

Business Risk Factors

Among the items listed in the securities report regarding the situation of businesses, accounting, etc., items which may have a significant impact on investor decisions are as listed below. These items do not cover all possible risks, and other items which have an impact on investor decisions may arise. In addition, forward-looking statements in this document are based on the information available to the Yamaha Motor Group as of the submission date of the securities report (March 26, 2018).

1) Economic Conditions

The Yamaha Motor Group does business in many nations and regions around the world. The business performance and financial situation of the Group may be affected if demand were to contract in these markets due to long-term market slumps or rapid changes in the economic climate such as financial crises.

2) Market Environments

- Market Competition

The Yamaha Motor Group is exposed to intense competition in many of the markets in which it does business, and such competition may prevent the Group from advantageous product pricing. Intense market competition increases pressure on Group profits, and this profit squeeze can become especially pronounced when market demand slackens. In addition, it is necessary for the Group to continue launching attractive new products in order to maintain or build competitive advantage amidst intense competition, but the business performance and financial situation of the Group may be affected if products developed based on investment of resources are not launched as planned.

- Business Expansion in Overseas Markets

The proportion of overseas net sales in the Yamaha Motor Group's net sales for the current consolidated accounting year is 89.8%. Therefore, the business performance and financial situation of the Group may be affected by unforeseen developments such as changes to import and export regulations, foreign exchange regulations, and the taxation system as well as liability for taxation such as that based on the transfer pricing taxation system in the nations and regions where the Group does business.

3) Currency Fluctuations

The Yamaha Motor Group manufactures products in many countries around the world, including Japan, and exports those products to many more countries around the world. Transactions denominated in foreign currency occur in each country through the procurement of raw materials and parts for manufacturing as well as the sale of products. Therefore, currency fluctuations affect the Group's sales, income, and expenses etc., and as a result, the business performance and financial situation of the Group may be affected. Although the Group uses hedging instruments in an effort to minimize the effects of currency rate fluctuations, dramatic exchange rate fluctuations may impact planned procurement, production and marketing activities. Furthermore, by utilizing hedging transactions, the Group potentially loses profits that would result from the exchange rates moving in the direction opposite the hedge forecast.

The Group's business performance and financial situation are stated based on the consolidated financial statements, prepared by translating local-currency-denominated business performance of the Company's overseas subsidiaries into yen. Thus, fluctuations in the exchange rates of these currencies against the yen may have an effect on the business performance and financial situation of the Group.

4) Dependence on Corporate Customers

The Yamaha Motor Group not only supplies consumer products such as motorcycles and outboard motors to consumer markets, but also automobile engines etc. to corporate customers. The Group's sales could be affected by factors outside the Group's control, such as the management and procurement policies of the corporate customers.

5) Dependence on Certain Suppliers for Procurement of Raw Materials and Parts

The Yamaha Motor Group procures raw materials, parts and other goods used to manufacture products from many suppliers outside the Group, and the Group relies on certain key suppliers for some raw materials and parts. The business performance and financial situation of the Group may be affected if continued procurement of these raw materials and parts efficiently and at a stable cost is no longer possible due to factors outside the Group's control, such as market conditions and natural disasters.

6) Joint Ventures

The Yamaha Motor Group has entered into joint ventures in some nations and regions around the world. These joint venture businesses may be affected by factors involving the Group's business partners, such as their management policies.

7) Retirement Benefit Obligations

The Yamaha Motor Group's employees' retirement benefits and the obligation thereto are computed by applying actuarial assumptions to the discount rate and the long-term expected rate of investment return on the pension asset fund. Should the actual conditions differ from the assumptions, or should the assumptions change, the financial amount of those effects is calculated repeatedly over a certain number of years, thus impacting accrued obligations and recognized expenses in the future. Therefore, the business performance and financial situation of the Group may be affected if the discount rate were to decrease or returns from asset management were to deteriorate.

8) Legal Proceedings such as Recalls

The Yamaha Motor Group manufactures products at its factories worldwide under the Group's quality assurance system. However, market measures such as recalls may be taken due to legal or government regulations, or from the perspective of customer peace of mind. In addition, the Group may become a party to lawsuits regarding product liability etc., or other legal proceedings such as relating to commercial transactions, antitrust, or consumer protection matters. The business performance and financial situation of the Group may be affected if market measures such as large-scale recalls are taken, or if unfavorable rulings are made in legal proceedings to which the Group is a party leading to very costly expenses or liability for damages.

9) Environmental and Other Regulations

In many countries and regions where the Yamaha Motor Group operates, the Group is subject to a wide range of environmental and other legal regulations, encompassing product safety, fuel economy, emission standards, and the levels of pollutants discharged from factories. These regulations may be revised, and often tend to become stricter. The Group has been promoting environmental preservation activities such as formulating green procurement guidelines to promote the reduction of environmental impact and establishing activity teams including dedicated staff. Nevertheless, changes in the relevant regulations, laws, or ordinances in the countries and regions where the Group does business may affect the business performance and financial situation of the Group.

10) Protection of Intellectual Property

The Yamaha Motor Group protects its many patent rights, trademark rights, and other intellectual properties, which help differentiate its products from those of competitors, through taking legal proceedings if necessary. However, in some countries and regions where the Group operates, complete protection of intellectual property rights may not be possible, or intellectual property rights may only be protected on a limited basis. In such countries and regions, the Group may not be able to effectively prohibit the manufacturing and sale of similar products by third parties using the intellectual property rights of the Group, which may affect the business performance and financial situation of the Group.

11) Information Security

Preventing leakages of personal and/or confidential information, including customer information, is essential for maintaining a company's credibility and ensuring smooth business operations. The Yamaha Motor Group takes extensive measures regarding information security, such as establishing internal regulations, conducting in-house training, and constructing information security systems. However, if information leaks were to occur, there is the risk of loss of Group credibility or liability for damages to customers etc. being incurred. In addition, the degree of reliance on and the importance of information systems within the Group's business activities is increasing. Measures to address this matter include working to increase the availability of information systems overall and implementing security measures in terms of both hardware and software. However, there is the possibility of information system damage from cyber-attacks and computer virus infections, and as a result, the business performance and financial situation of the Group may be affected.

12) Natural Disasters, Disease Epidemics, Wars, Terrorism, Strikes, Demonstrations, etc.

The occurrence of natural disasters, disease epidemics, wars, terrorism, strikes, demonstrations, etc. could delay or disrupt Yamaha Motor Group operations. Furthermore, if Group manufacturing plants or other facilities are directly damaged, the business performance and financial situation of the Group may be affected. Because the main Group manufacturing plants in Japan are concentrated near the epicenter of the predicted Nankai Trough Megaquake, the Group is taking measures such as seismic strengthening work to minimize damage to major buildings and establishing structures and systems to enable prompt recovery after a disaster. The Group has also taken out earthquake damage insurance on buildings and inventory etc. owned by the Group. The Group is also formulating Business Continuity Plans for the event of outbreaks of new strains of influenza. The Group is continuing to review measures and insurance for such possibilities, but a disaster on a scale exceeding that anticipated by the Group may occur.