

Business Results for the Fiscal Year Ended December 31, 2019

(January 1, 2019 through December 31, 2019)

(Japanese GAAP)

February 12, 2020

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 25, 2020

Beginning of payment of dividends (scheduled):

March 26, 2020

Filing of securities report (scheduled):

March 26, 2020

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, 2019

(January 1, 2019 through December 31, 2019)

(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, 2019 | 1,664,764 | (0.5) | 115,364 | (18.1) | 119,479 | (13.4) | 75,736 | (18.9) |
| Fiscal year ended December 31, 2018 | 1,673,137 | 0.2 | 140,787 | (6.0) | 137,969 | (10.9) | 93,366 | (8.1) |

Note: Comprehensive income

| | | |
|--------------------------------------|-----------------|-----------|
| Fiscal year ended December 31, 2019: | ¥97,672 million | [27.0%] |
| Fiscal year ended December 31, 2018: | ¥76,926 million | [(39.8)%] |

| | 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, 2019 | 216.83 | — | 11.1 | 8.1 | 6.9 |
| Fiscal year ended December 31, 2018 | 267.35 | — | 14.6 | 9.7 | 8.4 |

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

| | |
|--------------------------------------|----------------|
| Fiscal year ended December 31, 2019: | ¥2,472 million |
| Fiscal year ended December 31, 2018: | ¥2,345 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, 2019 | 1,532,810 | 751,828 | 46.0 | 2,018.84 |
| As of December 31, 2018 | 1,420,854 | 695,743 | 46.3 | 1,882.64 |

Reference: Shareholders' equity

| | |
|--------------------------|------------------|
| As of December 31, 2019: | ¥705,233 million |
| As of December 31, 2018: | ¥657,474 million |

Note: The presentation method has changed from the fiscal year ended December 31, 2019, and the figures for the fiscal year ended December 31, 2018 have been adjusted retrospectively. Please refer to page 20 of the Attachment, "Changes in Presentation Method," under "(5) Notes to Consolidated Financial Statements."

(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, 2019 | 99,127 | (79,662) | (36,760) | 122,719 |
| Fiscal year ended December 31, 2018 | 58,858 | (48,274) | (26,423) | 138,156 |

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, 2018 | — | 45.00 | — | 45.00 | 90.00 | 31,434 | 33.7 | 4.9 |
| Fiscal year ended December 31, 2019 | — | 45.00 | — | 45.00 | 90.00 | 31,443 | 41.5 | 4.6 |
| Fiscal year ending December 31, 2020 (forecast) | — | 45.00 | — | 45.00 | 90.00 | | 39.3 | |

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020

(January 1, 2020 through December 31, 2020)

*% 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, 2020 | 1,760,000 | 5.7 | 123,000 | 6.6 | 128,000 | 7.1 | 80,000 | 5.6 | 229.01 |

(*Notes)

(1) Changes in significant subsidiaries during period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New: One company (Name of company) SHINKAWA LTD. Exclusion: - company (Name of company)

Note: The trade name of SHINKAWA LTD. has been changed to “Yamaha Motor Robotics Holdings Co., Ltd.” as of July 1, 2019. Please refer to page 24 of the Attachment, “Business Combinations, etc” under “(5) Notes to Consolidated Financial Statements.”

(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: Yes

2) Changes in accounting policies arising from other factors: None

3) Changes in accounting estimates: None

4) Restatement for correction of errors: None

Note: Please refer to page 18 of the Attachment, “Changes in Accounting Policies,” under “(5) Notes to Consolidated Financial Statements.”

