

Business Results for the Fiscal Year Ended December 31, 2017

(January 1, 2017 through December 31, 2017)

(Japanese GAAP)

February 13, 2018

This document has been translated from the Japanese original, *Kessan Tanshin* (Flash Report), for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Company name:

Yamaha Motor Co., Ltd.

Stock listing:

Tokyo Stock Exchange the First Section

Code number:

7272

URL:

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

Representative:

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

Contact:

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Date of the Ordinary General Meeting of Shareholders (scheduled):

March 23, 2018

Beginning of payment of dividends (scheduled):

March 26, 2018

Filing of securities report (scheduled):

March 26, 2018

Supplementary explanatory documents related to the consolidated financial results:

Yes

Briefing on the consolidated financial results:

Yes (for institutional investors, securities analysts and media outlets)

Amounts less than one million yen are rounded down.

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

(January 1, 2017 through December 31, 2017)

(1) Consolidated operating results

*% represents growth results. () represents negative figures.

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|--|------------------|-------------|------------------|-------------|-----------------|-------------|---|-------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended December 31, 2017 | 1,670,090 | 11.1 | 149,782 | 37.9 | 154,826 | 51.7 | 101,603 | 60.9 |
| Fiscal year ended December 31, 2016 | 1,502,834 | (7.9) | 108,594 | (16.7) | 102,073 | (18.5) | 63,153 | 5.2 |

Note: Comprehensive income

| | | |
|--------------------------------------|------------------|---------|
| Fiscal year ended December 31, 2017: | ¥127,801 million | [77.4%] |
| Fiscal year ended December 31, 2016: | ¥72,057 million | [41.1%] |

| | Earnings per share – basic | Earnings per share – diluted | Net income to shareholders' equity | Ordinary income to total assets | Operating income to net sales |
|--|----------------------------|------------------------------|------------------------------------|---------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2017 | 290.93 | — | 17.6 | 11.3 | 9.0 |
| Fiscal year ended December 31, 2016 | 180.84 | 180.83 | 12.3 | 7.8 | 7.2 |

Reference: Share of profit of entities accounted for using equity method

| | |
|--------------------------------------|----------------|
| Fiscal year ended December 31, 2017: | ¥2,824 million |
| Fiscal year ended December 31, 2016: | ¥781 million |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|--------------------------------|------------------|-----------------|----------------------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of December 31, 2017 | 1,415,845 | 665,232 | 44.0 | 1,783.35 |
| As of December 31, 2016 | 1,318,776 | 575,404 | 40.5 | 1,529.53 |

Reference: Shareholders' equity

| | |
|--------------------------|------------------|
| As of December 31, 2017: | ¥622,802 million |
| As of December 31, 2016: | ¥534,166 million |

(3) Consolidated cash flows

| | From operating activities | From investing activities | From financing activities | Cash and cash equivalents at end of period |
|--|---------------------------|---------------------------|---------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Fiscal year ended December 31, 2017 | 126,342 | (53,194) | (52,830) | 155,635 |
| Fiscal year ended December 31, 2016 | 143,163 | (46,541) | (67,627) | 135,527 |

2. Dividends

| Record date | Annual dividends per share | | | | | Total amount of dividends (Annual) | Payout ratio (Consolidated) | Ratio of total amount of dividends to net assets (Consolidated) |
|---|----------------------------|-----------------------|----------------------|--------------------|-------|------------------------------------|-----------------------------|---|
| | End of first quarter | End of second quarter | End of third quarter | End of fiscal year | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Fiscal year ended December 31, 2016 | — | 30.00 | — | 30.00 | 60.00 | 20,956 | 33.2 | 4.1 |
| Fiscal year ended December 31, 2017 | — | 39.00 | — | 49.00 | 88.00 | 30,736 | 30.2 | 5.3 |
| Fiscal year ending December 31, 2018 (forecast) | — | 45.00 | — | 45.00 | 90.00 | | 30.5 | |

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2018

(January 1, 2018 through December 31, 2018)

*% represents year-on-year rate.

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Earnings per share – basic |
|--------------------------------------|-----------------|-----|------------------|-----|-----------------|-----|---|-----|----------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending December 31, 2018 | 1,700,000 | 1.8 | 150,000 | 0.1 | 155,000 | 0.1 | 103,000 | 1.4 | 294.93 |

(*Notes)

- (1) Changes in significant subsidiaries during period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates and restatement for correction of errors
 - 1) Changes in accounting policies arising from revision of accounting standards: None
 - 2) Changes in accounting policies arising from other factors: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement for correction of errors: None
- (3) Number of shares outstanding (Common stock)

| | | | | |
|---|-------------------------------------|--------------------|-------------------------------------|--------------------|
| 1) Number of shares outstanding at end of period, including treasury shares | Fiscal year ended December 31, 2017 | 349,914,284 shares | Fiscal year ended December 31, 2016 | 349,914,284 shares |
| 2) Number of shares of treasury shares at end of period | Fiscal year ended December 31, 2017 | 681,818 shares | Fiscal year ended December 31, 2016 | 679,162 shares |
| 3) Average number of shares during period | Fiscal year ended December 31, 2017 | 349,233,759 shares | Fiscal year ended December 31, 2016 | 349,230,121 shares |

(*These consolidated financial results presented herein are not subject to audit.)

