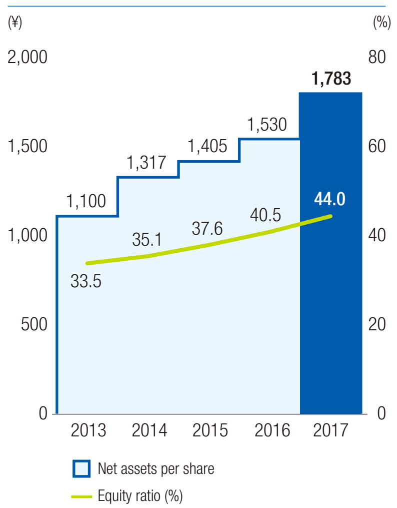
### Cash Dividends

In the current Medium-Term Management Plan, the Company seeks to "create a stable financial foundation, and increase new growth investment and stock dividends," and sets the benchmark at a dividend payout ratio of 30% of profit attributable to owners of parent.

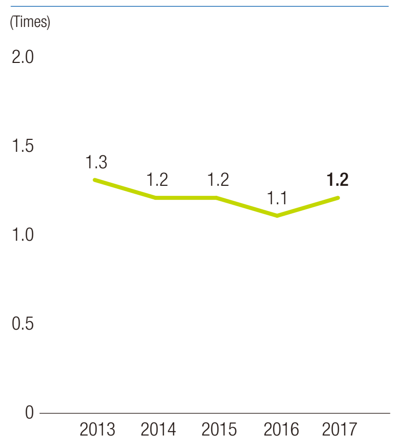
The Company has a basic policy of paying an interim dividend and a year-end dividend. The decision-making bodies for dividends are the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends. In addition, the Company's Articles of Incorporation provides that the record date for the interim dividend shall be June 30, and December 31 for the year-end dividend.

The Company decided to pay a year-end dividend of ¥49 per share for fiscal 2017. Added to the interim dividend (¥39 per share), this gave a total dividend for the year of ¥88 per share.

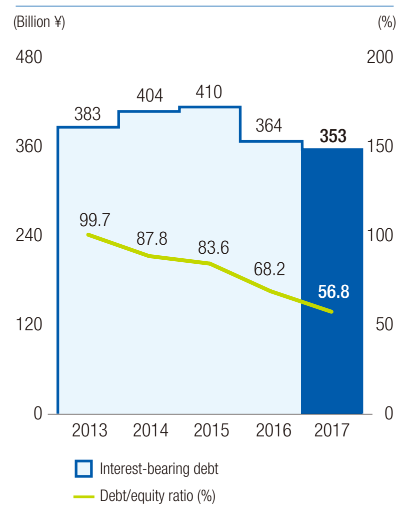
**Net assets per share and equity ratio** Note 1



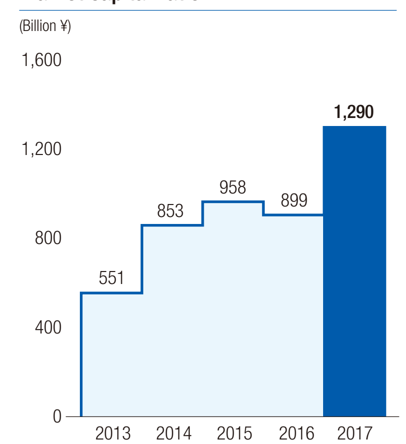

**Total asset turnover**



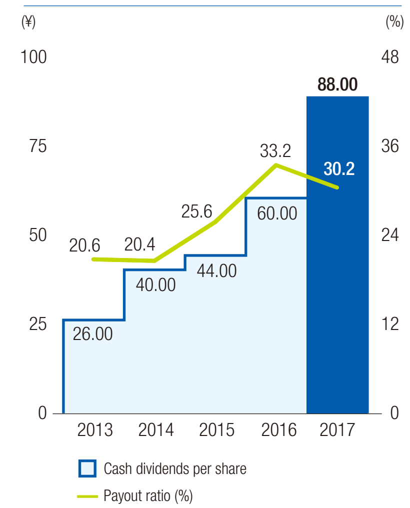

**Interest-bearing debt and debt/equity ratio**



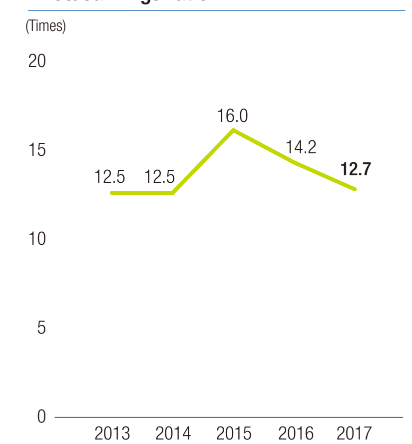

**Market capitalization**




**Cash dividends per share and payout ratio**




**Price/earnings ratio**



## Fund Procurement Conditions

Group companies acquire short-term loans payable denominated in local currencies to use as working capital. Meanwhile, funds for plant and equipment investment come primarily from internal reserves, including paid-in capital and retained earnings.

The annual amounts of interest-bearing debt to be repaid are as follows:

(Billion ¥)

| | Total | 1 year or less | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Short-term loans payable | 133.7 | 133.7 | — | — | — | — | — |
| Long-term loans payable | 219.8 | 57.2 | 122.3 | 27.2 | 12.8 | 0.2 | — |

Note 2: Long-term loans payable includes current portion of long-term loans payable.

