

Yamaha Motor Co., Ltd.
2500 Shingai, Iwata-shi, Shizuoka, Japan

Code No: 7272
March 5, 2019

Notice of the 84th Ordinary General Meeting of Shareholders

This document has been translated from the Japanese original, for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Dear Shareholders:

This is to inform you of the 84th Ordinary General Meeting of Shareholders, to be held at the time and place indicated below.

If you are unable to attend the meeting, you may exercise your voting rights by either of the methods below. Please review the reference documents provided and exercise your voting rights by 5:30 p.m. on Tuesday, March 26, 2019 (JST).

[Exercising Voting Rights by Mail]

Please indicate your vote of approval or disapproval of each proposed resolution on the enclosed Exercise of Voting Rights Form, and return the form to us so that it arrives by the aforementioned deadline.

[Exercising Voting Rights by Electromagnetic Means]

Please read the attached documents on page 83 "Procedures for Exercising Voting Rights by Electromagnetic Means," and exercise your voting rights online.

1. **Date and Time:** Wednesday, March 27, 2019 at 10:00 a.m. (JST)
(The reception will open at 9:00 a.m.)
2. **Location:** Concert Hall, ACT CITY Hamamatsu
111-1 Itaya-machi, Naka-ku, Hamamatsu-shi, Shizuoka, Japan
* The venue has been changed for this year.

3. Agenda of the Meeting

Items to be reported:

1. Business Report for the 84th Fiscal Year (from January 1, 2018 through December 31, 2018); Consolidated Financial Statements applicable to the 84th Fiscal Year (from January 1, 2018 through December 31, 2018); Report of Independent Auditors on Consolidated Financial Statements; and Report of the Audit & Supervisory Board on Consolidated Financial Statements
2. Non-consolidated Financial Statements applicable to the 84th Fiscal Year (from January 1, 2018 through December 31, 2018).

Items to be resolved:

- | | |
|-----------------------|--|
| Proposed Resolution 1 | Appropriation of Surplus |
| Proposed Resolution 2 | Election of Eleven Directors |
| Proposed Resolution 3 | Election of Three Audit & Supervisory Board Members |
| Proposed Resolution 4 | Election of One Substitute Audit & Supervisory Board Member |
| Proposed Resolution 5 | Revision of Remuneration Amounts for Directors and Audit & Supervisory Board Members |
| Proposed Resolution 6 | Decision of Remuneration for Imparting Shares with Restriction on Transfer for Directors (Excluding Outside Directors) |

4. Predetermined Terms of the Convening

- (1) If you do not indicate your vote of approval or disapproval for each proposed resolution on the Exercise of Voting Rights Form, we will consider you to have approved the Company's proposed resolutions on which you did not vote, as stipulated in Paragraph 3 of Article 15 of the "Share Handling Regulations."
- (2) Duplicate voting
 - 1) If we recognize that you exercise your voting right via the Internet, etc. more than once on the same proposal, the vote received last (limited to your vote cast before our time limit for exercise) shall be treated as the effective vote, as stipulated in Paragraph 1 of Article 15 of the "Share Handling Regulations."
 - 2) If we recognize that you exercise your voting right both in writing and via the Internet, etc. on the same proposal, the vote received last (limited to your vote cast before our time limit for exercise) shall be treated as the effective vote, as stipulated in Paragraph 2 of Article 15 of the "Share Handling Regulations." If both votes arrive on the same day, vote via the Internet, etc. will prevail and be treated as the effective vote.
- (3) A person who is to exercise voting rights on behalf of a shareholder as a proxy (one other shareholder with voting rights of the Company) shall not be entitled to exercise the shareholder's voting rights as a proxy unless the person receives an Exercise of Voting Rights Form from the shareholder and submits it to the Company, as stipulated in Paragraph 4 of Article 15 of the "Share Handling Regulations."

5. Other Matters regarding this Notice

Among the documents which should be provided together with this Notice, the "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" are made available on the Company's website at <https://global.yamaha-motor.com/jp/>, pursuant to the applicable laws and regulations and Article 19 of the Articles of Incorporation of the Company. Accordingly, these notes are not provided in this Notice. The Consolidated Financial Statements and Non-consolidated Financial Statements that are provided in the Attached Documents of this Notice are part of the consolidated financial statements and non-consolidated statements that were audited by the Independent Auditors and Audit & Supervisory Board Members for preparation of their accounting audit report and audit report.

- Notes:
1. Attendees are asked to submit their completed Exercise of Voting Rights Form to the reception desk on the day of the meeting.
 2. If and when any correction is made to the Reference Documents for the General Meeting of Shareholders and Attached Documents, it will be announced on the Company's website at <https://global.yamaha-motor.com/jp/>

Reference Documents for the 84th Ordinary General Meeting of Shareholders

Proposals and Reference Information

Proposed Resolution 1 Appropriation of Surplus

Placing a focus on “creating a stable financial foundation, and increasing investments for new growth and stock dividends,” the Company has set the benchmark at a dividend payout ratio of 30% of net income attributable to owners of parent.

The Company proposes to pay a year-end dividend of ¥45 per share for the current fiscal year. Added to the interim dividend (¥45 per share), this gives a total dividend for the year of ¥90 per share.

- (1) Type of dividend property:
Cash

- (2) Distribution of dividend property, and the total amount distributed:
45 yen per share of common stock
Total amount: 15,717,449,565 yen

- (3) Effective date of distribution:
March 28, 2019

Proposed Resolution 2 Election of Eleven Directors

All of the eleven (11) Directors will complete their respective terms of office at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, Yamaha Motor Co., Ltd. (hereinafter the “Company”) proposes the election of a total of eleven (11) Directors.

The Director candidates are as follows.

[Reference] Structure of Directors*

Candidate No.	Name	New candidate or candidate for reappointment	Current positions and responsibilities in the Company		
1	Hiroyuki Yanagi	Candidate for reappointment	Chairman and Representative Director		
2	Yoshihiro Hidaka	Candidate for reappointment	President, Chief Executive Officer and Representative Director Chief General Manager in charge of Human Resources & General Affairs and Marine		
3	Katsuaki Watanabe	Candidate for reappointment	Executive Vice President and Representative Director Chief General Manager in charge of Motorcycle, CS, Market Development, Automotive, and Advanced Technology		
4	Toshizumi Kato	Candidate for reappointment	Managing Executive Officer and Director Chief General Manager in charge of Solution, Power Products and Alliance Strategy		
5	Katsuhito Yamaji	Candidate for reappointment	Senior Executive Officer and Director Chief General Manager in charge of Manufacturing, Manufacturing Technology, Procurement and Powertrain		
6	Makoto Shimamoto	Candidate for reappointment	Senior Executive Officer and Director Chief General Manager of Mobility Technology Center Chief General Manager in charge of Vehicle Development and Design		
7	Tatsumi Okawa	Candidate for reappointment	Senior Executive Officer and Director Chief General Manager of Corporate Planning & Finance Center Chief General Manager in charge of IT and Digital Technology		
8	Takuya Nakata	Candidate for reappointment	Director	Outside Director	Independent Outside Officer
9	Genichi Tamatsuka	Candidate for reappointment	Director	Outside Director	Independent Outside Officer
10	Takehiro Kamigama	Candidate for reappointment	Director	Outside Director	Independent Outside Officer
11	Yuko Tashiro	New candidate		Outside Director	Independent Outside Officer

* Structure in the case that this proposal is approved.

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
1	<p data-bbox="288 831 533 891">Hiroyuki Yanagi (November 20, 1954)</p> <div data-bbox="306 958 521 1037" style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for Reappointment</div>	<p data-bbox="552 293 1238 931"> April 1978: Joined the Company April 2000: General Manager of Soude Factory and General Manager of Morimachi Factory, Production Control Division, MC Operations of the Company April 2003: Director and President of MBK Industrie February 2004: Director and President of Yamaha Motor India Pvt. Ltd. March 2007: Executive Officer of the Company January 2009: Chief General Manager of Manufacturing Center of the Company March 2009: Senior Executive Officer of the Company March 2010: President, Chief Executive Officer and Representative Director of the Company June 2011: Outside Director of Yamaha Corporation January 2018: Chairman and Representative Director of the Company (to present) [Significant concurrent positions] Chairman of Japan Marine Industry Association </p> <p data-bbox="552 954 1433 1431"> - Term of office as a Director: Nine (9) years (at the conclusion of this Ordinary General Meeting of Shareholders) - Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%) - Reasons for the nomination of candidate for Director: The Company nominated Hiroyuki Yanagi as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as President and Representative Director of the Company since 2010 and others, he is highly capable in corporate management that is required to deal with a variety of values as well as expertise in technological and manufacturing fields. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors. </p>	72,700

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
2	Yoshihiro Hidaka (July 24, 1963) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-left: 20px;">Candidate for Reappointment</div>	<p>April 1987: Joined the Company</p> <p>July 2010: Vice President of Yamaha Motor Corporation, U.S.A.</p> <p>January 2013: Executive General Manager of 3rd Business Unit, MC Business Operations of the Company</p> <p>March 2014: Executive Officer of the Company</p> <p>January 2015: Executive General Manager of 2nd Business Unit, MC Business Operations of the Company</p> <p>January 2016: Executive General Manager of 1st Business Unit and General Manager of Southeast & East Asia Sales Division, 1st Business Unit, MC Business Operations of the Company</p> <p>January 2017: Chief General Manager of Corporate Planning & Finance Center of the Company</p> <p>March 2017: Senior Executive Officer and Director of the Company</p> <p>January 2018: President, Chief Executive Officer and Representative Director of the Company (to present)</p> <p>June 2018: Outside Director of Yamaha Corporation (to present)</p> <p>- Term of office as a Director: Two (2) years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>- Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%)</p> <p>- Reasons for the nomination of candidate for Director: The Company nominated Yoshihiro Hidaka as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as Vice President of Yamaha Motor Corporation, U.S.A., Executive General Manager of MC Business Unit, Chief General Manager of Corporate Planning & Finance Center of the Company and others, he is highly capable in corporate management that is required to deal with a variety of values and has expertise in the management control and business strategy fields. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors.</p>	11,409

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
3	Katsuaki Watanabe (November 15, 1959) <div style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for Reappointment</div>	April 1982: Joined the Company January 2007: Director and President of Yamaha Motor Parts Manufacturing Vietnam Co., Ltd. January 2009: Senior General Manager of BD Manufacturing Section, Manufacturing Center of the Company March 2010: Executive Officer of the Company November 2010: Chief General Manager of Manufacturing Center of the Company March 2011: Senior Executive Officer of the Company April 2013: Chief General Manager of Manufacturing Center and Executive General Manager of 1st Business Unit, MC Business Operations of the Company March 2014: Senior Executive Officer and Director of the Company January 2015: Chief General Manager of MC Business Operations of the Company March 2016: Managing Executive Officer and Director of the Company January 2018: Executive Vice President and Representative Director of the Company (to present)	24,900
		<ul style="list-style-type: none"> - Term of office as a Director: Five (5) years (at the conclusion of this Ordinary General Meeting of Shareholders) - Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%) - Reasons for the nomination of candidate for Director: The Company nominated Katsuaki Watanabe as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as Director and President of Yamaha Motor Parts Manufacturing Vietnam Co., Ltd. and Chief General Manager of Manufacturing Center and Chief General Manager of MC Business Operations of the Company and others, he is highly capable and has expertise in the procurement and manufacturing fields. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors. 	

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
4	<p data-bbox="303 806 510 873">Toshizumi Kato (March 24, 1958)</p> <div data-bbox="295 896 518 974" style="border: 1px solid black; padding: 2px;"> <p data-bbox="319 907 494 963">Candidate for Reappointment</p> </div>	<p data-bbox="550 257 1189 963"> June 1986: Joined the Company April 2003: Vice President of IM Company of the Company January 2005: Director and President of Yamaha Motor Australia Pty Limited March 2007: President of IM Company of the Company March 2008: Executive Officer of the Company January 2010: Senior General Manager of Sales Operations, MC Business Operations of the Company January 2011: Director and President of Yamaha Motor Corporation, U.S.A. March 2012: Senior Executive Officer of the Company March 2014: Senior Executive Officer and Director of the Company January 2016: Chief General Manager of Vehicle & Solution Business Operations of the Company March 2016: Managing Executive Officer and Director of the Company (to present) </p> <p data-bbox="550 974 1436 1422"> - Term of office as a Director: Five (5) years (at the conclusion of this Ordinary General Meeting of Shareholders) - Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%) - Reasons for the nomination of candidate for Director: The Company nominated Toshizumi Kato as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as President of IM Company of the Company, Director and President of Yamaha Motor Corporation, U.S.A. and others, he is highly capable and has expertise in the marketing field. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors. </p>	26,600

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
5	Katsuhito Yamaji (November 28, 1958) <div style="border: 1px solid black; padding: 2px; width: fit-content;">Candidate for Reappointment</div>	<p>April 1982: Joined the Company</p> <p>April 2003: Director of Yamaha Motor da Amazonia Ltda.</p> <p>July 2009: Senior General Manager of Manufacturing and Engineering Section, Technology Center of the Company</p> <p>November 2010: Senior General Manager of EG Manufacturing Section, Manufacturing Center of the Company</p> <p>March 2012: Executive Officer of the Company</p> <p>January 2014: Chief General Manager of Manufacturing Center of the Company</p> <p>March 2015: Senior Executive Officer of the Company</p> <p>January 2017: Chief General Manager of Manufacturing Center and Chief General Manager in charge of Procurement Center of the Company</p> <p>March 2017: Senior Executive Officer and Director of the Company (to present)</p> <p>- Term of office as a Director: Two (2) years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>- Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%)</p> <p>- Reasons for the nomination of candidate for Director: The Company nominated Katsuhito Yamaji as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as Director of Yamaha Motor da Amazonia Ltda. (Brazil), Chief General Manager of Manufacturing Center of the Company and others, he is highly capable and has expertise in the manufacturing field. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors.</p>	15,686

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
6	Makoto Shimamoto (August 19, 1960) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 10px auto;">Candidate for Reappointment</div>	<p>April 1983: Joined the Company</p> <p>January 2007: General Manager of Engine Designing Division, Product Development Section, MC Business Operations of the Company</p> <p>January 2010: Senior General Manager of Cost Innovation Section, Procurement Center of the Company</p> <p>January 2012: Director and President of Yamaha Motor Asian Center Co., Ltd.</p> <p>January 2014: Senior General Manager of PF Model Development Section, PF Model Unit of the Company</p> <p>March 2014: Executive Officer of the Company</p> <p>January 2015: Chief General Manager of PF Model Unit and Senior General Manager of PF Model Development Section, PF Model Unit of the Company</p> <p>March 2015: Senior Executive Officer of the Company</p> <p>January 2017: Chief General Manager of Technology Center and Chief General Manager of PF Model Unit of the Company</p> <p>March 2017: Senior Executive Officer and Director of the Company (to present)</p> <p>January 2018: Chief General Manager of Mobility Technology Center (to present)</p> <p>- Term of office as a Director: Two (2) years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>- Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%)</p> <p>- Reasons for the nomination of candidate for Director: The Company nominated Makoto Shimamoto as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as Director and President of Yamaha Motor Asian Center Co., Ltd. (Thailand), Chief General Manager of PF Model Unit of the Company and others, he is highly capable and has expertise in the technological field. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors.</p>	10,717

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
7	Tatsumi Okawa (January 28, 1964) <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-left: 20px;">Candidate for Reappointment</div>	<p>April 1986: Joined the Company</p> <p>March 2007: Director and President of Yamaha Motor Australia Pty Limited.</p> <p>January 2011: General Manager of Corporate Planning Division, Corporate Planning & Finance Section of the Company</p> <p>October 2012: Executive General Manager of ME Business Unit, Marine Business Operations of the Company</p> <p>March 2014: Executive Officer of the Company</p> <p>January 2015: Director and President of Yamaha Motor Corporation, U.S.A.</p> <p>January 2018: Chief General Manager of Corporate Planning & Finance Center of the Company (to present)</p> <p>March 2018: Senior Executive Officer and Director of the Company (to present)</p> <p>- Term of office as a Director: One (1) year (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>- Attendance at the Board of Directors Meetings (After taking office on March 23, 2018): 10 out of 10 meetings (100%)</p> <p>- Reasons for the nomination of candidate for Director: The Company nominated Tatsumi Okawa as a candidate for Director for the following reasons: he has personality traits required of a Director such as high ethics and fairness. With his experience and business track records as Executive General Manager of ME Business Unit, Marine Business Operations, Director and President of Yamaha Motor Corporation, U.S.A. and others, he is highly capable and has expertise in the business management field. Accordingly, he is expected to contribute to increasing corporate value of the Group and enhancing management supervisory capabilities of the Board of Directors.</p>	11,201

[Candidates for Outside Directors]

The Outside Director candidates are as follows.

In addition to requirements in the independence criteria established by the Tokyo Stock Exchange, the Company has established its original “Standards for Selecting Independent Outside Officers” as stated below.

(Reference) Summary of “Standards for Selecting Independent Outside Officers”

I. Independent Outside Officers may not be:

1. Employees or former employees of the company
2. Major shareholders
3. Individuals in a “major customer” relationship with our corporate group
4. Individuals from companies that have accepted a director from Yamaha Motor Group
5. Individuals with some other type of vested interest in the Group
6. Individuals who might have a conflict of interest with our general shareholders
7. In office more than 8 years

Moreover, individuals who are second-degree relatives, or cohabiting relatives, of any of those mentioned above in 1 through 5 may not be officers.

II. Individuals, despite being applicable to any of the 2 to 5 above, may be elected as independent outside officers of the company if they, in view of their personality and insight, are believed suitable as independent outside officers of the company on the condition that the individuals meet the requirements of an outside director as required under the Companies Act, and that a public disclosure is made to explain the reasons for electing them as independent outside officers of the company.

As mentioned, the above is a summary of the “Standards for Selecting Independent Outside Officers.” For the full text, please visit our website, https://global.yamaha-motor.com/ir/governance/pdf/independent_en.pdf

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
8	<p data-bbox="327 645 497 705">Takuya Nakata (June 8, 1958)</p> <div data-bbox="300 719 523 768" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Outside Director</div> <div data-bbox="300 779 523 860" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Independent Outside Officer</div> <div data-bbox="300 871 523 952" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Candidate for Reappointment</div>	<p data-bbox="555 293 1236 996"> April 1981: Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation) October 2005: General Manager of PA/ DMI Division of Yamaha Corporation June 2006: Executive Officer of Yamaha Corporation June 2009: Director & Executive Officer of Yamaha Corporation April 2010: President of Yamaha Corporation of America June 2010: Senior Executive Officer of Yamaha Corporation March 2013: Assistant Senior General Manager of Musical Instruments & Audio Products Sale & Marketing Group of Yamaha Corporation June 2013: President and Representative Director of Yamaha Corporation March 2014: Outside Director of the Company (to present) June 2017: Director, President and Representative Executive Officer of Yamaha Corporation (to present) [Significant concurrent positions] President of Yamaha Music Foundation </p> <p data-bbox="555 1077 1428 1494"> - Term of office as a Director: Five (5) years (at the conclusion of this Ordinary General Meeting of Shareholders) - Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%) - Reasons for the nomination of candidate for Outside Director: The Company requests shareholders to elect Takuya Nakata as an Outside Director in the belief that he will provide the Company's management with valuable advice and supervision based on his ample experience of management in general gained from his position as the Director, President and Representative Executive Officer of Yamaha Corporation and wide range of insights, by which the Company aims to increase the value of the Yamaha brand commonly used by both companies.. </p>	8,500

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
9	<p data-bbox="300 674 523 741">Genichi Tamatsuka (May 23, 1962)</p> <div data-bbox="300 763 531 808" style="border: 1px solid black; padding: 2px;">Outside Director</div> <div data-bbox="300 831 531 898" style="border: 1px solid black; padding: 2px;">Independent Outside Officer</div> <div data-bbox="300 920 531 987" style="border: 1px solid black; padding: 2px;">Candidate for Reappointment</div>	<p data-bbox="555 293 1241 1122"> April 1985: Joined ASAHI GLASS CO., LTD. (currently AGC Inc.) July 1998: Joined IBM Japan, Ltd. December 1998: Joined FAST RETAILING CO., LTD. November 2002: President and Representative Director, and COO of FAST RETAILING CO., LTD. September 2005: Founder and Representative Director and COO of Revamp Corporation March 2011: Senior Executive Vice President and COO of Lawson, Inc. May 2014: President and CEO, Representative Director of Lawson, Inc. June 2015: Outside Director of AIG Japan Holdings KK (to present) June 2016: Chairman and CEO, Representative Director of Lawson, Inc. March 2017: Outside Director of the Company (to present) June 2017: President and CEO of Hearts United Group Co., Ltd. (currently DIGITAL HEARTS HOLDINGS Co., Ltd.) (to present) September 2017: Outside Director of a-dot Co., Ltd. (to present) October 2017: Outside Director of Raksul, Inc. (to present) </p> <p data-bbox="555 1144 1428 1514"> - Term of office as a Director: Two (2) years (at the conclusion of this Ordinary General Meeting of Shareholders) - Attendance at the Board of Directors Meetings: 12 out of 13 meetings (92.3%) - Reasons for the nomination of candidate for Outside Director: The Company requests shareholders to elect Genichi Tamatsuka as an Outside Director in the belief that he will provide valuable advice and supervision regarding the Company's management based on his wide range of insights and his ample experience of management, through his experiences in various managerial positions, including the representative directors of several companies. </p>	1,000

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
10	Takehiro Kamigama (January 12, 1958) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px 0;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px 0;">Independent Outside Officer</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px 0;">Candidate for Reappointment</div>	April 1981: Joined Tokyo Denki Kagaku Kogyo K.K. (currently TDK Corporation) June 2002: Corporate Officer of TDK Corporation June 2003: Senior Vice President of TDK Corporation June 2004: Director & Executive Vice President of TDK Corporation June 2006: President & Representative Director of TDK Corporation June 2016: Chairman & Representative Director of TDK Corporation June 2017: Outside Director of OMRON Corporation (to present) March 2018: Outside Director of the Company (to present) June 2018: External Director of SoftBank Corp. (to present) June 2018: Mission Executive of TDK Corporation (to present)	0
		<ul style="list-style-type: none"> - Term of office as a Director: One (1) year (at the conclusion of this Ordinary General Meeting of Shareholders) - Attendance at the Board of Directors Meetings (After taking office on March 23, 2018): 9 out of 10 meetings (90%) - Reasons for the nomination of candidate for Outside Director: The Company requests shareholders to elect Takehiro Kamigama as an Outside Director in the belief that he will provide valuable advice and supervision regarding the Company's management based on his wide range of insights and his ample experience of management and technology, through his experiences in various managerial positions, including the representative director of a global company. 	