(*Notice regarding results forecast)

(1) The results forecast presented in this document is based on the assumptions and beliefs of Yamaha Motor Co., Ltd. (the “Company”) in light of the information currently available and is not a guarantee of future performance. Actual results may differ significantly from the Company’s forecast, due to various risks, uncertainties and other factors, including changes in business conditions surrounding the Yamaha Motor Group (the “Group”), changing consumer preferences, and currency exchange rate fluctuations.

For details on potential risks, uncertainties and other factors affecting the Group’s operations, please see the 82nd Securities Report (filed on March 24, 2017).

For the results forecast, please refer to page 8 of the Attachment, “Forecast for the fiscal year ending December 31, 2018 (January 1, 2018 through December 31, 2018)” in “(1) Overview of Operating Results for the Fiscal Year Under Review,” under “1. Overview of Operating Results and Financial Position.”

(2) Briefing on the consolidated financial results will be held as follows. Supplementary explanatory documents related to the consolidated financial results and so on to be handed at the briefing will be posted on the Company website immediately after the briefing. A video of the briefing will be posted on the Company website on or after the day following the briefing.

| | |
|-----------------------------|---|
| Tuesday, February 13, 2018: | Briefing on the consolidated financial results for institutional investors, securities analysts and media outlets |
|-----------------------------|---|

(3) With regard to amounts stated in ¥100 million units in this document, amounts less than ¥100 million are rounded off.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Fiscal Year Under Review

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 the U.S. and Europe against a backdrop of expanding consumer spending and exports, and in emerging markets, domestic demands improved due to the recovery of commodity prices. In addition, foreign exchange trends also 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 net income 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 net income attributable to owners of parent rose ¥38.5 billion, or 60.9%, to ¥101.6 billion. Exchange rates for the fiscal year were ¥112 to the U.S. dollar (a depreciation of ¥3, year on year) and ¥127 to the euro (a depreciation of ¥7).

Net sales increased partly due to good sales of motorcycles in ASEAN countries and outboard motors, surface mounters and industrial robots in North America, in addition to the effects of depreciation of yen.

Operating income increased mainly due to improved net sales, adding that improvement of profitability, including increased sales of high-price products and cost reductions using development methods for platform and global models in the Motorcycles business, etc. and manufacturing methods such as theoretical-value-based production, absorbed the increase in expenses.

In terms of financial position, the ratio of net income attributable to owners of the parent to net sales was 6.1% (a year on year increase of 1.9 percentage points), total asset turnover was 1.22 (a year on year increase of 0.08) while the Company expanded the financial business, shareholders' equity was ¥622.8 billion (an increase of ¥88.6 billion compared with the end of the previous fiscal year), and shareholders' equity ratio was 44.0% (a year on year increase of 3.5 percentage points). As a result, ROE was 17.6% (a year on year increase of 5.2 percentage points). In addition, free cash flow (including sales finance) was positive ¥73.1 billion (a year on year decline of ¥23.5 billion).

Operating results by 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 high-price products in ASEAN countries, Brazil, and other emerging markets as well as the effects of cost reductions.

While maintaining the 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 rolling out models that leverage the unique characteristics of the Yamaha brand, and marketing that embodies the unique style of Yamaha.

[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 acquired a boat builder in Europe following acquisitions in the U.S., 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.

ROV inventory adjustments settled to a certain extent, the effects of which 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 line-up that covers products ranging from the ultra-high-speed sector to the high-speed sector, which has a large market size.

[Others]

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 the E-kit (drive unit 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 its customers among elderly people, housewives with children, and students, while also focusing on developing new sports markets.

Major products in each business segment are as follows.

| Segment | Main products |
|---------------------------------|---|
| Motorcycles | Motorcycles, intermediate parts for products and knockdown parts for overseas production |
| Marine products | Outboard motors, personal watercraft, boats, FRP pools, fishing boats and utility boats |
| Power products | All-terrain vehicles, recreational off-highway vehicles, golf cars, snowmobiles, generators, small-sized snow throwers and multi-purpose engines |
| Industrial machinery and robots | Surface mounters and industrial robots |
| Others | Electrically power assisted bicycles, automobile engines, automobile components, industrial-use unmanned helicopters and electrically powered wheelchairs |

Forecast for the fiscal year ending December 31, 2018

(January 1, 2018 through December 31, 2018)

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

| | Billions of yen |
|---|--------------------------|
| 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%) |
| Net income attributable to owners of parent | 103.0 (+1.4, 1.4%) |

Note: 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).

