



ANNUAL REPORT 2017

Year ended December 31, 2017



Revs Your Heart

INCREASING CORPORATE VALUE THROUGH SUSTAINABLE GROWTH

Yamaha Motor Co., Ltd. is a multinational enterprise with around 140 consolidated subsidiaries and equity-method affiliates in approximately 30 countries and regions, and about 90% of our consolidated net sales are derived from overseas markets. We operate global development, production and sales networks, and our products are sold in more than 180 countries and regions.

We have successfully diversified our business by capitalizing on our world-leading powertrain, chassis and hull and electronic control technologies. Today, our proprietary technologies extend to a wide variety of products, including motorcycles, marine products, power products and surface mounters.

We will move forward with restructuring and the transformation of our management base for continuous growth, to evolve Yamaha Motor into a unique company that continues to achieve dynamic milestones.

Corporate Mission

*Kando** Creating Company

Offering new excitement and a more fulfilling life for people all over the world

Yamaha Motor strives to realize peoples' dreams with ingenuity and passion, and to always be a company people look to for the next exciting product or concept that provides exceptional value and deep satisfaction.

**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.

Management Principles

1. Creating value that surpasses customer expectations

To continue to produce value that moves people, we must remain keenly aware of customers' evolving needs.

We must strive to find success by always surpassing customer expectations with safe, high-quality products and services.

2. Establishing a corporate environment that fosters self-esteem

We must build a corporate culture that encourages enterprise and enhances corporate vitality. The focus will be on nurturing the creativity and ability of our employees, with an equitable system of evaluation and rewards.

3. Fulfilling social responsibilities globally

As a good corporate citizen, we act from a worldwide perspective and in accordance with global standards. We must conduct our corporate activities with concern for the environment and communities and fulfill our social responsibility with honesty and sincerity.

Action Guidelines

Acting with Speed

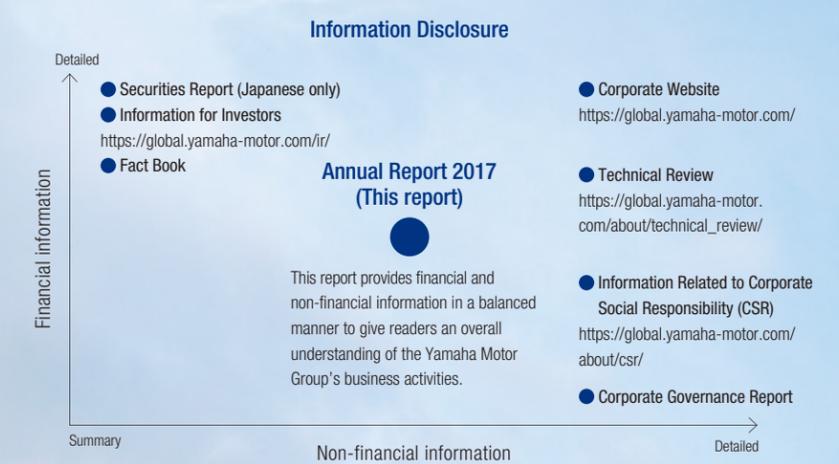
Meeting change with swift and informed action

Spirit of Challenge

Courage to set higher goals without fear of failure

Persistence

Working with tenacity to achieve desired results, and then evaluating them



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Notice Regarding Forward-Looking Statements

Statements in this annual report, except for historical facts, are forward-looking statements about the future performance of the Company and its Group companies, which are based on management's assumptions and beliefs in light of the information currently available, and involve risks and uncertainties. Please be advised that actual results may differ significantly from those discussed in the forward-looking statements.

Potential risks and uncertainties include, but are not limited to, general economic conditions in Yamaha Motor's major markets, changing consumer preferences, and currency exchange rate fluctuations.

To Our Stakeholders

Working in harmony with society and the environment to evolve Yamaha Motor into a unique company that continues to achieve dynamic milestones

Yamaha Motor's goal is to be a "Kando Creating Company." To achieve this, we are working in harmony with society and the environment to provide people around the world with products and services that give joy and unexpected exhilaration that enrich their lives with new fulfillment.

The global economic environment continued to show a gradual trend of recovery during the fiscal year ended December 2017, despite an uncertain future clouded by geopolitical risk. In developed markets, economic recoveries continued in Europe and the United States against a backdrop of growth in personal consumption and exports, while emerging markets benefited from a recovery in resource prices and growth in domestic demand. Exchange rates were generally stable during the year as well. Given this business environment, Yamaha Motor recorded sales and profit growth, led by increased sales of outboard motors in the United States, of motorcycles in the ASEAN region and of industrial machinery.

Yamaha Motor is operating under a Medium-Term Management Plan covering the period from 2016 through 2018, under the long-term vision of being a unique company that continues to achieve dynamic milestones. During 2018, the final year under the Plan, we aim to continue to secure stable profit and maintain ample shareholder returns and investment for future growth, while also formulating a new long-term vision and the next Medium-Term Management Plan.

I ask for your continued guidance and support as we move forward together.

May 2018



Yoshihiro Hidaka
President, Chief Executive Officer
and Representative Director



A Track Record of Creating Value

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

Continuing to pursue challenges as a *Kando* Creating Company



1955
Took up the challenge of the motorcycle business
YA-1, Yamaha's first motorcycle



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



1978
Developed snow thrower specifically for Japanese snow
YT665, Yamaha's six-hp snow thrower



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



2002
Introduced an environmentally friendly urban commuter scooter
Passol electric commuter



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



1959
Developed the marine market with boats made of new, strong and lightweight materials
CAT-21



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



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



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



2017
The cell picking & imaging system
CELL HANDLER™



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



1968
Delivered greater accessibility on snow
SL350 snowmobile



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



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



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

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

Net sales
¥1,670.1 billion

•1,500

•1,000

•500

1955

1960

1970

1980

1990

2000

2010

2017

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

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

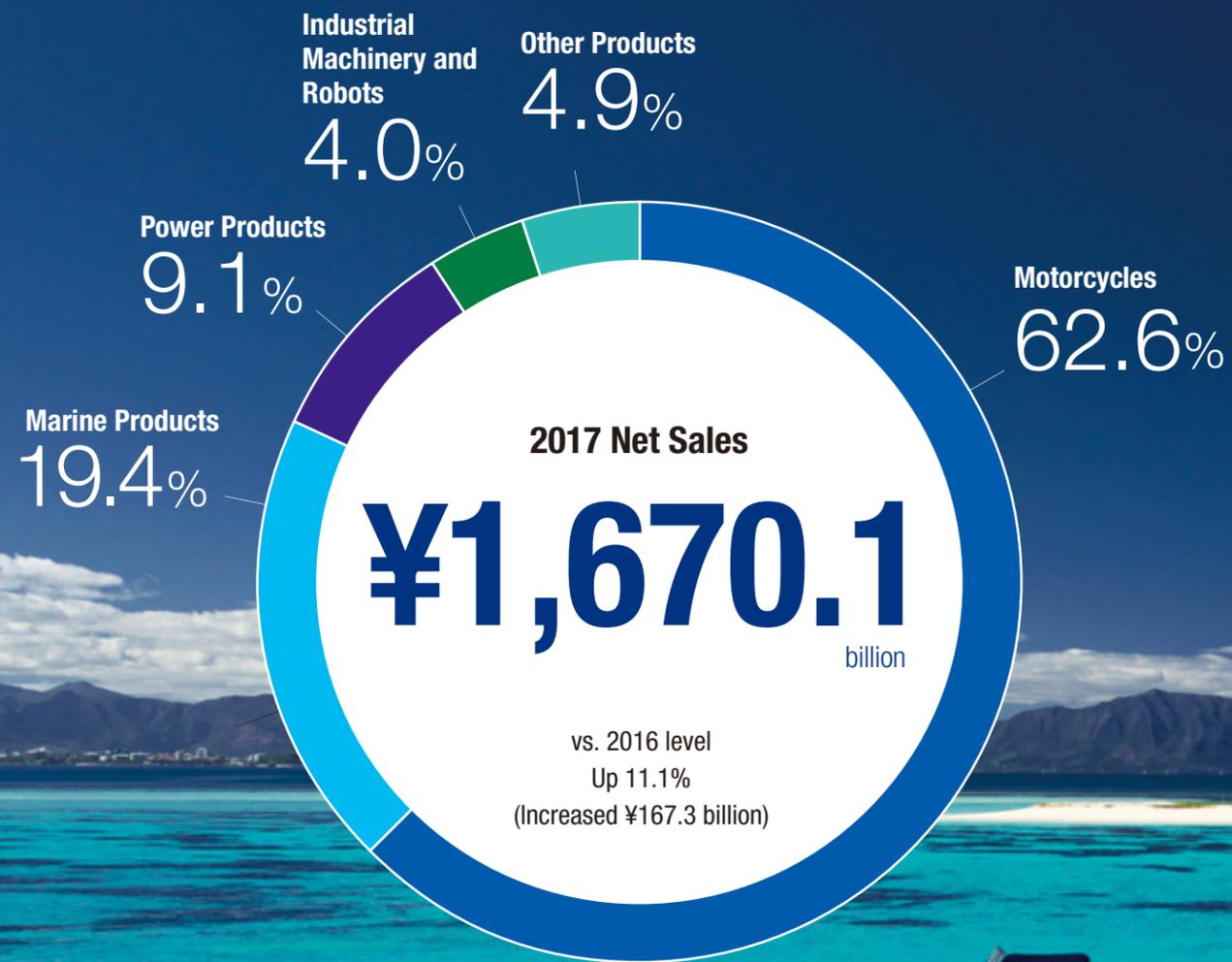
Enhanced the corporate structure and expanded the business under the global economic recession

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

Promoted globalization and structural reform during a prolonged recession

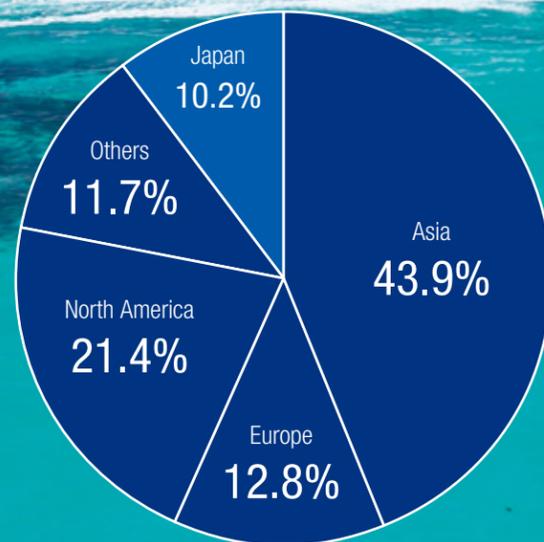
Pursued sensibility and rationality for a period of intense competition

Company Overview



Overseas Sales Ratio

89.8 %



Motorcycles

Net Sales

¥1,045.2 billion

Major products:

Motorcycles, knockdown parts for overseas production and intermediate parts for products



Marine Products

Net Sales

¥323.8 billion

Major products:

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



Power Products

Net Sales

¥151.6 billion

Major products:

All-terrain vehicles, recreational off-highway vehicles, snowmobiles, golf cars, generators, small-sized snow throwers and multi-purpose engines



Industrial Machinery and Robots

Net Sales

¥67.6 billion

Major products:

Surface mounters and industrial robots



Other Products

Net Sales

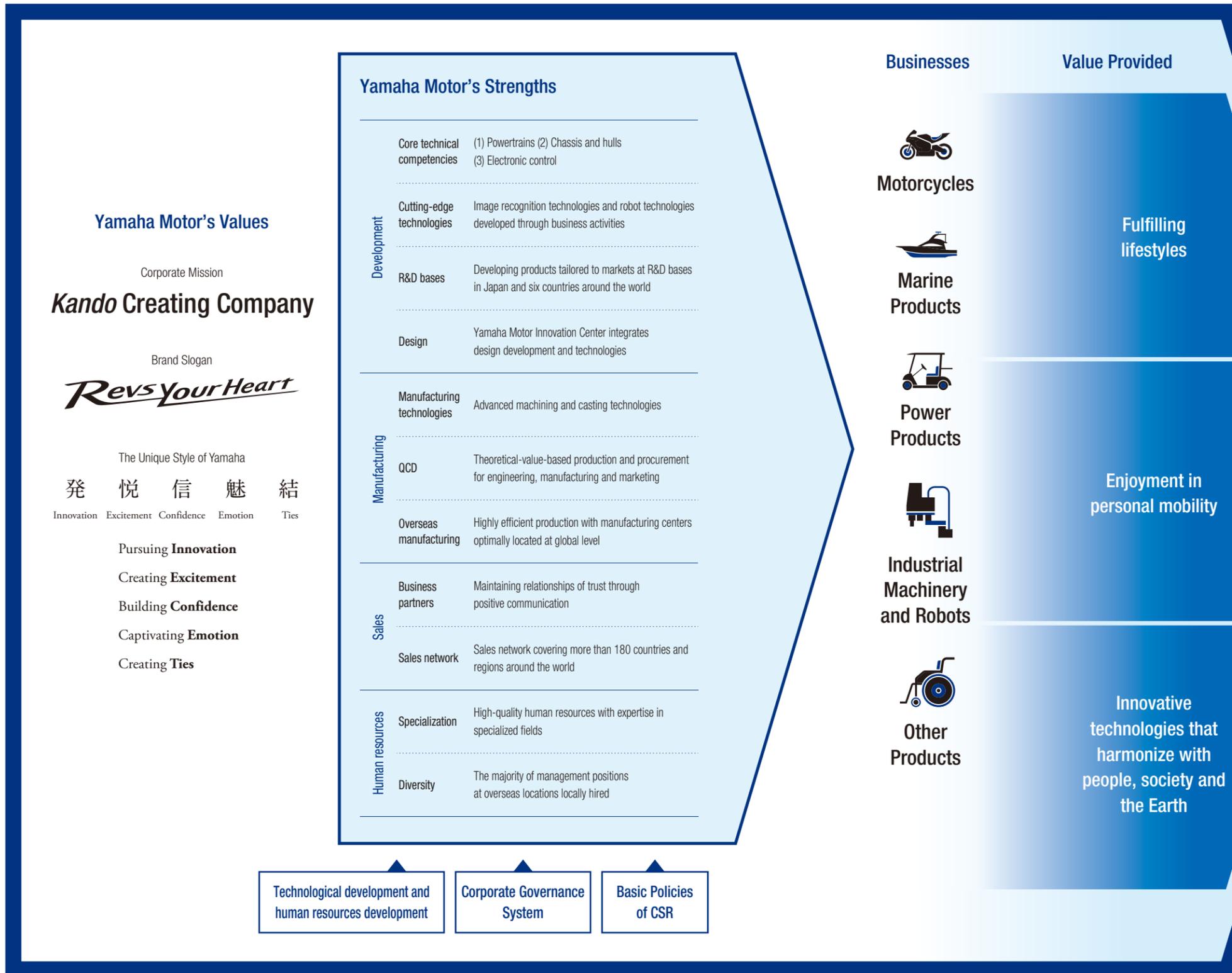
¥81.8 billion

Major products:

Automobile engines, automobile components, electrically power-assisted bicycles, industrial-use unmanned helicopters and wheelchair electric power units

Yamaha Motor's Process for Creating Global Value

- External factors affecting corporate value**
- Exchange rate movements
 - Changes in resource prices
 - Competitive environment
 - Geopolitical risk
 - Trends in the economic environment
 - Tightening of environmental regulations
 - Technological innovation and changes in industrial structure



Social Value

Customers

Joy and unexpected exhilaration that enriches lives with new fulfillment
 Enjoyment and convenience of mobility
 Mobility systems helping communities

Shareholders and Investors

Increasing corporate value through long-term growth (ROE, EPS)

Employees

Workplace environments that respect diversity and a global perspective, increasing opportunities to hire non-Japanese and female managers

The Community/Business Partners

Improving traffic safety
 Using Yamaha Motor's products, human resources, and know-how to support communities
 Procurement for engineering, manufacturing and marketing that incorporates both cost and quality

The Environment

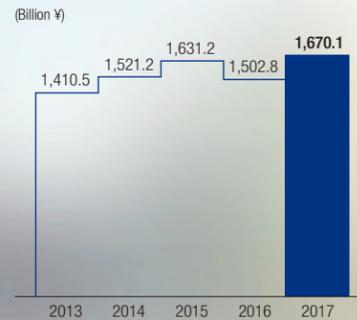
Reducing CO₂ emissions and water consumption

Financial and Non-Financial Highlights

Net sales

¥1,670.1 bil.

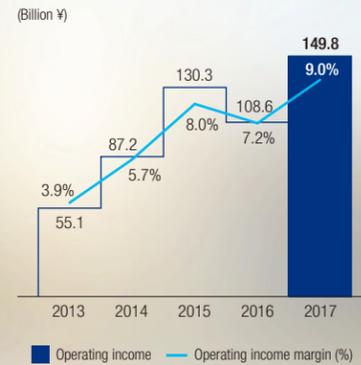
Rose 11.1% from the previous year due to strong sales of motorcycles in ASEAN and outboard motors in North America, combined with the yen depreciation.



Operating income and operating income margin

¥149.8 bil. / **9.0** %

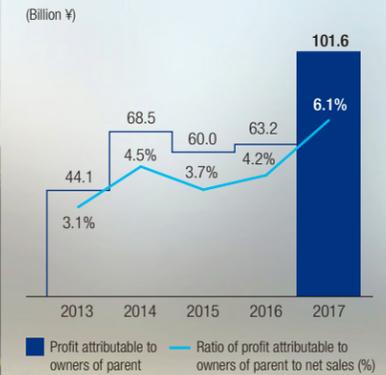
In addition to sales growth, improved profitability from cost reductions absorbed expense increases for a 37.9% increase from the previous year.



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

¥101.6 bil. / **6.1** %

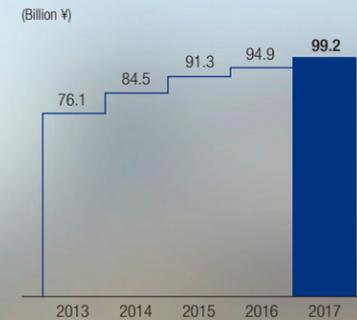
A 60.9% increase from the previous year to a record high.



R&D expenses

¥99.2 bil.

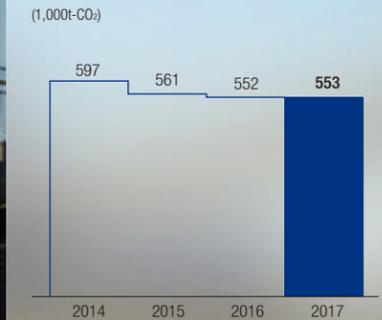
Increased 4.5% from the previous year for 30.4% growth over past five years.



CO₂ emissions

553 thousand t-CO₂

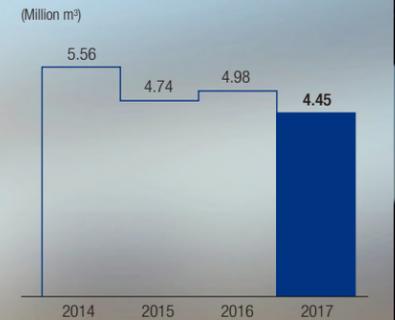
We are targeting an annual 1% reduction in CO₂ emissions per unit of sales as a common goal for the entire Group, and are working to reduce emissions in all of our business activities including product development and manufacturing.