Candidate No.	Name (Date of birth)	Brief career summaries, positions and responsibilities in the Company and significant concurrent positions	No. of the Company shares held
11	Yuko Tashiro (March 14, 1954) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">Independent Outside Officer</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px;">New Candidate</div>	<p>June 1986: Joined KPMG LLP July 1995: Partner of KPMG LLP November 2000: Sourcing Leader of GE Corporate Japan of General Electric International Inc. July 2003: Chief Financial Officer of PHOENIX RESORT CO., LTD. April 2005: Director, Chief Operating Officer and Chief Financial Officer of Aon Holdings Japan, Ltd. April 2010: Representative Director of TS Associates, Ltd. June 2012: Outside Director of Accordia Golf co., Ltd. March 2016: Auditor (External) of McDonald's Holdings Company (Japan), Ltd. (to present) June 2016: Representative Director, President and Chief Executive Officer of Accordia Golf co., Ltd. January 2018: Director and Chairman of the board of Accordia Golf co., Ltd. April 2018: Representative Director, Chairman of the board and President, CEO of Accordia Golf co., Ltd. (to present)</p> <p>[Significant concurrent positions] Vice Chairman of NPO Mirai Kaihatsu Kenkyujo Director of The First Tee of Japan</p>	0
<p>- Reasons for the nomination of candidate for Outside Director: The Company requests shareholders to elect Yuko Tashiro as an Outside Director in the belief that she will provide valuable advice and supervision regarding the Company's management based on her wide range of insights and her ample experience of management based on her experiences in various managerial positions, including financial managers and the representative directors of several companies.</p>			

Notes:

1. Special interests between the Company and the candidates

Hiroyuki Yanagi Mr. Yanagi is concurrently serving as Chairman of Japan Marine Industry Association, an association with which the Company has transactions, such as payment of membership fees.

Takuya Nakata Mr. Nakata is concurrently serving as Director, President and Representative Executive Officer of Yamaha Corporation, a company with which the Company has transactions, such as real estate leases. Transactions between the two companies account for less than 1% of each company's consolidated net sales.

2. Summary of details of the liability limitation agreement with candidates for Outside Directors

The Company has entered into liability limitation agreements stipulated in Paragraph 1 of Article 423 of the Corporation Act of Japan with Takuya Nakata, Genichi Tamatsuka and Takehiro Kamigama for the maximum amount of the liability for damages, which is up to the minimum amount of liability stipulated in Paragraph 1 of Article 425 of the Corporation Act of Japan. If this proposal is approved, the Company intends to continue the liability limitation agreements with them and newly enter into a similar agreement with Yuko Tashiro.

3. Independent Outside Officers

The Company has registered Takuya Nakata, Genichi Tamatsuka and Takehiro Kamigama as Independent Outside Officers according to the regulations provided by the Tokyo Stock Exchange, Inc. In addition, provided that this proposal is approved, the Company has also registered Yuko Tashiro as an Independent Outside Officer in the Tokyo Stock Exchange. Summary of "Standards for Selecting Independent Outside Officers" is described on page 12.

The reason for electing Takuya Nakata as an independent outside officer (applies to the Company's Standards for Selecting Independent Outside Officers II)

The same Yamaha brand is mutually shared by the Company and Yamaha Corporation in which Takuya Nakata concurrently serves as Director, President and Representative Executive Officer, and the value of this brand constitutes significant element of the corporate value of both companies. As the Company and Yamaha Corporation share the same brand, both companies have an interactive relationship where increase in the brand value by the sustainable growth at either gives positive impact on the other, while conversely, impairment of the brand through violation of laws or lack of governance at either gives significant adverse impact on both companies. Yamaha Corporation best understands the Yamaha brand which serves as the pillar in the management of the Company, sharing common interest with general shareholders of the Company in pursuing the enhancement of the Company's brand value, but without being its major trading partner in the past, and is not listed among its major shareholders any longer since 2017. In addition, Mr. Nakata currently provides valuable opinions and advice based on his experience as global corporate manager at the Board of Directors Meetings of the Company. As such, the Company believes that Mr. Nakata, with no likelihood to give rise to any conflicts of interest with general shareholders of the Company, is able to perform his responsibility and duty of supervising the management from an independent standpoint that can maximize the interest of shareholders at both companies.

4. Special matters relating to candidates for Outside Directors

- TDK Corporation, where Takehiro Kamigama served as Chairman & Representative Director until June 2018, received a cease and desist order and a surcharge payment order related to transactions in suspensions for hard disk drives (HDDs) from the Japan Fair Trade Commission in February 2018. However, said company and its group companies filed an application under the system for reduction of or release from surcharges and the system was subsequently applied. Therefore, they are exempted from surcharges and not subject to a cease and desist order. Takehiro Kamigama has been presenting his proposals on our daily operation from the viewpoint of legal compliance and compliance management, and after the fact was revealed, has been striving to eliminate all conducts leading to violations of the Antimonopoly Act and to promote the application of overall internal control systems in the whole group in a timely and appropriate manner.

5. Abbreviations: MC: Motorcycle, CS: Customer Service, AM: Automotive, BD: Body, IM: Intelligent Machinery, EG: Engine, PF: Platform, ME: Marine Engine

Proposed Resolution 3 Election of Three Audit & Supervisory Board Members

As Hiroshi Ito, Kenji Hironaga and Tomomi Yatsu, Audit & Supervisory Board Members, will complete their terms of office at the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes to elect three (3) Audit & Supervisory Board Members. This proposal is submitted with the consent of the Audit & Supervisory Board.

The Audit & Supervisory Board Member candidates are as follows.

[Reference] Structure of Audit & Supervisory Board Members*

Candidate No.	Name	New candidate or candidate for reappointment	Current positions		
1	Kenji Hironaga	Candidate for reappointment	Audit & Supervisory Board Member		
2	Junzo Saitoh	New candidate	Senior Executive Officer Chief General Manager of Human Resources & General Affairs Center		
–	Masahiko Ikaga	–	Audit & Supervisory Board Member <table border="1" data-bbox="794 831 1091 891"> <tr> <td>Audit & Supervisory Board Member (Outside)</td> </tr> </table> <table border="1" data-bbox="1102 831 1442 891"> <tr> <td>Independent Outside Officer</td> </tr> </table>	Audit & Supervisory Board Member (Outside)	Independent Outside Officer
Audit & Supervisory Board Member (Outside)					
Independent Outside Officer					
3	Masatake Yone	New candidate	<table border="1" data-bbox="794 904 1091 965"> <tr> <td>Audit & Supervisory Board Member (Outside)</td> </tr> </table> <table border="1" data-bbox="1102 904 1442 965"> <tr> <td>Independent Outside Officer</td> </tr> </table>	Audit & Supervisory Board Member (Outside)	Independent Outside Officer
Audit & Supervisory Board Member (Outside)					
Independent Outside Officer					

* Structure in the case that this proposal is approved.

Candidate No.	Name (Date of birth)	Brief career summaries and positions in the Company and significant concurrent positions	No. of the Company shares held
1	Kenji Hironaga (August 5, 1958) Candidate for Reappointment	<p>April 1982: Joined the Company</p> <p>February 2010: General Manager of Human Resources Development Division of Human Resources & General Affairs Section of the Company</p> <p>September 2014: Chief General Manager in charge of planning of Audit & Supervisory Board Members' Office of the Company</p> <p>March 2015: Standing Audit & Supervisory Board Member of the Company (to present)</p>	4,995
		<p>- Term of office as an Audit & Supervisory Board Member: Four (4) years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>- Attendance at the Board of Directors Meetings: 13 out of 13 meetings (100%)</p> <p>- Attendance at Audit & Supervisory Board Meetings: 12 out of 12 meetings (100%)</p> <p>- Reasons for the nomination of candidate for Audit & Supervisory Board Member: Kenji Hironaga has personality traits required of an Audit & Supervisory Board Member such as high ethics and fairness and possesses extensive expertise in the labor and business management fields based on his experience and business track records as General Manager of Human Resources Development Division of the Company and others. The Company requests shareholders to elect him as an Audit & Supervisory Board Member in the belief that he will utilize his accumulated experience and insights for audits as he has been engaged in appropriate audits of the Company as a Standing Audit & Supervisory Board Member since taking office as an Audit & Supervisory Board Member.</p>	

Candidate No.	Name (Date of birth)	Brief career summaries and positions in the Company and significant concurrent positions	No. of the Company shares held
2	Junzo Saitoh (February 6, 1960) <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-top: 5px;">New Candidate</div>	November 1985: Joined the Company February 2008: General Manager of Legal & Intellectual Property Division of the Company April 2011: Representative Director and President of Yamaha Motor Espana S.A. May 2012: Vice President of Yamaha Motor Europe N.V. January 2014: Deputy Chief General Manager of Human Resources & General Affairs Center and General Manager of Legal & Intellectual Property Division of Human Resources & General Affairs Center of the Company January 2015: Deputy Chief General Manager of Human Resources & General Affairs Center of the Company March 2015: Executive Officer of the Company March 2015: Chief General Manager of Human Resources & General Affairs Center (to present) March 2017: Senior Executive Officer of the Company (to present)	6,929
		<p>- Reasons for the nomination of candidate for Audit & Supervisory Board Member:</p> <p>The Company requests shareholders to elect Junzo Saitoh as an Audit & Supervisory Board Member in the belief that he, who took office as Executive Officer of the Company in 2015, has personality traits required of a Standing Audit & Supervisory Board Member such as high ethics and fairness and that he will utilize his accumulated experience and insights for audits with extensive expertise in the legal, human resource and business management fields.</p>	

Candidate No.	Name (Date of birth)	Brief career summaries and positions in the Company and significant concurrent positions	No. of the Company shares held
3	Masatake Yone (July 8, 1954) Audit & Supervisory Board Member (Outside) Independent Outside Officer New Candidate	<p>April 1981: Registered as an Attorney</p> <p>March 1987: Registered as a New York State Attorney</p> <p>July 1987: Joined Mori Sogo (currently Mori Hamada & Matsumoto)</p> <p>January 1989: Partner Attorney of Mori Hamada & Matsumoto (to present)</p> <p>April 2000: Lecturer at Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>March 2008: Outside Director of GCA Savvian Group Corporation (currently GCA Corporation)</p> <p>April 2011: Vice President of Daini Tokyo Bar Association</p> <p>June 2011: Outside Corporate Auditor of BANDAI NAMCO Games Inc. (currently BANDAI NAMCO Entertainment Inc.) (to present)</p> <p>June 2013: Audit and Supervisory Board Member (External) of Terumo Corporation</p> <p>June 2015: Independent Director (Audit/Supervisory Committee Member) of Terumo Corporation (to present)</p> <p>March 2016: Outside Director (Audit & Supervisory Committee Member) of GCA Corporation (to present)</p> <p>- Reasons for the nomination of candidate for Audit & Supervisory Board Member (Outside): The Company requests shareholders to elect Masatake Yone as an Audit & Supervisory Board Member (Outside) in the belief that he will utilize his extensive expertise as an attorney and his ample knowledge and experience as an outside director at corporations in performing his duty as the Company's Audit & Supervisory Board Member (Outside).</p>	0

1. Special interests between the Company and the candidates

The candidates have no special interests in the Company.

2. Summary of details of the liability limitation agreement with the candidates for Audit & Supervisory Board Members

The Company has entered into a liability limitation agreement stipulated in Paragraph 1 of Article 423 of the Corporation Act of Japan with Kenji Hironaga for the maximum amount of the liability for damages, which is up to the minimum amount of liability stipulated in Paragraph 1 of Article 425 of the Corporation Act of Japan. If this proposal is approved, the Company intends to continue the liability limitation agreement with him and newly enter into a similar agreement with Junzo Saitoh and Masatake Yone.

3. Independent Outside Officers

Provided that this proposal is approved, the Company has registered Masatake Yone as an Independent Outside Officer according to the regulations provided by the Tokyo Stock Exchange, Inc. Summary of "Standards for Selecting Independent Outside Officers" is described on page 12.

(Reference) Composition of Directors and Audit & Supervisory Board Members [Schedule after March 27, 2019]

The abilities of Directors and Audit & Supervisory Board Members of the Company are as follows.

	Directors and Audit & Supervisory Board Members		Field in charge	Corporate Management / Expertise	Manufacturing / Technology / R&D	Sales / Marketing	Accounting / Finance / M&A	IT / Digital Technology	Human Resources / Labor / Personnel Development	Legal / Risk Management	Global Experience
Directors	Hiroyuki Yanagi			●	●						●
	Yoshihiro Hidaka		Marine / Human Resources	●			●				●
	Katsuaki Watanabe		Motorcycle / Advanced Technology	●	●						●
	Toshizumi Kato		Solution			●	●				●
	Katsuhito Yamaji		Manufacturing / Procurement		●						●
	Makoto Shimamoto		Vehicle Development / Design		●						●
	Tatsumi Okawa		Planning / Finance / IT			●	●	●			●
	Takuya Nakata	Outside		●		●	●				●
	Genichi Tamatsuka	Outside		●		●		●			●
	Takehiro Kamigama	Outside		●	●		●				●
Yuko Tashiro	Outside (new candidate)		●		●	●				●	
Audit & Supervisory Board Members	Kenji Hironaga							●	●		
	Junzo Saitoh	(New candidate)						●	●		●
	Masahiko Ikaga	Outside		●			●		●		●
	Masatake Yone	Outside (new candidate)		●			●		●		●

Proposed Resolution 4 Election of One Substitute Audit & Supervisory Board Member

In order to prepare for the contingency that the number of Audit & Supervisory Board Members could fall below the minimum stipulated in the Corporation Act of Japan, the Company proposes to elect Eriko Kawai as a Substitute Audit & Supervisory Board Member. This proposal is submitted with the consent of the Audit & Supervisory Board.

The Substitute Audit & Supervisory Board Member candidate is as follows.

Name (Date of birth)	Brief career summaries and significant concurrent positions	No. of the Company shares held
Eriko Kawai (April 28, 1958)	October 1981: Joined Nomura Research Institute, Ltd. September 1985: Management Consultant, McKinsey & Company October 1986: Fund Manager, Mercury Asset Management, SG Warburg November 1995: Director and Chief Investment Officer (CIO), Yamaichi Regent ABC Polska July 1998: Senior Pension Fund Administrator, Bank for International Settlements October 2004: Senior Pension Fund Administrator, Organisation for Economic Co-operation and Development (OECD) March 2008: Representative, Kawai Global Intelligence April 2012: Professor, Institute for the Promotion of Excellence in Higher Education, Kyoto University April 2013: Professor, Institute for Liberal Arts and Sciences, Kyoto University April 2014: Professor, Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (to present) December 2017: External Audit and Supervisory Board Member of CMIC HOLDINGS Co., Ltd. (to present) June 2018: Outside Director of Daiwa Securities Group Inc. (to present) [Significant concurrent positions] Director of The Outlook Foundation Director of THE GREW BANCROFT FOUNDATION	0

Notes:

- Matters relating to candidate
Eriko Kawai is a candidate for Substitute Audit & Supervisory Board Member (Outside).
- Special interests between the Company and the candidate
The candidate has no special interests in the Company.
- Reasons for the nomination of a candidate for Substitute Audit & Supervisory Board Member (Outside)
The Company requests shareholders to elect Eriko Kawai as a Substitute Audit & Supervisory Board Member (Outside) in the belief that she will utilize her ample experience in international companies and institutions as well as her experience and business track records as a manager in performing her duty as the Company's Audit & Supervisory Board Member (Outside).
- Summary of details of the liability limitation agreement with the candidate for Substitute Audit & Supervisory Board Member (Outside)
In the event Eriko Kawai assumes the office of Audit & Supervisory Board Member (Outside), the Company will enter into a liability limitation agreement stipulated in Paragraph 1 of Article 423 of the Corporation Act of Japan with her for the maximum amount of the liability of damages, which is up to the minimum amount of liability stipulated in Paragraph 1 of Article 425 of the Corporation Act of Japan.
- Independent Outside Officers
The Company will register Eriko Kawai as an Independent Outside Officer according to the regulations provided by the Tokyo Stock Exchange, Inc., upon assumption of office. Summary of "Standards for Selecting Independent Outside Officers" is described on page 12.

Proposed Resolution 5 Revision of Remuneration Amounts for Directors and Audit & Supervisory Board Members

With the overarching aim of further promotion of sharing value with all shareholders, the Company is reviewing the Directors' remuneration plan to further clarify the responsibility to deliver the newly-formulated long-term vision and new Medium-Term Plan as well as to achieve short-term performance targets, in addition to providing incentives for sustainable growth in corporate value.

The new remuneration plan for Directors is to be comprised of basic compensation (fixed remuneration), compensation linked to performance, and share remuneration. In the event that this proposal and Proposed Resolution 6 regarding the new remuneration plan are approved, the proportions of basic compensation: compensation linked to performance: share remuneration for the President and Representative Director is to be set at roughly 50%:30%:20% of the reference amount. For other Directors, the amounts are to be determined bearing in mind their duties and remuneration level etc., with reference to the President and Representative Director.

Compensation linked to performance is to be made up of a whole-company performance-based bonus (equivalent to the previous Directors' bonuses), which reflects whole-company consolidated business results over the fiscal year, and an individual performance-based bonus (equivalent to the previous compensation linked to individual performance), linked to the performance of each individual Director. As previously, the Representative Director is to only be paid the whole-company performance-based bonus component of the compensation linked to performance.

1. Revision of Remuneration Amount for Directors

The remuneration for Directors of the Company is currently comprised of basic compensation (monthly remuneration), Directors' bonuses, reflecting the short-term consolidated performance of the Company overall, compensation linked to each Director's individual performance and a stock compensation plan reflecting the medium- to long-term consolidated performance of the Company overall.