[Potential risks and uncertainties regarding the forecast for the fiscal year ending December 31, 2018]

The forecast for the fiscal year ending December 31, 2018 summarized above is based on the Company's assumptions and beliefs in light of the information currently available, and may differ significantly from actual financial results. Please be advised that many risks and uncertainties can affect business performance, including:

- Changes in general economic conditions in the Group's major markets, including shifting consumer preferences and market competition
- Changes in governments' regulations regarding import/export, currency and tax system
- Currency exchange fluctuations
- Dependence on corporate customers and specific suppliers for procurement of raw materials and parts
- Changes in environmental and other regulations
- Leaks, etc. of customer information or other personal and/or confidential data
- Natural disaster, epidemic, war, terrorism, strikes, demonstrations, etc.

For details on potential risks, uncertainties and other factors affecting the Group's operations, please see the 82nd Securities Report (filed on March 24, 2017).

(2) Overview of Financial Position for the Fiscal Year Under Review

Overview of assets, liabilities and net assets

Total assets as of December 31, 2017, increased ¥97.1 billion, from December 31, 2016, to ¥1,415.8 billion. Current assets increased ¥60.1 billion, as a result of factors including an increase in cash and deposits, accounts receivable – trade, and inventories. 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 net income 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.

Cash flows

[Cash flows from operating activities]

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

[Cash flows from investing activities]

Net cash used in investing activities during the fiscal year under review was ¥53.2 billion (¥46.5 billion in net cash used in the previous fiscal year), primarily reflecting ¥64.4 billion used for purchase of property, plant and equipment and intangible assets (¥50.4 billion).

[Cash flows from financing activities]

Net cash used in financing activities during the fiscal year under review was ¥52.8 billion (¥67.6 billion in net cash used in the previous fiscal year), primarily for cash dividends paid and for the repayment of loans payable.

As a result of the activities discussed above, free cash flow for the fiscal year under review was positive ¥73.1 billion (positive ¥96.6 billion for the previous fiscal year), and interest-bearing debt at the end of the fiscal year under review was ¥353.5 billion (a decrease of ¥10.9 billion from the end of the previous fiscal year) and cash and cash equivalents totaled ¥155.6 billion (an increase of ¥20.1 billion from the end of the previous fiscal year). Interest-bearing debt includes ¥248.7 billion in borrowings for sales finance (an increase of ¥34.1 billion).

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Years Ended December 31, 2017 and Ending December 31, 2018

The Company considers enhancing the interests of shareholders an important management issue, and endeavors to enhance corporate value.

In regard to dividends, the Company seeks to “create a stable financial foundation, and increase new growth investment and stock dividends,” and sets the benchmark at dividend payout ratio of 30% of net income 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 intends to propose the payment of a year-end dividend of ¥49 per share at the 83rd Ordinary General Meeting of Shareholders, scheduled for March 23, 2018. Together with the interim dividend (¥39 per share), this will result in a full-year dividend of ¥88 per share. The Company intends to pay a full-year dividend of ¥90 per share (interim dividend of ¥45; year-end dividend of ¥45) for the fiscal year ending December 31, 2018 based on the forecast of consolidated financial results.

2. Basic Views on Selecting Accounting Standards

The Company prepares consolidated financial statements using Japanese accounting standards, to facilitate comparisons of financial statements across fiscal periods and across companies.

The Company intends to continue following developments in both Japan and overseas as it considers whether to adopt International Financial Reporting Standards (IFRS).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of December 31, 2016 and 2017

| | Millions of yen | |
|--|-------------------------|-------------------------|
| | As of December 31, 2016 | As of December 31, 2017 |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 135,525 | 156,634 |
| Notes and accounts receivable – trade | 145,698 | 165,220 |
| Short-term sales finance receivables | 157,581 | 161,453 |
| Merchandise and finished goods | 188,032 | 198,991 |
| Work in process | 52,694 | 52,835 |
| Raw materials and supplies | 53,563 | 55,802 |
| Deferred tax assets | 30,524 | 25,239 |
| Other | 42,471 | 51,661 |
| Allowance for doubtful accounts | (11,147) | (12,822) |
| Total current assets | 794,943 | 855,018 |
| Non-current assets: | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 102,377 | 110,206 |
| Machinery, equipment and vehicles, net | 104,723 | 105,673 |
| Land | 84,936 | 83,712 |
| Construction in progress | 31,656 | 20,653 |
| Other, net | 26,974 | 27,752 |
| Total property, plant and equipment | 350,668 | 347,997 |
| Intangible assets | 8,658 | 11,173 |
| Investments and other assets | | |
| Investment securities | 87,884 | 95,109 |
| Long-term sales finance receivables | 57,034 | 87,246 |
| Deferred tax assets | 12,516 | 13,035 |
| Other | 8,972 | 8,147 |
| Allowance for doubtful accounts | (1,901) | (1,882) |
| Total investments and other assets | 164,506 | 201,655 |
| Total non-current assets | 523,833 | 560,827 |
| Total assets | 1,318,776 | 1,415,845 |