(3) Number of shares outstanding (Common stock)

| | | | | |
|-----------------------------------------------------------------------------|-------------------------------------|--------------------|-------------------------------------|--------------------|
| 1) Number of shares outstanding at end of period, including treasury shares | Fiscal year ended December 31, 2019 | 350,013,146 shares | Fiscal year ended December 31, 2018 | 349,914,284 shares |
| 2) Number of shares of treasury shares at end of period | Fiscal year ended December 31, 2019 | 686,083 shares | Fiscal year ended December 31, 2018 | 683,554 shares |
| 3) Average number of shares during period | Fiscal year ended December 31, 2019 | 349,297,918 shares | Fiscal year ended December 31, 2018 | 349,231,683 shares |

(*These consolidated financial results presented herein are not subject to the audit of a certified public accountant or audit corporation.)

(*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 84th Securities Report (filed on March 28, 2019).

For the results forecast, please refer to page 8 of the Attachment, “Forecast for the fiscal year ending December 31, 2020 (January 1, 2020 through December 31, 2020)” 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.

Wednesday, February 12, 2020: 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

The forecasts in this document are based on the judgments of the Group as of the end of the fiscal year ended December 31, 2019.

As stated in “3. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Presentation Method” and “Segment Information, 1. Overview of reporting segments,” the following analysis utilizes figures in the consolidated financial statements for the fiscal year ended December 31, 2018 that have been retrospectively restated and reclassified.

Additionally, as stated in “Business Combinations, etc.,” net assets increased due to the inclusion of Yamaha Motor Robotics Holdings Co., Ltd. (“YMRH”) and its subsidiary into the scope of consolidation, and the financial results of YMRH in the second quarter and third quarter (from July 2019 to December 2019) are included in the consolidated statements of income for the fiscal year ended December 31, 2019.

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

During the fiscal year ended December 31, 2019 (fiscal 2019), the global economy showed a slowdown in its growth amid the uncertain environment such as investment restraint due to U.S.-China trade friction and Brexit issues. In developed markets, while the Japanese economy maintained a moderate recovery, in the U.S. and Europe the economy slowed down. In emerging markets, economic growth expanded in Vietnam and the Philippines, while in Indonesia, Thailand and India the economy slowed down.

Against this backdrop, the Company’s consolidated net sales for the fiscal year under review declined ¥8.4 billion, or 0.5%, year on year, to ¥1,664.8 billion, operating income declined ¥25.4 billion, or 18.1%, to ¥115.4 billion, ordinary income declined ¥18.5 billion, or 13.4%, to ¥119.5 billion, and net income attributable to owners of parent declined ¥17.6 billion, or 18.9%, to ¥75.7 billion. Exchange rates for the fiscal year were ¥109 to the U.S. dollar (an appreciation of ¥1, year on year) and ¥122 to the euro (an appreciation of ¥8).

Although net sales increased in the Marine products business and the Financial services business, net sales decreased in the Land mobility business in addition to the Robotics business after excluding the impact of business integration between YMRH and its subsidiary, resulting in decreased net sales as a whole. With regard to operating income, while profitability improved backed by an increased operation ratio and structural reforms in production of motorcycles in Europe and head offices for developed markets and increased high-priced products of motorcycles in Indonesia, it decreased as a whole due to decreased net sales in areas such as the Robotics business, increased costs for growth strategy, and the impact of foreign exchange.

In terms of financial position, the ratio of net income attributable to owners of the parent was 4.5% (a year on year decline of 1.0 percentage points), total asset turnover was 1.13 (a year on year decline of 0.05) due to a temporary increase in working capital, shareholders’ equity was ¥705.2 billion (an increase of ¥47.8 billion compared with the end of the previous fiscal year), and shareholders’ equity ratio was 46.0% (a year on year decline of 0.3 percentage points). As a result, ROE was 11.1% (a year on year decline of 3.5 percentage points). In addition, free cash flow (including sales finance) was positive ¥19.5 billion (a year on year increase of ¥8.9 billion).

Operating results by segment

[Land mobility]

Net sales declined ¥17.3 billion, or 1.6%, year on year, to ¥1,100.4 billion, and operating income declined ¥6.9 billion, or 14.1%, year on year, to ¥41.8 billion.