Among the above Directors' remuneration amounts, the Directors' remuneration amounts excluding Directors' bonuses (the previous basic compensation, compensation linked to each Director's individual performance and a stock compensation plan) were approved at the 73rd Ordinary General Meeting of Shareholders held on March 26, 2008 up to an annual amount of ¥540 million (of which, the portion for Outside Directors is an annual amount of up to ¥50 million). In addition, the total (annual) amounts of Directors' bonuses were approved at the 79th Ordinary General Meeting of Shareholders held on March 25, 2014 as payable up to 0.5% of the net income attributable to owners of parents of the previous consolidated fiscal year.

As part of the revision of the remuneration plan for Directors, the Company has taken into account the broadening of the diversity and specializations etc. of Directors, with the aim of improving corporate governance. The Company plans to revise basic compensation (fixed remuneration) to an annual amount of up to ¥500 million (of which, the portion for Outside Directors is an annual amount of up to ¥100 million) and individual performance-based bonuses (equivalent to the previous compensation linked to individual performance) to an annual amount of up to ¥100 million.

Moreover, the total amount of the whole-company performance-based bonus (equivalent to the previous Directors' bonuses) is to be, as previously, payable up to 0.5% of the net income attributable to owners of parents of the previous consolidated fiscal year. For Outside Directors, only basic compensation, which is fixed compensation, will continue to be payable.

In addition, the remuneration amounts for Directors are not to include the employee salary amounts of those Directors who work both as an employee and a Director as in the past.

The remuneration for each Director shall be determined within the above range of remuneration amounts by the Board of Directors after discussion and reporting by the Executive Personnel Committee which the Company has established voluntarily and which is composed of a majority of Outside Directors.

In addition, the Company plans to introduce a new system of remuneration of shares with restriction on transfer for Directors excluding Outside Directors as replacement for the previous stock compensation plan and pay share options worth up to an annual amount of ¥200 million. The Company will submit a proposal regarding the system of remuneration of shares with restriction on transfer as Proposed Resolution 6.

The number of Directors is currently 11 (of which four are Outside Directors). If Proposed Resolution 2 "Election of Eleven Directors" is approved and passed as proposed, the number of Directors will continue to be 11 (of which four will be Outside Directors).

2. Revision of Remuneration Amounts for Audit & Supervisory Board Members

The remuneration amounts for Audit & Supervisory Board Members were approved at the 74th Ordinary General Meeting of Shareholders held on March 25, 2009 up to an annual amount of ¥90 million. The Company has taken into account the specializations and increasing responsibilities of Audit & Supervisory Board Members and plans to revise them to the annual amount of up to ¥120 million. The remuneration for each Audit & Supervisory Board Member shall be determined within the above range of remuneration amounts through discussion by Audit & Supervisory Board Members.

The number of Audit & Supervisory Board Members is currently four (of which two are Audit & Supervisory Board Members (Outside)). If Proposed Resolution 3 “Election of Three Audit & Supervisory Board Members” is approved and passed as proposed, the number of Audit & Supervisory Board Members will continue to be four (of which two will be Audit & Supervisory Board Members (Outside)).

(Please refer to page 28 for an overview of the new executive remuneration system of the Company for the case that this proposal and Proposed Resolution 6 have been approved.)

Proposed Resolution 6 Decision of Remuneration for Imparting Shares with Restriction on Transfer for Directors (Excluding Outside Directors)

As part of the revision of the remuneration plan for Directors, in order to further promote the sharing of value between the Company's Directors and all shareholders as well as to sustainably increase the medium- to long-term corporate value of the Company, the Company is to newly offer remuneration for imparting shares with restriction on transfer for Directors excluding Outside Directors (hereafter "Applicable Director") as replacement for the previous stock compensation plan, in addition to the remuneration amounts regarding Proposed Resolution 5 "Revision of Remuneration Amounts for Directors and Audit & Supervisory Board Members." The remuneration to be paid to the Applicable Directors for imparting shares with restriction on transfer shall be share options (hereafter "Share Options") and the total annual amount shall be up to ¥200 million yen (however, this amount is not to include the employee salary amounts of those Directors who work both as an employee and a Director) as a reasonable amount based on the objectives above. The specific payment timing and distribution to each Applicable Director shall be determined by the Board of Directors after discussion and reporting by the Executive Personnel Committee.

The overview of the remuneration system allocating shares with restriction on transfer (hereafter "the Share Remuneration System") is as follows.

The number of Directors is currently 11 (of which four are Outside Directors). If Proposed Resolution 2 "Election of Eleven Directors" is approved and passed as proposed, the number of Directors will continue to be 11 (of which four will be Outside Directors).

Overview of a system of remuneration of shares with restriction on transfer

(1) Allocation of and payment for shares with restriction on transfer

Based on the resolution of the Company's Board of Directors, the Company is to pay the Applicable Directors Share Options worth up to annual amounts as listed above as remuneration relating to shares with restriction on transfer. Each of the Applicable Directors is to be paid with property contributed in kind for all of the Share Options concerned, and is to receive issue or disposal of ordinary shares in the Company.

The payment amount per share is to be determined by the Company's Board of Directors based on the closing price of ordinary shares in the Company on the first section of the Tokyo Stock Exchange the business day before each Board of Directors resolution (if no transactions are made on that day, the closing price on the most recent trading date) etc., within a scope which is not a particularly advantageous price for the Applicable Directors receiving the shares with restriction on transfer concerned.

(2) Total number of shares with restriction on transfer

The total number of ordinary shares which the Company may newly issue or dispose of with regard to the Applicable Directors under the Share Remuneration System is to be up to 200,000 shares per year. However, when adjustment of the total number of shares with restriction on transfer allocated is necessary in the case of division, share merger, or similar of ordinary shares in the Company (including gratis allocation of ordinary shares in the Company) with an effective date after the date of resolution at this General Meeting, the total number concerned is to be adjusted within a reasonable scope as necessary based on the ratio of division or merger etc.

(3) Conclusion and content of contracts regarding shares with restriction on transfer allocation

With regard to the issue or disposal of ordinary shares in the Company under the Share Remuneration System, a contract for the allocation of shares with restriction on transfer (hereafter "the Allocation Contracts") is to be concluded between the Company and the Applicable Director scheduled to receive payment by remuneration of shares with restriction on transfer. The Allocation Contracts are to include the following.

i. Period of restriction on transfer

With regard to ordinary shares in the Company received by Applicable Directors via allocation under the Allocation Contracts (hereafter "the Allocated Shares"), transfer, establishment of security interests, or other disposal are not permitted (hereafter "the Restrictions on Transfer") for a period of 30 years from the date of receiving allocation under the Allocation Contracts (hereafter "the Period of Restriction on Transfer").

ii. Cancellation of restriction on transfer

On the condition that Applicable Directors continue to be Directors, Audit & Supervisory Board Members,

Executives, Executive Officers, Fellows, or hold status of other similar employees of the Company during the Period of Restriction on Transfer, the Company is to cancel the Restrictions on Transfer of all of the Allocated Shares at the point when the Period of Restriction on Transfer expires.

However, if an Applicable Director retires from or relinquishes whatever their position as above even during the Period of Restriction on Transfer due to the expiration of term, reaching mandatory retirement age, death, or other legitimate reason, the number of the Allocated Shares for which the Restrictions on Transfer are to be canceled and the timing thereof are to be reasonably adjusted as necessary.

iii. Gratis acquisition of shares with restriction on transfer

In the case that an Applicable Director retires from or relinquishes whatever their position as Director, Audit & Supervisory Board Member, Executive, Executive Officer, Fellow, or status as other similar employee of the Company before the expiration of the Period of Restriction on Transfer, and excluding cases of the expiration of term, reaching mandatory retirement age, death, or other legitimate reason, the Company is to naturally acquire for gratis all of the Allocated Shares. The same is to apply to the Allocated Shares for which restriction on transfer has not been canceled based on the provisions listed in ii. above at the point when the Period of Restriction on Transfer expires.

In addition, if the Board of Directors of the Company deems that an Applicable Director has violated laws and ordinances, the Company's internal regulations, or important points of the Allocation Contracts during the Period of Restriction on Transfer, the Company is to acquire for gratis all of the Allocated Shares held by the Applicable Director concerned.

iv. Handling in the event of organizational restructuring

If, during the Period of Restriction on Transfer, a merger contract in which the Company is the defunct company, a share exchange contract in which the Company becomes a wholly-owned subsidiary, a share transfer plan, or other item relating to organizational restructuring etc. is approved by a General Meeting of Shareholders of the Company, (however, when approval of a General Meeting of Shareholders of the Company is not required regarding the organizational restructuring etc. concerned, [approval of] the Company's Board of Directors [shall apply]), the Restrictions on Transfer are to be canceled by a resolution of the Company's Board of Directors in advance of the effective date of the organizational restructuring etc. concerned for a reasonably-specified number of the Allocated Shares, bearing in mind the period from the date of commencement of the Period of Restriction on Transfer until the date of approval of the organizational restructuring etc. concerned. In addition, the Company is to naturally acquire for gratis the Allocated Shares for which restrictions on transfer were not canceled at the point directly after restrictions on transfer were canceled pertaining to the provisions above.

v. Other provisions

Other provisions regarding the Allocation Contracts are to be determined by the Company's Board of Directors.

Reference

On the condition that the above set of resolutions relating to revision of the directors' remuneration plan are approved and passed at this General Meeting of Shareholders, the Company plans to, similarly to the above, allocate shares with restriction on transfer to Executive Officers and Fellows who do not also work as the Company's directors.

Reference: New Executive Remuneration System of the Company

A resolution was passed at the Company's Board of Directors meeting held on February 12, 2019 to, on the condition that approval is received from shareholders at the General Meeting of Shareholders, implement a new remuneration system for the Company's Directors and Executive Officers (hereafter "Executives"). The overview of the remuneration system is as follows.

Basic Direction

- Aiming to be a "*Kando* Creating Company," the Company strives to encourage employees to perform their duties in accordance with the Company's Management Principles and Behavioral Guidelines.
- The Company has positioned achieving the corporate targets in the Medium-term Plan etc. as strong motivators in working toward realizing the Company's long-term vision.
- In order to function as sound incentives toward the Company's sustainable growth, the proportions of remuneration linked to short-term results and performance of duties etc. (compensation linked to performance) and remuneration linked to medium- to long-term results and corporate value (share remuneration) will be set appropriately.
- The remuneration is to be at a level which can attract and retain the highly-capable human resources appropriate to the roles and responsibilities to be carried out by Executives of the Company.

**Kando* is a Japanese word for the simultaneous feelings of deep satisfaction and intense excitement that we experience when we encounter something of exceptional value.

Remuneration Structure

Remuneration is to be comprised of basic compensation (fixed remuneration), compensation linked to performance, and share remuneration. The proportions of basic compensation: compensation linked to performance: share remuneration for the President and Representative Director is to be set at roughly 50%:30%:20% of the reference amount. For other Executives, the amounts are to be determined bearing in mind their duties and remuneration level etc., with reference to the President and Representative Director.

Compensation linked to performance

- The Representative Director is to only be paid the whole-company performance-based bonus component of the compensation linked to performance. The compensation linked to performance of other Directors and Executive Officers are to be comprised of a whole-company performance-based bonus and an individual performance-based bonus. The ratio of whole-company performance-based bonus: individual performance-based bonus is to be set at around 2:1 of the reference amount for Directors excluding the Representative Director, and around 1:3 of the reference amount for Executive Officers who do not also work as Directors. The individual performance-based bonus is to be comprised of the "financial evaluation-based portion" and the "non-financial evaluation-based portion," with the ratio to be set at 1:1 of the reference amount.
- The whole-company performance-based bonus will be drawn from a total amount obtained by multiplying a certain proportion of "net income attributable to owners of parents" by evaluation coefficients based on the consolidated total assets operating income ratio (ROA), and distributed to each Executive based on coefficients etc. determined for each position. The evaluation coefficients are to be adjusted after discussion by the Executive Personnel Committee based on the achievement of consolidated net sales and operating income targets, overall degree of progress regarding initiatives in the Medium-term Plan etc. toward realizing the long-term vision, and occurrence of other matters affecting corporate value and brand value.
- The financial evaluation-based portion component of the individual performance-based bonus will be determined within the scope of 0-2 times the reference amount specified for each position, bearing in mind the extent of target achievement and results compared with the previous fiscal year etc. for financial evaluation indicators set in advance (net sales, operating income, ROA etc. for the responsible division).
- The non-financial evaluation-based portion component of the individual performance-based bonus will be determined within the scope of 0-2 times the reference amount specified for each position, bearing in mind the degree of progress etc. for non-financial evaluation indicators set in advance (initiatives in the Medium-term Plan etc., development of successor Executives and company management candidates, etc.).

Share remuneration

- Share remuneration will be provided through issuing shares with restriction on transfer once each year based on the reference amount specified for each position.

Process for determining remuneration

- In order to ensure the appropriateness as well as the transparency and feasibility of the discussion process regarding items relating to executive remuneration, determination will be made by the Board of Directors after discussion and reporting by the Executive Personnel Committee, which the Company has established voluntarily and which is composed of a majority of outside directors.

*As the role of Outside Directors and Audit & Supervisory Board Members is to provide supervision and advice regarding management from an objective and independent perspective, they are only paid fixed basic compensation. The specific amount of basic compensation paid to Audit & Supervisory Board Members is determined through discussion with the Audit & Supervisory Board Members within the total framework amount approved at a General Meeting of Shareholders.

(Attached Documents)

Business Report

(From January 1, 2018 to December 31, 2018)

1. Current Conditions of the Yamaha Motor Group

(1) Business Developments and Results

During the fiscal year ended December 31, 2018 (fiscal 2018), while the global economy was on a recovery trend overall, the effects of trade issues and currency depreciation in emerging markets which was accompanied by the rise in U.S. interest rates manifested in the latter part of the year. In developed markets, economic growth was seen in the U.S. due to the increase in the number of employees, improvement in corporate earnings, and other factors. The economy recovered moderately in Japan, while in Europe the economy slowed down. In emerging markets, economic growth continued in Vietnam and India, while in Brazil the economy recovered moderately. In Indonesia, despite the economic expansion due to strong domestic demand, the economy was destabilized by currency depreciation and natural disasters.

Against this backdrop, the Company's consolidated net sales for the fiscal year under review rose ¥3.0 billion, or 0.2%, year on year, to ¥1,673.1 billion, operating income declined ¥9.0 billion, or 6.0%, to ¥140.8 billion, ordinary income declined ¥16.9 billion, or 10.9%, to ¥138.0 billion, and net income attributable to owners of parent declined ¥8.2 billion, or 8.1%, to ¥93.4 billion. Exchange rates for the fiscal year were ¥110 to the U.S. dollar (an appreciation of ¥2, year on year) and ¥130 to the euro (a depreciation of ¥3).

Net sales were flat year on year due to decreased sales in the motorcycles business, despite increased sales in the marine products business, the power products business, the industrial machinery and robots business and the others business.

Operating income decreased because, although sales increased in the marine products business and the industrial machinery and robots business and profitability further improved with the adoption of development and manufacturing methods for platform and global models in the motorcycles business, such positive factors could not offset the decline in sales of motorcycles in developed markets, foreign exchange losses mainly in emerging markets and losses associated with the rise in raw material costs.

In terms of financial position, the ratio of net income attributable to owners of parent to net sales was 5.6% (a year on year decline of 0.5 percentage points), total asset turnover was 1.17 (a year on year decline of 0.05) due to a temporary increase in working capital, shareholders' equity was ¥657.5 billion (an increase of ¥34.7 billion compared with the end of the previous fiscal year), and shareholders' equity ratio was 45.9% (a year on year increase of 1.9 percentage points). As a result, ROE was 14.6% (a year on year decline of 3.0 percentage points). Free cash flow (including sales finance) was positive ¥10.6 billion (a year on year decline of ¥62.6 billion).

The status of each business is as follows.

Motorcycles [Main products: Motorcycles, intermediate parts for products and knockdown parts for overseas production]

Net sales declined ¥23.0 billion, or 2.2%, year on year, to ¥1,022.2 billion, and operating income declined ¥14.3 billion, or 20.8%, year on year, to ¥54.5 billion.

Unit sales increased in countries such as the Philippines, Indonesia and Brazil, but declined in developed markets, Taiwan and Vietnam, and other countries. As a result, unit sales totaled 5.37 million across the business as a whole (a year on year decline of 0.3%), resulting in decreased sales and profits.

Profitability will be boosted by strengthening sales of high-priced products in ASEAN countries and sports models in India. In developed markets, the Company is focusing on restructuring manufacturing and sales capabilities.

Marine products [Main products: Outboard motors, personal watercraft, boats, FRP swimming pools, fishing boats and utility boats]

Net sales rose ¥20.8 billion, or 6.4%, year on year, to ¥344.7 billion, and operating income rose ¥4.2 billion, or 7.1%, to ¥63.7 billion.

Unit sales of outboard motors, personal watercraft and sport boats increased year on year. In addition, also with the improvement in the product mix owing to expanded sales of large models of outboard motors in North America, both sales and profits increased.

In order to flexibly respond to the growth in demand of outboard motors, the Company is improving production capacity through measures including the review of the global production layout for outboard motors.

Power products [Main products: All-terrain vehicles, recreational off-highway vehicles, golf cars, snowmobiles, generators, small-sized snow throwers and multi-purpose engines]

Net sales increased ¥2.2 billion, or 1.4%, year on year, to ¥153.8 billion, and operating income was ¥0.2 billion, against operating loss of ¥1.5 billion in the fiscal year ended December 31, 2017.

Both sales and profits increased due to a year on year increase in unit sales of golf cars and multi-purpose engines as well as cost reductions for recreational off-highway vehicles (ROV).

The Company is working to strengthen ROV marketing capabilities and is preparing to introduce new platform models that meet market needs.

Industrial machinery and robots [Main products: Surface mounters and industrial robots]

Net sales rose ¥2.3 billion, or 3.4%, year on year, to ¥69.9 billion, and operating income rose ¥0.8 billion, or 5.4%, to ¥16.4 billion.

Favorable sales of surface mounters for in-vehicle electronics led to an increase in net sales and operating income.

The Company will strengthen solution proposals by new products and services that optimize plants in their entirety and increase the value provided to customers.

Other products [Main products: Electrically power assisted bicycles, automobile engines, automobile components, industrial-use unmanned helicopters and electrically powered wheelchairs]

Net sales rose ¥0.8 billion, or 1.0%, year on year, to ¥82.6 billion, and operating income declined ¥1.4 billion, or 19.3%, to ¥5.9 billion.

In terms of electrically power assisted bicycles, although exports of the E-kit (drive unit for electrically power assisted bicycles) to Europe rose, unit sales of finished bicycles in Japan decreased and the product mix deteriorated, resulting in increased sales and decreased profits.

The Company is strengthening sales of the E-kit in Europe and electrically power assisted bicycles in Japan, and promoting the development of new markets in the U.S.

(2) Capital Expenditures

The Group made investments of ¥55.1 billion in total during fiscal 2018.

In the motorcycle business, investments of ¥29.2 billion were made mainly for new products in Japan and overseas, maintenance and repairs of production facilities, and enhancement of production capacity in India. In the marine products business, investments of ¥11.8 billion were made mainly for replacing an aging process line, etc. and enhancing production capacity mainly for outboard motors. In the power products business, investments of ¥9.1 billion were made mainly for new products of recreational off-highway vehicles (ROV) and production facilities of new golf car products. In the industrial machinery and robots business, investments of ¥1.0 billion were made mainly for research and development of new industrial machinery products. In the other products business, investments of ¥3.9 billion were made mainly for research and development of automobile engines and electrically power assisted bicycles as well as production facilities of industrial multirotors.

(3) Fund Raising

Nothing to be especially reported.

(4) Key Priorities the Group Must Address

The Company has grown by creating new value under the universal corporate mission, “*Kando* Creating Company.” Creating *Kando*, which is woven from skills (technology and engineering) and feelings (art), has been our tradition, pride and strong point. Towards 2030, the Company aims to realize a better society and life while expanding human potential, by working on three focus areas including “Advancing Robotics” (utilization of robotics and intellectual technologies), “Rethinking Solution” (Yamaha’s unique initiatives for solving social issues) and “Transforming Mobility” (innovation of mobility). We incorporated these ideas to a phrase “ART for Human Possibilities.”

Under the new Medium-term Plan for 2019 to 2021, the Company will promote to “maintain earnings power of existing business and strengthen a foundation for growth.” In 2021, the Company again aims to attain ¥2 trillion of sales and ¥180 billion of operating income (ROS: 9%) that were targets for the Medium-term Plan for 2016 to 2018.