| | Millions of yen | |
|---|-------------------------|-------------------------|
| | As of December 31, 2016 | As of December 31, 2017 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable – trade | 113,036 | 120,123 |
| Electronically recorded obligations – operating | 30,753 | 34,566 |
| Short-term loans payable | 128,517 | 133,725 |
| Current portion of long-term loans payable | 53,904 | 57,196 |
| Income taxes payable | 8,165 | 11,035 |
| Provision for bonuses | 12,971 | 13,965 |
| Provision for product warranties | 22,905 | 17,704 |
| Other provision | 1,466 | 1,674 |
| Other | 102,900 | 112,161 |
| Total current liabilities | 474,621 | 502,153 |
| Non-current liabilities: | | |
| Long-term loans payable | 181,960 | 162,569 |
| Deferred tax liabilities for land revaluation | 5,241 | 4,675 |
| Net defined benefit liability | 55,404 | 53,613 |
| Other provision | 754 | 886 |
| Other | 25,389 | 26,714 |
| Total non-current liabilities | 268,750 | 248,458 |
| Total liabilities | 743,371 | 750,612 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Capital stock | 85,797 | 85,797 |
| Capital surplus | 74,712 | 74,662 |
| Retained earnings | 434,361 | 513,182 |
| Treasury shares | (714) | (722) |
| Total shareholders' equity | 594,157 | 672,920 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 28,945 | 35,086 |
| Revaluation reserve for land | 11,769 | 10,449 |
| Foreign currency translation adjustment | (93,530) | (94,226) |
| Remeasurements of defined benefit plans | (7,174) | (1,427) |
| Total accumulated other comprehensive income | (59,990) | (50,118) |
| Non-controlling interests | 41,238 | 42,430 |
| Total net assets | 575,404 | 665,232 |
| Total liabilities and net assets | 1,318,776 | 1,415,845 |

**(2) Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
Fiscal years ended December 31, 2016 and 2017
Consolidated Statements of Income

| | Millions of yen | |
|---|---|---|
| | Fiscal year ended December 31, 2016 (January 1— December 31, 2016) | Fiscal year ended December 31, 2017 (January 1— December 31, 2017) |
| Net sales | 1,502,834 | 1,670,090 |
| Cost of sales | 1,100,173 | 1,211,460 |
| Gross profit | 402,660 | 458,629 |
| Selling, general and administrative expenses | 294,065 | 308,847 |
| Operating income | 108,594 | 149,782 |
| Non-operating income: | | |
| Interest income | 4,262 | 4,553 |
| Dividend income | 1,007 | 1,106 |
| Share of profit of entities accounted for using equity method | 781 | 2,824 |
| Other | 4,865 | 6,338 |
| Total non-operating income | 10,917 | 14,822 |
| Non-operating expenses: | | |
| Interest expenses | 4,644 | 3,850 |
| Foreign exchange losses | 8,275 | 1,706 |
| Other | 4,519 | 4,222 |
| Total non-operating expenses | 17,439 | 9,778 |
| Ordinary income | 102,073 | 154,826 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 324 | 670 |
| Gain on sales of investment securities | — | 819 |
| Gain on reversal of subscription rights to shares | 4 | — |
| Total extraordinary income | 328 | 1,490 |
| Extraordinary losses: | | |
| Loss on sales of non-current assets | 220 | 222 |
| Loss on disposal of non-current assets | 1,019 | 1,413 |
| Impairment loss | 1,431 | 2,074 |
| Loss on revision of retirement benefit plan | — | 293 |
| Total extraordinary losses | 2,671 | 4,003 |

| | Millions of yen | |
|---|---|---|
| | Fiscal year ended December 31, 2016 (January 1— December 31, 2016) | Fiscal year ended December 31, 2017 (January 1— December 31, 2017) |
| Income before income taxes | 99,730 | 152,313 |
| Income taxes – current | 28,823 | 32,694 |
| Income taxes – deferred | (3,312) | 2,533 |
| Total income taxes | 25,510 | 35,228 |
| Net income | 74,220 | 117,085 |
| Net income attributable to non-controlling interests | 11,066 | 15,481 |
| Net income attributable to owners of parent | 63,153 | 101,603 |