Water intake

4.45 million m³

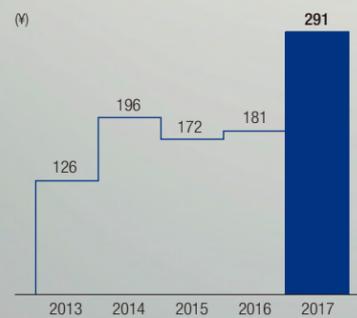
We will continue to strive to measure our global use of water resources and reduce the amount of water intake through promoting the reuse of coolant water and water collection (rainwater and other sources) at factories.



Net income per share

¥290.93

Rose from the previous year due to the increase in profit attributable to owners of parent.



Total assets and return on assets

¥1,415.8 bil. / **7.4** %

Increased ¥97.1 billion from the previous year due to an increase in cash and deposits.



Return on equity (ROE)

17.6 %

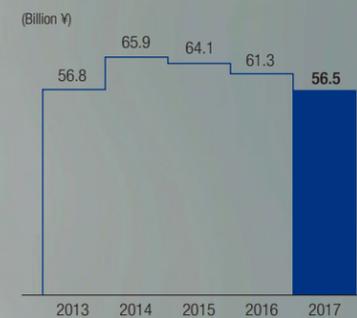
ROE rose 5.3 percentage points from previous year-end due to higher profit attributable to owners of parent and higher equity ratio, with asset turnover emphasizing asset efficiency.



Capital expenditures

¥56.5 bil.

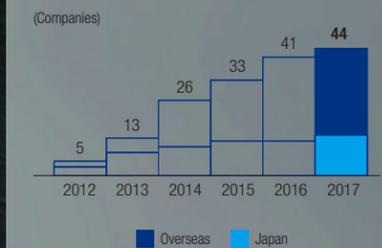
Sowing seeds for next stage of growth through efficient development of existing businesses.



Achievement of unified certification

100 %

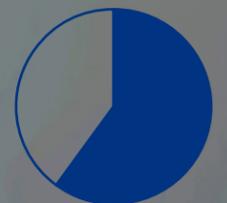
We have been working toward global environmental ISO 14001 unified certification at Group companies in Japan and overseas since 2012. The program has been expanded to 44 companies, mainly manufacturing companies in Japan, Asia, Europe, the United States, and South America, and as of the end of 2017, unified certification had been obtained by all companies.



Local managers at overseas locations

2018 target **60** %

We will recruit superior management personnel regardless of their nationality or place of birth, and aim to have local managers fill 60% of management positions at overseas subsidiaries by 2018. Surpassed 50% in 2017.



Yamaha Motor's Management Team

As of April 1, 2018



Director
(Outside)

Takehiro Kamigama

Director
(Outside)

Atsushi Niimi

Director

Tatsumi Okawa

Director

Katsuhito Yamaji

Representative
Director

Katsuaki Watanabe

Chairman and
Representative Director

Hiroyuki Yanagi

President and
Representative Director

Yoshihiro Hidaka

Director

Toshizumi Kato

Director

Makoto Shimamoto

Director
(Outside)

Takuya Nakata

Director
(Outside)

Genichi Tamatsuka

Yoshihiro Hidaka
President, Chief Executive Officer
and Representative Director



CREATING BREAKTHROUGHS

EXPANDING OPPORTUNITIES

Correctly ascertaining changes in social values and pursuing the challenge of creating uniquely Yamaha value to become an even larger and more unique company.

In the following interview, the President addresses these key issues:

On taking office	In a time of change	Looking back at 2017	Initiatives in 2018	Yamaha's potential	Foundation for creating the future	To stakeholders
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On taking office

Increasing the speed of growth with no change to the general direction of becoming “a unique company that continues to achieve dynamic milestones.”

My name is Yoshihiro Hidaka and I took office as Yamaha Motor's President and Representative Director this year.

I joined Yamaha Motor in 1987. I enjoyed motorcycles when I was a university student and particularly liked Yamaha motorcycles, which impressed me with their refinement. When I was looking for a job, I remember well how Yamaha employees talked to me in a frank and friendly way as if we were equals, and I was impressed by the Company's flat organization and open-minded atmosphere.

After joining the Company, my first position was in procurement, where I was involved in reducing costs, and since then I have gained experience in various operations, including an overseas posting and involvement in numerous projects in Japan and overseas as general manager of the motorcycle business. Through these positions, I learned many things from my seniors, who placed great importance on Yamaha's uniqueness and were brimming with a spirit of challenge. I consider this experience to be my greatest asset.

Looking back to 2010 when Hiroyuki Yanagi became President, I believe that our 2017 results show that we have improved our profitability and strengthened our financial position to a significant degree. My aim as President is to increase the speed of growth while maintaining a sense of crisis, by increasing our real strength as a company through exceptional engineering, manufacturing and marketing, and reinforcing our marketing and planning, without changing our general direction of becoming “a unique company that continues to achieve dynamic milestones.”

In a time of change

The trend toward electric vehicles will certainly engulf the motorcycle industry as well. We will provide new, uniquely Yamaha products that excite customers.

We are approaching a major turning point. With the adoption of the Paris Agreement in 2015, expectations for companies to address climate change have increased. The move toward electric vehicles in the automobile industry is steadily picking up speed and we need to pay attention to this trend. I expect engines to continue to be used in products built for particular interests like large motorcycle models, marine products, and ROVs, but smaller forms of mobility are certain to adopt electric power. Yamaha Motor released the world's first electrically power-assisted bicycles, and we were an early entrant in the area of electric scooters. By further refining the technologies we have developed in this segment, we are increasing our competitiveness as a leading company in the area of small-sized electric mobility.



In addition to electric power, the world of mobility can also be expected to move toward automated driving through Internet connectivity and the integration of AI. I consider electric power to be a risk on one hand, but see automated driving as an opportunity. To address the risk, we are making the expansion of our electric product lineup a top priority. We are also strengthening our ability to offer solutions in automated driving based on our image recognition and control technologies we have accumulated, and I intend to pursue this as a growth strategy.

Yamaha Motor's corporate culture is to pursue new challenges, and by offering new value that did not previously exist, we have pursued the challenge of creating entirely new markets. We will look closely at “what creates value” and “what does society want” based on our principles, as we provide unique, new products that excite customers, and in doing so, revitalize markets and contribute to the achievement of a sustainable society.

Looking back at 2017

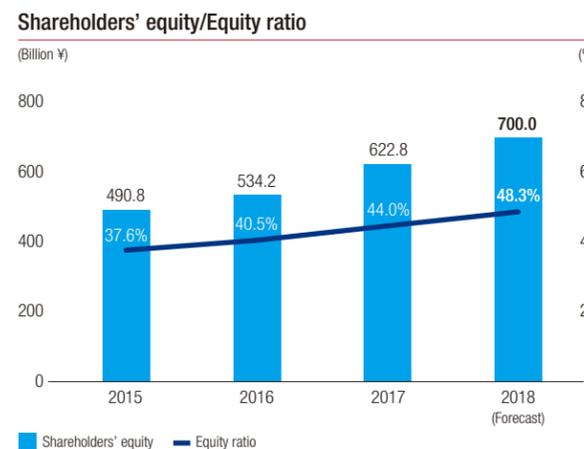
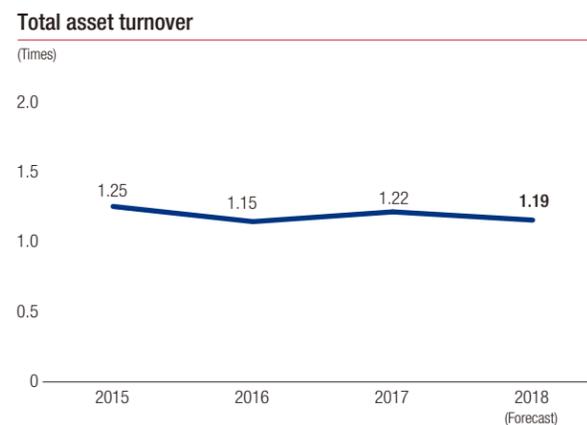
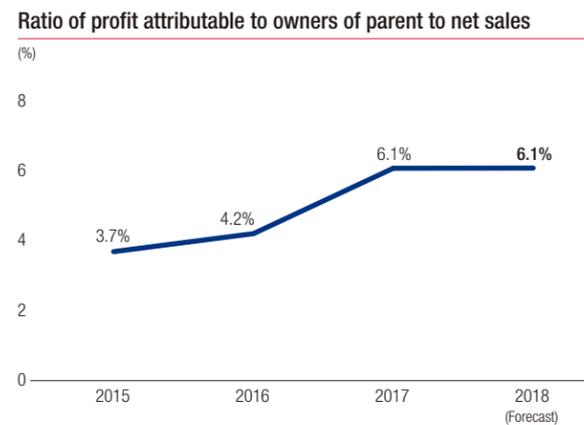
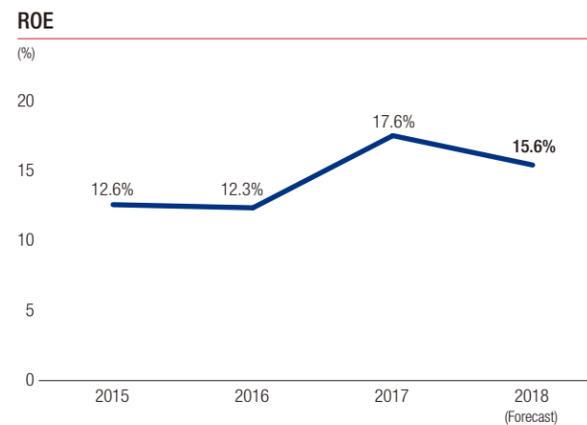
Record operating income in 2017 on success of improving profitability and strengthening financial position.

With economies gradually improving in both developed and emerging markets and stable exchange rates, we recorded sales and profit growth in a variety of regions and businesses in 2017, led by the motorcycle business in ASEAN and Brazil, marine products, robotics, and Smart Power Vehicle businesses.

Net sales for the fiscal year ended December 31, 2017 rose ¥167.3 billion, or 11.1%, from the previous year, to ¥1,670.1 billion, and as a result of efforts to improve profitability including platform development, cost reductions, and pricing, operating income grew ¥41.2 billion, or 37.9%, to a record ¥149.8 billion. And at 9.0%, the operating income margin met the target set in the Medium-Term Management Plan.

In terms of key performance indicators to comprehensively evaluate our financial position and profitability, Yamaha Motor focuses on return on equity (ROE). The Medium-Term Management Plan targets ROE at the 15% level, and in 2017, ROE showed a significant improvement from the previous year, rising 5.3 percentage points to 17.6%. The three elements of this ROE were a 1.9 percentage

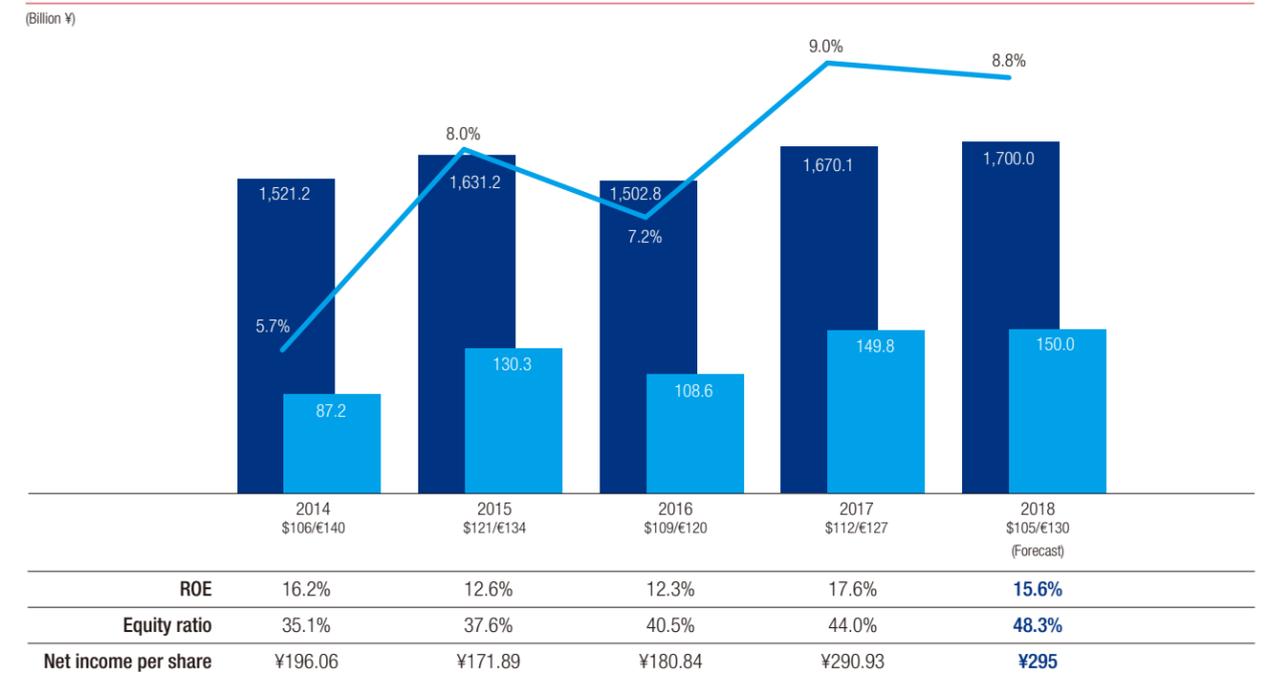
point improvement in the ratio of profit attributable to owners of parent to net sales to 6.1%, a 0.08 increase in total asset turnover to 1.22 times, and an ¥88.6 billion increase in shareholders' equity to ¥622.8 billion, resulting in an equity ratio of 44.0%, surpassing the target of 42.5%. Free cash flow grew significantly for the second consecutive year, reaching a positive ¥73.1 billion, with an increase in working capital (inventories, accounts receivable – trade) from increased sales by holding supply chain management initiatives to an appropriate level and restrained regular investment. As a result, net loans payable were reduced to ¥197.9 billion, and excluding the ¥248.7 billion of borrowings related to financing business, our financial position improved to the point of having essentially no borrowings. With regard to the dividend for 2017, we paid a full-year dividend of ¥88 per share. We will continue to pursue efficiency in working capital while making flexible investments for growth and proactive returns to shareholders.



Numerical Targets of the Medium-Term Management Plan

Net Sales ¥2 trillion	Operating Income ¥180.0 billion	Operating Income Margin 9.0%
Equity Ratio 42.5%	ROE (three-year average) Approx. 15%	Cost Reductions (for three years) ¥60.0 billion

Net sales/Operating income/Operating income margin



■ Net sales ■ Operating income — Operating income margin



Initiatives in 2018

In 2018, the final year under the Medium-Term Management Plan, we are aiming to meet the targets set in the fiscal year plan and will chart our future direction.

Yamaha Motor aims to become a company that “achieves dynamic milestones” with net sales of ¥2 trillion within the next few years by accelerating the growth of our existing mobility and marine products businesses. During 2018, we will formulate a new Medium-Term Management Plan that will commence from 2019 and a long-term vision extending to 2030.

In terms of business results for 2018, with further progress in the use of platform models, cost reductions, and improvements in supply chain management, we are forecasting net sales of ¥1,700 billion with ¥150 billion of operating income. These forecasts take into account the risk of the yen’s appreciation against the U.S. dollar and a build-up in expenses for our growth strategies, and specifically we are using exchange rate assumptions of ¥105 to the U.S. dollar and ¥130 to the euro. If the dollar-yen rate were to stay at the 2017 level of ¥110/\$, that would boost operating income by ¥6.5 billion and achieve the medium-term target for profitability.

We view increasing shareholder value as an important management issue, and strive to enhance corporate value. With regard to the dividend, we seek to “create a stable financial foundation and increase new growth investment and stock dividends,” and have set a benchmark for the dividend payout ratio at 30% of profit attributable to owners of parent. Based on our forecast for 2018 business results, we plan to increase the dividend for the sixth consecutive year in 2018 to a full-year dividend of ¥90 (¥45 interim dividend and ¥45 year-end dividend).

Profit attributable to owners of parent/Total dividend for the year

(Billion ¥/¥)



Creating new value based on core technical competencies, we will deliver *Kando* that says, “Yamaha did this.”

Yamaha Motor’s core technical competencies in powertrains, chassis and hulls, and electronic control combine with manufacturing technology. We have grown by developing new businesses that create new value through the pursuit of the unique style of Yamaha: Innovation, Excitement, Confidence, Emotion, and Ties. For example, over the 25 years since the launch in 1993, our sales of electrically power-assisted bicycles have totaled roughly ¥30 billion, and sales in the Intelligent Machinery business, which began by selling robots for manufacturing lines to outside companies, have grown to roughly ¥60 billion. We have also made a number of innovations under the concept of “the growing world of personal mobility,” including the introduction of the Leaning Multi-Wheel (LMW)* commuter bike with two front wheels in 2014. This began as a compact commuter vehicle and this year we will release a large LMW motorcycle. Going forward, I want to offer new products that excite customers, so they continue to say, “Yamaha did this.”

*LMW refers to a vehicle with three or more wheels that leans like a motorcycle when making turns.

Yamaha’s potential



Tricity



NIKEN

Foundation for creating the future

We are pursuing growth strategies in technology, organization, and human resources, to become a “Yamaha that continues to achieve dynamic milestones.”

To become a “Yamaha that continues to achieve dynamic milestones,” we are deploying our strengths developed over the years in image recognition technologies, robot technologies, manufacturing technologies, and other areas in addition to the mobility technologies that have driven our growth to date. In 2017, the seeds we have sown are gradually beginning to grow. For example, our proprietary technology in robotics has enabled us to offer solutions in the medical field such as the CELL HANDLER™, our golf car-based low-speed automated driving system, which is undergoing implementation testing in various locations in Japan, and the E-Vino electric scooter, which is being used in a rental program in Saitama City. In 2018, we exhibited for the first time at CES in Las Vegas, where we demonstrated our unique technologies in robotics, automated driving systems, and drones, and this also gave us an opportunity to interact with more outside companies.

To accelerate the commercialization of the new businesses that were created as a result of the seeds we have sown, we introduced a new organizational structure in January 2018. The newly established Mobility Technology Center will be responsible for the mobility segment, the new Advanced Technology Center will integrate new business planning with digital strategy promotion and the development of advanced technologies, and Solution Business Operations will accelerate our new business strategy by combining our technologies developed in industrial robots with our expertise in unmanned operation.

We are also placing a priority on cultivating global human resources and promoting diversity. A total of 132 people have already completed our training program to develop a next generation of global senior management. We have also hired 86 new graduates outside Japan, which corresponds to 10% of our total new hires for general positions. In addition, two of the Company’s Executive Officers are non-Japanese. This diversity leads to a corporate culture that creates new value. In addition, women are playing a greater role in the Company’s management. In 2018, a woman became president of an overseas Group company and a general manager of a division at headquarters for the first time. We have also increased the number of women posted overseas—including trainees—to 10,

which is double the previous year’s number, and we will continue to work to create workplaces that make it easy for women to work.



Golf car-based low-speed automated driving system



CELL HANDLER™
Providing medical solutions by applying industrial robot (surface mounter) technologies



Yamaha Motor will fulfill its social responsibility as a company and grow while sharing *Kando* with society.

To stakeholders

A United Nations summit in September 2015 adopted a set of Sustainable Development Goals (SDGs) as international objectives for the realization of a sustainable world. In addition, with companies increasingly being valued and investment decisions taking into account environmental, social, and governance (ESG) principles, the role that society expects companies to play is changing. Yamaha Motor considers its corporate social responsibility to be to contribute to the resolution of social issues through our business activities. In the area of mobility, we are addressing climate change with electric vehicles, and by promoting robotics we are addressing shortages of workers.