With regard to motorcycles in developed markets, unit sales increased mainly in models conforming to new regulations in Europe and structural reforms progressed, which reduced deficits. With regard to motorcycles in emerging markets, although unit sales increased in the Philippines and Brazil, unit sales decreased in Vietnam, India and Taiwan, resulting in decreased sales and profits. Unit sales of motorcycles totaled 5.06 million as a whole (a year on year decline of 5.9%). In developed markets, models conforming to new regulations will continue to be actively introduced and structural reforms will be promoted. In emerging markets, the Company will place sales of high-value added products at the core in order for an increase in unit sales and improvement in profitability in each market through strengthening a brand power in Vietnam, introducing models conforming to new regulations in India, and expanding sales of electrically power assisted bicycles in Taiwan.

Sales of RV (all-terrain vehicles, recreational off-highway vehicles and snowmobiles) increased due to increased unit sales of all-terrain vehicles and snowmobiles in North America, which reduced deficits.

Both sales and profits increased for electrically power assisted bicycles due to an increase in unit sales of E-kit for Europe and in Japan. The Company will continuously make efforts for business growth in globally emerging markets by introducing models incorporated with newly developed assist control functions and strengthening the sales force.

[Marine products]

Net sales rose ¥6.9 billion, or 2.0%, year on year, to ¥345.1 billion, and operating income declined ¥2.4 billion, or 3.9%, to ¥58.4 billion.

Unit sales of personal watercraft and sport boats increased year on year. While unit sales of high-end models of outboard motors with more than 200 horsepower increased in the U.S. and Europe, there was a decrease in freshwater areas where models with medium and low horsepower are mainstay products owing to unstable weather in the first half of the fiscal year, leading to decreased sales as a whole. Due to a significant impact from foreign exchange, sales increased and profits decreased across the business.

With speedy and flexible responses to market changes, the Company will strengthen relationships with boat builders and promote a system supplier strategy.

[Robotics]

Net sales increased ¥0.8 billion, or 1.1%, year on year, to ¥75.6 billion, and operating income declined ¥9.0 billion, or 53.9%, year on year, to ¥7.7 billion. Financial results for the fiscal year ended December 31, 2019, include ¥12.0 billion of net sales and ¥2.8 billion of operating loss attributable to the financial results of YMRH and its subsidiary during the second quarter and third quarter (from July 2019 to December 2019).

Excluding the impact from making YMRH a subsidiary, unit sales of surface mounters and industrial robots decreased, affected by U.S.-China trade friction, resulting in decreased sales and profits.

With focus on demand trends, the Company will accelerate the introduction of new models along with integrated product proposals and mutual sales channel utilization through the synergistic effects of business integration.

[Financial services]

Net sales rose ¥1.9 billion, or 4.8%, year on year, to ¥40.9 billion, and operating income declined ¥4.2 billion, or 34.2%, to ¥8.0 billion.

The balance of receivables stably expanded in all areas with positive factors such as launching new business development in France. The business marked increased sales and decreased profits while there were temporary profits in Brazil in the previous fiscal year.

The Company will provide highly convenient services by expanding customer base and service areas.

[Others]

Net sales declined ¥0.6 billion, or 0.6%, year on year, to ¥102.7 billion, and operating loss was ¥0.6 billion, against operating income of ¥2.4 billion in the fiscal year ended December 31, 2018.

While sales of golf cars increased due to increased sales of high-priced products, the business was affected by expenses for golf car and generator markets and additional tariffs in the U.S., resulting in decreased sales and profits as a whole.