Consolidated Statements of Comprehensive Income

| | Millions of yen | |
|--|---|---|
| | Fiscal year ended December 31, 2016 (January 1— December 31, 2016) | Fiscal year ended December 31, 2017 (January 1— December 31, 2017) |
| Net income | 74,220 | 117,085 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 5,001 | 6,139 |
| Revaluation reserve for land | 279 | (3) |
| Foreign currency translation adjustment | (7,414) | (782) |
| Remeasurements of defined benefit plans, net of tax | 1,680 | 5,424 |
| Share of other comprehensive income of entities accounted for using equity method | (1,709) | (61) |
| Total other comprehensive income | (2,162) | 10,716 |
| Comprehensive income: | 72,057 | 127,801 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 61,846 | 112,793 |
| Comprehensive income attributable to non-controlling interests | 10,211 | 15,008 |

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2016 (January 1—December 31, 2016)

| | Millions of yen | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 85,782 | 74,698 | 390,559 | (709) | 550,331 |
| Changes of items during period | | | | | |
| Issuance of new shares | 14 | 14 | | | 29 |
| Reversal of revaluation reserve for land | | | 0 | | 0 |
| Dividends of surplus | | | (18,162) | | (18,162) |
| Net income attributable to owners of parent | | | 63,153 | | 63,153 |
| Increase in consolidated subsidiaries | | | (198) | | (198) |
| Increase in affiliates accounted for by the equity method | | | (266) | | (266) |
| Decrease in affiliates accounted for by the equity method | | | (724) | | (724) |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | (0) | | | (0) |
| Purchase of treasury shares | | | | (5) | (5) |
| Disposal of treasury shares | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 14 | 14 | 43,802 | (5) | 43,826 |
| Balance at end of current period | 85,797 | 74,712 | 434,361 | (714) | 594,157 |

| | Millions of yen | | | | | | | |
|---|---|------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
| | Other accumulated comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 23,948 | 11,490 | (85,971) | (9,019) | (59,552) | 11 | 40,910 | 531,700 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | | | | | | | | 29 |
| Reversal of revaluation reserve for land | | | | | | | | 0 |
| Dividends of surplus | | | | | | | | (18,162) |
| Net income attributable to owners of parent | | | | | | | | 63,153 |
| Increase in consolidated subsidiaries | | | | | | | | (198) |
| Increase in affiliates accounted for by the equity method | | | | | | | | (266) |
| Decrease in affiliates accounted for by the equity method | | | | | | | | (724) |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | | (0) |
| Purchase of treasury shares | | | | | | | | (5) |
| Disposal of treasury shares | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 4,997 | 279 | (7,559) | 1,844 | (437) | (11) | 327 | (121) |
| Total changes of items during period | 4,997 | 279 | (7,559) | 1,844 | (437) | (11) | 327 | 43,704 |
| Balance at end of current period | 28,945 | 11,769 | (93,530) | (7,174) | (59,990) | — | 41,238 | 575,404 |

Fiscal year ended December 31, 2017 (January 1—December 31, 2017)

| | Millions of yen | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 85,797 | 74,712 | 434,361 | (714) | 594,157 |
| Changes of items during period | | | | | |
| Issuance of new shares | | | | | — |
| Reversal of revaluation reserve for land | | | 1,316 | | 1,316 |
| Dividends of surplus | | | (24,100) | | (24,100) |
| Net income attributable to owners of parent | | | 101,603 | | 101,603 |
| Increase in consolidated subsidiaries | | | | | — |
| Increase in affiliates accounted for by the equity method | | | | | — |
| Decrease in affiliates accounted for by the equity method | | | | | — |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | (49) | | | (49) |
| Purchase of treasury shares | | | | (7) | (7) |
| Disposal of treasury shares | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | (49) | 78,820 | (7) | 78,762 |
| Balance at end of current period | 85,797 | 74,662 | 513,182 | (722) | 672,920 |

| | Millions of yen | | | | | | | |
|---|---|------------------------------|---|---|--|-------------------------------|---------------------------|------------------|
| | Other accumulated comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of current period | 28,945 | 11,769 | (93,530) | (7,174) | (59,990) | — | 41,238 | 575,404 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | | | | | | | | — |
| Reversal of revaluation reserve for land | | | | | | | | 1,316 |
| Dividends of surplus | | | | | | | | (24,100) |
| Net income attributable to owners of parent | | | | | | | | 101,603 |
| Increase in consolidated subsidiaries | | | | | | | | — |
| Increase in affiliates accounted for by the equity method | | | | | | | | — |
| Decrease in affiliates accounted for by the equity method | | | | | | | | — |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | | (49) |
| Purchase of treasury shares | | | | | | | | (7) |
| Disposal of treasury shares | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 6,141 | (1,320) | (695) | 5,747 | 9,872 | — | 1,192 | 11,065 |
| Total changes of items during period | 6,141 | (1,320) | (695) | 5,747 | 9,872 | — | 1,192 | 89,827 |
| Balance at end of current period | 35,086 | 10,449 | (94,226) | (1,427) | (50,118) | — | 42,430 | 665,232 |