■ Growth of existing business

[Land mobility]

The motorcycle market is expected to grow in the emerging countries for the next three years and the Company will reinforce its strong areas in India and the ASEAN countries (Philippines, Indonesia, Thailand and Vietnam). For motorcycles in developed markets and ROVs, the Company will strive to shrink deficits through a structural reform and cost reduction. For electrically power assisted bicycles, the Company will make efforts to create comprehensive value including new product development and related business through strategic partnership in order to expand the business globally.

[Marine products]

The Company will strengthen the highly-profitable structure and establish a foundation for sustainable growth. In addition, in order to evolve the system supplier strategy, the Company will implement its product and technology strategies and expand the comprehensive marine business. Also, the Company will promote further evolution to the “business that realize higher value of the sea while providing reliability and a rich marine life” as a top brand in the marine industry.

[Robotics]

The Company will strengthen earnings power further while expanding its scale and domains. The Company aims to grow each business including: surface mounters of which new growth is expected for areas such as in-vehicle electronics and power systems with a broader customer base; industrial robots of which market growth is significant with a wider range of applications; and industrial-use unmanned helicopters and drones of which usage is expected to expand.

As new areas, the Company will work on agriculture and medical areas by utilizing technologies, knowledge and networks accumulated until now.

■ New business development

In line with the direction of “ART for Human Possibilities,” the Company will promote to create new value in fields where existing technologies and market synergies can be utilized. In the expanding technology field, the Company will also advance cooperation with partners, focusing on CASE (Connected, Autonomous, Sharing and EV). In the expanding market field, the Company will make efforts to create value in new markets such as agriculture and medical care by combining technologies of the Company and, as necessary, conducting M&As.

■ Strengthening of business base

The Company will newly establish the IT Center to accelerate and promote strategic use of the latest digital technologies and data globally across business fields and functions.

The Company will also establish the Manufacturing Technology Center to elevate productivity and quality level further by strengthening development of technologies of engineering methods, materials and facilities and introducing intelligent technologies and big data analysis technologies.

■ Financial strategy

The Company will secure cash flow necessary for growth while maintaining and strengthening the earnings power of existing business for steady growth. A framework of ¥70 billion for research and development

expenses and ¥140 billion for investment has been set for three years in total.
The return to shareholders will be made considering balance within a range of cash flows.

■ Efforts for important social issues

[Environment and resource issues]

Our target is to reduce CO₂ by half by 2050. Although the Company has already manufactured and sold a large number of electric products, we aim to achieve the target by promoting further electrification. In addition, the Company will continuously make efforts to provide safe water to more people through its clean water business.

[Traffic, education and industrial issues]

The Company is working on solutions for mobility issues by providing low-cost mobility services based on land cars. Also, the Company provides training courses for safe motorcycle driving and trains service engineers for each product around the world. The Company aims to solve issues of labor shortage in the agricultural area through use of unmanned technologies.

[Innovation issues]

The Company will accelerate innovation for working effectively on environment and resource issues as well as traffic, education and industrial issues. Particularly, the Company will promote new mobility development using intelligent technologies and advanced control technologies and provide solutions to the agricultural and medical fields using robotics technologies, in a speedy manner with further cooperation with other companies.

[Working practice issues]

The Company will promote diversity by leveraging diverse capabilities of individuals regardless of their nationality, race and gender and furthering globalization to increase job satisfaction and improve performance as a company. The Company will increase productivity by creating a safe and secure work environment and updating an IT infrastructure.

We appreciate our shareholders' continued support.

(5) Operating Performance and Status of Assets for the Group

Millions of yen, except net income per share

Items	81st Fiscal Year (Jan. 1, 2015 – Dec. 31, 2015)	82nd Fiscal Year (Jan. 1, 2016 – Dec. 31, 2016)	83rd Fiscal Year (Jan. 1, 2017 – Dec. 31, 2017)	84th Fiscal Year (Jan. 1, 2018 – Dec. 31, 2018)
Net sales	1,631,158	1,502,834	1,670,090	1,673,137
Operating income	130,329	108,594	149,782	140,787
Ordinary income	125,231	102,073	154,826	137,969
Net income attributable to owners of parent	60,023	63,153	101,603	93,366
Net income per share (yen)	171.89	180.84	290.93	267.35
Total assets	1,305,236	1,318,776	1,415,845	1,433,458
Net assets	531,700	575,404	665,232	695,743

(Reference) Forecast for the 85th fiscal year (January 1, 2019 through December 31, 2019)

In the fiscal year ending December 31, 2019, the Company expects that the business environment will remain uncertain due to factors including the economic deceleration in Europe and trade issues between the U.S. and China. Considering market conditions and demand trends, the Company plans to maintain stable growth and profit in existing businesses and proceed with developing new businesses. The consolidated financial results forecast is as follows.

	Billions of yen	
	Forecast	Year-on-year changes
Net sales	1,700.0	+26.9, 1.6%
Operating income	133.0	(7.8), 5.5%
Ordinary income	135.0	(3.0), 2.2%
Net income attributable to owners of parent	85.0	(8.4), 9.0%

[Exchange rates] ¥105 to the U.S. dollar (an appreciation of ¥5 from 84th fiscal year), and ¥120 to the euro (an appreciation of ¥10).

(6) Principal Parent Company and Subsidiaries

1) Relations with a parent company
No related items.

2) Principal subsidiaries

Name	Location	Capital	Percentage of ownership (%)	Main business lines
Yamaha Motorcycle Sales Japan Co., Ltd.	Ota-ku, Tokyo	490 million yen	100.0	Marketing of motorcycles, electrically power assisted bicycles
Yamaha Motor Powered Products Co., Ltd.	Kakegawa-shi, Shizuoka	275 million yen	100.0	Manufacture and marketing of golf cars and generators
Yamaha Motor Corporation, U.S.A.	The United States	185,308 thousand U.S. dollars	100.0	Marketing of motorcycles, outboard motors, personal watercraft, boats, ATVs, recreational off-highway vehicles, snowmobiles, generators and surface mounters
Yamaha Motor Manufacturing Corporation of America	The United States	107,790 thousand U.S. dollars	*100.0	Manufacture of personal watercraft, ATVs, recreational off-highway vehicles and golf cars
Yamaha Motor Europe N.V.	The Netherlands	149,759 thousand euros	100.0	Marketing of motorcycles, outboard motors, personal watercraft, boats, ATVs, golf cars, snowmobiles and surface mounters
PT. Yamaha Indonesia Motor Manufacturing	Indonesia	25,647,000 thousand Indonesian rupiahs	85.0	Manufacture and marketing of motorcycles
India Yamaha Motor Pvt. Ltd.	India	13,333,591 thousand Indian rupees	*85.0	Manufacture and marketing of motorcycles
Yamaha Motor Vietnam Co., Ltd.	Vietnam	37,000 thousand U.S. dollars	46.0	Manufacture and marketing of motorcycles
Thai Yamaha Motor Co., Ltd.	Thailand	1,820,312 thousand Thai bahts	91.7	Manufacture and marketing of motorcycles, outboard motors and golf cars
Yamaha Motor Philippines, Inc.	Philippines	1,570,000 thousand Philippine peso	100.0	Manufacture and marketing of motorcycles
Yamaha Motor do Brasil Ltda.	Brazil	1,018,324 thousand Brazilian reals	100.0	Marketing of motorcycles and outboard motors

Note: Percentages with * include the Company's indirect ownership.

3) Specified wholly-owned subsidiary at the end of the fiscal year
No related items.

(7) Main Bases and Facilities for the Group

1) Yamaha Motor Co., Ltd.

Name	Location
Headquarter and Iwata Main Factory	Iwata-shi, Shizuoka
Iwata South Factory	
Toyooka Technology Center	
Hamakita Factory	Hamamatsu-shi, Shizuoka
Nakaze Factory	
Hamamatsu Robotics Site	
Fukuroi Factory	Fukuroi-shi, Shizuoka
Fukuroi South Factory	
Global Parts Center	
Fukuroi Technology Center	
Arai Site	Kosai-shi, Shizuoka

2) Subsidiaries

Subsidiaries of the Company are as described on page 35 (6) Principal Parent Company and Subsidiaries 2) Principal subsidiaries.

(8) Employees

Segments	Number of employees	Annual change
Motorcycles	41,710	(175)
Marine products	5,951	+415
Power products	2,725	+31
Industrial machinery and robots	1,058	+96
Others	2,533	+31
Total	53,977	+398

Note: The number of employees refers to workers employed full time (excluding workers of the Company and its consolidated subsidiaries who are dispatched to companies outside of the scope of consolidation), and it does not include temporary employees (direct contract employees whose contract terms are less than one year).

(9) Principal Lenders and Loan Balances

Lenders	Loan balances	Millions of yen
Mizuho Bank, Ltd.	74,776	
Sumitomo Mitsui Banking Corporation	55,153	
MUFG Bank, Ltd.	44,110	
Sumitomo Mitsui Trust Bank, Limited	30,000	
The Shizuoka Bank, Ltd.	18,838	

2. The Company's Stocks

(1) **Maximum Number of Shares Authorized to be Issued:** 900,000,000

(2) **Number of Shares Outstanding:** 349,914,284 (including 637,627 shares of treasury shares)

(3) **Number of Shareholders:** 51,113

(4) Principal Shareholders (Top 10)

Shareholders	Number of shares held (Thousand shares)	Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	39,160	11.21
Yamaha Corporation	34,642	9.92
Japan Trustee Services Bank, Ltd. (trust account)	23,539	6.74
SSBTC CLIENT OMNIBUS ACCOUNT	17,483	5.01
Toyota Motor Corporation	12,500	3.58
Mitsui & Co., Ltd.	8,586	2.46
Mizuho Bank, Ltd.	8,277	2.37
Japan Trustee Services Bank, Ltd. (trust account 9)	7,895	2.26
Trust & Custody Services Bank, Ltd. (securities investment trust account)	6,213	1.78
SMBC Nikko Securities Inc.	5,718	1.64

Note: Percentage of ownership is calculated excluding treasury shares.

■ Breakdown of Shareholders

	Number of shareholders	Number of shares held (Thousand shares)
Individual investors and others	49,830	30,032
National and local governments	1	3
Financial institutions	125	145,584
Other domestic companies	387	64,903
Foreigners	724	92,854
Securities companies	46	16,536

Note: "Individual investors and others" includes treasury shares.

3. The Company's Subscription Rights to Shares

No related items.

4. Directors and Audit & Supervisory Board Members

(1) Names, Positions, and Responsibilities of Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities	Significant concurrent positions
Chairman and Representative Director	Hiroyuki Yanagi		Chairman of Japan Marine Industry Association
President, Chief Executive Officer and Representative Director	Yoshihiro Hidaka	Chief General Manager in charge of Corporate and Marine	Outside Director of Yamaha Corporation
Executive Vice President and Representative Director	Katsuaki Watanabe	Chief General Manager in charge of MC, CS, Market Development, AM, and Advanced Technology	
Director and Managing Executive Officer	Toshizumi Kato	Chief General Manager in charge of Solution and Alliance Strategy	
Director and Senior Executive Officer	Katsuhito Yamaji	Chief General Manager in charge of Manufacturing, Procurement and Powertrain	
Director and Senior Executive Officer	Makoto Shimamoto	Chief General Manager of Mobility Technology Center, Chief General Manager in charge of Vehicle Development and Design	
Director and Senior Executive Officer	*Tatsumi Okawa	Chief General Manager of Corporate Planning & Finance Center	
Outside Director	Takuya Nakata		Director, President and Representative Executive Officer of Yamaha Corporation President of Yamaha Music Foundation
Outside Director	Atsushi Niimi		Advisor of JTEKT Corporation Outside Director of NIPPON SHARYO, LTD.
Outside Director	Genichi Tamatsuka		President and CEO of DIGITAL HEARTS HOLDINGS Co., Ltd. Outside Director of AIG Japan Holdings KK Outside Director of a-dot co., Ltd Outside Director of Raksul, Inc.
Outside Director	*Takehiro Kamigama		Mission Executive of TDK Corporation Outside Director of OMRON Corporation External Director of SoftBank Corp.

Standing Audit & Supervisory Board Member	Hiroshi Ito		
Standing Audit & Supervisory Board Member	Kenji Hironaga		
Audit & Supervisory Board Member (Outside)	Tomomi Yatsu		Partner of TMI Associates Outside Executive Director of SMBC Nikko Securities Inc. Outside Audit & Supervisory Board Member of IHI Corporation
Audit & Supervisory Board Member (Outside)	Masahiko Ikaga		Representative of Masahiko Ikaga Certified Public Accounting Office Representative Director of PrajnaLink Co., Ltd. External Audit & Supervisory Board Member of Morinaga Milk Industry Co., Ltd. Outside Director of RYOBI LIMITED

Notes: 1. The Company has registered Directors Takuya Nakata, Atsushi Niimi, Genichi Tamatsuka and Takehiro Kamigama, and Audit & Supervisory Board Members Tomomi Yatsu and Masahiko Ikaga as Independent Outside Officers under the regulations provided by the Tokyo Stock Exchange. Summary of “Standards for Selecting Independent Outside Officers” is described on page 12.

2. Changes of Directors and Audit & Supervisory Board Members during fiscal 2018

* indicates newly appointed Directors elected at the 83rd Ordinary General Meeting of Shareholders held on March 23, 2018.

3. Special relationship with the organizations at which Outside Directors and Audit & Supervisory Board Members (Outside) hold significant concurrent positions

Yamaha Corporation, where Director Takuya Nakata holds a concurrent position, is a shareholder that holds 9.9% of the Company’s shares, and the Company has real estate lease transactions, etc., with the said company. Ratios of transaction amount to consolidated net sales of both companies are less than 1%.

4. Excluding 3. above, there are no special relationship between the Company and the significant concurrent positions of Outside Directors and Audit & Supervisory Board Members (Outside).

5. Audit & Supervisory Board Members Tomomi Yatsu and Masahiko Ikaga are certified public accountants and have considerable knowledge of finance and accounting.

6. Agreement on limitation of liability

The Company has concluded liability limitation agreements with all Outside Directors and Audit & Supervisory Board Members (Outside) in accordance with the provisions of Paragraph 1 of Article 427 of the Corporation Act of Japan, to limit the liability for damages stipulated in Paragraph 1 of Article 423 of the said Act.

The maximum liability for damages to be borne by the Outside Directors and Audit & Supervisory Board Members (Outside) under the agreement is the minimum amount of liability stipulated in Paragraph 1 of Article 425 of the Corporation Act of Japan.

7. Abbreviations: MC: Motorcycle, CS: Customer Service, AM: Automotive

(2) Changes of Directors after Fiscal 2018

Changes in responsibilities

(As of January 1, 2019)

Name	After the change	Before the change
Yoshihiro Hidaka	Chief General Manager in charge of Human Resources & General Affairs and Marine	Chief General Manager in charge of Corporate and Marine
Toshizumi Kato	Chief General Manager in charge of Solution, Power Products and Alliance Strategy	Chief General Manager in charge of Solution and Alliance Strategy
Katsuhito Yamaji	Chief General Manager in charge of Manufacturing, Manufacturing Technology, Procurement and Powertrain	Chief General Manager in charge of Manufacturing, Procurement and Powertrain
Tatsumi Okawa	Chief General Manager of Corporate Planning & Finance Center Chief General Manager in charge of IT and Digital Technology	Chief General Manager of Corporate Planning & Finance Center

(3) Name and Other Information regarding the Executive Officers

The Company has adopted an Executive Officer system for the purpose of prompt business execution, which was designed to enhance management supervisory capabilities by clearly defining the role of Executive Officers as “business execution of the Group,” while defining the role of the Board of Directors as “approval of basic policy and the supervision of business execution within the Group.” As of December 31, 2018, the Company is served by 29 Executive Officers comprising the aforementioned 6 concurrently serving as Directors and the following 23 others.

Name	Position	Responsibilities
Yoichiro Kojima	Senior Executive Officer	Chairman of Yamaha Motor Europe N.V.
Hiroaki Fujita	Senior Executive Officer	Chief General Manager of Advanced Technology Center, Chief General Manager of Solution Business Operations
Masahiro Inoue	Senior Executive Officer	Chief General Manager of Procurement Center
Junzo Saitoh	Senior Executive Officer	Chief General Manager of Human Resources & General Affairs Center
Kazuhiro Kuwata	Senior Executive Officer	CEO of Yamaha Motor Corporation, U.S.A.
Hirofumi Usui	Senior Executive Officer	Chief General Manager of Marine Business Operations, Executive Chief General Manager of Marine Business Unit, Marine Business Operations
Yoshitaka Noda	Executive Officer	Chief General Manager of Powertrain Unit
Akihiro Nagaya	Executive Officer	Chief General Manager of Design Center
Heiji Maruyama	Executive Officer	Deputy Chief General Manager of Powertrain Unit, Chief General Manager in charge of AM Business, Chief General Manager in charge of NLV Business Development
Satohiko Matsuyama	Executive Officer	Chief General Manager of Manufacturing Center Senior General Manager of Manufacturing Strategy Section, Manufacturing Center
Minoru Morimoto	Executive Officer	CEO of Yamaha Indonesia Motor Manufacturing
Yasuo Tanaka	Executive Officer	Chief General Manager of CS Center M. Director of Yamaha Motor Distribution Singapore
Motofumi Shitara	Executive Officer	M. Director of Yamaha Motor India, Chairman & M. Director of India Yamaha Motor, M. Director of Yamaha Motor India Sales
Eric de Seynes	Executive Officer	CEO of Yamaha Motor Europe N.V.
Dyonisius Beti	Executive Officer	COO of Yamaha Indonesia Motor Manufacturing
Toshihiro Nozue	Executive Officer	Executive General Manager of ME Business Unit, Marine Business Operations
Satoshi Hirose	Executive Officer	Deputy Chief General Manager of Manufacturing Center, Senior General Manager of EG Manufacturing Section, Manufacturing Center
Hiroyuki Ota	Executive Officer	Executive General Manager of Robotics Business Unit, Solution Business Operations, Senior General Manager of Surface Mount Technology Section, Robotics Business Unit, General Manager of Quality Assurance Division, Robotics Business Unit
Itaru Otani	Executive Officer	President of Yamaha Motor do Brasil, President of Yamaha Motor da Amazonia
Takeo Noda	Executive Officer	Deputy Chief General Manager of Corporate Planning & Finance Center

(TRANSLATION ONLY)

Toshiaki Ibata	Executive Officer	Executive General Manager of Boat Business Unit, Marine Business Operations
Toyoshi Nishida	Executive Officer	Chief General Manager of PF Model Unit, Senior General Manager of PF Model Development Section, PF Model Unit
Takuya Kinoshita	Executive Officer	Chief General Manager of Motorcycle Business Operations

Note: Abbreviations: AM: Automotive, NLV: New Land Vehicle, CS: Customer Service, ME: Marine Engine, EG: Engine, SMT: Surface Mount Technology, PF: Platform, MC: Motorcycle

(4) Changes of Executive Officers after Fiscal 2018

Changes in responsibilities

(As of January 1, 2019)

Name	After the change	Before the change
Yoichiro Kojima	Assistant to the President	Chairman of Yamaha Motor Europe N.V.
Hiroaki Fujita	Chief General Manager of Advanced Technology Center	Chief General Manager of Advanced Technology Center, Chief General Manager of Solution Business Operations
Masahiro Inoue	Procurement Advisor	Chief General Manager of Procurement Center
Hirofumi Usui	Chief General Manager of Marine Business Operations	Chief General Manager of Marine Business Operations, Executive Chief General Manager of Marine Business Unit, Marine Business Operations
Yoshitaka Noda	Assistant to the President	Chief General Manager of Powertrain Unit
Heiji Maruyama	Chief General Manager of Powertrain Unit, Senior General Manager of Powertrain Planning Section, Chief General Manager in charge of Automotive Business, Chief General Manager in charge of Mobility Strategy Division, Mobility Technology Center	Deputy Chief General Manager of Powertrain Unit, Chief General Manager in charge of AM Business, Chief General Manager in charge of NLV Business Development
Satohiko Matsuyama	Chief General Manager of Manufacturing and Production Engineering Center	Chief General Manager of Manufacturing Center, Senior General Manager of Manufacturing Strategy Section, Manufacturing Center
Yasuo Tanaka	Chief General Manager of CS Center	Chief General Manager of CS Center M. Director of Yamaha Motor Distribution Singapore
Toshihiro Nozue	Senior General Manager of Marine Engine Section, Marine Business Operations	Executive General Manager of ME Business Unit, Marine Business Operations
Satoshi Hirose	Deputy Chief General Manager of Manufacturing and Production Engineering Center, Senior General Manager of Manufacturing Section, Manufacturing and Production Engineering Center	Deputy Chief General Manager of Manufacturing Center, Senior General Manager of EG Manufacturing Section, Manufacturing Center
Hiroyuki Ota	Chief General Manager of Solution Business Operations	Executive General Manager of Robotics Business Unit, Solution Business Operations, Senior General Manager of Surface Mount Technology Section, Robotics Business Unit, General Manager of Quality Assurance Division, Robotics Business Unit
Itaru Otani	Deputy Chief General Manager of Human Resources & General Affairs Center	President of Yamaha Motor do Brasil, President of Yamaha Motor da Amazonia

(TRANSLATION ONLY)

Toshiaki Ibata	Senior General Manager of Boat Section, Marine Business Operations	Executive General Manager of Boat Business Unit, Marine Business Operations
Toyoshi Nishida	Chief General Manager of PF Model Unit	Chief General Manager of PF Model Unit, Senior General Manager of PF Model Development Section, PF Model Unit

Note: Abbreviations: AM: Automotive, NLV: New Land Vehicle, CS: Customer Service, ME: Marine Engine, EG: Engine, SMT: Surface Mount Technology, PF: Platform

(5) Remuneration for Directors and Audit & Supervisory Board Members

1) Policies on determining the amounts of remuneration or the calculation method thereof

The Company's Directors' Remuneration Plan is comprised of basic compensation (monthly remuneration), Directors' bonuses, reflecting the short-term consolidated performance of the Company overall, compensation linked to each Director's individual performance and a stock compensation plan reflecting the medium- to long-term consolidated performance of the Company overall.