We aim to be a company that grows while placing importance on communication with stakeholders and operating in harmony with local communities, society in general, and the global environment. For this reason, we signed the United Nations Global Compact in 2017 to signal our determination internally and externally to pursue business activities that will achieve sustainable growth within international society through meeting fundamental responsibilities in the areas of human rights, labor, the environment and anti-corruption. For example, our marine products business is deeply involved in “water,” and we have dispatched a technician to Team KUROSHIO, which is working in the area of marine resource development, and supported Team Tyura Sango, a project that is working to protect the natural environment in the waters around Okinawa. We have also installed water purification systems in Africa, giving villagers access to safe water.

We will work to refine “the unique style of Yamaha,” and by creating new value we will seek to become a unique company that continues to achieve dynamic milestones, while making every effort to achieve continuous, long-term growth with attention to the supply chain and meeting the expectations of stakeholders.

I ask for your continued support and understanding from a medium- to long-term perspective.

SPECIAL FEATURE

Advanced technologies expanding possibilities for mobility and robotics

Personal mobility in which the rider resonates harmoniously with the machine

MOTOROiD

MOTOROiD is a proof-of-concept experimental electric model that aims for “personal mobility in which the rider resonates harmoniously with the machine.” With high-precision balance control that uses an optimal combination of artificial intelligence and autonomous technology, the machine itself senses shifts in its own center of gravity to become upright and maintain that position without falling over, creating a new form of mobility that goes beyond being simply a “tool for movement.”

AI and autonomous structure give the rider an exciting riding experience

MOTOROiD was developed as an “Unleashed Prototype” that creates a new sense of excitement based on Yamaha Motor’s *Jin-Ki Kanno* concept. Using AI to recognize faces and hand motions, the vehicle can make itself upright and come to the rider. By simply getting on the bike and gripping the handles, the rider can experience exciting, sporty riding regardless of their skill level or riding ability.

MOTOROiD is equipped with AMCES,* an electronic control system for motorcycle chassis that uses proprietary Yamaha technologies to achieve stability. With active control, the chassis always maintains an optimal position, making it possible for the vehicle to make itself upright,

remain upright and move forward on its own. By pursuing this challenge, Yamaha Motor hopes to acquire technologies that will create new value.

*AMCES: Active Mass Center control System. This technology works to stabilize two-wheeled vehicles by using electronics to actively control the chassis itself and constantly optimize the vehicle’s position.



Image Recognition AI: A facial recognition system gives MOTOROiD the ability to respond only to its owner. It is also able to recognize gestures, making it possible for MOTOROiD to respond to hand movements as well, like using a beckoning wave or a raised palm to instruct it to start or stop moving.

Next-generation products co-developed with designers and engineers working together in the same studio

Yamaha Motor’s new design base, the Yamaha Motor Innovation Center, was completed in December 2016. Using an unprecedented arrangement, designers and engineers work together in the same studio to develop next-generation products. MOTOROiD is an autonomous motorcycle that was born in a new collaborative endeavor between designers and engineers. Working together across traditional lines of responsibility, at times designers think about the frame and mechanisms, while at other times engineers think about attractiveness, triggering sparks that bring about significant innovation.



SPECIAL FEATURE

Advanced technologies expanding possibilities for mobility and robotics

Autonomous motorcycle-riding humanoid robot

MOTOBOT

MOTOBOT is an autonomous motorcycle-riding robot that is opening new worlds. Unlike the methods being employed in recent efforts in self-driving automobiles, MOTOBOT is unique as it is a humanoid robot that operates an unmodified vehicle in an approach to self-driving from the perspective of vehicle operations. We expect to be able to create new value in areas of mobility like personal watercraft and snowmobiles by applying the advanced technologies and expertise gained by developing the MOTOBOT in those areas.

MOTOBOT technologies

Based on data including vehicle speed, engine rpm, and machine position, MOTOBOT controls six actuators* to operate the vehicle autonomously. Going forward, technology for machine position recognition (high-precision GPS, various sensors, etc.) and machine learning will enable MOTOBOT to make its own decisions regarding the best lines to take around a racetrack and the limits of the motorcycle's

performance. By being able to visualize data about human motorcycle operation and deducing the relationship between rider input and machine behavior, we aim to create new value with higher performance and safer mobility.

*For operating the steering, throttle, front brake, rear brake, clutch, and gearshift pedal.

Open innovation

MOTOBOT is an open innovation project, and development is moving forward in collaboration with SRI International, a world-leading research and technological development institute that is ideally positioned to partner in this project.

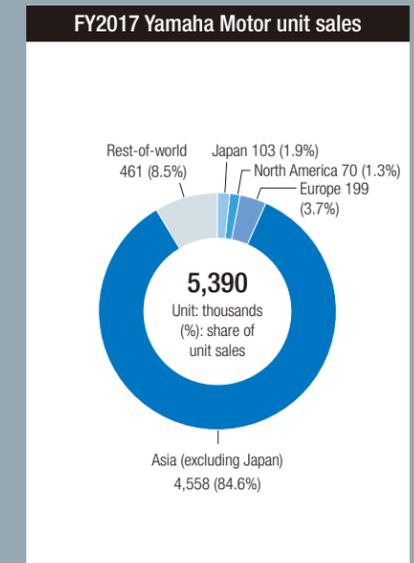
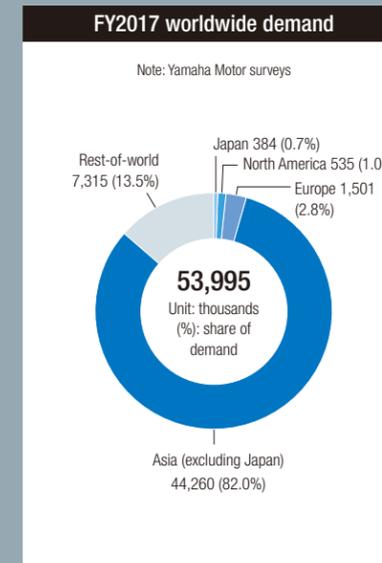
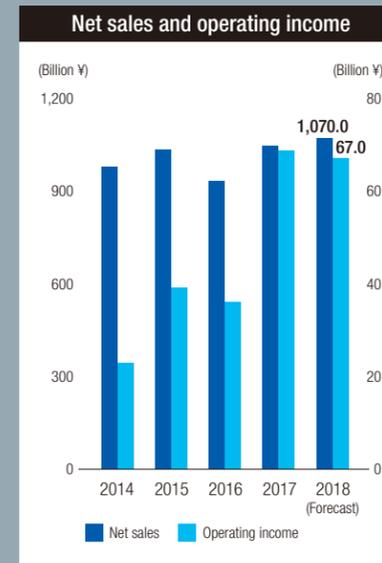
Autonomous operation at speeds over 200km/h

After introducing Version 1 at the 44th Tokyo Motor Show, held in 2015, we continued to incorporate new autonomous motorcycle riding technologies including upgraded hardware and improved software to develop Version 2. This new version marked a milestone in September 2017, when it achieved a speed in excess of 200 kilometers per hour while operating autonomously.

Motorcycles



Takuya Kinoshita
Executive Officer
Chief General Manager
of Motorcycle Business
Operations



We will provide Yamaha's unique value in a distinctively Yamaha way to our global customers.

Opportunities	Risks
<ul style="list-style-type: none"> Expansion of middle-income market in ASEAN and emerging nations Evolution of marketing through digital technology 	<ul style="list-style-type: none"> Tighter environmental regulations in each country Shift in industrial structure due to innovative technologies and new competition

Areas of focus under the Medium-Term Management Plan

The motorcycle business current Medium-Term Management Plan sets out improvement of earnings capabilities and generation of free cash flow as overall themes. In addition, looking at key themes for each market, the plan focuses on bolstering efforts to capture the growing middle-income ASEAN market, reforming the business structure in Brazil and China, and maintaining and strengthening sport-oriented branding and winning customers in the scooter category in India.

As one of those measures, we have been working on “expanding

variations of uniquely Yamaha platform models” and “cross-regional globalization” since our previous Medium-Term Management Plan to address diversifying customer needs while achieving cost reductions.

Thanks to tackling each of these initiatives with speed, we are seeing results on the profit front ahead of our target timeline. We plan to expand these effects to the whole value chain while also reforming our management style. We will continue to provide Yamaha's unique value in a distinctively Yamaha way to our global customers.

Appraisal of 2017 results and initiatives for 2018

In 2017, unit sales rose in ASEAN markets (excluding Indonesia) and Brazil, remained flat in India, and declined in Indonesia, developed markets, and China. In that environment, net sales increased ¥115.1 billion (12.4%) from the previous year to ¥1,045.2 billion. Operating income increased ¥32.9 billion (91.4%) to ¥68.8 billion due to factors including the effect of cost reductions through use of platform models and the shift to a high-value-added model mix. The operating income margin increased by 2.7 percentage points to 6.6%.

During 2018, as the final year of the current Medium-Term Management Plan, we will work to generate results from increased

profitability. In particular, major themes will be further reinforcement of earnings capabilities in the ASEAN region and expansion of sales in India. At the same time, we will engage in agile management and promote new value creation to address future changes in customers, markets, and technologies with a view to our next Medium-Term Management Plan. We have always offered distinctive new products unique to Yamaha in the motorcycle category. We will take on the challenges of a new era by further expanding the value of motorcycles within the mobility framework.



LEXI, new 125cc scooter for the growing Indonesian market

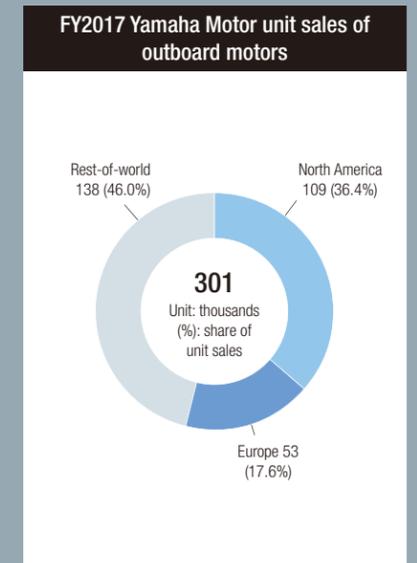
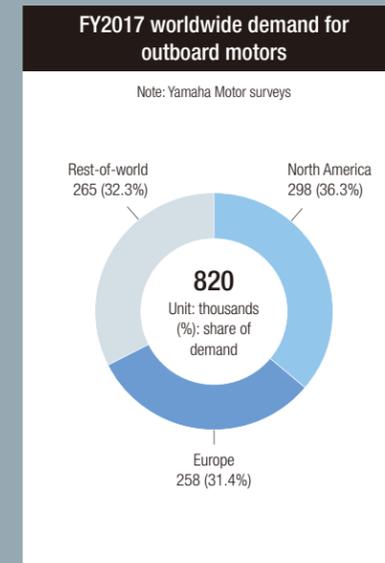
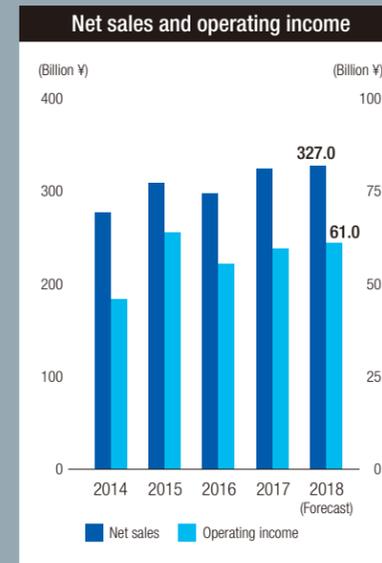


FZ25, popular model in India with a total of 1.5 million units sold since the series' release

Marine Products



Hirofumi Usui
Senior Executive Officer
Chief General Manager
of Marine Business
Operations



We will steadily promote our comprehensive marine business strategy to move from being an engine supplier to a system supplier.

Opportunities	Risks
<ul style="list-style-type: none"> Growing demand for large outboard motors mainly in developed markets Expansion of peripheral equipment business due to enhancement of integrated control technology 	<ul style="list-style-type: none"> Creation of production/supply system to meet demand for large outboard motors Achieving speedy development in integrated control field Creation of business structure unaffected by changes in exchange rates and regulations

Areas of focus under the Medium-Term Management Plan

To continue contributing to a richer marine life for people around the world, the marine products business aims to grow from being an engine supplier to a system supplier. By doing so, we will create new value beyond customers' expectations and firmly establish our position as the No. 1 marine brand based on our overall business strength, reliability, and network strength.

Under the slogan of competing in the 3-trillion-yen marine market set out in the current Medium-Term Management Plan, we are pursuing our comprehensive marine business strategy integrating the establishment of a system supplier business model, a strategy of alliances with boat builders, and hull strategy.

Robust economic growth in Europe and the U.S., our largest markets, is providing a tailwind for the marine leisure industry, and



demand for large outboard motors has surpassed previous peaks. The increasing size of boats combined with a trend toward multiple outboard motors requires more complex technology for operation. In this context, there are ever-increasing demands from customers for multi-function systems like those available for automobiles that would make boats easier to operate.

We will offer value that exceeds customer expectations by expanding our peripheral equipment business through speedy development of integrated control systems that enable ease of handling for boats, while creating a supply system that can flexibly address increased demand for large outboard motors.

Appraisal of 2017 results and initiatives for 2018

In 2017, we introduced large models and medium-sized lightweight models in response to rising demand for outboard motors in markets in Europe and the U.S. For personal watercraft, we introduced new performance models and entry models, and for boats, we shifted our lineup toward high-value-added models and moved ahead with strategies including the acquisition of a boat builder in Europe. Sales increased for all these products. In addition, with a view to making a full-fledged transition to being a system supplier, we acquired two manufacturers of peripheral equipment in the summer of 2017 and

began the development of highly reliable boat control systems that enable easier operation. The business overall recorded increases in sales and profit, with net sales increasing ¥26.6 billion (9.0%) from the previous year to ¥323.8 billion, and operating income up ¥4.1 billion (7.4%) to ¥59.5 billion.

The year 2018 is the final year of our current Medium-Term Management Plan. We will steadily pursue our comprehensive marine business strategy aimed at further growth of our high-profitability business model.



Large multi-engine boat



242 Limited S E-Series

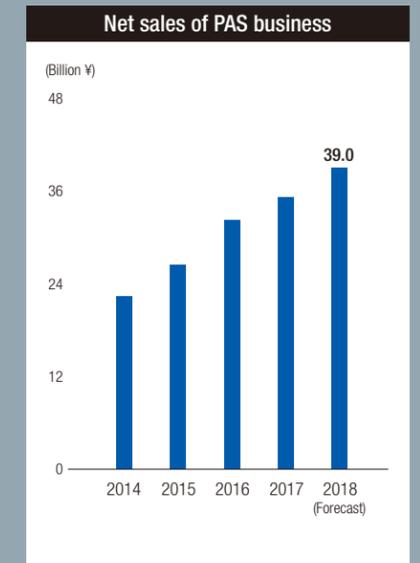
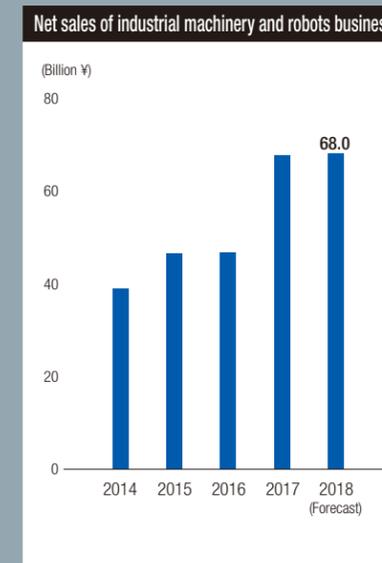
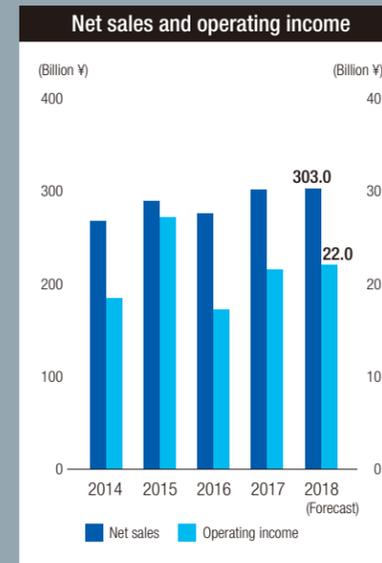


GP1800 WaveRunner

Solutions



Hiroaki Fujita
Senior Executive Officer
Chief General Manager
of Solution Business
Operations



We aim to create a unique business model in areas such as unmanned operations in industry, self-driving vehicles, nursing care and home automation.

Opportunities	Risks
<ul style="list-style-type: none"> • Growing need for automation due to labor shortages in Japan and rising labor costs in emerging nations • Expansion of electrically power-assisted bicycle market 	<ul style="list-style-type: none"> • Deterioration of demand due to changes in global situation • Intensifying competition resulting from new forces entering the market

Areas of focus under the Medium-Term Management Plan

With the goal of creating a unique business model, the solution business is pursuing the following initiatives based on the current Medium-Term Management Plan.

In industrial robots and surface mounters, we are improving the performance of individual products while offering customers solutions for the entire manufacturing line using IoT.

In the electrically power-assisted bicycle business, in addition to the complete Yamaha-brand bicycle business in Japan and the U.S., we are cultivating new markets and new customers for the drive unit system kit business mainly in Europe.

In the multi-purpose engine and generator business, along with

existing product sales, we aim to expand sales by using products and sales channels of businesses acquired in 2017.

The UMS (Unmanned Systems) business, which focuses on industrial-use unmanned helicopters, is striving to contribute to the modernization of agriculture and to expand measurement and observation services, while also working to promote use of its products in agricultural markets overseas.

In the RV (Recreational Vehicle) business, we will broaden our market domain by promoting a new product strategy for ROVs (recreational off-highway vehicles).

Appraisal of 2017 results and initiatives for 2018

In 2017, net sales in the solution business increased ¥25.5 billion (9.3%) from the previous year to ¥301.0 billion, and operating income increased ¥4.3 billion (25.0%) to ¥21.5 billion. Despite factors contributing to a decline in profit such as efforts to reduce ROV inventory in North America and an increase in expenses for measures to enhance the market quality of golf cars in the power products business, net sales and operating income both grew thanks to factors including a significant increase in sales for surface mounters and industrial robots on the back of a worldwide trend toward labor-saving and intelligent and electric automobiles, and continued robust performance by electrically power-assisted bicycles in Japanese and European markets.

As a result, sales and profit were up in the solution business as a whole.

In 2018, as the final year of the current Medium-Term Management Plan, each business will continue efforts aimed at achieving our targets. In particular, we will strive to expand our business into new fields such as personal mobility, agriculture, and medicine, by combining the factory automation technology we have built up in the industrial robot business with the unmanned technologies for land, sea, and air developed by the UMS business.

*The solution business includes the power products, industrial machinery and robots, and other products businesses.



Mounter line centered on high-end, highly efficient modular Z-LEX YSM20R



JW Swing electric assist wheelchair

Global Brand Strategy

Global Brand Strategy aims to enhance corporate value and strengthen the brand

The Yamaha Motor Group views the further enhancement of Yamaha's brand value as an important management issue, and is pursuing a Global Brand Strategy to enhance corporate value and brand strength. In January 2017, senior managers at headquarters and overseas subsidiaries met to form a Brand Committee that would propose and promote a Global Brand Strategy, measure and analyze brand value, and provide feedback to senior management. In addition, July 1, the anniversary of the Company's founding, was designated as Brand Day to strengthen internal branding. This internal branding involves promoting activities to increase the understanding of and affection toward the brand by all Group employees around the world, leading to the demonstration of the unique style of Yamaha in our products and

Redefining "The Unique Style of Yamaha" in Five Words

The "Revs your Heart" brand slogan was formulated in 2013 to express Yamaha Motor's corporate mission of being a "Kando" Creating Company." The term "Revs" has two meanings—increasing the speed of an engine and causing excitement—and "Revs your Heart" expresses our desire to excite customers with a sense of *Kando* through various innovations and products, similar to giving power to an engine.



services, and sharing those activities on a Global Brand Site. In 2018, awareness surveys will be carried out and brand workshops will be held for employees in Japan and overseas, and activities will seek to instill the unique style of Yamaha using booklets, videos, and other tools.