(4) Consolidated Statements of Cash Flows

Fiscal years ended December 31, 2016 and 2017

| | Millions of yen | |
|--|---|---|
| | Fiscal year ended December 31, 2016 (January 1— December 31, 2016) | Fiscal year ended December 31, 2017 (January 1— December 31, 2017) |
| Cash flows from operating activities: | | |
| Income before income taxes | 99,730 | 152,313 |
| Depreciation | 42,434 | 45,457 |
| Impairment loss | 1,431 | 2,074 |
| Increase (decrease) in allowance for doubtful accounts | (258) | 1,545 |
| Increase (decrease) in net defined benefit liability | 4,709 | 4,434 |
| Interest and dividend income | (5,269) | (5,659) |
| Interest expenses | 4,644 | 3,850 |
| Share of (profit) loss of entities accounted for using equity method | (781) | (2,824) |
| Loss (gain) on sales of property, plant and equipment and intangible assets | (104) | (448) |
| Loss (gain) on disposal of property, plant and equipment and intangible assets | 1,019 | 1,413 |
| Decrease (increase) in sales finance receivables | (3,667) | (38,306) |
| Decrease (increase) in notes and accounts receivable – trade | 1,456 | (11,955) |
| Decrease (increase) in inventories | 9,525 | (11,196) |
| Increase (decrease) in notes and accounts payable–trade | (1,215) | 10,353 |
| Other, net | 14,449 | 2,969 |
| Subtotal | 168,104 | 154,021 |
| Interest and dividend income received | 7,486 | 7,103 |
| Interest expenses paid | (4,849) | (3,904) |
| Income taxes paid | (27,578) | (30,877) |
| Net cash provided by (used in) operating activities | 143,163 | 126,342 |

| | Millions of yen | |
|---|---|---|
| | Fiscal year ended December 31, 2016 (January 1— December 31, 2016) | Fiscal year ended December 31, 2017 (January 1— December 31, 2017) |
| Cash flows from investing activities: | | |
| Payments into time deposits | (96) | (1,424) |
| Proceeds from withdrawal of time deposits | 114 | 299 |
| Purchase of property, plant and equipment and intangible assets | (50,445) | (64,352) |
| Proceeds from sales of property, plant and equipment and intangible assets | 4,906 | 12,012 |
| Purchase of investment securities | (485) | (559) |
| Proceeds from sales of investment securities | 758 | 1,726 |
| Payments of long-term loans receivable | (2,233) | (1,141) |
| Collection of long-term loans receivable | 1,752 | 1,161 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,358) | (1,747) |
| Other, net | 544 | 830 |
| Net cash provided by (used in) investing activities | (46,541) | (53,194) |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term loans payable | (81,042) | (735) |
| Proceeds from long-term loans payable | 86,791 | 51,398 |
| Repayment of long-term loans payable | (40,326) | (65,312) |
| Cash dividends paid | (18,162) | (24,100) |
| Dividends paid to non-controlling interests | (9,948) | (13,745) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | — | (85) |
| Net decrease (increase) in treasury shares | (5) | (7) |
| Proceeds from exercise of share options | 22 | — |
| Other, net | (4,956) | (241) |
| Net cash provided by (used in) financing activities | (67,627) | (52,830) |
| Effect of exchange rate change on cash and cash equivalents | (1,372) | (209) |
| Net increase (decrease) in cash and cash equivalents | 27,621 | 20,107 |
| Cash and cash equivalents at beginning of period | 107,622 | 135,527 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 283 | 0 |
| Cash and cash equivalents at end of period | 135,527 | 155,635 |

(5) Notes to Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Basis of Presenting Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 112

Name of major subsidiaries:

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

In the fiscal year ended December 31, 2017, two newly acquired companies were added to the scope of consolidation, along with one non-consolidated subsidiary of its increased importance. Furthermore, Yamaha Marine Systems Company was included in the scope of consolidation as it changed the legal name from Yamaha Parts Distributors, Inc., which had been a dormant company, and resumed its operations. In addition, one company was merged into another consolidated subsidiary and was therefore removed from the scope of consolidation.