Major products and services in each business segment are as follows.

| Segment | Main products and services |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Land mobility | Motorcycles, intermediate parts for products, knockdown parts for overseas production, all-terrain vehicles, recreational off-highway vehicles, snowmobiles and electrically power assisted bicycles |
| Marine products | Outboard motors, personal watercraft, boats, FRP pools, fishing boats and utility boats |
| Robotics | Surface mounters, semiconductor manufacturing equipment, industrial robots and industrial-use unmanned helicopters |
| Financial services | Sales finance and lease related to the Company's products |
| Others | Golf cars, generators, multi-purpose engines, small-sized snow throwers, automobile engines, automobile components and electrically powered wheelchairs |

Forecast for the fiscal year ending December 31, 2020

(January 1, 2020 through December 31, 2020)

In the fiscal year ending December 31, 2020, the Company expects that the business environment will remain uncertain due to factors including geopolitical risks in the Middle East, the spread of novel coronavirus and natural disasters from climate change while some risks such as U.S.-China trade friction and Brexit issues will be mitigated. Considering market conditions and demand trends, the Company plans to maintain growth of existing businesses and stable profit, and proceed with developing new businesses to aim for long-term growth. The consolidated financial results forecast is as follows.

| | Billions of yen |
|---------------------------------------------|--------------------------|
| Net sales | 1,760.0 (+95.2, 5.7%) |
| Operating income | 123.0 (+7.6, 6.6%) |
| Ordinary income | 128.0 (+8.5, 7.1%) |
| Net income attributable to owners of parent | 80.0 (+4.3, 5.6%) |

Note: The figures in parentheses indicate amount and percentage changes from the fiscal year ended December 31, 2019.

The forecast is based on the assumption that the exchange rates are ¥108 against the U.S. dollar (an appreciation of ¥1 from the previous fiscal year) and ¥120 against the euro (an appreciation of ¥2).

[Potential risks and uncertainties regarding the forecast for the fiscal year ending December 31, 2020]

The forecast for the fiscal year ending December 31, 2020 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 rate 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 84th Securities Report (filed on March 28, 2019).

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

Analysis on assets, liabilities and net assets

Total assets as of December 31, 2019, increased ¥112.0 billion, from December 31, 2018, to ¥1,532.8 billion. Current assets increased ¥25.0 billion, as a result of factors including an increase in inventories and an increase due to consolidation of YMRH and its subsidiary. Non-current assets increased ¥87.0 billion as a result of factors including an increase due to consolidation of YMRH and its subsidiary, an increase in property, plant and equipment along with application of IFRS 16 "Leases," purchase of investment securities and an increase in investments and other assets along with application of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09 "Revenue from Contracts with Customers".

Total liabilities increased ¥55.9 billion, to ¥781.0 billion, mainly from an increase due to consolidation of YMRH and its subsidiary, and an increase in "other" in current liabilities and in non-current liabilities along with application of IFRS 16 and ASU No. 2014-09.

Total net assets increased ¥56.1 billion, to ¥751.8 billion, which included the recording of ¥75.7 billion of net income attributable to owners of parent and ¥31.4 billion of cash dividends paid. As a result, the shareholders' equity ratio as of December 31, 2019 was 46.0% (a decrease of 0.3 percentage points from the end of the previous fiscal year). The net debt-equity ratio was 0.3 times, compared with 0.3 times at the end of the previous fiscal year.

Analysis on cash flows

[Cash flows from operating activities]

Net cash provided by operating activities during the fiscal year under review was ¥99.1 billion (¥58.9 billion in net cash provided in the previous fiscal year). This mainly reflected cash provided from ¥120.6 billion in income before income taxes (¥136.9 billion), ¥49.7 billion in depreciation (¥46.4 billion), and other factors, against cash used for a combined increase in notes and accounts receivable – trade and sales finance receivables of ¥29.5 billion (an increase of ¥35.0 billion), an increase in inventories of ¥17.4 billion (an increase of ¥36.6 billion), a decrease in notes and accounts payable – trade of ¥7.1 billion (an increase of ¥8.3 billion) and other factors.