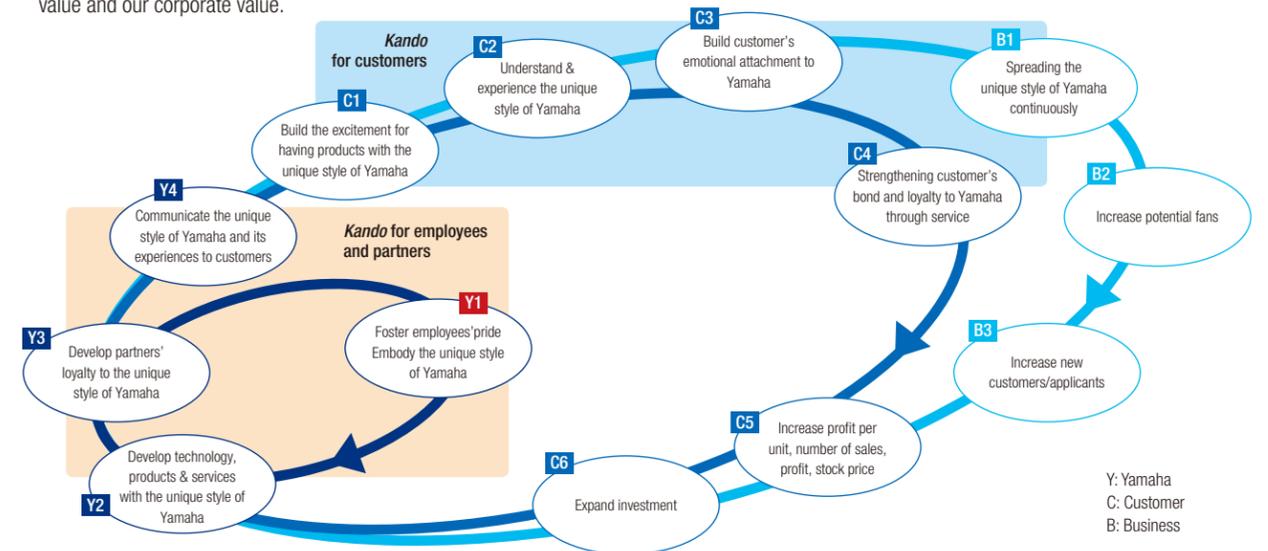
When Brand Day was designated in 2017, five words were chosen as a definition to embody the unique style of Yamaha: Innovation, Excitement, Confidence, Emotion, and Ties. By sharing the three layers of the corporate mission, brand slogan, and the unique style of Yamaha across the entire Group, we will continue to work to enhance corporate value and strengthen the brand.

*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.



Kando Cycle

- *Kando* Cycle describes how we, Yamaha Motor, conduct our business from a brand perspective.
- As a "Kando Creating Company," we continuously generate new *Kando* by expanding the linkage of *Kando* experiences and increase both our brand value and our corporate value.



Y: Yamaha
C: Customer
B: Business

Examples of Global Brand Strategy Promotion

Vietnam

Brand training for employees

Yamaha Motor Vietnam (YMVN) held brand training sessions for employees at a Hilton hotel in Hanoi and a Pullman hotel in Ho Chi Minh City in July 2017. More than 100 people participated in each event and gained a better understanding of the unique style of Yamaha. From August, these events were expanded to include roughly 5,000 employees of our factories in Hanoi.



Employees who participated in YMVN's brand training

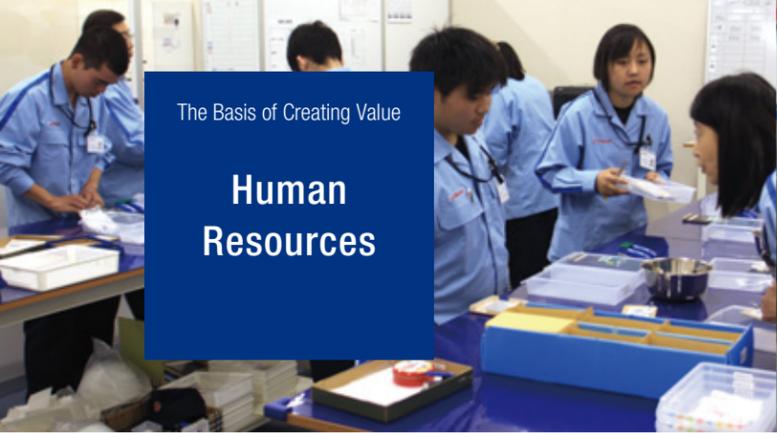
Thailand

Placed in Top 3 for "Best Brand Performance 2017"

For the second year in a row, Thai Yamaha Motor (TYM) was one of the three finalists for the Automobile division of the Best Brand Performance awards at the Thailand Zocial Awards 2017. This award recognizes brands in various segments for their social contribution, and being a finalist for two consecutive years is an acknowledgment of TYM as a company that has created a sustainable economic model.



TYM employees who accepted the award



The Basis of Creating Value

Human Resources



Global perspective and respect for diversity

The Yamaha Motor Group strives to create workplaces that respect diversity, with the aim of achieving an organizational structure that is based on the sharing of ideas, equally high ambitions and spirit, cooperation, and joy in our work among the Company and its employees from a global perspective.

Organization Thriving on Diversity

Based on our fundamental belief that “all corporate activity originates first of all with and for people,” we have clearly defined our stance on human rights in the Basic Policies of CSR and the Code of Ethics. Moreover, to maintain continuous growth, we believe it is important that our workforce incorporates diverse viewpoints and values, reflecting different experiences, skills, and attributes.

To achieve this, we have developed and implemented common management development programs around the world and introduced global human resources systems to train and hire talented staff as we work to build an organization that utilizes global experience and knowledge. We will recruit superior management personnel regardless of their nationality, place of birth or any attributes, and aim to have local managers fill 60% of management positions at overseas subsidiaries by 2018. In terms of hiring new graduates, we are using global hiring for a certain percentage of general entry-level positions.

To promote active participation by women, we have set and are pursuing targets of doubling the number of women hired for managerial positions in 2014 by 2020, and to hire three times the 2014 number by 2025.

For people with disabilities, in October 2015, we established Yamaha Motor MIRAI Co., Ltd. to provide a place where they can participate actively in accordance with their capabilities and to promote their social independence. The company began full-scale operations in 2016, and in addition to expanding its areas of operations to include parts packaging and office cleaning, it has been holding various events including company tours and the President's Awards (a skills contest) as a way to increase job satisfaction and motivation.

Multifaceted Human Resources Development

As our business becomes increasingly global in scale, we believe we need to step up our efforts in the area of human resources development, for which we are expanding our human resources development programs each year to address employees in a variety of positions.

Specifically, our programs include stratified training, training to refine specific functional skills, and training systems that develop human resources who are able to work at the global level through fourth-year-employee overseas experience, working as an overseas trainee and studying at a university abroad, as well as coaching to enhance performance as an organization with cohesive teamwork.

This coaching was implemented in 2016 as an effective tool to make managers fully function as the middle management in the organization, and was completely rolled out from 2017 in more workplaces.

Supporting Work-Life Balance

We support career planning that is based on the assumption of mutual confirmation by both the employee and the Company, and aim to create workplaces that promote a healthy work-life balance.

We are enhancing our systems so that employees can work in ways that suit their individual circumstances, by providing childcare leave, nursing care leave, and family illness leave, as well as systems such as flexible work time, short working hours, and the rehiring of employees who resigned to accompany their spouse on overseas postings. We are also working to support employees raising children through *Wai-Wai Land*, an in-house childcare facility providing broad-based support for both work and family. In 2016, we expanded the size of this facility and increased the number of children that can be accepted.

With the aim of reducing overtime and in consideration of maintaining

mental and physical health, we established the Rules Regarding Overtime Work, which are stricter than the legal requirements and based on labor-management consultations. In addition, the Labor-Management Committee on Working Hours, comprised of participants from both the labor union and the Company, meets every month to confirm the present state of working hours.

Regarding the use of paid leave, we make efforts to encourage our employees to take time away from work by setting targets for both employees and management, and sending special notices to those eligible for five consecutive days of paid leave.

Workplace Safety and Health

Under the leadership of the Central Safety and Health Committee, with authority delegated by the President and Chief Executive Officer, Yamaha Motor is promoting the establishment of a safe and healthy working environment around the world.

For example, we strive to prevent occupational accidents by performing risk assessments in accordance with the Occupational Safety and Health Management System (OSHMS) to detect potential dangers and harmful conditions in the workplace. In addition, we are focused on developing human resources who can support workplace safety and a healthy occupational environment through job-specific education and training to improve the skills of safety managers, supervisors, and operations chiefs, and by holding occupational safety and health meetings.

Starting in 2008, our headquarters introduced a system for inspecting Yamaha's main manufacturing centers to determine if they are meeting OSHMS standards, with group certification granted to centers that have achieved the required level and follow-ups conducted on a regular basis.

Employee Health

We engage in a wide range of initiatives to help employees maintain and improve their health.

For example, in addition to health checks in accordance with laws and regulations, we offer ongoing health guidance to employees who are at risk of lifestyle-related diseases and incentives to encourage employees to quit smoking, among other programs. For employee family members, we provide subsidies through our health insurance association for those receiving regular health checks, cancer screening, and complete physical examinations.

For employees scheduled to be stationed overseas, we hold training prior to posting on infectious diseases such as viral hepatitis and general health management, provide education on preventing infection as well as prophylactic medications for employees who are traveling—including on business trips—to areas where there is a risk of contracting endemic diseases such as malaria. In addition, the occupational health physician in charge conducts regular tours of the overseas posting areas and monitors the health levels and living environments of employees stationed abroad. Furthermore, to handle unexpected circumstances such as sudden illness, we have contracts with private medical service operators who provide both consultations and emergency transportation services.

Moreover, to promote health through recreation, we organize events such as the “Walk, Walk Campaign” led by the Health Promotion Center. In terms of facilities, there is a gymnasium near headquarters that can be used free of charge by Group employees, their families, and by former employees, and some workplaces have gyms with training machines on their premises.

TOPICS 1st Yamaha Motor Woman Forum

The 1st Yamaha Motor Woman Forum was held at headquarters in October 2017. Employees were invited to form teams to present proposals for new mobility or new businesses for women in Japan, and the presentations of successful examples of product development from the perspective of women, speeches by outside female lecturers and workshops made the event a success.

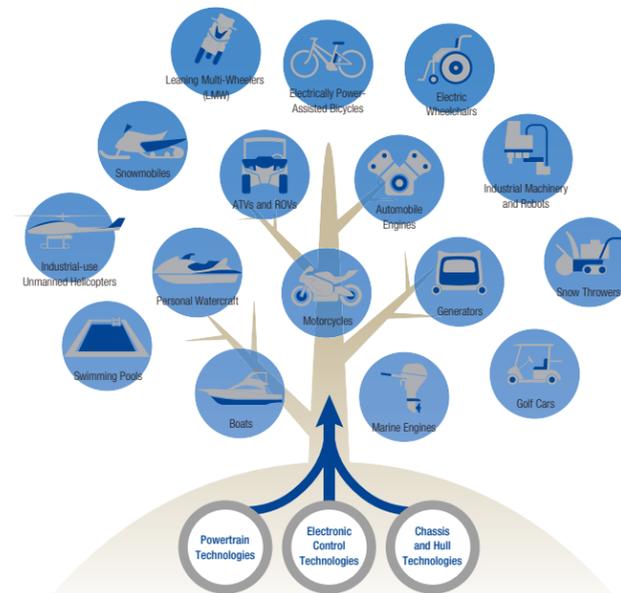
Research and Development

Core technical competencies for realizing “Revs your Heart” and *Jin-Ki Kanno* ideal

Yamaha Motor operates businesses with highly unique products in 16 areas, including motorcycles, marine engines, ROVs, electrically power-assisted bicycles, electric wheelchairs, and robotics through the fusion of three core technical competencies: powertrain technologies developed through our main motorcycle business, chassis and hull technologies, and electronic control technologies. All of these products and businesses embody the “Revs your Heart” slogan by incorporating Yamaha Motor’s exclusive development ideal of *Jin-Ki Kanno*.

Yamaha Motor’s Core Technical Competencies

- Powertrains
- Chassis and hulls
- Electronic control



Exclusive Development Ideal—*Jin-Ki Kanno*

Technology born from *Jin-Ki Kanno* seeks to deliver to users the seductive exhilaration felt when they truly become one with their machine. This is a solid part of our Yamaha *Monozukuri* framework; the development style that permeates all our workplaces is to quantify and fine-tune this kind of exciting performance, which we call *Kanno Seino*, and then build it into our products.

Jin-Ki Kanno makes it possible for machines and mechanisms to become familiar with a person’s intentions and movements, and achieve a natural responsiveness. In the area of personal mobility, for example, being able to feel as one with the machine creates an operability that enables the user to achieve performance that exceeds expectations. In addition, supporting a person’s life and work provides a sense of excitement that makes it possible to operate the machine comfortably and naturally.



Strengthening and Developing the Core Technical Competencies at the Heart of the *Jin-Ki Kanno* Ideal

The world of personal mobility is experiencing major changes, including the use of AI and automated driving for safe mobility with peace of mind, and the introduction of electric vehicles to address climate change. This is the backdrop against which Yamaha Motor is strengthening and developing the core technical competencies at the heart of the *Jin-Ki Kanno* ideal.

New Business Model

Promoting the use of information, telecommunications, and IoT technologies amid expanding sharing services that go beyond owning something to providing an experience

Low-speed automated driving system

We are providing compact vehicles based on a golf car design for public implementation testing of automated driving. We are adapting the electromagnetic guidance self-driving technology developed over many years in golf cars and equipping the vehicles with our proprietary stereo vision obstacle detection system. Attention is being placed on this technology as a people- and environment-friendly sustainable transport system for rural areas with contracting, aging populations.



New Concept in Mobility

Aiming to realize enjoyable movement and prosperous society with personal mobility

Reference vehicle exhibited at the Tokyo Motor Show 2017



Expanding LMW* possibilities

Mobility that allows more people to experience the sensations of a motorcycle. Small, leaning mobility aims to give an enjoyable ride with the true pleasure of driver and machine as one for a sensuous feeling and stability while addressing social issues.

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

Special Feature on Corporate Governance

Two companies with the same DNA are enhancing brand value to make the Yamaha brand shine even more brightly around the world and in new business areas.



Takuya Nakata
Outside Director,
Yamaha Motor Co., Ltd.
(President and Representative
Executive Officer, Yamaha Corporation)



Hiroyuki Yanagi
Chairman and Representative Director,
Yamaha Motor Co., Ltd.
(Outside Director, Yamaha Corporation)

Yamaha Motor is working to strengthen its corporate governance as the foundation for continuous enhancement of corporate value. Chairman Hiroyuki Yanagi and Outside Director Takuya Nakata discuss their thinking about the two companies' joint use of the Yamaha brand and cross-shareholding, and what needs to be done to make the companies' corporate governance even stronger.

Q What is the significance and what are the benefits of the joint use of the Yamaha brand?

Yanagi Yamaha Motor and Yamaha Corporation are both companies with the Yamaha brand. Based on the concept of protecting the brand and enhancing brand value, the two companies have established the Yamaha Brand Charter and Joint Brand Regulations. At the core of the charter is "delivering exceptional value and experiences that enrich the lives of everyone who comes into contact with Yamaha." A Joint Brand Committee serves as a venue where top management of the two companies can meet and discuss whether both companies are carrying out their work in accordance with the charter, and see what more can be done in terms of cooperation to enhance the Yamaha brand even further.

The continuous growth of Yamaha's brand value is the primary objective of the two companies' cooperation. We are constantly thinking about how to remove negative factors that could damage brand value and how to maximize positive factors.

Nakata There are other examples of two companies using the same brand, but I don't know of any other cases where the companies involved share a common sense of purpose so closely. Because both companies share the same origin, it is in our common DNA to pursue highly distinctive products as a matter of course. Based on the concept of lifetime value, I am certain that we will be able to work even more closely together to form a long, deep relationship with customers and enhance Yamaha's brand value even further.

Yanagi The Yamaha brand overall provides unique products in a wide range of fields, from vehicles to musical instruments. Our companies are also very unique in that we provide value throughout our customers' lifetimes, from childhood to adulthood. For example, traffic safety programs we offer for children in various places in India have educational events that involve music. And in the ASEAN region, we hold musical events together with motorcycle races for young people. These activities, which effectively combine the two companies' businesses, meaningfully convey the appeal of the Yamaha brand across generations. By pursuing joint businesses that address the various stages of our customers' life cycles, I hope to make the Yamaha brand even more valuable.

Nakata At a global exhibition of musical instruments in North America, we also used part of the space to exhibit motorcycles, and customers who saw this reacted favorably, saying, "Just like Yamaha." Yamaha Motor is ahead of Yamaha Corporation in terms of international expansion, and is providing important infrastructure with products like motorcycles and outboard motors. The brand recognition and trust of these attractive, high-quality products create very significant synergies that we are able to use as we expand globally. In addition, the two companies' design divisions have worked together on concept models, which have been recognized by the global design world as products that express each company's uniqueness with a natural, subtle beauty.

Q Please tell us about the most important aspects of your serving as Outside Directors of each other's companies and cross-shareholding.

Yanagi Serving concurrently as Outside Directors and cross-shareholding make both companies more influential in a positive way. I consider the important thing about the two companies' relationship to be, more than functioning as a mutual check on each other, promoting a sense of challenge for both companies to grow while remaining healthy and dynamic. The Yamaha Brand Charter also uses the phrases "determination to pursue continuous evolution" and "challenge and creative ingenuity," and both companies are constantly

thinking about whether they are maintaining an environment that creates truly Yamaha experiences, and providing appropriate advice.

Nakata I believe the true significance of cross-shareholding is the mutual commitment to the two businesses in a healthy way. If the other business grows, our own business gets a corresponding boost, and this makes the brand shine even more brightly.



“

A change is occurring in employee motivation regarding brand value enhancement at both companies, and I see this as a major synergy from the joint use of the Yamaha brand. ”

“

The mission of both companies is to embody the common brand, and the monthly meetings of the Board of Directors are where we confirm this mission together. ”



Q What roles do you play and what do you bear in mind as Outside Directors of each other's companies?

Yanagi The Yamaha brand expresses our passion for enabling customers to experience *Kando*. When I listen to various reports as a member of Yamaha Corporation's Board of Directors, I consider my role to be to examine whether products are being made with passion, whether quality is being pursued to its utmost, and whether innovation is occurring. I also express my opinions without reservation. The mission of both companies is to embody the common brand, and the monthly meetings of the Board of Directors are where we confirm this mission together.

Nakata Yamaha Motor's Board of Directors discusses how to enable customers to understand the Yamaha brand and what else can be done in this area. I feel that the bar for passion is set very high at Yamaha Motor. From my position as an Outside Director, therefore,

I consider it important that I calmly look at the activities being undertaken and give advice accordingly.