Directors' bonuses shall not exceed 0.5% of the consolidated net income attributable to owners of parent of the previous fiscal year, which is calculated correlating with net income attributable to owners of parent and return on assets for the consolidated performance as well as taking into account dividends to shareholders and the level of consolidated performance against the budget. Then the amount calculated is resolved at the Board of Directors Meeting after the deliberation of the Executive Personnel Committee comprised of Representative Directors and Outside Directors.

The stock compensation plan allows Directors to acquire a certain number of the Company's shares monthly through the Company's Director Shareholding Association, and to hold the shares while in office, thus further pegging Director remuneration to shareholder value. However, the performance-based remuneration system and stock compensation plan do not apply to remuneration for Outside Directors and Audit & Supervisory Board Members.

2) Amounts of remuneration

Millions of yen

	Basic compensation	Compensation linked to performance		Stock compensation plan	Total
		Directors' bonuses	Compensation linked to each Director's individual performance		
Directors (15)	359	268	41	50	721
Of which, Outside Directors (5)	(36)				(36)
Audit & Supervisory Board Members (4)	77				77
Of which, Audit & Supervisory Board Members (Outside) (2)	(18)				(18)
Total	437	268	41	50	799

Notes: 1. The annual amount of remuneration for Directors excluding Directors' bonuses shall be ¥540 million or less (including ¥50 million or less for Outside Directors), and the annual amount of remuneration for Audit & Supervisory Board Members shall be ¥90 million or less.

2. The above Directors' bonuses in Compensation linked to performance are the amount scheduled to be paid.

3. The above figures include 4 Directors who retired at the conclusion of the 83rd Ordinary General Meeting of Shareholders held on March 23, 2018.

4. In addition to the remuneration listed above, ¥46 million was paid as salaries to Directors who serve concurrently as employees.

5. At the 84th Ordinary General Meeting of Shareholders, Proposed Resolution 5 "Revision of Remuneration Amounts for Directors and Audit & Supervisory Board Members" and Proposed Resolution 6 "Decision of Remuneration for Imparting Shares with Restriction on Transfer for Directors (Excluding Outside Directors)" are submitted for approval as proposals regarding revision of remuneration amounts and a remuneration system for Directors as well as revision of remuneration amounts for Audit & Supervisory Board Members. These proposals are described on pages 24 to 28.

(6) Matters Relating to Outside Directors and Audit & Supervisory Board Members (Outside)

Principal activities during fiscal 2018

Position	Name	Attendance at Board of Directors Meetings	Attendance at Audit & Supervisory Board Meetings	Principal activities
Outside Directors	Takuya Nakata	13 out of 13 meetings (100.0 %)	-	He provides advice based on his ample experience of managing global companies and wide range of insights for enhancing the value of the commonly used brand.
	Atsushi Niimi	12 out of 13 meetings (92.3%)	-	He provides advice based on his ample experience of managing global companies and wide range of insights.
	Genichi Tamatsuka	12 out of 13 meetings (92.3%)	-	He provides advice based on his wide range of insights and his ample experience of management in general, gained through his experiences in various managerial positions, including the representative directors of several companies.
	Takehiro Kamigama	* 9 out of 10 meetings (90.0%)	-	He provides advice based on his wide range of insights and his ample experience of management in general and in the technology field, gained through his experiences in various managerial positions, including the representative director of a global company.
Audit & Supervisory Board Members (Outside)	Tomomi Yatsu	13 out of 13 meetings (100.0%)	12 out of 12 meetings (100.0%)	She provides advice based on her high level of expertise as a lawyer and certified public accountant, and ample knowledge and experience as an outside officer of a corporation.
	Masahiko Ikaga	12 out of 13 meetings (92.3%)	11 out of 12 meetings (91.6%)	He provides advice based on his high level of expertise as a certified public accountant, and ample knowledge and experience as a company executive and an outside officer of a corporation.

* Attendance after their appointments on March 23, 2018.

5. Independent Auditor

(1) Name of Independent Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration Paid to the Independent Auditor during Fiscal 2018

1) Remuneration paid to the Independent Auditor during fiscal 2018:	110 million yen
2) Total remuneration payable by the Company and its consolidated subsidiaries to the Independent Auditor:	134 million yen

Note: 1. The amount of remuneration for audit under the Corporation Act of Japan and the amount under the Financial Instruments and Exchange Act are not classified differently in the audit contract between the Company and the Independent Auditor, nor would it be practical to do so. Therefore, the above amounts each are totals for their respective categories of remuneration.

2. The Audit & Supervisory Board has given their consent with respect to Paragraph 1, Article 399 of the Corporation Act of Japan for the remuneration paid to the Independent Auditor, following the confirmation and examination of the status of the Independent Auditor's performance of duties, the details of audit plan and others, in light of the "Practical Guidelines for Coordination with Independent Auditors" published by the Japan Audit & Supervisory Board Members Association.

Each of the following principal subsidiaries of the Company contracts another certified public accountant or audit corporation (including a person having an equivalent qualification in the foreign country concerned) for auditing (prescribed by the Corporation Act of Japan or the Financial Instruments and Exchange Act, or laws equivalent to aforementioned acts in the foreign country):

Yamaha Motor Corporation, U.S.A., Yamaha Motor Manufacturing Corporation of America, Yamaha Motor Europe N.V., PT. Yamaha Indonesia Motor Manufacturing, India Yamaha Motor Pvt. Ltd., Yamaha Motor Vietnam Co., Ltd., Thai Yamaha Motor Co., Ltd., Yamaha Motor Philippines, Inc. and Yamaha Motor do Brasil Ltda.

(3) Non-audit Services Provided by the Independent Auditor

The Company entrusts the Independent Auditor with, and pays compensation for, the following types of work, etc. which are not prescribed in Paragraph 1 of Article 2 of the Certified Public Accountants Act (non-audit services):

- 1) Review of English translation of Notices of Ordinary General Meeting of Shareholders
- 2) Review of English translation of annual reports

(4) Policy for Determining the Dismissal or Non-reappointment of Independent Auditor

In addition to the dismissal of an Independent Auditor by the Audit & Supervisory Board stipulated in Article 340 of the Corporation Act of Japan, the Audit & Supervisory Board of the Company shall decide a proposal to dismiss or not to reappoint an Independent Auditor, if it is deemed difficult for the Independent Auditor to perform his or her duties. The Board of Directors of the Company shall submit the agenda to a General Meeting of Shareholders based on the said decision.

6. Systems to Ensure Proper Business Operations

(1) Systems to Ensure the Directors Compliance with Acts, Regulations and the Company's Articles of Incorporation

- The Board of Directors shall supervise Directors in the implementation of their responsibilities, to ensure that they exercise the duty of care and duty of loyalty to the standard of good administrators. The Board is also charged with ensuring that all Directors' activities are lawful.
- Audit & Supervisory Board Members, in accordance with the criteria and methodology established by the Audit & Supervisory Board, shall audit the business conduct of the Directors.
- The Company shall maintain a robust posture against antisocial forces that threaten the order and safety of civil society. The Company shall reinforce this commitment in its Code of Ethics.
- The Company shall form such organizations and develop such rules as necessary to ensure the maintenance of appropriate financial information, and prepare and release reliable financial statements.

(2) Maintenance and Administration of Information Concerning the Business Conduct of Directors

- Documents and other forms of information on the business conduct of Directors shall be prepared, maintained and administered appropriately by establishing and operating necessary arrangement involving internal regulations.
- Confidential information including documents and other forms of information on the business conduct of Directors shall be handled appropriately by establishing and operating necessary arrangement involving internal regulations.
- The Company shall form such organizations and develop such rules as necessary to ensure timely and appropriate disclosure of significant company information.

(3) Rules Relating to Risk Control against Loss

- The Company shall establish a Risk Management and Compliance Committee as an organization carrying out deliberation on its risk management measures, and shall establish a risk management supervising section for developing regulations concerning risk management of the Company and its subsidiaries, conducting risk assessment and structuring system for monitoring the risk management.
- Control of each serious risk factor shall be assigned to a specific section, which shall work to mitigate the risk factor for which it is responsible.
- The Company shall develop and operate internal regulations, etc. as necessary to ensure integrated control of individual departmental risk management activities.
- If a serious crisis arises, an Emergency Countermeasures Headquarters shall be established as provided in the internal regulations, etc., with the President and Chief Executive Officer as its head, in order to minimize damage and negative impact from the event.

(4) Systems to Ensure Efficient Execution of Directors' Duties

- The authority and responsibilities of the Board of Directors, President and Chief Executive Officer and sector heads, and the system for transferring authority between them, shall be better defined by strengthening Board of Directors Rules, Decision-making Rules and other important rules.
- Resolutions to be proposed at the Board of Directors' Meetings shall first be subject to deliberation by the Management Committee and other committees to ensure they are appropriate and meet procedural criteria for subsequent deliberation by the Board of Directors.
- After the Medium-term Plan and the budget for the fiscal year are formulated, management control systems such as a "management by objectives system" shall be established to achieve the plan's goals and targets.

(5) Systems to Ensure Employee Compliance with Acts, Regulations and the Company's Articles of Incorporation

- The Company shall establish the Risk Management and Compliance Committee as an organization carrying out deliberation on its compliance measures, and shall establish a compliance supervising section for enhancing and educating its Code of Ethics to the Company and its subsidiaries.

- The Company shall establish an internal reporting hotline in a third-party organization outside of the Company which enables one to directly report on any unlawful act, or the possibility of illegal or improper activity that could damage trust and confidence in the Company, which directly informs Audit & Supervisory Board Members and the President and Chief Executive Officer concerning such report.
- The Company shall maintain a robust posture against antisocial forces that threaten the order and safety of civil society. The Company shall reinforce this commitment in its Code of Ethics.
- The Company shall form organizations and develop rules necessary to ensure the maintenance of appropriate financial information, and prepare and release reliable financial statements.

(6) Systems to Ensure that the Yamaha Motor Group (Composed of the Company and Its Subsidiaries) Conducts Business Appropriately

- The Company's Group Companies Management Rules and Decision-making Rules shall be established that define the controlling sectors in charge of supervising each subsidiary, and the authority, responsibilities and management methods of subsidiaries.
- In order to audit the appropriateness of operations of the Company and its subsidiaries, an internal auditing sector shall be established in the Company under the direct control of the President and Chief Executive Officer. An internal auditing function shall be established in major subsidiaries as well, and shall conduct audits of sections and subsidiaries collaborating with the internal auditing sector of the Company.
- Each domestic subsidiary, in principle, shall have a Board of Directors and an Audit & Supervisory Board Member; overseas subsidiaries shall design the governing body in accordance with local laws.
- At least one Director of each subsidiary, in principle, shall concurrently serve as a Director, Executive Officer, or employee of another company in the Group.
- The section supervising financial reporting of the Company shall provide subsidiaries with guidance and education to ensure appropriateness of financial information.

(7) Systems to Report to the Company on Matters Concerning the Execution of Duties at the Company's Subsidiaries by Directors, Employees Who Execute Business, and Any Person in an Equivalent Position (Directors, Etc.)

- The Group Companies Management Rules of the Company stipulates that Directors, etc. of its subsidiaries must report to the Company on their financial status and other important information.
- The Company shall request Directors, etc. of its significant subsidiaries to make a report on their business execution at the Management Committee meetings, etc. of the Company on a regular basis.

(8) Rules Relating to Risk Management Against Loss by the Company's Subsidiaries and Other Systems

- The Company's risk management supervising section shall set out rules on managing risks of the Company and its subsidiaries, and establish a system to monitor the risk assessment and its implementation plans and results.
- The Company's risk management supervising section shall provide subsidiaries with guidance and education with respect to risk management initiatives carried out by each subsidiary.
- Standards of conduct shall be set out in the internal rules, etc. to allow the Company to promptly and adequately deal with significant issues about the Company and its subsidiaries when they arise and to minimize the damage from such issues.

(9) Systems to Ensure Efficient Execution of Duties by Directors, Etc. of the Company's Subsidiaries

- Decision-making processes, responsibilities and authority shall be clarified by strengthening the Board of Directors Rules, Decision-making Rules and other important rules.
- The Group Medium-term Plan and the budget for the fiscal year shall be set out.
- A common management control system shall be adopted by the Company and its subsidiaries.
- Global Executive Committee meetings, comprising Executive Officers of the Company and its major subsidiaries, shall be held regularly to share information on the group management policy and deliberate on the policy to deal with important issues.

(10) Systems to Ensure That the Execution of Duties by Directors, Etc. and Employees of the Company's Subsidiaries Complies with Acts, Regulations and the Company's Articles of Incorporation

- The compliance supervising section of the Company shall enhance the Code of Ethics to be complied with by the Company and its subsidiaries, and shall provide subsidiaries with education on compliance.
- The compliance supervising section of the Company shall provide subsidiaries with guidance and education in respect of compliance initiatives taken by each subsidiary.
- The Company and its subsidiaries shall maintain a robust posture against antisocial forces that threaten the order and safety of civil society. The Company and its subsidiaries shall reinforce this commitment in their Code of Ethics.
- The Company and its subsidiaries shall form organizations and develop such rules as necessary to ensure the maintenance of appropriate financial information, and prepare and release reliable financial statements.
- The internal auditing sector of the Company shall work in collaboration with the internal auditing functions of its subsidiaries and perform audits on the system for compliance with acts and regulations of the subsidiaries.
- Audit & Supervisory Board Members of the Company shall perform audits on the status of Directors' execution of duties, internal control, risk management, measures to deal with compliance, and asset management status, etc. of its subsidiaries in accordance with the criteria and methodology established by the Audit & Supervisory Board.

(11) Employee to Assist Audit & Supervisory Board Members

- An Audit & Supervisory Board Members' Office shall be established with a full-time employee dedicated to assisting the Audit & Supervisory Board Members in the execution of their duties.

(12) Employee Assisting Audit & Supervisory Board Members Independence from Directors

- The internal rules provide that the authority to give instructions and orders to the employees assisting Audit & Supervisory Board Members shall be delegated to each Audit & Supervisory Board Member.
- Any dismissal or personnel changes concerning the employee assisting Audit & Supervisory Board Members in the execution of their duties shall be approved by the Audit & Supervisory Board in advance.

(13) Matters in Respect of Ensuring the Effectiveness of Instructions Given by Audit & Supervisory Board Members to the Employees Assisting Audit & Supervisory Board Members

- No employee assisting Audit & Supervisory Board Members in the execution of their duties shall concurrently hold a post involving other business operations. The employee shall perform his or her duties under the direction of the Audit & Supervisory Board Members, whose opinions shall be taken into consideration in evaluating the employee.

(14) Rules Concerning Directors and Employees Reporting to the Audit & Supervisory Board Members

- Directors and employees shall report to Audit & Supervisory Board Members on malpractice and/or acts concerning the execution of duties by Directors or employees, fact which violates the law and the Company's Articles of Incorporation, and incidents that could cause the Company considerable damage, depending on the importance and urgency thereof.
- Directors and employees shall report the following matters to the Audit & Supervisory Board Members periodically, or when necessary, at their request:
 - Establishment and operation of internal control systems, and related subjects
 - Results of internal audits conducted by the internal audit section
 - Operation of the internal reporting system, and receipt of reports

(15) Rules to Submit a Report to Audit & Supervisory Board Members by the Subsidiaries' Directors, Audit & Supervisory Board Members, Employees Who Execute Business, Any Other Person in an Equivalent Position and Employees or Any Person Who Received Reports from Aforementioned Persons

- The subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers, employees, and any person who received reports from these persons shall report to the Company's Audit & Supervisory Board Members on malpractice and/or acts concerning the execution of duties by Directors and employees of the Company and its subsidiaries, fact which violates the law and the Company's Articles of Incorporation, and incidents that could cause the Company considerable damage, when they recognize that such facts are present, depending on the importance and urgency thereof.
- The subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers and employees and any person who received reports from these persons shall report to Audit & Supervisory Board Members of the Company, at their request, on the following matters on a regular basis or when needed.
 - Matters in respect of the business execution
 - Result of audits performed by Audit & Supervisory Board Members of the domestic subsidiaries
 - Result of internal audits performed by the Company's internal auditing sector
 - Status of compliance and risk management, etc.

(16) Systems to Ensure That Any Person Who Reports as Described in the Preceding Paragraph Will Not Receive Any Disadvantageous Treatment Due to Such Reporting

- The Company shall stipulate in its internal rules that any person who reports as described in the preceding paragraph will not receive any disadvantageous treatment due to such reporting.

(17) Matters Regarding the Policy for Handling Expenses or Liabilities Incurred in Relation to the Procedures for the Advance Payment or Reimbursement of Expenses Incurred During the Execution of Duties by Audit & Supervisory Board Members, and Other Expenses or Liabilities Incurred During Execution of the Said Duties

- In order to pay expenses, etc. incurred in the course of the Audit & Supervisory Board Members' execution of duties, a certain amount of budget shall be allocated annually.
- When requests such as payment of expenses in advance are made by Audit & Supervisory Board Members in accordance with Article 388 of the Corporation Act of Japan, payment of such expenses or liabilities shall be made or discharged in a prompt manner.

(18) Other Systems to Ensure Effective Auditing by Audit & Supervisory Board Members

- The Representative Directors shall meet with the Audit & Supervisory Board Members periodically to exchange opinions.
- Audit & Supervisory Board Members shall attend important meetings of bodies including the Management Committee, Risk Management and Compliance Committee, and Executive Committee.
- The internal audit section shall explain its internal audit plan to Audit & Supervisory Board Members in advance.
- The minutes of the Management Committee meeting and any other meetings as the Audit & Supervisory Board Members may specify shall be made available for their perusal. The Audit & Supervisory Board Members shall be granted similar access to any approved proposal memorandums they may specify.
- Auditing assistance from outside experts shall be secured when deemed necessary by the Audit & Supervisory Board.

7. Overview of the Implementation Status of the Systems to Ensure Proper Business Operations

(1) Status of Initiatives in Respect of Compliance

The Company enhances its Code of Ethics and internal rules such as the Compliance Management Regulations, and has established the Risk Management and Compliance Committee as the organization that gathers regularly to carry out deliberation on compliance measures of the Company. Major compliance activities of the Company during the fiscal year under review are as follows.