2. Scope of application of equity method

Number of subsidiaries accounted for by the equity method: 3

Yamaha Motor Racing S.r.l. and 2 other subsidiaries

Number of affiliates accounted for by the equity method: 26

Hong Leong Yamaha Motor Sdn. Bhd. and 25 other affiliates

In the fiscal year ended December 31, 2017, one affiliate was removed from the scope of equity-method application as a result of its liquidation.

Changes in Presenting Methods

Consolidated Balance Sheets

From the fiscal year ended December 31, 2017, “Long-term loans receivable” under Investments and other assets, which had been presented separately for the fiscal year ended December 31, 2016, has been included in “Other” under Investments and other assets as it comprises 1% or less of total assets. To reflect this change in presenting method, the consolidated financial statements for the fiscal year ended December 31, 2016 have been reclassified.

As a result, ¥1,075 million presented separately in “Long-term loans receivable” under Investments and other assets in the consolidated balance sheets for the fiscal year ended December 31, 2016 has been reclassified to “Other” under Investments and other assets.

Consolidated Statements of Cash Flows

From the fiscal year ended December 31, 2017, “Proceeds from sales of investment securities,” which had been presented as a component of “Other, net” under Cash flows from investing activities for the fiscal year ended December 31, 2016, has been presented separately due to increased importance in amount. To reflect this change in presenting method, the consolidated financial statements for the fiscal year ended December 31, 2016 have been reclassified.

As a result, ¥1,303 million presented as “Other, net” under Cash flows from investing activities in the consolidated statements of cash flows for the fiscal year ended December 31, 2016 has been reclassified to ¥758 million in “Proceeds from sales of investment securities” and ¥544 million in “Other, net.”

Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the fiscal year ended December 31, 2017,

Segment Information

Segment information

1. Overview of reporting segments

The Group's reporting segments are regularly reviewed by the Board of Directors of the Company, etc., using the segregated financial information available within each segment of the Group to determine the allocation of management resources and evaluate business results.

Four businesses, namely "Motorcycles," "Marine products," "Power products" and "Industrial machinery and robots" constitute the Group's reporting segments based on similarities of product type and target market.

Major products in each reporting segment are as follows.

| Reporting segment | Major products |
|---------------------------------|--|
| Motorcycles | Motorcycles, intermediate parts for products and knockdown parts for overseas production |
| Marine products | Outboard motors, personal watercraft, boats, FRP pools, fishing boats and utility boats |
| Power products | All-terrain vehicles, recreational off-highway vehicles, golf cars, snowmobiles, generators, small-sized snow throwers and multi-purpose engines |
| Industrial machinery and robots | Surface mounters and industrial robots |

2. Basis for calculating net sales, income or loss, assets, liabilities, and other items by reporting segment

The accounting policies for the reporting segments are the same as those described in "Basis of Presenting Consolidated Financial Statements."

Segment income corresponds to operating income in the consolidated statements of income.

Amounts for intersegment transactions or transfers are calculated based on market prices.

3. Information concerning net sales, income or loss, assets, liabilities, and other items by reporting segment

Fiscal year ended December 31, 2016 (January 1, 2016 through December 31, 2016)

| | Millions of yen | | | | | | | | |
|--|-------------------|--------------------|-------------------|---------------------------------------|------------------|--------------------|------------------|-------------------------|---|
| | Reporting segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Amounts on consolidated financial statements |
| | Motorcycles | Marine products | Power products | Industrial machinery and robots | Total | | | | |
| Net sales: | | | | | | | | | |
| Outside customers | 930,112 | 297,216 | 152,310 | 46,871 | 1,426,511 | 76,322 | 1,502,834 | — | 1,502,834 |
| Intersegment | — | — | — | — | — | 32,688 | 32,688 | (32,688) | — |
| Total | 930,112 | 297,216 | 152,310 | 46,871 | 1,426,511 | 109,011 | 1,535,522 | (32,688) | 1,502,834 |
| Segment income (Note 3) | 35,962 | 55,398 | 4,510 | 7,536 | 103,407 | 5,187 | 108,594 | 0 | 108,594 |
| Segment assets | 761,900 | 236,717 | 189,178 | 37,420 | 1,225,215 | 93,560 | 1,318,776 | — | 1,318,776 |
| Other items | | | | | | | | | |
| Depreciation (Note 4) | 27,132 | 6,690 | 5,837 | 466 | 40,127 | 2,094 | 42,221 | — | 42,221 |
| Investments in entities accounted for using equity method | 21,465 | 1,643 | 253 | — | 23,361 | 3,915 | 27,277 | — | 27,277 |
| Increase in property, plant and equipment, and intangible assets | 32,004 | 9,447 | 7,085 | 8,419 | 56,956 | 4,374 | 61,330 | — | 61,330 |

Notes:

1. "Others" is a business segment not included in the reporting segments. It includes businesses involving the business of electrically power assisted bicycles, automobile engines, automobile components, industrial-use unmanned helicopters and electrically powered wheelchairs.
2. Adjustments represent intersegment transaction eliminations.
3. Total of segment income corresponds to operating income in the Consolidated Statements of Income.
4. Depreciation does not include amortization of goodwill.