[Cash flows from investing activities]

Net cash used in investing activities during the fiscal year under review was ¥79.7 billion (¥48.3 billion in net cash used in the previous fiscal year), primarily reflecting ¥58.7 billion used for purchase of property, plant and equipment and intangible assets (¥54.0 billion) and ¥23.4 billion used for purchase of investment securities (¥2.9 billion).

[Cash flows from financing activities]

Net cash used in financing activities during the fiscal year under review was ¥36.8 billion (¥26.4 billion in net cash used in the previous fiscal year), primarily reflecting cash dividends paid.

As a result of the activities discussed above, free cash flow for the fiscal year under review was positive ¥19.5 billion (positive ¥10.6 billion for the previous fiscal year), and interest-bearing debt at the end of the fiscal year under review was ¥365.0 billion (an increase of ¥8.3 billion from the end of the previous fiscal year) and cash and cash equivalents totaled ¥122.7 billion (a decrease of ¥15.4 billion from the end of the previous fiscal year). Interest-bearing debt includes ¥290.2 billion in borrowings for sales finance and bonds payable (an increase of ¥27.3 billion).

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Years Ended December 31, 2019 and Ending December 31, 2020

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 “take on the balance of growth investment and shareholder return within the scope of cash flow while maintaining the power to earn from existing business,” and sets a benchmark of a 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 ¥45 per share at the 85th Ordinary General Meeting of Shareholders, scheduled for March 25, 2020. Together with the interim dividend (¥45 per share), this will result in a full-year dividend of ¥90 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, 2020.

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, 2018 and 2019

| | Millions of yen | |
|----------------------------------------|-------------------------|-------------------------|
| | As of December 31, 2018 | As of December 31, 2019 |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 138,264 | 124,580 |
| Notes and accounts receivable – trade | 164,375 | 164,937 |
| Short-term sales finance receivables | 165,168 | 179,397 |
| Merchandise and finished goods | 208,443 | 224,014 |
| Work in process | 58,676 | 64,315 |
| Raw materials and supplies | 62,047 | 68,420 |
| Other | 64,523 | 59,873 |
| Allowance for doubtful accounts | (11,737) | (10,774) |
| Total current assets | 849,763 | 874,764 |
| Non-current assets: | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 103,568 | 111,204 |
| Machinery, equipment and vehicles, net | 104,342 | 103,537 |
| Land | 81,502 | 88,690 |
| Construction in progress | 19,469 | 26,812 |
| Other, net | 26,880 | 26,044 |
| Total property, plant and equipment | 335,763 | 356,289 |
| Intangible assets | 8,518 | 8,640 |
| Investments and other assets | | |
| Investment securities | 95,724 | 134,141 |
| Long-term sales finance receivables | 97,680 | 110,777 |
| Net defined benefit asset | 3,263 | 9,480 |
| Deferred tax assets | 24,972 | 27,527 |
| Other | 7,151 | 13,033 |
| Allowance for doubtful accounts | (1,982) | (1,844) |
| Total investments and other assets | 226,809 | 293,115 |
| Total non-current assets | 571,091 | 658,045 |
| Total assets | 1,420,854 | 1,532,810 |