- Holding compliance training sessions for all officers and employees of the Company on a regular basis
- Penetrating the Code of Ethics through the Company and its subsidiaries, and monitoring the progress of the penetration
- Verifying the identification of business partners in order to break off any relationship with antisocial forces, adding clauses for the elimination of antisocial forces into trading agreements, collecting related information, and raising internal awareness, etc.
- Implementing a global internal reporting system having a reporting hotline by a third-party organization

(2) Status of Initiatives in Respect of Risk Management

The Company works regularly on issues concerning risk management by enhancing internal rules such as the Risk Management Regulations and the Confidential Information Management Regulations, and establishing the Risk Management and Compliance Committee as the organization carrying out deliberation on its measures related to risk management. Major initiatives concerning risk management that the Company has carried out in the fiscal year under review are as follows.

- Based on the assessment of risks by the Company and its subsidiaries, etc., identifying material risks for the Group and monitoring the status of countermeasures
- If some issues arise in the Company or its subsidiaries, they will be notified to the risk management supervising section in accordance with the Rules for Initial Response to an Emergency, and emergency countermeasure structure shall be established in a timely manner, based on the assessment of the impact on the Group management.
- Conducting initial response training for strengthening initial response capability in the event of occurrence of an emergency event
- Conducting risk assessment for information management and monitoring in 150 divisions of the Company

(3) Status of Initiatives in Respect of Ensuring the Efficiency of the Duty Execution

The Company has stipulated matters to be judged and determined by the Board of Directors and matters to be delegated to the Executive Officers in the Board of Directors Rules and the Decision-making Rules, etc. to ensure the efficient execution of duties by Directors, etc. of the Company and its subsidiaries. In the fiscal year under review, 13 meetings of the Board of Directors and 23 meetings of the Management Committee, comprising Executive Officers with titles, were held. Major initiatives in respect of ensuring the efficiency of the execution of duties that the Company has carried out in the fiscal year under review include the following.

- Determining important management tasks for achieving the objectives set out in the Medium-term Plan, and verifying its progress through the Management Committee meetings and monthly management seminars, etc.
- Confirming the status of execution of the annual budget at the monthly Executive Committee meetings
- Convening meetings of the Global Executive Committee which deliberates on important group management policies and tasks
- With the aim of helping Outside Directors collect adequate information without impairing their independence, convening regular meetings comprising Outside Directors and Outside Audit & Supervisory Board Members to exchange their opinions

(4) Status of Initiatives in Order to Ensure the Yamaha Motor Group, Comprising the Company and Its Subsidiaries, Conducts Business Appropriately

The Company has stipulated the controlling sectors in charge of supervising each subsidiary, and the authority, responsibilities and management methods of subsidiaries in its Group Companies Management Rules and Decision-making Rules, etc., to ensure the proper business execution of the Group as a whole. In addition, the Integrated Auditing Division, under the direct control of the President and Chief Executive

Officer, is established as an internal auditing sector to carry out audit on the appropriateness of operational activities. The Integrated Auditing Division audits the appropriateness, adequacy and efficiency of business execution of the Company and its subsidiaries based on an annual audit plan, and makes evaluation and proposals accordingly. Major initiatives in order to ensure the appropriateness of business operations of the Yamaha Motor Group, comprising the Company and its subsidiaries, carried out in the fiscal year under review are the following.

- Reporting by each subsidiary to the Company on matters to be reported in accordance with the Group Companies Management Rules
- Reporting on management conditions of major subsidiaries at the Management Committee meetings, monthly management seminars, and the Executive Committee meetings
- Enhancing and operating internal audit systems of major subsidiaries
- Auditing the Company's divisions and its subsidiaries by the Integrated Auditing Division, and providing support to the audit divisions of the major subsidiaries

(5) Status of Initiatives in Respect of Ensuring the Effectiveness of the Board of Directors

The Company analyzes and evaluates the Board of Directors as a whole on a yearly basis for maintaining and improving its effectiveness. In the fiscal year under review, with the Corporate Planning Division as a secretariat, the evaluation on the effectiveness of the Board of Directors was conducted to all Board of Directors Members including Outside Directors and Audit & Supervisory Board Members (Outside) through following processes.

- Self-evaluation survey by a questionnaire revised based on seven evaluation perspectives regarding the aim of the Board of Directors and past evaluation results.
 - (Evaluation perspectives)
 - 1) Roles and responsibilities of Directors and the Board of Directors
 - 2) Relationships between the Board of Directors and senior management (Executive Officers)
 - 3) Organizational design and composition of the Board of Directors, etc.
 - 4) Qualifications held and knowledge of Directors and the Board of Directors
 - 5) Deliberation at the Board of Directors Meetings
 - 6) Relationships and dialogue with shareholders
 - 7) Dealing with stakeholders other than shareholders
- Conduct surveys of the Board of Directors by third parties, analyze the survey results and conduct interviews
- Analyze self-evaluation and third party evaluation results and confirm the status of improvement, compared with the previous year's evaluation
- Share the results of the evaluation of effectiveness and deliberate on the issues to be addressed at the Board of Directors Meetings based on the results of the analysis

The following is a summary of the results of evaluation of effectiveness of the Board of Directors for the fiscal year under review, conducted based on the above processes.

It was confirmed that the Board of Directors of the Company continued to proactively hold effective discussions and implement initiatives to realize the medium- to long-term enhancement of corporate value and sustainable growth, and its effectiveness had been sufficiently assured for realizing the long-term vision towards 2030 and the Medium-term Plan commencing from 2019.

In particular, it was highly evaluated that the Board of Directors of the Company has duly respected opinions of Outside Directors and Audit & Supervisory Board Members (Outside) and an environment has been created in which constructive discussion and exchange of opinions are possible and that roles of Directors and the Board of Directors have been clarified and shared. It was also confirmed that key issues regarding the Company's management strategy have been appropriately discussed.

In addition, it was confirmed through evaluation by the third parties that regarding recognition of effectiveness of the Board of Directors of the Company, there is no significant deviation in light of the previous self-evaluation.

The Company will continue to push ahead with constant improvement measures to address the issues highlighted based on the evaluation, and make efforts for further enhancement of effectiveness, while having third parties involved in its evaluation process.

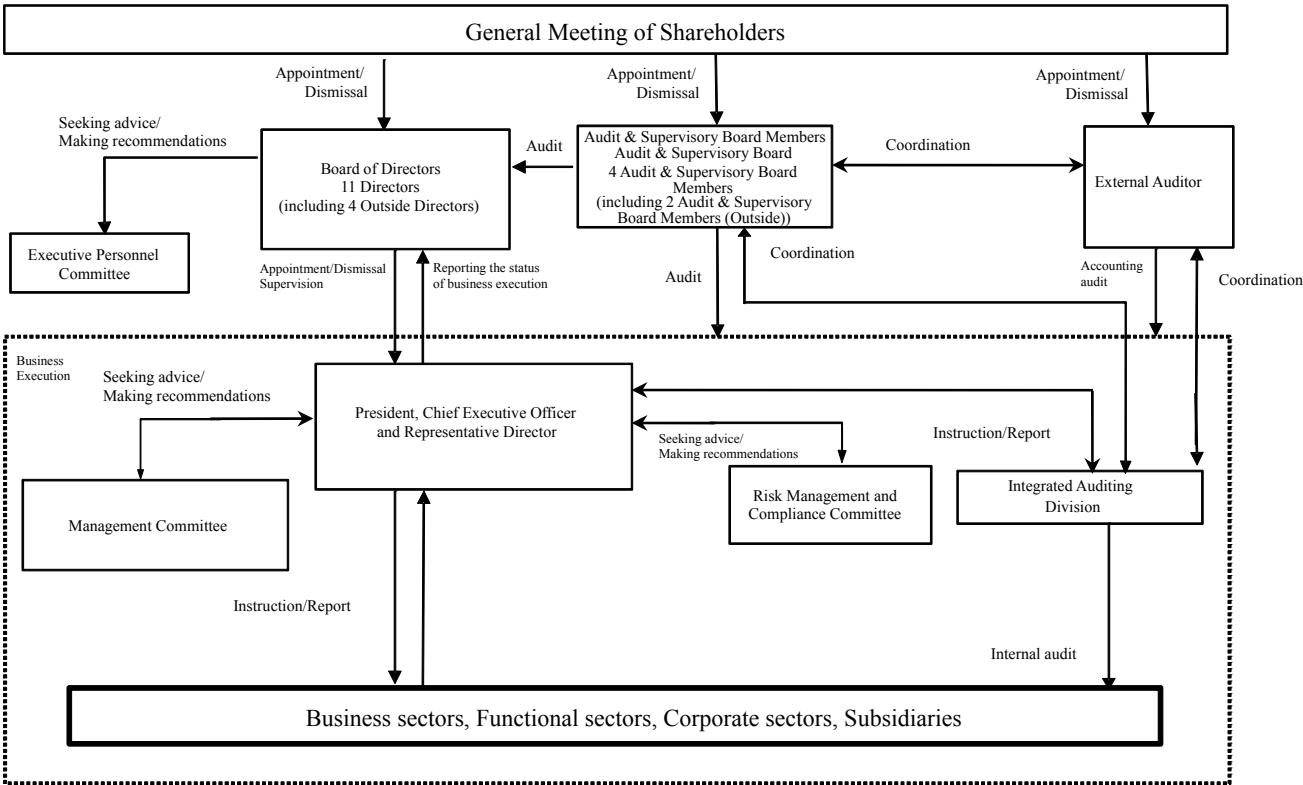
(6) Status of Initiatives in Respect of Ensuring the Effectiveness of Audits Performed by Audit & Supervisory Board Members

The Company endeavors to develop rules and structure for maintaining and improving the effectiveness of

audits conducted by Audit & Supervisory Board Members. In the fiscal year under review, 12 meetings of the Audit & Supervisory Board, comprising 4 Audit & Supervisory Board Members (including 2 Audit & Supervisory Board Members (Outside)), were held. The Audit & Supervisory Board Members' Office, which assists the execution of duties by Audit & Supervisory Board Members, is established with 2 full-time employees. Expenses related to Audit & Supervisory Board Members' activities are budgeted independently and paid appropriately. Major initiatives in respect of ensuring the effectiveness of audits by Audit & Supervisory Board Members, which the Company has carried out in the fiscal year under review, include the following.

- Attendance of Standing Audit & Supervisory Board Members at important meetings including the Management Committee, Risk Management and Compliance Committee, Executive Committee and Global Executive Committee
- Perusal of minutes and approved proposal memorandums of the Management Committee and other meetings of bodies designated by the Audit & Supervisory Board
- Meetings to exchange opinions between the Representative Directors and the Audit & Supervisory Board Members
- Division hearings and subsidiary visits
- Reports on the results of internal audits carried out by the internal auditing sector to the Standing Audit & Supervisory Board Members
- Regular reports on the implementation of the internal reporting system and reported information submitted to the Audit & Supervisory Board Members from the Human Resources Development Division and the Risk Management & Compliance Division on a quarterly basis, and timely reports on important matters
- A system which enables direct provision of information to Audit & Supervisory Board Members established and operated in order to ensure the independence of the internal reporting contact point
- Stipulating prohibition of disadvantageous treatment of any person who reports to Audit & Supervisory Board Members according to the Authority Rules

Diagram of Corporate Governance System and Internal Control System (As of December 31, 2018)



8. Basic Policy on Control of the Company

(1) Outline of the Basic Policy

The Company has been producing many market-leading products on a global scale in its business domains including motorcycles, marine products and power products. Although it takes continuous investment of resources from a long-term perspective to develop proprietary technologies, the highly unique technologies and know-how accumulated in the process, knowledge and information of specific market sectors gained through development effort, and deep relationship of trust with trading partners cultivated over many years through the regular problem-solving efforts as well as high quality human resources in specialist fields are all enhancing the Company's competitive advantages to an even higher level, which are believed to provide significant management resources promoting its corporate value into the future. The Company's field of activities extends beyond its business operations to activities such as philanthropy and environmental preservation. The Company fully recognizes that a wide variety of business operations coupled with such activities can produce a synergy that builds Yamaha Motor's brand and corporate value. To further enhance such brand value and corporate value, the Company must aggressively introduce new models and develop new value-added products incorporating new technologies. As a prerequisite for creating breakthrough technologies, the Company must strengthen its research and development (R&D) activities. Furthermore, high profitability and growth are projected in the next-generation environmental technologies, such as the development of environment-conscious low-fuel-consumption engines and electric-powered motorcycles. In order to earn profit in these fields of activities, it is crucial to aggressively promote a R&D basis for the foundation of these activities. The Company believes that an acquisition of the Company by parties who poorly understand the elements that comprise the brand and corporate value of the Group (described above) would damage the corporate value and hinder the common interests of the shareholders. Once in control of financial and business decisions, such parties could act only from short-term profit motives and dismantle management policies that have been planned and developed over time from a medium-and long-term perspective. Such actions might include excessive reductions in manufacturing costs, R&D expenses, and other expenditures — all decisions which would damage the Group's competitiveness. Not only the above-mentioned case but also certain acquisition schemes would negatively impact corporate value and work against the common interests of the Company's shareholders.

In order to protect and enhance the Company's corporate value and the common interests of the Company's shareholders, the Company deems it necessary that a would-be acquirer adequately discloses the following information prior to any takeover attempt: the proposed management policy and business plan intended by the would-be acquirer; the impact the takeover proposal would have on the Company's shareholders, the management, and the many stakeholders surrounding the Company; and the acquirer's attitudes toward social responsibilities, including the safety of the products. Furthermore, the Company deems it necessary that reasonable time to examine a takeover proposal by the would-be acquirer and negotiating power are secured.

(2) Outline of Special Efforts towards Realizing the Effective Use of the Company's Assets, the Establishment of an Appropriate Corporate Group, and Other Basic Policy

For the achievement of our corporate mission, "Kando Creating Company" - to offer new excitement and a more fulfilling life for people all over the world, the Company is working to secure and enhance the corporate value and the common interests of the Company's shareholders by implementing various measures mentioned hereunder, in a planned and consistent way from a medium to long-term perspective.

1) Efforts to enhance corporate value with a Medium-term Plan

The Company has built a stable financial foundation owing to improved profitability, though failed to attain the targets for sales and operating income of the Medium-term Plan commenced in 2016. Furthermore, in December 2018, the Company formulated a new Medium-term Plan that commences in 2019. Under the new Medium-term Plan, management aims to grow existing business continuously and promote new business development with targets of ¥2 trillion of sales again and the 9% level of operating margin, while investing actively for growth strategies and improving returns to all shareholders.

2) Efforts to increase corporate value by strengthening corporate governance

To ensure the implementation of the Company's growth strategies for the future, the Board of Directors of the Company establishes an environment that supports management's appropriate risk-taking and decisive decision-making activities, and multilaterally understands and appropriately oversees issues and risks associated with the implementation of the Company's management strategies from the viewpoint of fulfilling responsibilities to various stakeholders including shareholders and investors.

This structure is designed to implement speedy and decisive decision-making, and appropriate, transparent and fair supervision and monitoring as the Company's corporate governance. Accordingly, the Company formulates the following Corporate Governance Guidelines and put them into practice in an appropriate manner.

<Corporate Governance Guidelines>

- Chapter 1 Ensuring shareholders' rights and equality, and basic views on dialogue with shareholders
- Chapter 2 Appropriate collaboration with various stakeholders
- Chapter 3 Appropriate information disclosure and ensuring transparency
- Chapter 4 Responsibilities of the Board of Directors, etc.
- Attachment 1 Standards for selecting independent outside officers
- Attachment 2 Policies to promote constructive dialogue with shareholders

For the full text of the Corporate Governance Guidelines, please click here.

https://global.yamaha-motor.com/ir/governance/pdf/corporate_governance_guidelines-e.pdf

(3) Efforts to Prevent the Decisions on Financial and Business Policies of the Company to Be Controlled by Parties Inappropriate in the Light of the Company's Basic Policy

If the Company learns that a party attempts to acquire substantial shares in the Company, in order to protect and increase the corporate value and common interests of its shareholders, and in compliance with the relevant laws and regulations, the Company will require the party to provide necessary and adequate information, so that the shareholders can properly decide either to support or reject the attempt of mass acquisition. Additionally, the Company will disclose the opinions of the Board of Directors concerning the attempt, and take appropriate measures, including striving to secure adequate time for the shareholders to consider the pros and cons of the attempt.

(4) The Decision of the Board of Directors and the Grounds for Such Decision

The initiatives and measures as described in (2) and (3) above are in accordance with the basic policy described in (1), and therefore the Board of Directors judges that they are not intended to maintain the positions of the Company's officers.

Consolidated Financial Statements**Consolidated Balance Sheets**

Millions of yen

	As of December 31, 2018	(Reference) As of December 31, 2017
ASSETS		
I. Current assets:		
Cash and deposits	138,264	156,634
Notes and accounts receivable - trade	164,375	165,220
Short-term sales finance receivables	165,168	161,453
Merchandise and finished goods	208,443	198,991
Work in process	58,676	52,835
Raw materials and supplies	62,047	55,802
Deferred tax assets	24,490	25,239
Other	64,523	51,661
Allowance for doubtful accounts	(11,737)	(12,822)
Total current assets	874,253	855,018
II. Non-current assets:		
1. Property, plant and equipment:		
Buildings and structures, net	103,568	110,206
Machinery, equipment and vehicles, net	104,342	105,673
Land	81,502	83,712
Construction in progress	19,469	20,653
Other, net	26,880	27,752
Total property, plant and equipment	335,763	347,997
2. Intangible assets:		
Leasehold right	4,808	5,382
Other	3,710	5,791
Total intangible assets	8,518	11,173
3. Investments and other assets:		
Investment securities	95,724	95,109
Long-term sales finance receivables	97,680	87,246
Net defined benefit asset	3,263	—
Deferred tax assets	13,085	13,035
Other	7,151	8,147
Allowance for doubtful accounts	(1,982)	(1,882)
Total investments and other assets	214,922	201,655
Total non-current assets	559,205	560,827
Total assets	1,433,458	1,415,845

Note: Amounts less than one million yen have been omitted.

Millions of yen

	As of December 31, 2018	(Reference) As of December 31, 2017
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable - trade	118,303	120,123
Electronically recorded obligations - operating	21,696	34,566
Short-term loans payable	162,950	133,725
Current portion of long-term loans payable	124,299	57,196
Income taxes payable	10,106	11,035
Provision for bonuses	14,111	13,965
Provision for product warranties	17,954	17,704
Other provision	1,393	1,674
Other	113,411	112,161
Total current liabilities	584,227	502,153
II. Non-current liabilities:		
Long-term loans payable	69,439	162,569
Deferred tax liabilities for land revaluation	4,659	4,675
Net defined benefit liability	56,408	53,613
Other provision	582	886
Other	22,397	26,714
Total non-current liabilities	153,487	248,458
Total liabilities	737,715	750,612
NET ASSETS		
I. Shareholders' equity:		
1. Capital stock	85,797	85,797
2. Capital surplus	74,663	74,662
3. Retained earnings	572,707	513,182
4. Treasury shares	(727)	(722)
Total shareholders' equity	732,440	672,920
II. Accumulated other comprehensive income:		
1. Valuation difference on available-for-sale securities	35,210	35,086
2. Revaluation reserve for land	10,412	10,449
3. Foreign currency translation adjustment	(118,281)	(94,226)
4. Remeasurements of defined benefit plans	(2,307)	(1,427)
Total accumulated other comprehensive income	(74,965)	(50,118)
III. Non-controlling interests	38,268	42,430
Total net assets	695,743	665,232
Total liabilities and net assets	1,433,458	1,415,845

Note: Amounts less than one million yen have been omitted.

Consolidated Statements of Income

Millions of yen

	Current Fiscal Year (January 1, 2018– December 31, 2018)	(Reference) Previous Fiscal Year (January 1, 2017– December 31, 2017)
I. Net sales	1,673,137	1,670,090
II. Cost of sales	1,217,963	1,211,460
Gross profit	455,173	458,629
III. Selling, general and administrative expenses	314,386	308,847
Operating income	140,787	149,782
IV. Non-operating income		
Interest income	4,239	4,553
Dividend income	1,139	1,106
Share of profit of entities accounted for using equity method	2,345	2,824
Other	8,228	6,338
Total non-operating income	15,952	14,822
V. Non-operating expenses		
Interest expenses	3,364	3,850
Foreign exchange losses	10,914	1,706
Other	4,491	4,222
Total non-operating expenses	18,771	9,778
Ordinary income	137,969	154,826
VI. Extraordinary income		
Gain on sales of non-current assets	402	670
Gain on sales of investment securities	242	819
Total extraordinary income	644	1,490
VII. Extraordinary losses		
Loss on sales of non-current assets	215	222
Loss on disposal of non-current assets	919	1,413
Impairment loss	183	2,074
Loss on sales of investment securities	412	—
Loss on revision of retirement benefit plan	—	293
Total extraordinary losses	1,729	4,003
Income before income taxes	136,883	152,313
Income taxes - current	37,026	32,694
Income taxes - deferred	(4,641)	2,533
Total income taxes	32,384	35,228
Net income	104,498	117,085
Net income attributable to non-controlling interests	11,132	15,481
Net income attributable to owners of parent	93,366	101,603

Note: Amounts less than one million yen have been omitted.