I find it very stimulating personally when I see individual members of Yamaha Motor's Board of Directors communicate to outside the Company in various aspects, and I strive to instill this passion in our employees at Yamaha Corporation.

In addition, the commitment and close communication between the senior management of the two companies through venues like the Board of Directors and the Joint Brand Committee have led to self-initiated communication among employees at all levels. A change is occurring in employee motivation regarding brand value enhancement at both companies, and I see this as a major synergy from the joint use of the Yamaha brand.

Q What issues exist with regard to corporate governance at the two companies, and what is your vision going forward?

Nakata I view corporate governance as how a person in a top position at a company thinks, and how people in management positions and executive positions commit to that way of thinking. In 2017, Yamaha Corporation became a "Company with Committees." One of the benefits of this has been a reduction in the number of items brought

before the Board of Directors, which has allowed the Board to have more active, in-depth deliberations. Since this change, I feel even more strongly that the important thing for management is to look very closely at what is essential for growth, and to act quickly to move in that direction.

The enthusiasm and imagination of Yamaha Motor's employees are superb, and the Company pushes into new areas without reservations. It is also important, however, to closely examine the associated risks from an objective perspective, without impeding this forward momentum. I believe that we as Directors need to understand both sides of this equation.

Yanagi I think that the direction and depth of passion are vectors of emotion and logic. Balanced, strong passion is not possible if management leans too far toward emotion or toward logic. As Mr. Nakata has pointed out, Yamaha Motor employees tend to be inclined toward emotion, but there is no question that a management culture that encourages the pursuit of new challenges and free and open-minded deliberation has been the driving force behind the creation of a variety of original products over the past 60 years.

In addition, going forward, I want Yamaha Motor to be a company in which management and employees feel close to each other. By stressing the importance of management and employees being as one in the Company systems, structures and management's mindset, I hope to maintain an organizational culture that supports swift decision-making and high product quality.

The main issue facing the Company over the next 10 years is how to generate the next ¥1 trillion. Under the current Medium-Term Management Plan, various measures are being implemented as the

groundwork for new business fields, and I hope to accelerate and begin to see concrete results in these areas under the next Medium-Term Management Plan. This will also make it important to have a structure in which management and employees feel that they are working closely together, to be able to lay the groundwork for and cultivate successive businesses while keeping a close eye on those businesses' prospects for the future.

Nakata Yamaha Corporation has also outlined a growth strategy in its current NEXT STAGE 12 Medium-Term Management Plan, which focuses on increasing profitability. I believe we still have room to increase our brand value in the musical instrument and music markets. Musical instruments and audio equipment are rooted in the senses, and a price cannot be put on sensitivity. Our objective is to compress the brand to create a premium brand image. Yamaha Motor's direction is a bit different, but we are the same in terms of aiming even higher. To achieve this, we both need to do things differently than other companies. My challenge is to create new value in areas based on music and sound.

Yanagi It looks like there are many things we can still do together. I look forward to that.

Corporate Governance

Basic Corporate Governance Policies

The Company's Management Principles and Management Strategies

Yamaha Motor's corporate objective is to be a "Kando* Creating Company." We aspire to offer new excitement and a more fulfilling life for people all over the world. To this end, we provide unique and high-quality products and services made available through our technology to interweave human logic with sensibility by continuously striving to achieve "the unique style of Yamaha Motor's engineering, manufacturing and marketing," aiming at creating "new, original and innovative ideas and messages," "technology that creates joy and trust among customers," "attractive designs to express Refined Dynamism," and "power to build up a lifetime relationship with customers."

We make ongoing efforts to gain recognition from our various stakeholders that "the unique style of Yamaha Motor" constitutes the "Yamaha" brand, and to make our products and services the lifelong preferred choice for stakeholders. We believe that these efforts will enable us to achieve sustainable growth and enhance our medium- to long-term corporate value.

Under the Medium-Term Management Plan (2016–2018), we will carry out specific measures to achieve sustainable growth and enhancement of corporate value. While maintaining and strengthening a stable financial base, we proactively make strategic investments for growth in the following three domains: "fulfilling lifestyles," "enjoyment in personal mobility," and "innovative technologies that harmonize with people, society and the Earth," to provide our shareholders with enhanced returns.

*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.

Basic Views on Corporate Governance

To ensure the implementation of the Company's growth strategies for the future, Yamaha Motor's Board of Directors 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, we formulate corporate governance guidelines and put them into practice in an appropriate manner.

Corporate Governance Guidelines

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

Corporate Governance System Overview

Main items	Value
Organizational design	Company with Audit & Supervisory Board
Number of Directors (number of Outside Directors)	11 (4)
Number of Audit & Supervisory Board Members (number of Outside Audit & Supervisory Board Members)	4 (2)
Number of meetings of Board of Directors (Fiscal 2017) (Average attendance by all members)	13 (95.8%)
(Average attendance by Outside Directors)	(87.8%)
(Average attendance by Outside Audit & Supervisory Board Members)	(96.2%)
Number of meetings of Audit & Supervisory Board (Fiscal 2017) (Average attendance by Outside Audit & Supervisory Board Members)	13 (96.1%)
Directors' terms of office	One year
Employment of Executive Officer system	Yes
Optional committees of Board of Directors	Executive Personnel Committee
Auditor	Ernst & Young ShinNihon LLC

Directors and the Board of Directors

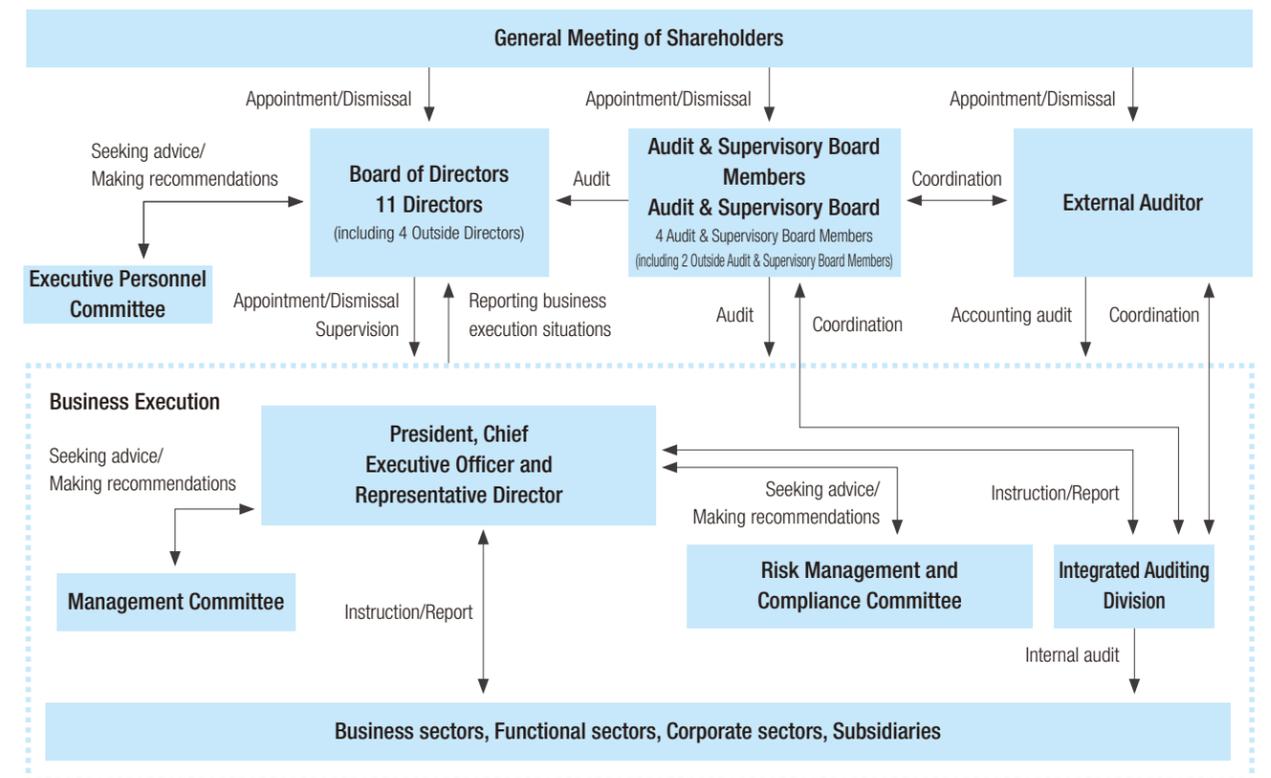
The Board of Directors consists of eleven (11) Directors (including four (4) Outside Directors). In principle, the Board of Directors meets monthly, and additionally from time to time as necessary.

On the basis of fiduciary responsibilities to shareholders, Directors collect adequate information, understand relevant laws and regulations and other necessary rules, actively express opinions, discuss and make decisions at Board of Directors' meetings, Management Discussion meetings and other important meetings in order to obtain sufficient knowledge on viewpoints and standpoints of various stakeholders including shareholders, and to achieve sustainable growth and medium- to long-term enhancement of corporate value.

Executive Personnel Committee

Yamaha Motor has established an Executive Personnel Committee, which is involved in nominations and remuneration, as a voluntary advisory body of the Board of Directors, to improve transparency and validity in nominating candidates for executive positions and determining their remuneration, among other objectives. Matters

Yamaha Motor's Corporate Governance System and Internal Control System (As of March 26, 2018)



deliberated upon at the Executive Personnel Committee are reported to the Board of Directors.

In the role related to "nominations," the Executive Personnel Committee deliberates upon the appointments and dismissals of the Chief Executive Officer, Directors, Audit & Supervisory Board Members and Executive Officers, as well as the selection of candidates for such senior management positions and their development plans, while confirming future management strategies and personnel requirements for putting them into practice, among other things.

In the role related to "remuneration," the Executive Personnel Committee deliberates upon and determines the evaluation standards and remuneration system for the Chief Executive Officer, Directors and Executive Officers. The Executive Personnel Committee also evaluates the performance of the Company and individuals based on contributions to medium- to long-term corporate growth and business performance for the said fiscal year, in order to deliberate upon the compensation linked to performance for such senior management within the limits of total remuneration resolved at the General Meeting of Shareholders.

To ensure the transparency and effectiveness of the deliberation process, which is the purpose for establishing the Executive Personnel Committee, as well as to ensure the validity of matters reported to the Board of Directors' meetings, the majority of the members of the Executive Personnel Committee consists of Outside Directors, and the meeting of the Executive Personnel Committee is held more than six times a year, in principle. The current members are as follows:

Chairman: Chairman and Representative Director	Hiroyuki Yanagi
Committee member: President and Representative Director	Yoshihiro Hidaka
Committee member: Representative Director	Katsuaki Watanabe
Committee member: Outside Director (Independent)	Takuya Nakata
Committee member: Outside Director (Independent)	Atsushi Niimi
Committee member: Outside Director (Independent)	Genichi Tamatsuka
Committee member: Outside Director (Independent)	Takehiro Kamigama

Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board Members are made up of two (2) Standing Audit & Supervisory Board Members and two (2) Independent

Outside Audit & Supervisory Board Members. In principle, the Audit & Supervisory Board meets monthly, and additionally from time to time as necessary. On the basis of fiduciary responsibilities to shareholders, Audit & Supervisory Board Members and the Audit & Supervisory Board, as a body independent from the Board of Directors, request the Company and its subsidiaries to submit reports on their business activities in accordance with laws and regulations, survey the status of business operations and property, exercise rights in respect of appointing or dismissing an External Accounting Auditor and audit compensation, attend meetings of the Board of Directors and other important meetings, and provide opinions as needed. Through these tasks, Audit & Supervisory Board Members and the Audit & Supervisory Board audit the legality and appropriateness of Directors' execution of duties, internal control systems, and the performance and financial position of the Company and its subsidiaries. An Audit & Supervisory Board Members' Office, with a dedicated staff of two (2) persons, has been established to assist the Audit & Supervisory Board Members with their audit and supervisory operations.

Executive Officers and Management Committee, etc.

The Company has twenty-nine (29) Executive Officers, of whom six (6) serve concurrently as Directors. A Management Committee, comprising ten (10) Executive Officers with specific posts, has been established to deliberate on matters of business execution, speeding up the Company's decision-making process. In principle, the Management Committee meets at least monthly, and additionally from time to time as necessary.

In addition, a Global Executive Committee has been established to deliberate on important management policies and issues related to the Group's management. The Global Executive Committee includes the Company's President and Chief Executive Officer, all Executive Officers with specific posts, and senior local managers of major Group companies, and has thirty-eight (38) members, of whom twenty-eight (28) are Japanese and ten (10) are non-Japanese. In principle, the Global Executive Committee meets at least once annually, and additionally from time to time as necessary.

Independent Outside Directors and Outside Audit & Supervisory Board Members

Yamaha Motor appoints Independent Outside Directors in accordance with its "Standards for Selecting Independent Outside Officers," which are disclosed to the public.

Independent Outside Directors are expected to independently and objectively oversee conflicts of interest between the Company's management and shareholders from social perspectives and from the standpoints of various stakeholders including shareholders and investors. They are also expected to actively provide the Company with advice on management policies and improvements.

Independent Outside Directors and Outside Audit & Supervisory Board Members endeavor to understand a complete view of Yamaha Motor's business operations by inspecting the minutes and reference materials of Management Committee meetings and other important meetings, and by visiting its worldwide development, procurement, production and sales locations, and markets. They attend the Management Discussion meeting held after the Board of Directors' meetings on a regular basis, and the Executive Discussion meeting held more than once a year to openly exchange opinions on the Company's medium- to long-term management strategies and important management matters.

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.

For the full text of the "Standards for Selecting Independent Outside Officers," please visit our website.

http://global.yamaha-motor.com/ir/governance/pdf/independent_en.pdf

Risk Management and Compliance Committee

A Risk Management and Compliance Committee, comprising ten (10) Executive Officers with specific posts, has been established to deliberate measures related to risk management and compliance. In principle, the Risk Management and Compliance Committee meets at least twice annually, and additionally from time to time as necessary.

Internal Auditing

The Integrated Auditing Division, with twenty-six (26) members and reporting directly to the President and Chief Executive Officer, has been established as an internal auditing sector to audit the appropriateness of operational activities at the Company and its subsidiaries. In addition, internal audit functions have been installed at major subsidiaries, working together with the Company's internal auditing sector to audit divisions and subsidiaries.

Remuneration System for Directors and Executive Officers

The remuneration plan for Directors and Executive Officers consists of basic compensation (a monthly compensation), compensation linked to the individual performance, a stock compensation plan reflecting the Company's medium- to long-term consolidated performance, and bonuses of Directors and Executive Officers reflecting short-term consolidated performance. A stock compensation plan allows Directors and Executive Officers to acquire the Company's shares monthly at a certain amount (via the Director Shareholding Association) and to hold them during their term of office. This stock compensation plan is intended to be linked to shareholder value. Directors' bonuses are calculated, up to a maximum of 0.5% of consolidated net income, in correlation with consolidated net income and return on assets for the previous fiscal year, as well as taking into account factors including dividends to shareholders and the level of consolidated performance against the budget.

Based on the policies outlined above, the Executive Personnel Committee deliberates on the level, structure and allocation of basic compensation, compensation linked to individual performance, and the stock compensation plan for Directors and Executive Officers, as well as Directors' and Executive Officers' bonuses. The process and results are proposed to the Board of Directors. The Board of Directors discusses the proposals from the Executive Personnel Committee and makes decisions.

The Board Evaluation

Pursuant to Yamaha Motor's Corporate Governance Guidelines, the Board of Directors analyzes and evaluates the effectiveness of roles and responsibilities of the Board as a whole on a yearly basis. The analysis and evaluation are carried out from the following perspectives and a summary of the results is appropriately disclosed.

Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Position	Name	Reasons for appointment
Outside Directors	Takuya Nakata	The Company nominated 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 wide range of insights and his ample experience in management as Director, President and Representative Executive Officer of Yamaha Corporation, by which the Company aims to increase the value of the Yamaha brand commonly used by both companies. He meets the requirements for independence stipulated by the Tokyo Stock Exchange and the "Standards for Selecting Independent Outside Officers," and the Tokyo Stock Exchange has been duly notified of his designation as an Outside Officer.
	Atsushi Niimi	The Company nominated Atsushi Niimi 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 managing global companies and his wide range of insights. He meets the requirements for independence stipulated by the Tokyo Stock Exchange and the "Standards for Selecting Independent Outside Officers," and the Tokyo Stock Exchange has been duly notified of his designation as an Outside Officer.
	Genichi Tamatsuka	The Company nominated Genichi Tamatsuka as an Outside Director in the belief that he will provide the Company's management with valuable advice and supervision based on his wide range of insights and his ample experience in management, through his experiences in various managerial positions, including as a representative director for several companies. He meets the requirements for independence stipulated by the Tokyo Stock Exchange and the "Standards for Selecting Independent Outside Officers," and the Tokyo Stock Exchange has been duly notified of his designation as an Outside Officer.
	Takehiro Kamigama	The Company nominated Takehiro Kamigama as an Outside Director in the belief that he will provide the Company's management with valuable advice and supervision based on his wide range of insights and his ample experience in management and technology, through his experiences in various managerial positions, including as a representative director at a global company. He meets the requirements for independence stipulated by the Tokyo Stock Exchange and the "Standards for Selecting Independent Outside Officers," and the Tokyo Stock Exchange has been duly notified of his designation as an Outside Officer.
Outside Audit & Supervisory Board Members	Tomomi Yatsu	The Company nominated Tomomi Yatsu as an Outside Audit & Supervisory Board Member in the belief that she will utilize her significant expertise as an attorney and a certified public accountant, as well as her ample knowledge and experience as an outside officer for a corporation in performing her duties as one of the Company's Audit & Supervisory Board Members (Outside). She meets the requirements for independence stipulated by the Tokyo Stock Exchange and the "Standards for Selecting Independent Outside Officers," and the Tokyo Stock Exchange has been duly notified of her designation as an Outside Officer.
	Masahiko Ikaga	The Company nominated Masahiko Ikaga as an Outside Audit & Supervisory Board Member in the belief that he will utilize his significant expertise as a certified public accountant, as well as his ample knowledge and experience as a company executive and an outside officer for a corporation, in performing his duties as one of the Company's Audit & Supervisory Board Members (Outside). He meets the requirements for independence stipulated by the Tokyo Stock Exchange and the "Standards for Selecting Independent Outside Officers," and the Tokyo Stock Exchange has been duly notified of his designation as an Outside Officer.

(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 meetings of the Board of Directors
6. Relationships and dialogue with shareholders
7. Dealing with stakeholders other than shareholders

(Evaluation process)

The effectiveness of the Board of Directors was evaluated using the following process with the Corporate Planning Division acting as the secretariat.

- Survey all the members of the Board of Directors, including Outside Directors and Outside Audit & Supervisory Board Members by questionnaire, based on seven evaluation perspectives regarding the aims of the Board of Directors.
- Analyze the survey results and confirm the status of improvement, compared with the previous year's evaluation.

- Share the results of the evaluation of effectiveness and deliberate the issues to be addressed at the Board of Directors' meetings based on the results of the analysis.

(Evaluation results)

It was confirmed that the Board of Directors continued to proactively hold effective discussions and implement creative initiatives to realize the medium- to long-term enhancement of corporate value and sustainable growth, and the effectiveness was sufficiently assured.

In particular, it was highly evaluated that the Directors proactively commented about matters outside their responsibility to fulfill the roles and responsibilities of supervision among Directors and management, and the comments made by Outside Directors and Audit & Supervisory Board Members were fully respected. It was also confirmed that key issues regarding Yamaha Motor's management strategy have been appropriately discussed.