## Share Performance

Price per share increased from ¥2,574 at December 31, 2016, to ¥3,695 at December 31, 2017. The number of shares outstanding, excluding treasury stock, decreased from 349,235,122 shares at December 31, 2016, to 349,232,466 shares at December 31, 2017. As a result, the market capitalization of the Company increased from ¥898.9 billion at December 31, 2016, to ¥1,290.4 billion at December 31, 2017.

## Forecast for Fiscal 2018

In the fiscal year ending December 31, 2018, the Company expects that the business environment will be uncertain. Still, considering market conditions and demand trends, the Company plans to maintain stable profits while steadily implementing medium- to long-term initiatives. The consolidated financial results forecast is as follows:

(Billion ¥)

| | |
|---|---|
| Net sales | 1,700.0 (+29.9, 1.8%) |
| Operating income | 150.0 (+0.2, 0.1%) |
| Ordinary income | 155.0 (+0.2, 0.1%) |
| Profit attributable to owners of parent | 103.0 (+1.4, 1.4%) |

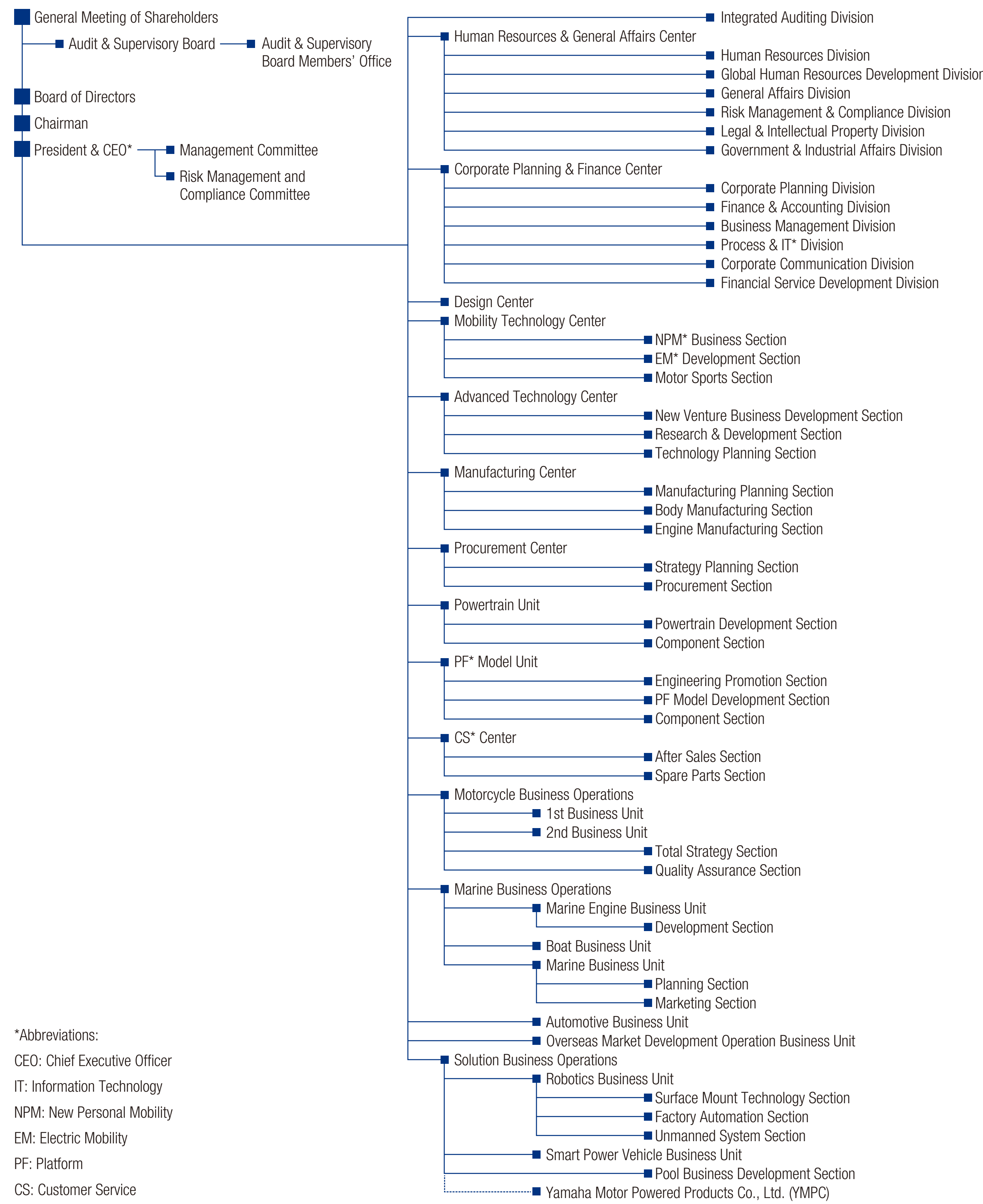
Note 3: The figures in parentheses indicate amount and percentage changes from the fiscal year ended December 31, 2017.

The forecast is based on the assumption that the exchange rates are ¥105 against the U.S. dollar (an appreciation of ¥7 from the previous fiscal year) and ¥130 against the euro (a depreciation of ¥3 from the previous fiscal year).



# Organization

Yamaha Motor Co., Ltd., as of April 1, 2018




*Abbreviations:
CEO: Chief Executive Officer
IT: Information Technology
NPM: New Personal Mobility
EM: Electric Mobility
PF: Platform
CS: Customer Service