Consolidated Statements of Changes in Equity

Current Fiscal Year (From January 1, 2018 through December 31, 2018)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,797	74,662	513,182	(722)	672,920
Cumulative effects of changes in accounting policies			(1,045)		(1,045)
Restated balance	85,797	74,662	512,136	(722)	671,874
Changes of items during period					
Reversal of revaluation reserve for land			36		36
Dividends of surplus			(32,832)		(32,832)
Net income attributable to owners of parent			93,366		93,366
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	60,570	(5)	60,565
Balance at end of current period	85,797	74,663	572,707	(727)	732,440

	Other accumulated comprehensive income				
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	35,086	10,449	(94,226)	(1,427)	(50,118)
Cumulative effects of changes in accounting policies					
Restated balance	35,086	10,449	(94,226)	(1,427)	(50,118)
Changes of items during period					
Reversal of revaluation reserve for land					
Dividends of surplus					
Net income attributable to owners of parent					
Purchase of treasury shares					
Disposal of treasury shares					
Net changes of items other than shareholders' equity	123	(36)	(24,054)	(880)	(24,847)
Total changes of items during period	123	(36)	(24,054)	(880)	(24,847)
Balance at end of current period	35,210	10,412	(118,281)	(2,307)	(74,965)

	Non-controlling interests	Total net assets
Balance at the beginning of current period	42,430	665,232
Cumulative effects of changes in accounting policies		(1,045)
Restated balance	42,430	664,187
Changes in items during the period		
Reversal of revaluation reserve for land		36
Dividends of surplus		(32,832)
Net income attributable to owners of parent		93,366
Purchase of treasury shares		(5)
Disposal of treasury shares		0
Net changes of items other than shareholders' equity	(4,162)	(29,009)
Total changes of items during period	(4,162)	31,555
Balance at end of current period	38,268	695,743

Note: Amounts less than one million yen have been omitted.

Notes to Consolidated Financial Statements

1. Notes regarding Basic Items of Significance in Drawing up Consolidated Financial Statements

(1) Scope of Consolidation

1) Number of consolidated subsidiaries: 113

2) Name of major subsidiaries:

Yamaha Motorcycle Sales Japan Co., Ltd., Yamaha Motor Powered Products Co., Ltd., Yamaha Motor Corporation, U.S.A., Yamaha Motor Manufacturing Corporation of America, Yamaha Motor Europe N.V., PT. Yamaha Indonesia Motor Manufacturing, India Yamaha Motor Pvt. Ltd., Yamaha Motor Vietnam Co., Ltd., Thai Yamaha Motor Co., Ltd., Yamaha Motor Philippines, Inc. and Yamaha Motor do Brasil Ltda.

3) Changes to the scope of consolidation:

In the fiscal year ended December 31, 2018, three newly established companies were added to the scope of consolidation. In addition, two companies were merged into other consolidated subsidiaries and were therefore removed from the scope of consolidation.

4) Principal non-consolidated subsidiaries and the reason for excluding these companies from consolidation:

For non-consolidated subsidiaries such as Yamaha Motor Racing S.r.l., when considering total assets, net sales, profit or loss, and retained earnings, etc., they do not have a significant influence on the consolidated financial statements as a whole, and were therefore removed from the scope of consolidation.

(2) Scope of Application of Equity Method

1) Number of non-consolidated subsidiaries and affiliates accounted for by the equity method, and names of principal companies among them:

Number of subsidiaries accounted for by the equity method: 3
Yamaha Motor Racing S.r.l. and 2 other subsidiaries

Number of affiliates accounted for by the equity method: 27
Hong Leong Yamaha Motor Sdn. Bhd. and 26 other affiliates

2) Changes to the scope of application of equity method:

In the fiscal year ended December 31, 2018, one newly invested affiliate was added to the scope of equity-method application.

(3) Accounting Standards

1) Policies and methods of valuation for significant assets

(a) Securities

Other securities

Marketable securities classified as other securities are carried at fair value, based on market prices as of the balance sheet date.

(Any changes in unrealized holding gain or loss, net of the applicable income taxes, are included directly in net assets. The cost of securities sold is determined by the moving average method.)

Non-marketable securities classified as other securities are carried at cost, determined by the moving-average method.

(b) Derivatives

Derivatives are carried at fair value.

(c) Inventories

Inventories are stated at cost, determined primarily by the average method. (Values stated in the balance sheets are computed through the write-down of book value due to lower profitability.)

2) Depreciation and amortization of significant depreciable assets

(a) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is computed by the straight-line method.

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed by the straight-line method.

(c) Leased assets

Leased assets involved in finance lease transactions which transfer ownership

Computed using the same depreciation method applicable to self-owned fixed assets.

Leased assets involved in finance lease transactions which do not transfer ownership

Computed based on the assumption that the useful life equals the lease term and the residual value equals zero.

3) Accounting criteria for significant accruals

(a) Allowance for doubtful accounts

In order to evaluate accounts receivable - trade, sales finance receivables and loans receivable and other equivalents, an allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

(b) Provision for bonuses

Provision for bonuses is stated at an estimated amount of the bonuses to be paid to employees, and to personnel working concurrently as Directors, based on their services for the current fiscal period.

(c) Provision for product warranties

Provision for product warranties is provided to cover after-sale service expenses anticipated to be incurred during the warranty periods of products sold, as well as expenses associated with the quality of products sold, at a specifically estimated amount, plus an amount estimated by multiplying sales during the warranty period by a factor (after-sales service expenses/sales of products) based on actual costs in the past years and sales during the warranty period.

4) Accounting methods for retirement benefits

(a) Method of attributing estimated retirement benefits to periods of service

In calculating retirement benefit obligations, estimated retirement benefits are attributed to the periods concluding at the end of the fiscal year ended December 31, 2018, using the benefit formula basis.

(b) Accounting methods for actuarial gains or losses and prior service costs

Prior service costs are amortized by the straight-line method over a period (primarily 10 years) that is not longer than the average remaining years of service of the employees at the time those costs were incurred.

Actuarial gains or losses are amortized by the straight-line method over a period (primarily 10 years) that is not longer than the average remaining years of service of the employees at the time the gains or losses occurred in each fiscal year, starting from the fiscal year following the respective years of accrual.

5) Other items of significance in drawing up consolidated financial statements

(a) Accounting treatment of consumption taxes

Transactions subject to national and/or local consumption tax are recorded at an amount exclusive of consumption taxes.

(b) Application of consolidated tax return system

The Company applies the Consolidated Tax Return System.

(c) Amortization of goodwill

The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries (“goodwill”) is amortized by the straight-line method over years estimated, based on substantive judgment as incurred.

2. Notes to Changes in Accounting Policy

(Application of IFRS 9 “Financial Instruments”)

IFRS 9 “Financial Instruments” has been applied from the fiscal year ended December 31, 2018, excluding the Company and domestic subsidiaries that adopt JGAAP and subsidiaries in North America that adopt USGAAP. Due to this application, classifications and measurement methods for financial instruments have been revised and for financial assets, impairments have been recognized under the expected credit loss model.

Regarding the application of IFRS 9, in line with the treatments in progress of the IFRS 9, the amount of the cumulative effect has been added or subtracted from retained earnings at the beginning of the fiscal year ended December 31, 2018.

As a result, the effect on the consolidated financial statements for the fiscal year ended December 31, 2018 is immaterial.

(Application of IFRS 15 “Revenue from Contracts with Customers”)

IFRS 15 “Revenue from Contracts with Customers” has been applied from the fiscal year ended December 31, 2018, excluding the Company and domestic subsidiaries that adopt JGAAP and subsidiaries in North America that adopt USGAAP. Due to this application, recognition standards for revenue have been revised, and for all contracts—excluding items such as financial instruments, lease contracts, insurance contracts, and exchange transactions for products with competitors—revenue is now recognized at the time the agreed upon goods or services are transferred to the customer, as amounts that reflect the consideration for which rights are expected to be acquired in exchange for said goods or services.

Regarding the application of IFRS 15, in line with the treatments in progress of the IFRS 15, the amount of the cumulative effect has been added or subtracted from retained earnings at the beginning of the fiscal year ended December 31, 2018.

As a result, the effect on the consolidated financial statements for the fiscal year ended December 31, 2018 is immaterial.

3. Notes to Consolidated Balance Sheets

	Millions of yen
(1) Accumulated Depreciation of Property, Plant and Equipment	625,891

(2) Pledged Assets and Secured Liabilities

Pledged assets are as follows:	Millions of yen
Short-term sales finance receivables	94,630
Buildings and structures, net	93
Land	44
Investment securities	78
Long-term sales finance receivables	11,280
<u>Investments and other assets - Other</u>	<u>505</u>
Total	106,634

Secured liabilities are as follows:	
Current portion of long-term loans payable	53,788
Long-term loans payable	7,253
<u>Non-current liabilities - Other</u>	<u>212</u>
Total	61,253

(3) Guarantee Obligations

Guarantee obligations are guarantees for the following subsidiaries' and affiliates' loans from financial institutions.

	Millions of yen
PT. Bussan Auto Finance	9,669
<u>Amagasaki Woodland of Health Co., Ltd.</u>	<u>105</u>
Total	9,774

The above amounts include amounts arising from quasi-guarantees of ¥105 million.

(4) Revaluation Reserve for Land

Pursuant to the "Act Concerning the Revaluation of Land" (No. 24, enacted on March 31, 1999), land used for the Company's business operations was revalued. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities for land revaluation" and the remaining balance has been presented under net assets as "Revaluation reserve for land" in the accompanying consolidated balance sheets.

1) Date of revaluation March 31, 2000

2) Method of revaluation

Under Item 4 of Article 2 of the Order for Enforcement on Act on Revaluation of Land (No. 119 of the 1998 Cabinet Order, promulgated on March 31, 1998), the land price for the revaluation was determined based on the official notice prices assessed and published by the Chief Officer of the National Tax Administration, as provided by Article 16 of the Act Concerning Public Notification of Land Prices. The appropriate adjustments were made to reflect these official notice prices.

3) Fair value of the land used for business after revaluation

The fair value of the land used for business after revaluation at the end of fiscal 2018 was below its book value by ¥7,774 million.

4. Notes to Consolidated Statements of Changes in Equity

(1) Type and Number of Outstanding Shares:

Common stock 349,914,284 shares

(2) Dividends

1) Amount of dividends paid

Resolution	Type of share	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Mar. 23, 2018	Common stock	17,114	49.00	Dec. 31, 2017	Mar. 26, 2018
Board of Directors Meeting held on Aug. 8, 2018	Common stock	15,717	45.00	Jun. 30, 2018	Sep. 7, 2018

2) Dividends whose record date falls in FY2018 and whose effective date falls in FY2019

Resolution	Type of share	Total amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Mar. 27, 2019	Common stock	15,717	Retained earnings	45.00	Dec. 31, 2018	Mar. 28, 2019

(3) Subscription Rights to Shares

No related items.

5. Notes to Financial Instruments

(1) Status of Financial Instruments Held by the Group

1) Policies on financial instruments

The Group restricts its asset management to short-term deposits, etc. in principle and raises funds mainly through bank borrowings. Derivative transactions are used to mitigate the risks described below and the Group has no intention to engage in speculative trading.

2) Details of financial instruments and related risks

Notes and accounts receivable - trade, which are operating receivables, as well as short-term and long-term sales finance receivables are exposed to credit risk of customers. Foreign currency-denominated operating receivables resulting from the Group conducting business globally are exposed to risk of foreign currency exchange fluctuations, which is mitigated in principle by securing foreign exchange forward contracts on the net position of foreign currency-denominated operating receivables and payables.

Investment securities, mainly stocks of companies with which the Group has business relationships, are exposed to risk of market price fluctuations.

Notes and accounts payable - trade and electronically recorded obligations - operating, which are operating

payables, are mostly due within one year. Some of them are denominated in foreign currency, reflecting imports of raw materials, etc., and exposed to risk of foreign currency exchange fluctuations. However, in principle, they are below the balance of accounts receivable denominated in the same foreign currency. Short-term loans payable and long-term loans payable are intended for working capital, and some of them with variable interest rates may be exposed to risk of interest rate fluctuations. Derivative transactions used by the Company are mainly foreign exchange forward contracts to mitigate risk of foreign currency exchange fluctuations in connection with foreign currency-denominated operating receivables and payables, and interest rate swap transactions and other transactions to mitigate risk of fluctuations in interest paid on the Company's borrowings.

3) Risk management system for financial instruments

(a) Management of credit risk (risks associated with the defaults of customers)

The Company and its consolidated subsidiaries have their administrative sections in individual business divisions periodically monitor main business partners with regard to operating receivables and keep track of the due date and the balance for each business partner, while trying to identify doubtful receivables due to worsened financial conditions of the business partners at an early stage and seek to reduce their consequences.

In engaging in derivative transactions, the Company enters into transaction only with financial institutions with a high credit rating in order to mitigate counterparty risk.

(b) Management of market risk (foreign currency exchange and interest rate fluctuation risks)

The Company and some of its consolidated subsidiaries use foreign exchange forward contracts, etc. to mitigate foreign currency exchange fluctuation risk of foreign currency-denominated operating receivables and payables, which is identified for different currencies on a monthly basis. Foreign exchange forward contracts, etc. are also used for foreign currency-denominated operating receivables, which are certain to be generated as a result of scheduled export transactions. Additionally, interest rate swap transactions and other transactions may be used to reduce risk of fluctuations in interest paid on borrowings.

The Company periodically monitors the market prices of investment securities and the financial conditions of the issuers (business partners) and reviews its holding of investment securities on an ongoing basis, taking relationships with the business partners into account.

The Company's finance & accounting division carries out derivative transactions based on the internal rules prescribing transaction authority, the upper limit and others, keeps records and cross-checks the balance with financial institutions. Transactions of foreign exchange forward contracts, etc. are reported to Executive Officers in the position of Senior Executive Officer or higher, Standing Audit & Supervisory Board Members, and heads of the finance & accounting division and the division responsible for managing positions at least once a month. The Company also monitors consolidated subsidiaries in accordance with the internal rules.

(c) Management of liquidity risk related to financing (risks in which the Company being unable to repay within the due date)

The Company and each of its consolidated subsidiaries control liquidity risk by formulating and revising a cash position plan as needed, while maintaining liquidity on hand at an appropriate level.

4) Supplementary explanation concerning fair values, etc. of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the different assumptions.

(2) Fair Values of Financial Instruments

Carrying amount, fair value and differences of the financial instruments as of December 31, 2018 are as follows. Financial instruments whose fair values are not readily determinable are excluded from the following table: (See Note 2.)

	Millions of yen		
	Carrying amount	Fair value	Differences
(1) Cash and deposits	138,264	138,264	—
(2) Notes and accounts receivable - trade Allowance for doubtful accounts (*1)	164,375 (4,874)		
	159,501	159,477	(23)
(3) Short-term sales finance receivables Allowance for doubtful accounts (*1)	165,168 (6,174)		
	158,993	158,993	—
(4) Investment securities	65,086	65,086	—
(5) Long-term loans receivable Allowance for doubtful accounts (*1)	794 (253)		
	541	549	8
(6) Long-term sales finance receivables Allowance for doubtful accounts (*1)	97,680 (1,621)		
	96,058	105,047	8,988
Total assets	618,446	627,420	8,973
(7) Notes and accounts payable - trade	118,303	118,303	—
(8) Electronically recorded obligations - operating	21,696	21,696	—
(9) Short-term loans payable	162,950	162,950	—
(10) Current portion of long-term loans payable	124,299	124,299	—
(11) Long-term loans payable	69,439	69,959	519
Total liabilities	496,689	497,208	519
Derivative transactions (*2)	2,424	2,424	—

(*1) Allowance for doubtful accounts is deducted from notes and accounts receivable - trade, short-term sales finance receivables, long-term loans receivable and long-term sales finance receivables.

(*2) Receivables and payables, which were derived from derivative transactions, are presented in net amounts. The figures in parentheses indicate net payables.

Notes: 1. Calculation method of fair values of financial instruments and matters concerning marketable securities and derivative transactions

Assets:

(1) Cash and deposits

These assets are recorded using book values as the fair values are almost equal to the book values because of their short-term maturities.

(2) Notes and accounts receivable - trade

The fair values of these assets are measured at the present values of their future cash flows from which an allowance for doubtful accounts equivalent to credit risk are deducted. In order to compute the present values of the future cash flows of these assets, the assets are categorized by specified time period, and future cash flows in each category are discounted at a rate in accordance with appropriate indices such as government bond yields.

(3) Short-term sales finance receivables

Short-term sales finance receivables are calculated based on book values from which an allowance for doubtful accounts equivalent to credit risk is deducted, as fair values are almost equal to the book values because of their short collection period.

(4) Investment securities

Investment securities are determined using the quoted price at the stock exchange.

(5) Long-term loans receivable, (6) Long-term sales finance receivables

For long-term loans receivable and long-term sales finance receivables with variable rates, fair value is calculated based on book values, as they reflect market interest rates in the short run.

For long-term loans receivable and long-term sales finance receivables with fixed rates, the fair values are measured at their present values from which an allowance for doubtful accounts equivalent to credit risk are deducted. The present values of these assets are computed by discounting for each collection period at a rate in accordance with appropriate indices such as government bond yields.

Liabilities:

(7) Notes and accounts payable - trade, (8) Electronically recorded obligations - operating, (9) Short-term loans payable, (10) Current portion of long-term loans payable

These liabilities are recorded using book values as the fair values are almost equal to the book values because of their short-term maturities.

(11) Long-term loans payable

For long-term loans payable with variable rates, fair value is calculated based on book values, as they reflect market interest rates in the short run.

For long-term loans payable with fixed rates, the fair values are determined by computing the present values, discounted for each repayment period at a projected interest rate if a similar borrowing is taken out.

Derivative transactions:

Their fair values are calculated based on the quoted price obtained from the financial institutions.

2. Financial instruments whose fair values are not readily determinable

Millions of yen	
Category	Carrying amount
Unlisted equity securities	30,637

The foregoing items are not included in "(4) Investment securities," because there is no market price, and it is deemed difficult to measure the fair values.

6. Notes to Per Share Information

(1) Net Assets per Share	1,882.64 yen
(2) Net Income per Share	267.35 yen

Non-consolidated Financial Statements**Non-consolidated Balance Sheets**

Millions of yen

	As of December 31, 2018	(Reference) As of December 31, 2017
ASSETS		
I. Current assets:		
Cash and deposits	24,471	38,289
Notes receivable - trade	5,959	4,794
Accounts receivable - trade	106,736	106,622
Merchandise and finished goods	32,600	30,819
Work in process	20,479	21,597
Raw materials and supplies	22,877	16,938
Prepaid expenses	1,970	2,982
Deferred tax assets	8,207	9,269
Other	21,326	17,758
Allowance for doubtful accounts	(1,843)	(1,143)
Total current assets	242,785	247,929
II. Non-current assets:		
1. Property, plant and equipment:		
Buildings, net	42,379	42,824
Structures, net	6,157	6,277
Machinery and equipment, net	22,620	21,519
Vessels, net	285	290
Vehicles, net	683	704
Tools, furniture and fixtures, net	10,477	10,332
Land	47,499	47,786
Construction in progress	5,254	6,339
Total property, plant and equipment	135,357	136,074
2. Intangible assets:		
Leasehold right	501	509
Other	487	552
Total intangible assets	989	1,061
3. Investments and other assets:		
Investment securities	68,972	68,434
Stocks of subsidiaries and affiliates	137,223	136,475
Investment in capital	3	3
Investment in capital of subsidiaries and affiliates	26,445	18,598
Long-term loans receivable	6,027	12,333
Other	956	702
Allowance for doubtful accounts	(166)	(1,333)
Total investments and other assets	239,462	235,213
Total non-current assets	375,809	372,349
Total assets	618,595	620,279

Note: Amounts less than one million yen have been omitted.