We will continue to push ahead with improvement measures to address the issues highlighted based on the evaluation. Meanwhile, for the purpose of further enhancing effectiveness, we will establish rules on how a third party is to be involved in the evaluation process and implement the evaluation on a regular basis.

Composition of Directors

As of April 1, 2018

Directors	Field in charge	Corporate Management/ Expertise	Manufacturing/ Technology/ R&D	Sales/ Marketing	Accounting/ Finance/ M&A/IT	Governance/Risk Management/ Human Resources	Global Experience
Hiroyuki Yanagi		○	○			○	○
Yoshihiro Hidaka	Marine/Human Resources	○			○	○	○
Katsuaki Watanabe	Motorcycle/ Advanced Technology	○	○				○
Toshizumi Kato	Solution			○	○		○
Katsuhito Yamaji	Manufacturing/ Procurement		○				○
Makoto Shimamoto	Vehicle Development		○				○
Tatsumi Okawa (New)	Planning/ Finance			○	○		○
Takuya Nakata Outside		○		○		○	○
Atsushi Niimi Outside		○	○			○	○
Genichi Tamatsuka Outside		○		○		○	○
Takehiro Kamigama Outside (New)		○	○			○	○

Remuneration for Directors and Audit & Supervisory Board Members

Remuneration for Directors and Audit & Supervisory Board Members for fiscal 2017 is as follows:

(Millions of yen)

Officer classification	Basic compensation	Compensation linked to performance		Stock compensation plan	Total
		Directors' bonuses	Compensation linked to each Director's individual performance		
Directors (15)	326	335	32	54	749
Of which, Outside Directors (4)	(33)	—	—	—	(33)
Audit & Supervisory Board Members (5)	77	—	—	—	77
Of which, Audit & Supervisory Board Members (Outside) (3)	(18)	—	—	—	(18)
Total	404	335	32	54	827

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 2 Directors and 1 Audit & Supervisory Board Member who retired at the conclusion of the 82nd Ordinary General Meeting of Shareholders held on March 23, 2017.

4. In addition to the remuneration listed above, ¥85 million was paid as salaries to Directors who serve concurrently as employees.

Directors and Audit & Supervisory Board Members

As of April 1, 2018



**Chairman and Representative Director
Hiroyuki Yanagi**

April 1978: Joined the Company
 March 2009: Senior Executive Officer, Chief General Manager of Manufacturing Center
 November 2009: Senior Executive Officer, Senior General Manager of MC Business Section, MC Business Operations
 March 2010: President, Chief Executive Officer and Representative Director
 June 2011: Director of Yamaha Corporation (to present)
 January 2012: President, Chief Executive Officer and Representative Director, Chief General Manager of MC Business Operations
 January 2015: President, Chief Executive Officer and Representative Director
 January 2018: Chairman and Representative Director (to present)



**President, Chief Executive Officer
and Representative Director
Yoshihiro Hidaka**

April 1987: Joined the Company
 July 2010: Vice President of Yamaha Motor Corporation, U.S.A.
 March 2017: Senior Executive Officer and Director, Executive General Manager of Corporate Planning & Finance Center
 January 2018: President, Chief Executive Officer and Representative Director (to present)



**Executive Vice President
and Representative Director
Katsuaki Watanabe**

April 1982: Joined the Company
 March 2011: Senior Executive Officer and Chief General Manager of Manufacturing Center
 April 2013: Senior Executive Officer, Executive General Manager of 1st Business Unit, MC Business Operations and Chief General Manager of Manufacturing Center
 January 2015: Senior Executive Officer and Director, Chief General Manager of MC Business Operations and Executive General Manager of 1st Business Unit, MC Business Operations
 March 2016: Managing Executive Officer and Director, Chief General Manager of MC Business Operations (to present)



**Director (Outside)
Takuya Nakata**

April 1981: Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation)
 October 2005: General Manager of PAV/MI 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
 June 2013: President and Representative Director of Yamaha Corporation (to present)
 March 2014: Outside Director (to present)



**Director (Outside)
Atsushi Niimi**

April 1971: Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
 June 2000: Director of Toyota Motor Corporation
 June 2003: Managing Officer of Toyota Motor Corporation
 June 2004: Director of Toyota Motor Corporation
 June 2005: Senior Managing Director of Toyota Motor Corporation
 June 2009: Executive Vice President, Member of the Board of Toyota Motor Corporation
 Outside Member of the Audit & Supervisory Board of JTEKT Corporation
 June 2013: Chairman & Representative Director of JTEKT Corporation
 March 2015: Outside Director (to present)
 June 2016: Advisor of JTEKT Corporation (to present)
 June 2016: Outside Director of NIPPON SHARYO, LTD. (to present)



**Director (Outside)
Genichi Tamatsuka**

April 1985: Joined ASahi GLASS CO., LTD.
 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
 November 2010: Advisor of Lawson, Inc.
 March 2011: Senior Executive Vice President and COO of Lawson, Inc.
 May 2012: Member of the Board, Senior Executive Vice President and COO of Lawson, Inc.
 May 2013: Member of the Board, Representative Executive Officer 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: Chairman of the Board, Representative Director of Lawson, Inc.
 March 2017: Outside Director (to present)
 June 2017: President and CEO of Hearts United Group Co., Ltd. (to present)
 September 2017: Outside Director of a dot co., ltd (to present)
 October 2017: Outside Director of Raksul, Inc. (to present)



**Director (Outside)
Takehiro Kamigama**

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 (to present)
 June 2017: Outside Director of OMRON Corporation (to present)
 March 2018: Outside Director (to present)



**Director
Managing Executive Officer
Toshizumi Kato**

June 1986: Joined the Company
 January 2011: Director and President of Yamaha Motor Corporation, U.S.A.
 March 2012: Senior Executive Officer
 March 2014: Senior Executive Officer and Director
 January 2016: Senior Executive Officer and Director, Chief General Manager of Vehicle & Solution Business Operations
 March 2016: Managing Executive Officer and Director, Chief General Manager of Vehicle & Solution Business Operations (to present)



**Director
Senior Executive Officer
Katsuhito Yamaji**

April 1982: Joined the Company
 April 2003: Director of Yamaha Motor da Amazonia Ltda.
 March 2015: Senior Executive Officer, Chief General Manager of Manufacturing Center
 March 2017: Senior Executive Officer and Director, Chief General Manager of Manufacturing Center (to present)



**Standing Audit & Supervisory
Board Member
Hiroshi Ito**

April 1980: Joined the Company
 January 2011: Director and President of Yamaha Motor Manufacturing Corporation of America
 January 2015: Chief General Manager in charge of planning, Corporate Planning Division, Corporate Planning & Finance Center
 March 2015: Audit & Supervisory Board Member (to present)



**Standing Audit & Supervisory
Board Member
Kenji Hironaga**

April 1982: Joined the Company
 February 2010: General Manager of Human Resources Development Division, Human Resources & General Affairs Section
 September 2014: Chief General Manager in charge of planning, Audit & Supervisory Board Member's Office
 March 2015: Audit & Supervisory Board Member (to present)



**Audit & Supervisory Board
Member (Outside)
Tomomi Yatsu**

April 1983: Joined Tokyo Electron Limited
 October 1986: Joined Tohatsu Awaki & Sanwa (currently Deloitte Touche Tohmatsu LLC)
 September 1990: Registered as a certified public accountant
 November 2001: Registered as an attorney
 Joined New Tokyo Law Office (currently Bingham Sakai Mimura Azawa-Foreign Law Joint Enterprise)
 Partner of Bingham Sakai Mimura Azawa-Foreign Law Joint Enterprise
 Outside Audit & Supervisory Board Member of CALBEE, Inc.
 June 2009: Outside Audit & Supervisory Board Member of Taiho Pharmaceutical Co., Ltd.
 June 2010: Outside Audit & Supervisory Board Member of Taiko Pharmaceutical Co., Ltd.
 March 2012: Outside Statutory Auditor of Kokuyo Co., Ltd.
 March 2015: Outside Audit & Supervisory Board Member (to present)
 April 2015: Partner of TMI Associates (to present)
 June 2016: Outside Executive Director of SMBC Nikko Securities Inc. (to present)
 June 2017: Outside Auditor of IHI Corporation (to present)



**Audit & Supervisory Board
Member (Outside)
Masahiko Ikaga**

October 1979: Joined Tohatsu Awaki & Co. (currently Deloitte Touche Tohmatsu LLC)
 March 1988: Registered as a certified public accountant
 May 1988: Director of Tohatsu Touche Ross Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
 May 1990: Partner of Tohatsu Awaki & Co.
 April 1993: Director of Tohatsu Consulting Co., Ltd. (currently Deloitte Tohatsu Consulting LLC)
 March 2000: Representative Director and President of Tohatsu Consulting Co., Ltd.
 October 2010: Chairman and Director of Tohatsu Consulting Co., Ltd.
 November 2013: CSO of Deloitte Touche Tohmatsu LLC
 April 2016: Established Masahiko Ikaga Certified Public Accounting Office
 May 2016: Representative Director of PrajnaLink Co., Ltd. (to present)
 June 2016: External Audit & Supervisory Board Member of Moringa Milk Industry Co., Ltd. (to present)
 March 2017: Outside Director (to present)
 June 2017: Outside Director of RYDBI LIMITED (to present)



**Director
Senior Executive Officer
Makoto Shimamoto**

April 1983: Joined the Company
 March 2015: Senior Executive Officer, Chief General Manager of PF Model Unit and Senior General Manager of PF Model Development Section, PF Model Unit
 January 2017: Senior Executive Officer, Chief General Manager of Technology Center and Chief General Manager of PF Model Unit
 March 2017: Senior Executive Officer and Director, Chief General Manager of Technology Center and Chief General Manager of PF Model Unit (to present)



**Director
Senior Executive Officer
Tatsumi Okawa**

April 1986: Joined the Company
 January 2015: Director and President of Yamaha Motor Corporation, U.S.A.
 March 2018: Senior Executive Officer and Director, Chief General Manager of Corporate Planning & Finance Center (to present)

MC: Motorcycle
 PF: Platform

Executive Officers

As of April 1, 2018

Executive Officers

President and Chief Executive Officer Yoshihiro Hidaka		Executive Vice President Katsuaki Watanabe		
Managing Executive Officer Toshizumi Kato				
Senior Executive Officer Katsuhito Yamaji	Senior Executive Officer Makoto Shimamoto Chief General Manager of Mobility Technology Center	Senior Executive Officer Tatsumi Okawa Chief General Manager of Corporate Planning & Finance Center	Senior Executive Officer Yoichiro Kojima Chairman of Yamaha Motor Europe N.V.	Senior Executive Officer Hiroaki Fujita Chief General Manager of Advanced Technology Center, Senior General Manager of New Venture Business Development Section, Advanced Technology Center, and Chief General Manager of Solution Business Operations
Senior Executive Officer Masahiro Inoue Chief General Manager of Procurement Center	Senior Executive Officer Junzo Saitoh Chief General Manager of Human Resources & General Affairs Center	Senior Executive Officer Kazuhiro Kuwata President of Yamaha Motor Corporation, U.S.A.	Senior Executive Officer Hirofumi Usui Chief General Manager of Marine Business Operations, and Executive General Manager of Marine Business Unit, Marine Business Operations	
Executive Officer Yoshitaka Noda Chief General Manager of Powertrain Unit	Executive Officer Akihiro Nagaya Chief General Manager of Design Center	Executive Officer Heiji Maruyama Deputy Chief General Manager of Powertrain Unit, Chief General Manager in charge of Automotive Business, and Chief General Manager in charge of NLV Business Development	Executive Officer Satohiko Matsuyama Chief General Manager of Manufacturing Center	Executive Officer Minoru Morimoto President of PT. Yamaha Indonesia Motor Manufacturing
Executive Officer Yasuo Tanaka Chief General Manager of CS Center	Executive Officer Motofumi Shitara Managing Director of Yamaha Motor India Pvt. Ltd., and Managing Director of Yamaha Motor India Sales Pvt. Ltd.	Executive Officer Eric de Seynes President of Yamaha Motor Europe N.V.	Executive Officer Dyonisius Beti COO of PT. Yamaha Indonesia Motor Manufacturing	Executive Officer Toshihiro Nozue Executive General Manager of Marine Engine Business Unit, Marine Business Operations
Executive Officer Satoshi Hirose Deputy Chief General Manager of Manufacturing Center, and Senior General Manager of Engine Manufacturing Section, Manufacturing Center	Executive Officer Hiroyuki Ota Executive General Manager of Robotics Business Unit, Solution Business Operations, Senior General Manager of Surface Mount Technology Section, Robotics Business Unit, Solution Business Operations, and General Manager of Quality Assurance Division, Robotics Business Unit, Solution Business Operations	Executive Officer Itaru Otani President of Yamaha Motor do Brasil Ltda., and President of Yamaha Motor da Amazonia Ltda.	Executive Officer Takeo Noda Deputy Chief General Manager of Corporate Planning & Finance Center	
Executive Officer Toshiaki Ibata Executive General Manager of Boat Business Unit, Marine Business Operations	Executive Officer Toyoshi Nishida Chief General Manager of PF Model Unit and Senior General Manager of PF Model Development Section, PF Model Unit	Executive Officer Takuya Kinoshita Chief General Manager of Motorcycle Business Operations, and General Manager of New Value Business Development Division, Motorcycle Business Operations		

NLV: New Land Vehicle
CS: Customer Service
PF: Platform

Yamaha Motor Group's Initiatives to Address Social Issues

Based on our corporate mission of being a *Kando* Creating Company, the Yamaha Motor Group aims to contribute to sustainable social development through our business activities while carrying out those activities in harmony with society and the environment.

We are experiencing a time of major transformation. Two notable events that occurred in 2015 were the signing of the Paris Agreement that seeks to stop global warming, and a United Nations summit that adopted the 2030 Agenda for Sustainable Development, which includes Sustainable Development Goals (SDGs) that set common international objectives for sustainable development to be achieved by 2030.

As part of our effort to address these important social issues, in December 2017, we registered as a participating company in the United Nations Global Compact, which sets 10 principles for voluntary action in the areas of human rights, labor, the environment, and anti-corruption.

Along with our environmental, social, and governance (ESG) initiatives, we will focus on global social issues, and in particular the SDGs that are closely tied to our wide-ranging business activities, and demonstrate our strengths to solve these issues. To this end, we are designating these as important issues for priority action (materiality).



Basic Policies of CSR

The Yamaha Motor Group strives to contribute to the sustainable development of society through our business activities based on our corporate philosophy and to always abide by the letter and spirit of domestic and international laws and regulations. We are dedicated to earning the trust of the global community, and we place great value on communicating with all stakeholders.

We expect all of our business partners to share our principles and to act in accordance.

Customers
Shareholders and Investors
Employees
Business Partners
The Community
The Environment

Striving to harmonize with the environment for sustainable social development

Based on the Yamaha Motor Group Environmental Plan 2020, formulated in 2010, the Yamaha Motor Group aims to be a company that fulfills its corporate social responsibilities by striving to maintain harmony with the environment, which serves as the stage for our products.

Yamaha Motor Group Environmental Plan 2020

Action Areas	Priority Actions	2020 Targets	
Eco Products	Raise environmental attractiveness through product development from the perspectives of the environment and customers	In the Eco Products area, implement the Frontier 2020 Groupwide long-term vision	
Eco Operations	<ul style="list-style-type: none"> Reduce risks from environmentally hazardous substances Implement green procurement 	Identify environmentally hazardous substances and support the use of alternatives	
	Environmental preservation through global business activities that aim to minimize environmental impact	Reduce CO ₂ emissions per unit of sales by 1% (annual average)	
Eco Management	Reduce emissions of greenhouse gases	Support the effective use and recycling of limited resources	
	<ul style="list-style-type: none"> Implement the 3 R's through the 3 E's Reduce water consumption (3 E's: Easy to make, Easy to repair, Easy to disassemble) (3 R's: Reduce, Reuse, Recycle) 	Link Groupwide operations with local activities	
Eco Mind	Environmental management through reinforcement of Group environmental governance systems	Have all Group employees actively undertake environmental measures with a high awareness of targets	
Eco Mind	Environmental contributions through diverse initiatives that seek to create a sustainable environment	<ul style="list-style-type: none"> Improve sensory environments (odors, noise, etc.) Communicate with local communities Preserve ecosystems 	Be trusted and respected as a corporate citizen by local communities
	Proactively disclose information from an environmental perspective	Well received by the community as an environmentally advanced company	

Organizational Structure for Promoting Environmental Management

The Yamaha Motor Group has established an Environment Committee, chaired by the Director, as the central organization responsible for the Group's environmental activities in Japan and overseas. The committee deliberates on policies and visions for the future concerning environmental initiatives, medium- and long-term environmental policies, strategic investment proposals relating to environmental preservation, environmental monitoring topics and responses to issues, and other key issues relating to environmental management. The policies and activities discussed are reported to the Board of Directors as necessary.

Strengthening Environmental Governance Through Unified Certification

In accordance with our Basic Policies of CSR, the Yamaha Motor Group is pursuing global environmental ISO 14001 unified certification, primarily at manufacturing companies in Japan, Asia, Europe, the United States, and South America, through "eco management," which is one of the areas of focus of the Yamaha Motor Group Environmental Plan 2020. All the 44



ISO14001 certificate award ceremony and activity report for Yamaha Motor Philippines, Inc. at Yamaha Motor headquarters

participating companies received certification in 2017. We have also updated our certification to the 2015 standards for ISO 14001.

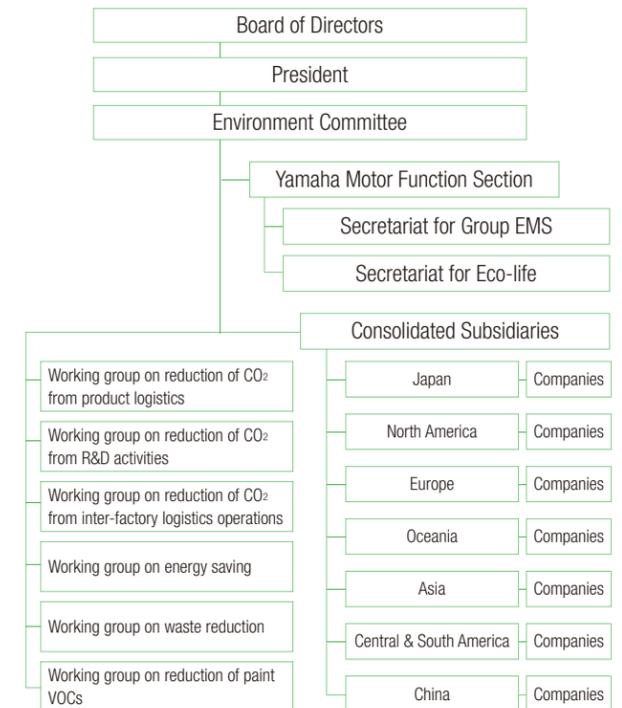
At the same time, we are carrying out risk-based environmental management for companies with relatively little environmental risk by introducing in-house certification systems used by third-party institutions. These initiatives, together with the construction of our proprietary G-YECOS information network system, will lead to thorough legal and regulatory compliance and improved environmental performance. We are also working to make our management systems more efficient and our environmental governance even stronger by sharing issues at Group companies with the entire Group.