| | Millions of yen | |
|-------------------------------------------------------|-------------------------|-------------------------|
| | As of December 31, 2018 | As of December 31, 2019 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable – trade | 118,303 | 112,982 |
| Electronically recorded obligations – operating | 21,696 | 22,012 |
| Short-term loans payable | 162,950 | 151,917 |
| Current portion of long-term loans payable | 124,299 | 34,056 |
| Income taxes payable | 10,106 | 7,353 |
| Provision for bonuses | 14,111 | 14,518 |
| Provision for product warranties | 17,954 | 17,553 |
| Other provision | 1,393 | 1,428 |
| Other | 109,764 | 134,505 |
| Total current liabilities | 580,580 | 496,328 |
| Non-current liabilities: | | |
| Bonds payable | — | 5,437 |
| Long-term loans payable | 69,439 | 173,541 |
| Deferred tax liabilities | 1,018 | 8,283 |
| Deferred tax liabilities for land revaluation | 4,659 | 4,644 |
| Net defined benefit liability | 56,408 | 61,366 |
| Other provision | 582 | 301 |
| Other | 12,421 | 31,077 |
| Total non-current liabilities | 144,530 | 284,653 |
| Total liabilities | 725,111 | 780,981 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Capital stock | 85,797 | 85,905 |
| Capital surplus | 74,663 | 74,770 |
| Retained earnings | 572,707 | 607,000 |
| Treasury shares | (727) | (733) |
| Total shareholders' equity | 732,440 | 766,943 |
| Accumulated other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 35,210 | 45,184 |
| Revaluation reserve for land | 10,412 | 10,428 |
| Foreign currency translation adjustment | (118,281) | (119,447) |
| Remeasurements of defined benefit plans | (2,307) | 2,125 |
| Total accumulated other comprehensive income | (74,965) | (61,709) |
| Non-controlling interests | 38,268 | 46,594 |
| Total net assets | 695,743 | 751,828 |
| Total liabilities and net assets | 1,420,854 | 1,532,810 |

**(2) Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**

Fiscal years ended December 31, 2018 and 2019

Consolidated Statements of Income

| | Millions of yen | |
|---------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| | Fiscal year ended December 31, 2018 (January 1— December 31, 2018) | Fiscal year ended December 31, 2019 (January 1— December 31, 2019) |
| Net sales | 1,673,137 | 1,664,764 |
| Cost of sales | 1,217,963 | 1,222,433 |
| Gross profit | 455,173 | 442,331 |
| Selling, general and administrative expenses | 314,386 | 326,967 |
| Operating income | 140,787 | 115,364 |
| Non-operating income: | | |
| Interest income | 4,239 | 3,658 |
| Dividend income | 1,139 | 1,286 |
| Share of profit of entities accounted for using equity method | 2,345 | 2,472 |
| Other | 8,228 | 6,757 |
| Total non-operating income | 15,952 | 14,175 |
| Non-operating expenses: | | |
| Interest expenses | 3,364 | 3,381 |
| Foreign exchange losses | 10,914 | 592 |
| Other | 4,491 | 6,086 |
| Total non-operating expenses | 18,771 | 10,060 |
| Ordinary income | 137,969 | 119,479 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 402 | 576 |
| Gain on bargain purchase | — | 2,235 |
| Gain on sales of investment securities | 242 | 211 |
| Total extraordinary income | 644 | 3,023 |
| Extraordinary losses: | | |
| Loss on sales of non-current assets | 215 | 288 |
| Loss on disposal of non-current assets | 919 | 1,246 |
| Impairment loss | 183 | 238 |
| Loss on sales of investment securities | 412 | 13 |
| Business restructuring expenses | — | 89 |
| Total extraordinary losses | 1,729 | 1,876 |
| Income before income taxes | 136,883 | 120,626 |
| Income taxes – current | 37,026 | 34,487 |
| Income taxes – deferred | (4,641) | 2,086 |
| Total income taxes | 32,384 | 36,574 |
| Net income | 104,498 | 84,052 |
| Net income attributable to non-controlling interests | 11,132 | 8,315 |
| Net income attributable to owners of parent | 93,366 | 75,736 |

Consolidated Statements of Comprehensive Income

| | Millions of yen | |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| | Fiscal year ended December 31, 2018 (January 1— December 31, 2018) | Fiscal year ended December 31, 2019 (January 1— December 31, 2019) |
| Net income | 104,498 | 84,052 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | (245) | 10,075 |
| Revaluation reserve for land | (0) | 15 |
| Foreign currency translation adjustment | (25,658) | (463) |
| Remeasurements of defined benefit plans, net of tax | (436) | 4,518 |
| Share of other comprehensive income of entities accounted for using equity method | (1,232) | (525) |
| Total other comprehensive income | (27,572) | 13,620 |
| Comprehensive income: | 76,926 | 97,672 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 68,177 | 88,992 |
| Comprehensive income attributable to non-controlling interests | 8,748 | 8,680 |