(TRANSLATION ONLY)

	Millions of yen	
	As of December 31, 2018	(Reference) As of December 31, 2017
LIABILITIES		
I. Current liabilities:		
Notes payable - trade	916	1,726
Electronically recorded obligations - operating	18,808	30,938
Accounts payable - trade	40,098	37,584
Short-term loans payable	16,653	7,290
Current portion of long-term loans payable	35,000	25,000
Lease obligations	51	48
Accounts payable - other	25,936	24,288
Accrued expenses	4,760	4,633
Income taxes payable	—	1,550
Advances received	3,845	3,320
Deposits received	2,990	2,839
Provision for bonuses	5,845	5,375
Provision for product warranties	9,650	8,496
Other	493	599
Total current liabilities	<u>165,051</u>	<u>153,691</u>
II. Non-current liabilities:		
Long-term loans payable	21,100	56,300
Lease obligations	716	768
Deferred tax liabilities	3,337	9,385
Deferred tax liabilities for land revaluation	4,659	4,675
Provision for retirement benefits	20,451	21,497
Provision for product liabilities	504	817
Allowance for investment loss	984	641
Other	1,061	1,123
Total non-current liabilities	<u>52,815</u>	<u>95,209</u>
Total liabilities	<u>217,866</u>	<u>248,901</u>
NET ASSETS		
I. Shareholders' equity:		
1. Capital stock	85,797	85,797
2. Capital surplus		
(1) Legal capital surplus	74,072	74,072
(2) Other capital surplus	641	640
Total capital surplus	<u>74,713</u>	<u>74,713</u>
3. Retained earnings		
Other retained earnings		
Reserve for reduction entry	345	349
Retained earnings brought forward	195,321	165,712
Total retained earnings	<u>195,667</u>	<u>166,061</u>
4. Treasury shares	(672)	(668)
Total shareholders' equity	<u>355,506</u>	<u>325,903</u>
II. Valuation and translation adjustments:		
1. Valuation difference on available-for-sale securities	34,808	35,025
2. Revaluation reserve for land	10,412	10,449
Total valuation and translation adjustments	<u>45,221</u>	<u>45,474</u>
Total net assets	<u>400,728</u>	<u>371,378</u>
Total liabilities and net assets	<u>618,595</u>	<u>620,279</u>

Note: Amounts less than one million yen have been omitted.

Non-consolidated Statements of Income

Millions of yen

	(Reference)	
	Current Fiscal Year (January 1, 2018– December 31, 2018)	Previous Fiscal Year (January 1, 2017– December 31, 2017)
I. Net sales	677,243	678,090
II. Cost of sales	564,295	558,402
Gross profit	112,948	119,688
III. Selling, general and administrative expenses	83,878	74,911
Operating income	29,070	44,777
IV. Non-operating income		
Interest income	1,106	701
Dividend income	36,550	35,056
Other	2,212	971
Total non-operating income	39,869	36,730
V. Non-operating expenses		
Interest expenses	460	431
Contribution	223	225
Foreign exchange losses	1,841	228
Loss on valuation of investment securities	623	10
Loss on revaluation of investment in subsidiaries' and affiliates' stock	779	6,585
Other	1,104	920
Total non-operating expenses	5,033	8,403
Ordinary income	63,906	73,104
VI. Extraordinary income		
Gain on sales of non-current assets	35	69
Gain on sales of investment securities	242	814
Gain on liquidation of subsidiaries and associates	—	89
Total extraordinary income	277	973
VII. Extraordinary losses		
Loss on sales of non-current assets	38	69
Loss on disposal of non-current assets	340	403
Impairment loss	167	1,449
Loss on sales of investment securities	412	—
Total extraordinary losses	958	1,922
Income before income taxes	63,225	72,155
Income taxes - current	5,732	5,408
Income taxes - deferred	(4,909)	36
Total income taxes	823	5,444
Net income	62,401	66,710

Note: Amounts less than one million yen have been omitted.

Non-consolidated Statements of Changes in Equity

Current Fiscal Year (From January 1, 2018 through December 31, 2018)

Millions of yen

	Shareholders' equity				Retained earnings
	Capital stock	Capital surplus			Other retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for reduction entry
Balance at beginning of current period	85,797	74,072	640	74,713	349
Changes of items during period					
Reversal of reserve for reduction entry					(3)
Reversal of revaluation reserve for land					
Dividends of surplus					
Net income					
Purchase of treasury shares					
Disposal of treasury shares			0	0	
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	0	0	(3)
Balance at end of current period	85,797	74,072	641	74,713	345

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
Balance at beginning of current period	165,712	166,061	(668)	325,903
Changes of items during period				
Reversal of reserve for reduction entry	3	0		0
Reversal of revaluation reserve for land	36	36		36
Dividends of surplus	(32,832)	(32,832)		(32,832)
Net income	62,401	62,401		62,401
Purchase of treasury shares			(3)	(3)
Disposal of treasury shares			0	0
Net changes of items other than shareholders' equity				
Total changes of items during period	29,609	29,606	(3)	29,603
Balance at end of current period	195,321	195,667	(672)	355,506

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of current period	35,025	10,449	45,474	371,378
Changes of items during period				
Reversal of reserve for reduction entry				0
Reversal of revaluation reserve for land				36
Dividends of surplus				(32,832)
Net income				62,401
Purchase of treasury shares				(3)
Disposal of treasury shares				0
Net changes of items other than shareholders' equity	(216)	(36)	(252)	(252)
Total changes of items during period	(216)	(36)	(252)	29,350
Balance at end of current period	34,808	10,412	45,221	400,728

Note: Amounts less than one million yen have been omitted.

Notes to Non-consolidated Financial Statements

1. Notes regarding Significant Accounting Policies

(1) Asset Valuation

1) Securities

Stocks of subsidiaries and affiliates are carried at cost, determined by the moving-average method.

Other securities

Marketable securities classified as other securities are carried at fair value, based on market prices as of the balance sheet date.

(Any changes in unrealized holding gain or loss, net of the applicable income taxes, are included directly in net assets. The cost of securities sold is determined by the moving average method.)

Non-marketable securities classified as other securities are carried at cost, determined by the moving-average method.

2) Derivatives

Derivatives are carried at fair value.

3) Inventories

Finished goods and work-in-process are stated at cost, determined by the average method. (Values stated in the balance sheets are computed through the write-down of book value due to lower profitability)

Merchandise, raw materials and supplies are stated at cost based on the last-purchase-price method. (Values stated in the balance sheets are computed through the write-down of book value due to lower profitability)

(2) Depreciation and Amortization of Assets

1) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is computed by the straight-line method.

2) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed by the straight-line method.

3) Leased assets

Leased assets involved in finance lease transactions which transfer ownership

Computed using the same depreciation method applicable to self-owned fixed assets.

Leased assets involved in finance lease transactions which do not transfer ownership

Computed based on the assumption that the useful life equals the lease term and the residual value equals zero.

(3) Significant Accruals

1) Allowance for doubtful accounts

In order to evaluate accounts receivable - trade, and loans and other equivalents, an allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

2) Provision for bonuses

Provision for bonuses is stated at an estimated amount of the bonuses to be paid to employees, and to personnel working concurrently as Directors, based on their services for the current fiscal period.

3) Provision for product warranties

Provision for product warranties is provided to cover after-sale service expenses anticipated to be incurred during the warranty periods of products sold, as well as expenses associated with the quality of products sold, at a specifically estimated amount, plus an amount estimated by multiplying sales during the warranty period by a factor (after-sales service expenses/sales of products) based on actual costs in the past years and sales during the warranty period.

4) Provision for retirement benefits

Provision for retirement benefits is provided mainly at an amount, deemed generated on December 31, 2018, calculated based on the retirement benefit obligations and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gains or losses and unrecognized prior service costs.

(a) Method of attributing estimated retirement benefits to periods of service

In calculating retirement benefit obligations, estimated retirement benefits are attributed to the periods concluding at the end of the fiscal year ended December 31, 2018, using the benefit formula basis.

(b) Accounting methods for actuarial gains or losses and prior service costs

Prior service costs are amortized as incurred by the straight-line method over a period, 10 years, which is shorter than the average remaining years of service of the employees.

Actuarial gains or losses are amortized in the respective years following the year in which the gains or losses are recognized, with the amount proportionally divided by the straight-line method, over a period, 10 years, which is shorter than the average remaining years of service of the employees at the time the gains or losses occurred in each fiscal year.

5) Provision for product liabilities

Provision for product liabilities is provided, at an estimated amount of payments based on the actual results in past years, for liabilities that are not covered by product liability insurance.

6) Allowance for investment loss

Allowance for investment loss is provided in order to prepare for loss from investment in subsidiaries and affiliates, etc., and the necessary amount was recorded based on its financial condition.

(4) Other Basic Items of Significance in Drawing up Non-consolidated Financial Statements

1) Consumption taxes

Transactions subject to national and/or local consumption tax are recorded at an amount exclusive of consumption taxes.

2) Application of consolidated tax return system

The Company applies the Consolidated Tax Return System.

3) Accounting methods for retirement benefits

Accounting methods for unrecognized actuarial gains and losses and unrecognized prior service costs related to retirement benefits employed in the non-consolidated financial statements are different from those in the consolidated financial statements.

2. Notes to Non-consolidated Balance Sheets

	Millions of yen
(1) Accumulated Depreciation of Property, Plant and Equipment	297,603
(2) Pledged Assets	
Stocks of subsidiaries and affiliates	22

Stocks of subsidiaries and affiliates are pledged as collateral for loans from financial institutions made by the subsidiaries and affiliates.

(3) Receivables from and Payables to Subsidiaries and Affiliates

	Millions of yen
Short-term receivables:	99,326
Long-term receivables:	5,859
Short-term payables:	29,520
Long-term payables:	716

(4) Guarantee Obligations

Guarantees are given for the following subsidiaries' and affiliates' loans from financial institutions.

	Millions of yen
PT. Bussan Auto Finance	9,669
India Yamaha Motor Pvt. Ltd.	5,022
Yamaha Motor Pakistan Pvt. Ltd.	4,741
<u>Amagasaki Woodland of Health Co., Ltd.</u>	<u>105</u>
Total	19,539

Guarantee obligations described above include ¥105 million arising from quasi-guarantees.

(5) Revaluation Reserve for Land

Pursuant to the "Act Concerning the Revaluation of Land" (No. 24, enacted on March 31, 1999), land used for the Company's business operations was revalued. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities for land revaluation" and the remaining balance has been presented under net assets as "Revaluation reserve for land" in the accompanying non-consolidated balance sheets.

1) Date of revaluation March 31, 2000

2) Method of revaluation

Under Item 4 of Article 2 of the Order for Enforcement on Act on Revaluation of Land (No. 119 of the 1998 Cabinet Order, promulgated on March 31, 1998), the land price for the revaluation was determined based on the official notice prices assessed and published by the Chief Officer of the National Tax Administration, as provided by Article 16 of the Act Concerning Public Notification of Land Prices. The appropriate adjustments were made to reflect these official notice prices.

3) Fair value of the land used for business after revaluation

The fair value of the land used for business after revaluation at the end of fiscal 2018 was below its book value by ¥7,774 million.

3. Notes to Non-consolidated Statements of Income**Transactions with subsidiaries and affiliates**

	Millions of yen
Net Sales	491,287
Purchases	185,373
Non-operating income	36,601
Non-operating expenses	233

4. Notes to Non-consolidated Statements of Changes in Equity

Number of shares in treasury shares at December 31, 2018

	Shares
Common stock	637,627

5. Notes to Deferred Tax Accounting

Principal deferred tax assets and liabilities

	Millions of yen
Deferred tax assets:	
Loss on valuation of securities	30,721
Loss carried forward for tax purposes	21,099
Excess of depreciation	12,153
Provision for retirement benefits	6,135
Provision for product warranties	2,895
Provision for bonuses	1,753
Allowance for doubtful accounts	603
Other	3,673
Gross deferred tax assets	79,035
Valuation allowance	(60,341)
Total deferred tax assets	18,694
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(13,561)
Reserve for reduction entry	(261)
Other	(1)
Total deferred tax liabilities	(13,823)
Net deferred tax assets	4,870

6. Notes to Transactions with Related Parties

Millions of yen

Type	Name of company, etc.	Ownership of voting rights, etc.	Relationship with related parties	Details of transaction	Amount of transaction	Account	Balance as of the end of the fiscal year
Subsidiary	Yamaha Motorcycle Sales Japan Co., Ltd.	Direct ownership 100.0%	Sale of products of the Company	Net sales (Note 1)	41,186	Accounts receivable - trade	7,849
Subsidiary	Yamaha Motor Corporation, U.S.A. (The United States)	Direct ownership 100.0%	Sale of products of the Company	Net sales (Note 1)	130,032	Accounts receivable - trade	20,460
Subsidiary	Yamaha Motor Manufacturing Corporation of America (The United States)	Indirect ownership 100.0%	Manufacture of products of the Company	Net sales (Note 1)	44,312	Accounts receivable - trade	8,367
Subsidiary	Yamaha Motor Europe N.V. (The Netherlands)	Direct ownership 100.0%	Sale of products of the Company	Net sales (Note 1)	92,887	Accounts receivable - trade	11,568
Subsidiary	Yamaha Motor Argentina S.A. (Argentina)	Indirect ownership 100.0%	Manufacture and sale of products of the Company	Net sales (Note 1)	6,146	Accounts receivable - trade	1,811
Affiliate	PT. Bussan Auto Finance (Indonesia)	Direct ownership 17.7% Indirect ownership 2.3%	Sale of motorcycles of the Company Provision of finance	Debt guarantee (Note 2)	9,669	-	-

Notes: 1. Trade conditions such as prices are determined by taking actual market prices into account and are based on general terms of transactions.
2. Debt guarantee is related to loans from financial institutions of the subsidiary and affiliate.

7. Notes to Per Share Information

(1) Net Assets per Share 1,147.31 yen

(2) Net Income per Share 178.66 yen

Independent Auditor's Report

February 8, 2019

The Board of Directors
Yamaha Motor Co., Ltd.

Ernst & Young ShinNihon LLC

Noritada Aizawa
Certified Public Accountant
Designated and Engagement Partner

Daisuke Sumita
Certified Public Accountant
Designated and Engagement Partner

Katsuya Tanaka
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Yamaha Motor Co., Ltd. (the "Company") applicable to the fiscal year from January 1, 2018 through December 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Yamaha Motor Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended December 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Independent Auditor's Report

February 8, 2019

The Board of Directors
Yamaha Motor Co., Ltd.

Ernst & Young ShinNihon LLC

Noritada Aizawa
Certified Public Accountant
Designated and Engagement Partner

Daisuke Sumita
Certified Public Accountant
Designated and Engagement Partner

Katsuya Tanaka
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Yamaha Motor Co., Ltd. (the "Company") applicable to the 84th fiscal year from January 1, 2018 through December 31, 2018.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Yamaha Motor Co., Ltd. applicable to the 84th fiscal year ended December 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Copy of Audit Report of the Audit & Supervisory Board

Audit Report

February 12, 2019

We at the Audit & Supervisory Board, having discussed the Directors' performance of duties during the 84th business year, from January 1, 2018 through December 31, 2018, based on audit reports from each Audit & Supervisory Board Member, prepared this Audit Report of the Audit & Supervisory Board. Our audit opinion is as follows.

1. Methods and Contents of the Audit Implemented by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established its audit policy, assigned responsibilities to each Audit & Supervisory Board Member in carrying out the policy, and received reports from each Audit & Supervisory Board Member on audit implementation and results. In addition, the Audit & Supervisory Board, when necessary, requested reports and received explanations from Directors, other executives and accounting auditors concerning the execution of their duties.
- (2) Each Audit & Supervisory Board Member, in accordance with the Audit & Supervisory Board Members standard of audit, established by the Audit & Supervisory Board, as well as other relevant audit policy, executed assigned responsibilities, communicated with Directors, internal audit divisions, and other employees, in order to gather information and develop an optimal audit environment, and also performed audit using the following methods.
 - 1) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings, received reports on the execution of duties from Directors, employees and other personnel, requested reports and received explanations from them whenever necessary, perused important documents, including those subject to executive approval, and examined the conditions of assets and business at the head office and other major business office. With regard to the Company's subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other employees of the subsidiaries, and received reports from them when necessary.
 - 2) Concerning the resolution adopted by the Board of Directors about designing the system which assures that the execution of Directors' duties comply with laws and regulations and the Articles of Incorporation and designing the other system for assuring the proper business operations of a corporate group comprising the company and its subsidiaries, as stipulated in Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Corporation Act of Japan, and the internal control system, designed in accordance with the Board of Directors' resolution, each Audit & Supervisory Board Member periodically received reports of the status of establishing and operating these systems from Directors, employees and other personnel, requested reports and received explanations from them whenever necessary.
 - 3) The contents of the basic policy set forth in Item 3(a) of Article 118 of the Ordinance for Enforcement of the Corporation Act of Japan stated in the business reports and each approach set forth in (b) of the same item are reviewed based on the status of deliberations of the Board of Directors and other management entities.
 - 4) Each Audit & Supervisory Board Member has monitored the accounting auditor to verify their independence and the propriety of their audit implementation, and has requested reports and received explanations from them when necessary. In addition, each Audit & Supervisory Board Member received a notice from the accounting auditor that "the system for securing appropriate execution of duties" (in each items of Article 131 of the Corporate Accounting Rules) has been developed in accordance with "the Standard on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005), and requested reports and received explanations from them. Based on the methods described above, the Audit & Supervisory Board reviewed whether the accounting auditor executed their

duties appropriately.

Based on the methods described above, the Audit & Supervisory Board reviewed the business report and its supplementary schedules, non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and their supplementary schedules, and consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the business year.

2. Results of Audit

(1) Results of the audit of the business report and other documents

- 1) The business report and its supplementary schedules present fairly the condition of the Company in accordance with applicable laws and regulations, as well as the Articles of Incorporation.
- 2) With regard to the execution of Directors' duties, we have found no misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation.
- 3) We find the content of the Board of Directors' resolution on the internal control system sufficient. Also, with regard to the internal control system itself, nothing unusual is to be pointed out.
- 4) There are no matters requiring additional mention with respect to basic policy on the conduct of persons controlling decisions on the financial and business policies of companies stated in the business reports. We admit that each approach set forth in Item 3(b) of Article 118 of the Ordinance for Enforcement of the Corporation Act of Japan that are stated in the business reports conforms with such basic policy, is in no way obstructive of any common interests of shareholders, and is not adopted with the intention to maintain the positions of Directors and Audit & Supervisory Board Members.

(2) Results of the audit of non-consolidated financial statements and their supplementary schedules

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company's independent auditor, are recognized as fair and proper.

(3) Results of the audit of consolidated financial statements

The method and results of the audit conducted by Ernst & Young ShinNihon LLC, the Company's independent auditor, are recognized as fair and proper.

**The Audit & Supervisory Board
Yamaha Motor Co., Ltd.**

Hiroshi Ito
Standing Audit & Supervisory Board Member

Kenji Hironaga
Standing Audit & Supervisory Board Member

Tomomi Yatsu
Audit & Supervisory Board Member (Outside)

Masahiko Ikaga
Audit & Supervisory Board Member (Outside)

Procedures for Exercising Voting Rights by Electromagnetic Means

1. To Shareholders who exercise the voting rights via the Internet

Please exercise your voting right by 5:30 p.m., Tuesday, March 26, 2019 (JST).

Voting rights via the Internet may only be exercised by using the site (<https://www.web54.net>) designated by the Company for the purpose via computers and smartphones.

Please be advised that voting rights cannot be exercised by accessing the web site from cellular phones.

For inquiries regarding the exercise of voting rights via the Internet, please contact:	Sumitomo Mitsui Trust Bank, Limited, Transfer Agency Web Support Desk Phone: 0120-652-031 (toll-free within Japan) Hours: 9:00 - 21:00 (JST)
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2. Use of the “Electromagnetic Proxy Platform” for the Institutional Investors

If registered shareholders (including standing proxies) such as trust and banking companies apply in advance for the use of the electromagnetic proxy platform, they may use the platform as an electromagnetic method for the exercise of voting rights at the General Meeting of Shareholders.