Activities to Identify and Reduce Greenhouse Gas Emissions

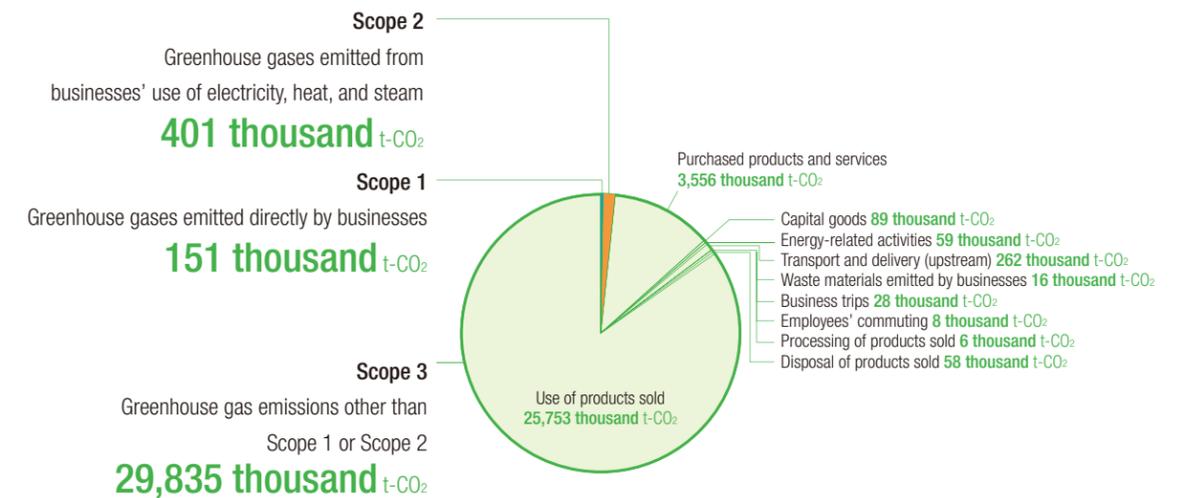
The Yamaha Motor Group is working to identify and reduce greenhouse gas emissions associated with our corporate activities at three levels: direct greenhouse gas emissions from the combustion of fuel used at factories (Scope 1); indirect emissions including electrical power used by factories and offices (Scope 2); and other emissions (Scope 3).

We will also work to more precisely measure direct and indirect emissions in each location, and to further reduce emissions at all factories and offices.

The Yamaha Motor Group Organizational Structure for Environmental Planning and Promotion



Greenhouse Gas Emission Volumes



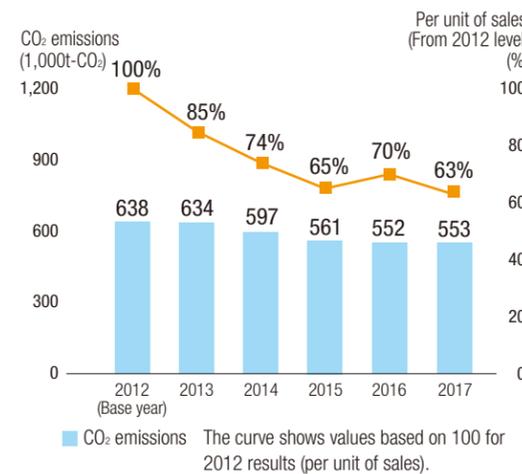
CO₂ Emissions at the Yamaha Motor Group

As a manufacturer of motorcycles and other transportation machinery, the Yamaha Motor Group considers the reduction of greenhouse gas emissions to be the most critical environmental issue facing the world today. We are targeting an annual 1% reduction in CO₂ emissions per unit of sales as a common goal for the entire Group, and are working to reduce emissions in all of our business activities including product development and manufacturing.

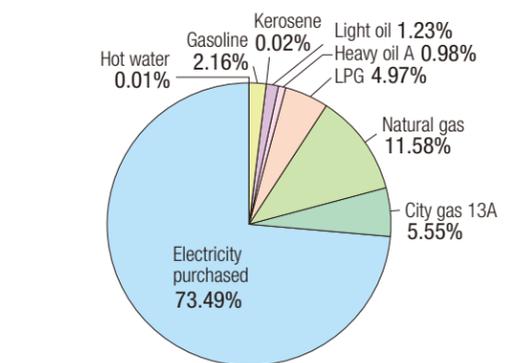
Since 2013, we have been implementing global energy-saving activities at all of our manufacturing sites including those overseas, with the aim of achieving a balance between economic and environmental considerations (CO₂ reductions). We are also promoting the efficient use of energy by introducing energy-saving technologies developed in Japan to Group companies at home and overseas.

CO₂ emissions: **553 thousand** t-CO₂

Yamaha Motor Group CO₂ Emissions



Yamaha Motor Group Energy Input



Energy Input at the Yamaha Motor Group

The Yamaha Motor Group's energy input in 2017 totaled 10.31 million GJ, of which 7.58 million GJ or 74%, was electricity. Of this, roughly 87% was used in Japan and elsewhere in Asia. To reduce our consumption of electricity, we are introducing equipment that can "visualize" electric power and using this to analyze and reduce our use of electricity. Other measures being systematically introduced include the installation of equipment to conserve electric power at factories and the introduction of LED lighting in offices.

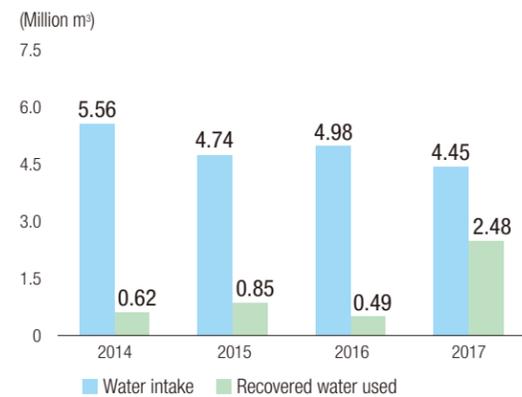
Total energy input: **10.31 million** GJ (electricity: **7.58 million** GJ)

Measuring and Reducing Water Resources

We are working to reduce our consumption of water resources and have set the support of effective use and recycling of limited resources as our target for 2020. We will continue to strive to measure our global use of water resources and reduce the amount of water intake through promoting the reuse of coolant water and water collection (rainwater and other sources) at factories.

Water intake: **4.45 million** m³

Yamaha Motor Group Water Intake and Recovered Water Used



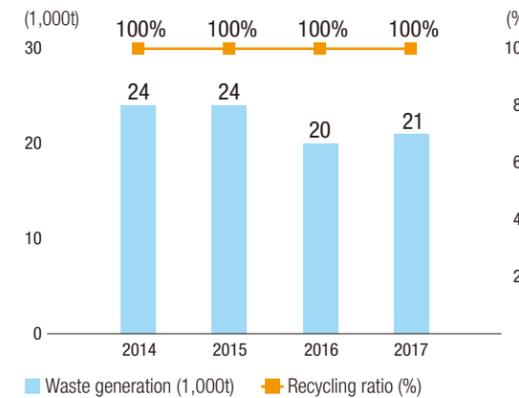
*The increase in the volume of recovered water used in 2017 includes the effect of locations that became able to measure recovered water.

Measures to Reduce Waste and Conserve Resources at the Manufacturing Stage

In 2017, Yamaha Motor generated a total of 20.8 thousand tons of industrial waste.* We separate metal, plastic, foundry sand, and other waste for reuse and recycling as raw materials. We also subject oil and some plastics to a thermal recycling process to create materials that can be used as combustion improvers. In addition, we use post-combustion residue as a raw material in cement and roadbeds. As a result, we have maintained our direct and indirect landfill record of "zero tons" (a 100% recycling rate).

In addition, the Yamaha Motor Group began tracking its volume of waste from 2016. Domestic and overseas Group companies have been working to reduce their volumes of waste by thoroughly separating types of waste materials, introducing returnable packaging materials, and using longer-lasting cutting fluids and oils. The Yamaha Motor Group's volume of waste in 2017 was 28 thousand tons (aggregate for 59 locations).

Yamaha Motor's Waste Generation and Recycling Ratio at Manufacturing Stage



*Aggregate industrial waste: Yamaha Motor's aggregate volume of industrial waste emitted (including both waste and materials with value).

TOPICS Improved packaging for outboard motor repair parts wins WorldStar award

"Packaging solution for Yamaha outboard motor repair parts" received a WorldStar award at the WorldStar Competition 2017, held by the World Packaging Organization. The award was given for improvements made to increase the stability of the product and to reduce operational and material costs.

Compared with the conventional packing method in which materials were bonded, this packaging simplifies materials by fixing the center of gravity and sharp shape at one point. It also uses paper tubes made of scrap wood as the material to bear the load. This has reduced operational and material costs by 10% and made it easier to package and dispose of the packaging, while contributing to reduced material weight and lower CO₂ emissions.



TOPICS Yamaha engineer on Team KUROSHIO industrial, academic, and government collaboration

Yamaha Motor is participating in Team KUROSHIO, a collaborative project bringing together Japanese industry, academia, and government in pursuit of the Shell Ocean Discovery XPRIZE, an international competition to explore the seabed at 4,000m depths run by the XPRIZE Foundation of the United States.

Yamaha Motor has sent one engineer with the aim of contributing to the team by providing technical support based on its expertise in marine products and unmanned systems. We expect this activity to raise the level of marine science technologies, contribute to resource development, and help protect the earth's environment.

Team KUROSHIO has passed through the first round of competition, the Technology Readiness Test, and will advance to the second and final round scheduled for October 2018. The final results are scheduled to be announced in December 2018.





Coexistence and mutual prosperity of the Company and local communities

The Yamaha Motor Group operates in locations around the world and our business activities help support local communities. Our products also play a role in enriching the lives of people around the world. We recognize the importance of maintaining a sustainable relationship through which the Company and local communities can coexist and mutually prosper, and to achieve this, we place great importance on maintaining and enhancing a relationship of trust through daily communication with stakeholders in those communities.

Important Areas of Activities Contributing to Society

Key Themes	Global Issues			Local Issues
	Developing Future Leaders	Environmental Conservation	Improving Traffic Safety	Community Issues
Activities	<ul style="list-style-type: none"> Promoting mental/emotional and physical health through sports Promoting creativity through engineering, manufacturing, and marketing 	<ul style="list-style-type: none"> Environmental education for local communities Respecting biodiversity 	<ul style="list-style-type: none"> Providing traffic safety education to the community Raising awareness 	<ul style="list-style-type: none"> Supporting the community with Yamaha Motor's products, human resources, and know-how

Developing Future Leaders

Yamaha Motor Taiwan (YMT) wins sports promotion award* for fifth straight year

In September 2017, YMT received the silver medal in the sports promotion award given by Taiwan's Ministry of Education. This was the fifth consecutive year in which the company has received an award, and the second in a row to win a silver medal.

Based on its social contribution policy, YMT has held a Yamaha Cup youth soccer competition every year since 2009 to cultivate healthy young people, and in 2017, roughly 5,000 youths competed as 313 preliminary teams. This is one of Taiwan's largest youth soccer events.



*Sports promotion award: Presented by Taiwan's Ministry of Education to organizations that promote sports.

Environmental Conservation

Building sand-control dam as part of United Nations environmental campaign

Thailand frequently experiences flooding and droughts that impact people's daily lives and the economy. Thai Yamaha Motor and Yamaha Motor Electronics Thailand have participated in a United Nations

environmental campaign to reduce the damage from these disasters by planting trees and preserving upstream environments to maintain the mutual relationship



between living things and their environment. The building of sand-control dams as part of this campaign began in 2016 at the Kaeng Krachan National Park and expanded to the Tublarn National Park in 2017.

Improving Traffic Safety

Yamaha Motor Vietnam (YMVN) donates over 30,000 helmets to elementary school students

YMVN held a Kid Donation 2017 event in Quang Nam and Vung Tau in October 2017 with the participation of Vietnam's National Traffic Safety Committee and other government authorities, and donated 31,300 helmets to 38 elementary schools. Since its launch in 2003, this activity has donated 186,895 helmets to 2,200 elementary schools with the aim of improving child safety.



Roughly 10,000 people participated in this year's event, with a record high number of helmets donated.

Community Issues

Hurricane relief at Yamaha Motor Corporation, U.S.A. (YMUS)

In the spirit and passion of One Yamaha, YMUS collected and delivered various items as emergency relief and support to people affected by Hurricane Harvey, which struck the state of Texas in August 2017. The company donated aluminum boats and marine engines that were used to rescue people stranded on their rooftops, and asked dealers in the region to provide Yamaha watercraft to assist with search and rescue

operations. Generators and all water pumps in inventory were also sent to dealers in the region. Moreover, arrangements were made to donate high-pressure washers and additional pumps to areas requiring assistance. Two truckloads of food and sanitary goods were also delivered to people in need.



Showing society the value of challenge through sports

Since its founding, Yamaha Motor has blazed new trails driven by a spirit of challenge, which is engrained in our corporate culture and is deeply embedded in the spirit of each Group employee.

Activities promoting sports are an easy-to-understand way to convey this approach to challenges, and through these activities we hope to send a message to society conveying the joy of having dreams and the value of facing challenges.

Racing

Racing competitions with strict rules and uniform conditions enable people to ascertain their own levels and provide venues for developing the latest technologies. They also continue to provide excitement to people around the world as a symbol of challenge.



Japan Rugby Top League

Yamaha Motor Jubilo, Yamaha Motor's rugby team, competes at the highest level in Japan's top domestic corporate league, the Japan Rugby Top League.



Yamaha Motor Foundation for Sports

This foundation was established as one of the activities to commemorate the 50th anniversary of Yamaha Motor's founding, with a mission of supporting people who are pursuing their dreams in sport.



YAMAHA Sailing Team

YAMAHA Sailing Team 'Revs' is aiming to place highly in major domestic and international competitions, including World Sailing's World Cup Series and other world championships.



Financial Highlights

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

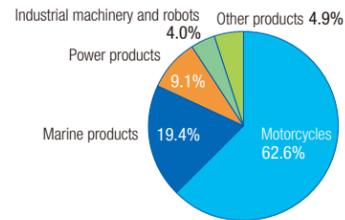
POINT

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

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

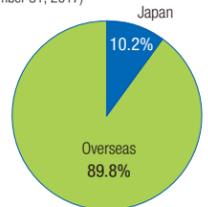
Percentage of sales by product segment

(Year ended December 31, 2017)



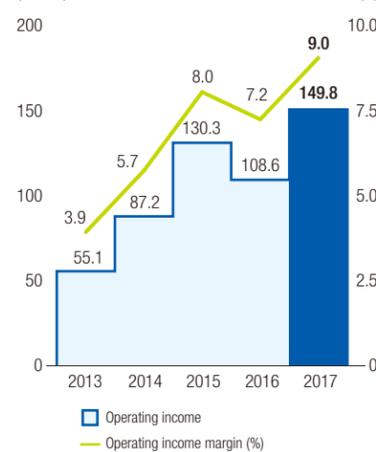
Percentage of sales by market

(Year ended December 31, 2017)



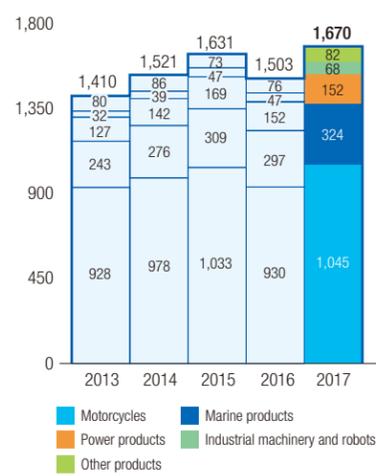
Operating income and operating income margin

(Billion ¥) (%)



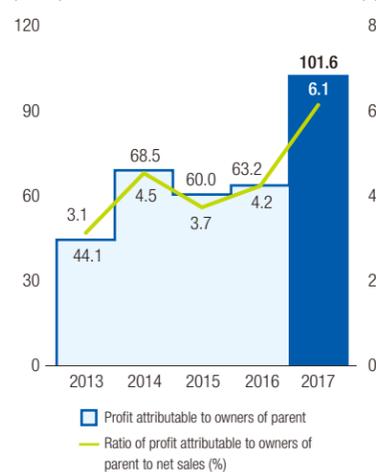
Sales by product segment

(Billion ¥)



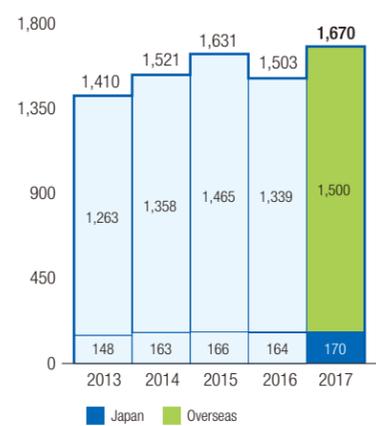
Profit attributable to owners of parent and ratio of profit attributable to owners of parent to net sales

(Billion ¥) (%)



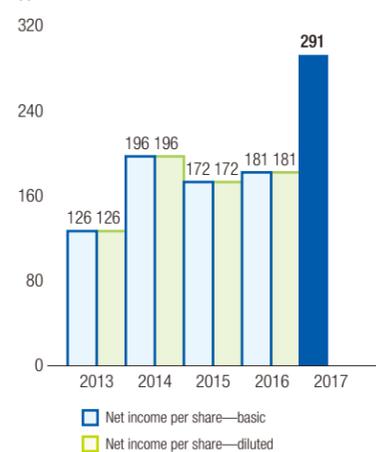
Sales by market

(Billion ¥)



Net income per share

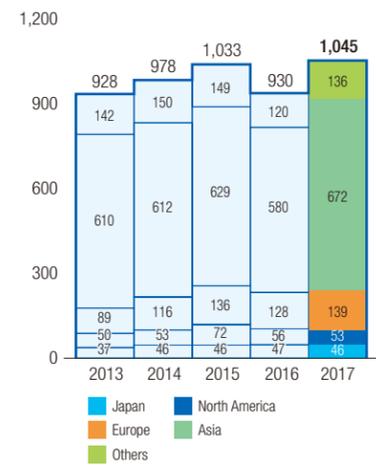
(¥)



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

Motorcycle sales by market

(Billion ¥)



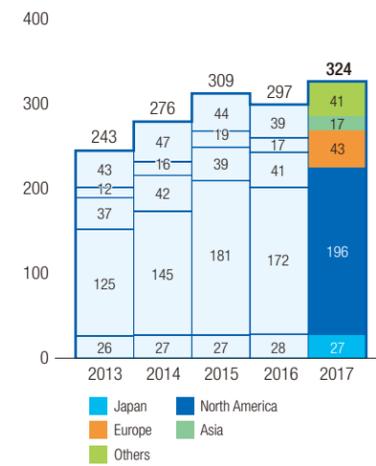
Motorcycle unit sales by market

(Thousand units)



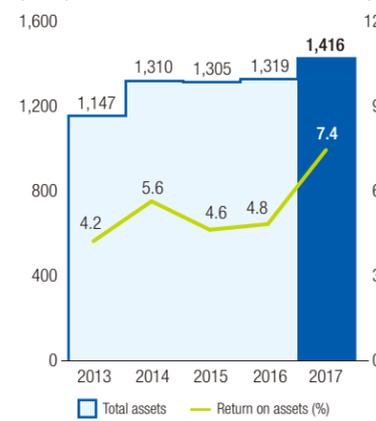
Marine product sales by market

(Billion ¥)



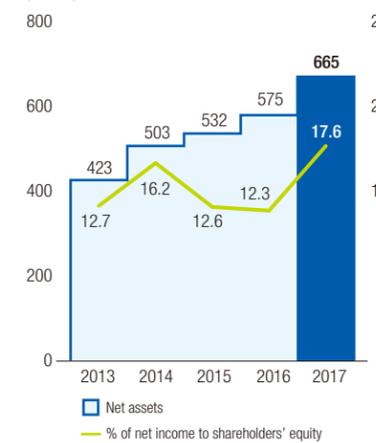
Total assets and return on assets

(Billion ¥) (%)