Fiscal year ended December 31, 2017 (January 1, 2017 through December 31, 2017)

| | Millions of yen | | | | | | | | |
|--|-------------------|--------------------|-------------------|---------------------------------------|-----------|--------------------|-----------|-------------------------|---|
| | Reporting segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Amounts on consolidated financial statements |
| | Motorcycles | Marine products | Power products | Industrial machinery and robots | Total | | | | |
| Net sales: | | | | | | | | | |
| Outside customers | 1,045,211 | 323,838 | 151,622 | 67,571 | 1,588,244 | 81,845 | 1,670,090 | — | 1,670,090 |
| Intersegment | — | — | — | — | — | 37,252 | 37,252 | (37,252) | — |
| Total | 1,045,211 | 323,838 | 151,622 | 67,571 | 1,588,244 | 119,098 | 1,707,342 | (37,252) | 1,670,090 |
| Segment income (loss) (Note 3) | 68,834 | 59,483 | (1,453) | 15,603 | 142,467 | 7,314 | 149,782 | 0 | 149,782 |
| Segment assets | 825,918 | 253,990 | 192,685 | 41,580 | 1,314,174 | 101,670 | 1,415,845 | — | 1,415,845 |
| Other items | | | | | | | | | |
| Depreciation (Note 4) | 29,436 | 7,069 | 5,512 | 779 | 42,798 | 2,393 | 45,192 | — | 45,192 |
| Investments in entities accounted for using equity method | 20,511 | 1,690 | 12 | — | 22,214 | 4,673 | 26,887 | — | 26,887 |
| Increase in property, plant and equipment, and intangible assets | 31,245 | 12,092 | 9,136 | 436 | 52,909 | 3,622 | 56,532 | — | 56,532 |

Notes:

1. "Others" is a business segment not included in the reporting segments. It includes businesses involving the business of electrically power assisted bicycles, automobile engines, automobile components, industrial-use unmanned helicopters and electrically powered wheelchairs.
2. Adjustments represent intersegment transaction eliminations.
3. Total of segment income(loss) corresponds to operating income in the Consolidated Statements of Income.
4. Depreciation does not include amortization of goodwill.

Per Share Information

| | Fiscal year ended December 31, 2016 (January 1—December 31, 2016) | Fiscal year ended December 31, 2017 (January 1—December 31, 2017) |
|------------------------------|--|--|
| | Yen | Yen |
| Net assets per share | 1,529.53 | 1,783.35 |
| Earnings per share — basic | 180.84 | 290.93 |
| Earnings per share — diluted | 180.83 | — |

Note 1. Earnings per share — diluted is not shown for the fiscal year ended December 31, 2017 as there are no dilutive securities.

Note 2. Net assets per share are calculated based on the following: (Millions of yen otherwise noted)

| | As of December 31, 2016 | As of December 31, 2017 |
|---|-------------------------|-------------------------|
| Total net assets | 575,404 | 665,232 |
| Amount excluded from total net assets | 41,238 | 42,430 |
| Non-controlling interests | 41,238 | 42,430 |
| Net assets attributable to common stock at end of period | 534,166 | 622,802 |
| Number of shares of common stock outstanding at end of period calculated under “Net assets per share” (Shares) | 349,235,122 | 349,232,466 |

Note 3. Earnings per share — basic and earnings per share — diluted are calculated based on the following:

(Millions of yen otherwise noted)

| | Fiscal year ended December 31, 2016 (January 1—December 31, 2016) | Fiscal year ended December 31, 2017 (January 1—December 31, 2017) |
|---|--|--|
| Earnings per share — basic: | | |
| Net income attributable to owners of parent | 63,153 | 101,603 |
| Amount not attributable to common shareholders | — | — |
| Net income attributable to owners of parent attributable to common stock | 63,153 | 101,603 |
| Average number of shares outstanding during period (Shares) | 349,230,121 | 349,233,759 |
| Earnings per share — diluted: | | |
| Adjustment for net income attributable to owners of parent | — | — |
| Increase in the number of shares of common stock (Shares) | 2,998 | — |
| Subscription rights to shares (Shares) | 2,998 | — |
| Dilutive securities not calculated under “Earnings per share — diluted” because they do not have dilutive effect: | — | — |

Significant Subsequent Events

None