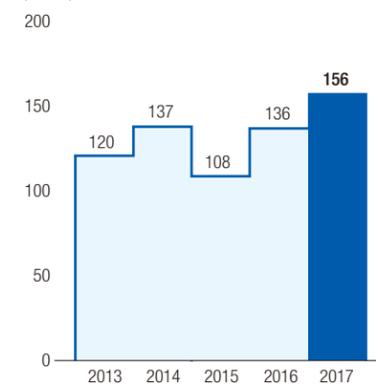
Net assets and % of net income to shareholders' equity

(Billion ¥) (%)



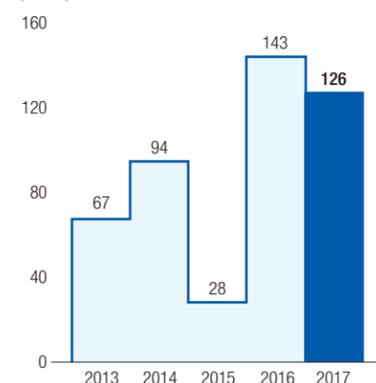
Cash and cash equivalents at the end of the year

(Billion ¥)



Cash provided by operating activities

(Billion ¥)



Cash used in investing activities

(Billion ¥)



Free cash flows

(Billion ¥)



Five-Year Summary

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

	Millions of yen					% change
	2013	2014	2015	2016	2017	2017/2016
For the year:						
Net sales	¥1,410,472	¥1,521,207	¥1,631,158	¥1,502,834	¥1,670,090	11.1 %
Sales by product:						
Motorcycles	928,203	977,580	1,032,560	930,112	1,045,211	12.4
Marine products	243,362	276,367	309,337	297,216	323,838	9.0
Power products	126,722	142,204	169,495	152,310	151,622	(0.5)
Industrial machinery and robots	32,261	38,942	46,501	46,871	67,571	44.2
Other products	79,922	86,113	73,262	76,322	81,845	7.2
Gross profit	318,765	372,849	436,525	402,660	458,629	13.9
Operating income	55,137	87,249	130,329	108,594	149,782	37.9
Ordinary income	60,092	97,279	125,231	102,073	154,826	51.7
Profit attributable to owners of parent	44,057	68,452	60,023	63,153	101,603	60.9
Net cash provided by operating activities	66,976	93,618	28,475	143,163	126,342	(11.7)
Net cash used in investing activities	(62,679)	(72,470)	(68,475)	(46,541)	(53,194)	14.3
Free cash flows	4,296	21,148	(40,000)	96,622	73,147	(24.3)
Net cash provided by (used in) financing activities	3,620	(8,908)	6,845	(67,627)	(52,830)	(21.9)
Capital expenditures	56,800	65,871	64,064	61,330	56,532	(7.8)
Depreciation expenses	36,407	37,667	44,324	42,434	45,457	7.1
At year-end:						
Total assets	¥1,146,591	¥1,310,040	¥1,305,236	¥1,318,776	¥1,415,845	7.4 %
Net assets	422,792	503,224	531,700	575,404	665,232	15.6
Interest-bearing debt	382,929	403,652	410,148	364,381	353,490	(3.0)
Ratios:						
Operating income margin (%)	3.9	5.7	8.0	7.2	9.0	
Return on equity (%)	12.7	16.2	12.6	12.3	17.6	
Equity ratio (%)	33.5	35.1	37.6	40.5	44.0	
Price/earnings ratio (times)	12.5	12.5	16.0	14.2	12.7	
Debt/equity ratio (%)	99.7	87.8	83.6	68.2	56.8	
	Yen					% change
Per share amounts:						
Net income—basic	¥ 126.20	¥ 196.06	¥ 171.89	¥ 180.84	¥ 290.93	60.9 %
Net income—diluted	126.20	196.04	171.88	180.83	—	—
Net assets	1,099.84	1,316.58	1,405.35	1,529.53	1,783.35	16.6
Cash dividends	26.00	40.00	44.00	60.00	88.00	46.7
	Millions of yen, except per share data					% change
Share performance (at year-end):						
Price per share (yen)	¥ 1,577	¥ 2,442	¥ 2,744	¥ 2,574	¥ 3,695	43.6 %
Market capitalization	550,585	852,683	958,264	898,931	1,290,413	43.5
	Persons					% change
Other data (at year-end):						
Number of shareholders	29,474	30,416	34,214	42,031	34,566	(17.8)%
Number of employees	53,382	52,662	53,306	53,150	53,579	0.8

Notes: • References to fiscal years are to 12-month periods commencing on January 1 and ending on December 31.

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

Management Discussion and Analysis of Operations

Overview

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

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

Sales Performance by Business Segment

Motorcycles

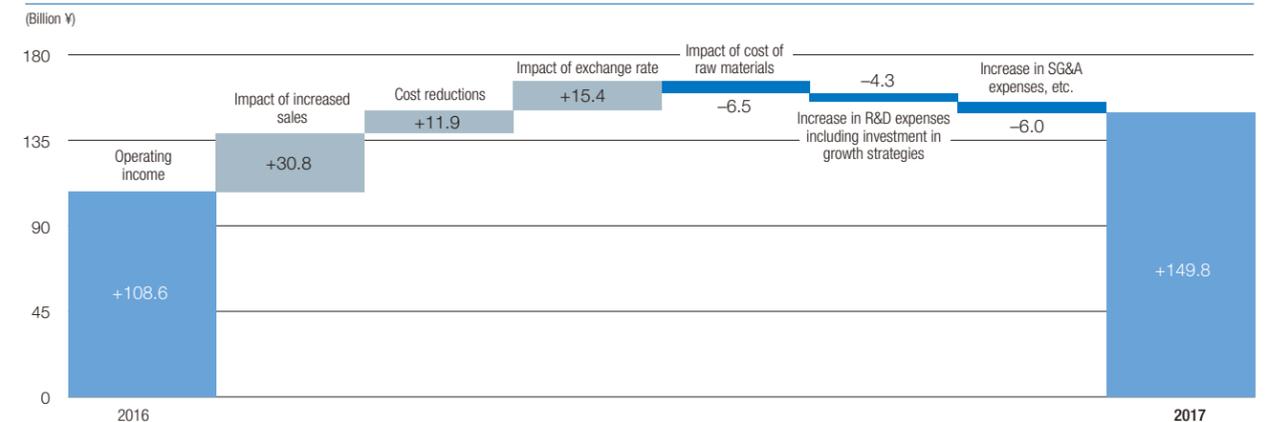
Net sales rose ¥115.1 billion, or 12.4% year on year, to ¥1,045.2 billion, and operating income rose ¥32.9 billion, or 91.4% year on year, to ¥68.8 billion.

Unit sales increased in countries such as the Philippines, Thailand, Taiwan and Vietnam, and declined in developed markets, Indonesia and other countries, leading to unit sales of approximately 5.4 million across the business as a whole, the largest year-on-year increase since 2011.

As a result, net sales increased and operating income rose significantly due to expanded sales of higher-priced products in ASEAN countries, Brazil and other emerging markets as well as the effects of cost reductions.

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

Factors Impacting Operating Income



Marine Products

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

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

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

Power Products

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

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

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

Industrial Machinery and Robots

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

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

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

Other Products

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

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

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

Income and Expenses

R&D Expenses

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

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

By delivering products that embody the unique style of Yamaha, we

seek to create strong connections with customers around the world.

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

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

Non-Operating Income and Expenses

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

Extraordinary Income and Loss

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

Income Taxes

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

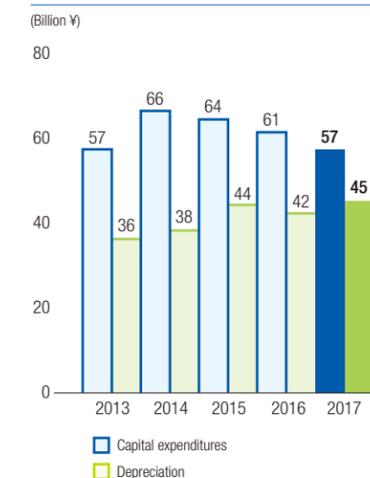
Profit Attributable to Non-Controlling Interests

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

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



Capital expenditures and depreciation



Capital Resources and Liquidity

Assets, Liabilities and Total Net Assets

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

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

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

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

Capital Expenditures

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

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

Cash Flows

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

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

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

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

Cash Dividends

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

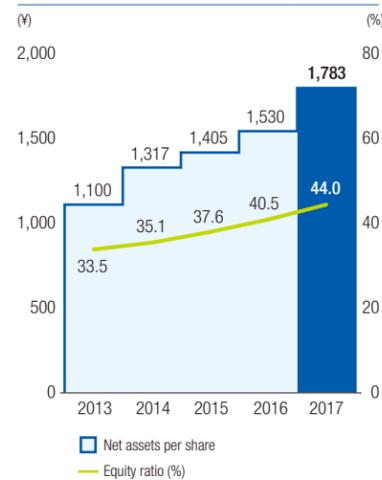
The Company has a basic policy of paying an interim dividend and a year-end dividend. The decision-making bodies for dividends are the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends. In addition, the Company's Articles of Incorporation provides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

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

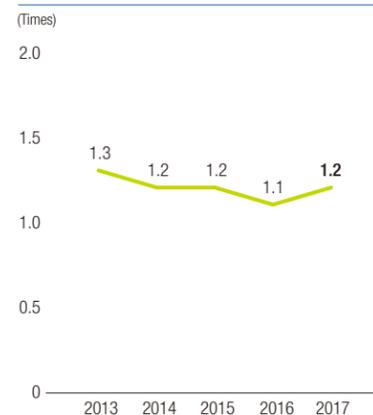
Demand for Funds

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

Net assets per share and equity ratio ^{Note 1}



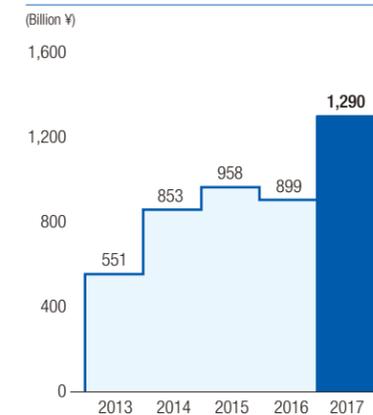
Total asset turnover



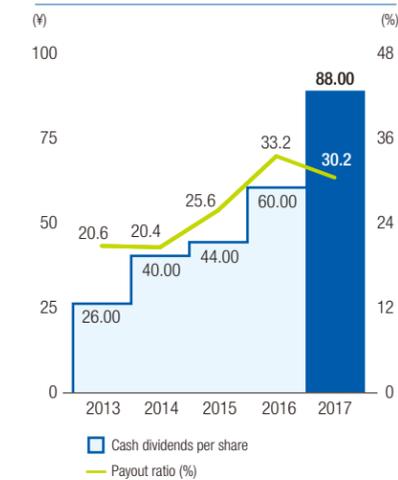
Interest-bearing debt and debt/equity ratio



Market capitalization



Cash dividends per share and payout ratio



Price/earnings ratio



Fund Procurement Conditions

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

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

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

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

Share Performance

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

Forecast for Fiscal 2018

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

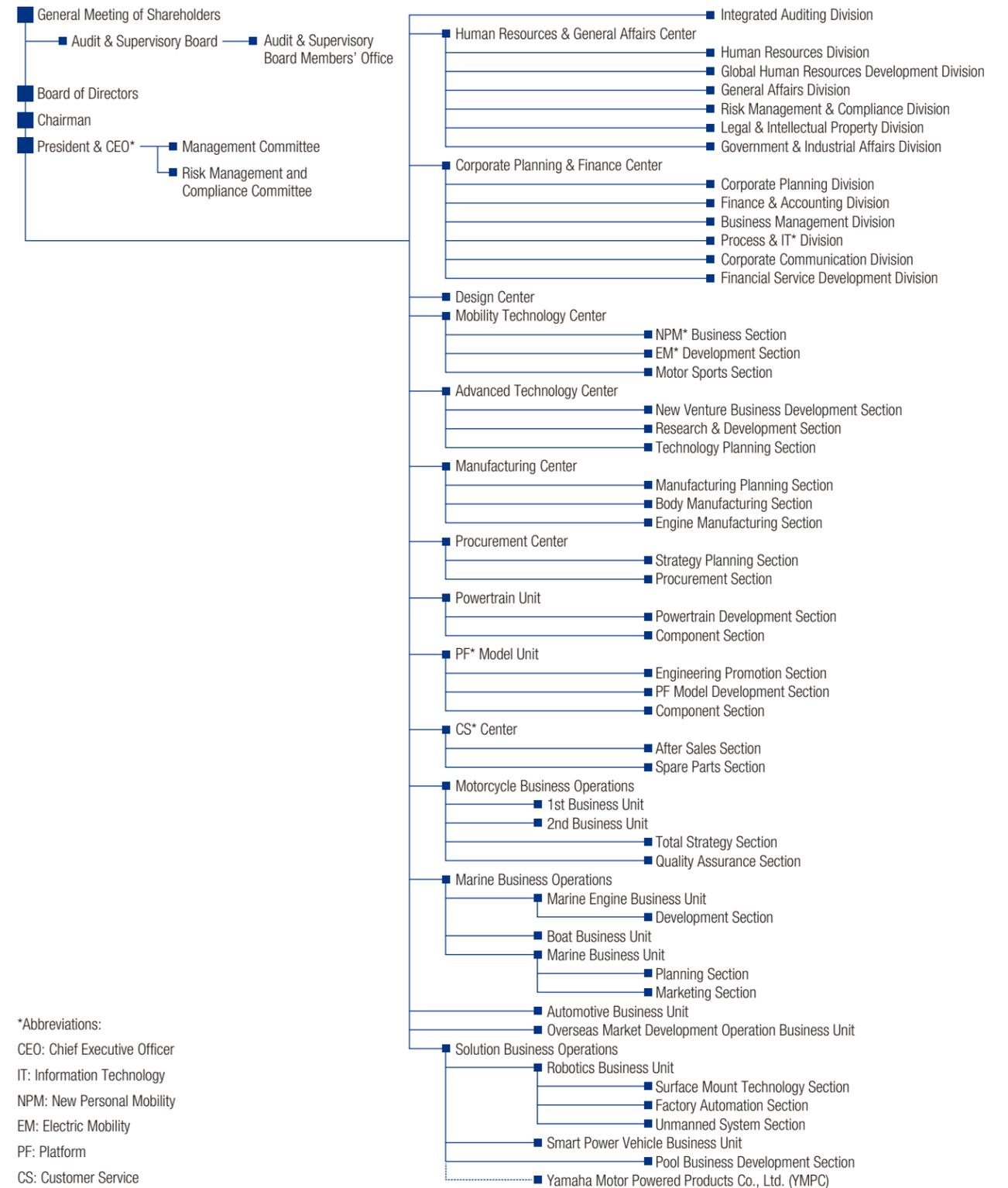
	(Billion ¥)
Net sales	1,700.0 (+29.9, 1.8%)
Operating income	150.0 (+0.2, 0.1%)
Ordinary income	155.0 (+0.2, 0.1%)
Profit attributable to owners of parent	103.0 (+1.4, 1.4%)

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

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

Organization

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



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

Investor Information

As of December 31, 2017

Yamaha Motor Co., Ltd.

Headquarters

2500 Shingai, Iwata, Shizuoka 438-8501, Japan
 Telephone: +81-538-37-0134
 Facsimile: +81-538-37-4250

Date of Establishment

July 1, 1955

Major Consolidated 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
 Yamaha Motor Vietnam Co., Ltd.
 India Yamaha Motor Pvt. Ltd.
 Yamaha Motor Taiwan Co., Ltd.
 Thai Yamaha Motor Co., Ltd.
 Yamaha Motor do Brasil Ltda.

Capital Stock

Authorized: 900,000,000 shares (Common stock)
 Issued: 349,914,284 shares
 Number of Shareholders: 34,566

Principal Shareholders

Yamaha Corporation	9.90%
The Master Trust Bank of Japan, Ltd. (trust account)	9.64
Japan Trustee Services Bank, Ltd. (trust account)	5.54
State Street Bank & Trust Company	5.11
Toyota Motor Corporation	3.57
Mitsui & Co., Ltd.	2.45
Mizuho Bank, Ltd.	2.37
Japan Trustee Services Bank, Ltd. (trust account 9)	2.32
The Shizuoka Bank, Ltd.	1.61
Japan Trustee Services Bank, Ltd. (trust account 5)	1.54

Annual Meeting of Shareholders

The Ordinary General Meeting of Shareholders is held in March each year in Iwata, Shizuoka, Japan.

Securities Exchange

Tokyo Stock Exchange, Inc.

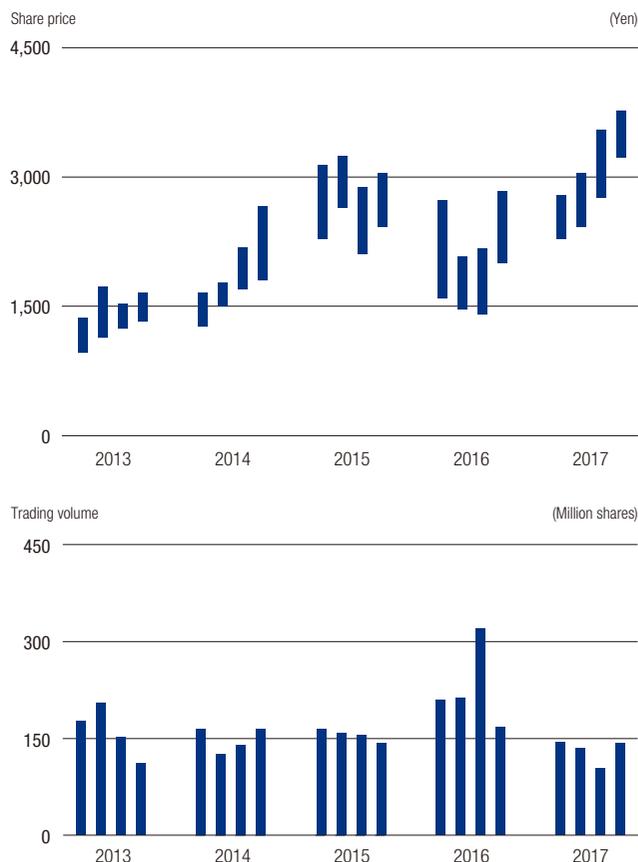
Transfer Agent for Capital Stock

Sumitomo Mitsui Trust Bank, Limited
 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

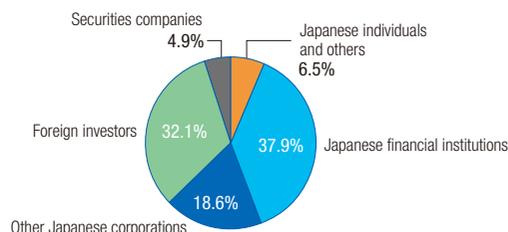
Auditor

Ernst & Young ShinNihon LLC

Yamaha Motor's Share Price and Trading Volume on the Tokyo Stock Exchange



Shareholder Composition



For further information, please contact:

Yamaha Motor Co., Ltd.
 IR/SR Group, Corporate Communication Division
 2500 Shingai, Iwata, Shizuoka 438-8501, Japan
 Telephone: +81-538-37-0134
 Facsimile: +81-538-37-4250
<https://global.yamaha-motor.com/ir/>

You are also invited to review the Fact Book and Financial Data on Yamaha Motor's website at <https://global.yamaha-motor.com/>



YAMAHA MOTOR CO., LTD.

2500 SHINGAI, IWATA, SHIZUOKA, JAPAN

<https://global.yamaha-motor.com/>