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2018 (January 1—December 31, 2018)

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

| | Millions of yen | | | | | | |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|------------------|
| | Other accumulated comprehensive income | | | | | 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 | 35,086 | 10,449 | (94,226) | (1,427) | (50,118) | 42,430 | 665,232 |
| Cumulative effects of changes in accounting policies | | | | | | | (1,045) |
| Restated balance | 35,086 | 10,449 | (94,226) | (1,427) | (50,118) | 42,430 | 664,187 |
| Changes of items during period | | | | | | | |
| Issuance of new shares | | | | | | | — |
| Reversal of revaluation reserve for land | | | | | | | 36 |
| Dividends of surplus | | | | | | | (32,832) |
| Net income attributable to owners of parent | | | | | | | 93,366 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | — |
| Purchase of treasury shares | | | | | | | (5) |
| Disposal of treasury shares | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 123 | (36) | (24,054) | (880) | (24,847) | (4,162) | (29,009) |
| Total changes of items during period | 123 | (36) | (24,054) | (880) | (24,847) | (4,162) | 31,555 |
| Balance at end of current period | 35,210 | 10,412 | (118,281) | (2,307) | (74,965) | 38,268 | 695,743 |

Fiscal year ended December 31, 2019 (January 1—December 31, 2019)

| | Millions of yen | | | | |
|-------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 85,797 | 74,663 | 572,707 | (727) | 732,440 |
| Cumulative effects of changes in accounting policies | | | (10,004) | | (10,004) |
| Restated balance | 85,797 | 74,663 | 562,703 | (727) | 722,435 |
| Changes of items during period | | | | | |
| Issuance of new shares | 107 | 107 | | | 215 |
| Reversal of revaluation reserve for land | | | | | — |
| Dividends of surplus | | | (31,439) | | (31,439) |
| Net income attributable to owners of parent | | | 75,736 | | 75,736 |
| 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 | | | | | — |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | 107 | 107 | 44,297 | (5) | 44,507 |
| Balance at end of current period | 85,905 | 74,770 | 607,000 | (733) | 766,943 |

| | Millions of yen | | | | | | |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|------------------|
| | Other accumulated comprehensive income | | | | | 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 | 35,210 | 10,412 | (118,281) | (2,307) | (74,965) | 38,268 | 695,743 |
| Cumulative effects of changes in accounting policies | | | | | | | (10,004) |
| Restated balance | 35,210 | 10,412 | (118,281) | (2,307) | (74,965) | 38,268 | 685,738 |
| Changes of items during period | | | | | | | |
| Issuance of new shares | | | | | | | 215 |
| Reversal of revaluation reserve for land | | | | | | | — |
| Dividends of surplus | | | | | | | (31,439) |
| Net income attributable to owners of parent | | | | | | | 75,736 |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | | (0) |
| Purchase of treasury shares | | | | | | | (5) |
| Disposal of treasury shares | | | | | | | — |
| Net changes of items other than shareholders' equity | 9,974 | 15 | (1,166) | 4,432 | 13,255 | 8,326 | 21,582 |
| Total changes of items during period | 9,974 | 15 | (1,166) | 4,432 | 13,255 | 8,326 | 66,089 |
| Balance at end of current period | 45,184 | 10,428 | (119,447) | 2,125 | (61,709) | 46,594 | 751,828 |

(4) Consolidated Statements of Cash Flows

Fiscal years ended December 31, 2018 and 2019

| | Millions of yen | |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| | Fiscal year ended December 31, 2018 (January 1— December 31, 2018) | Fiscal year ended December 31, 2019 (January 1— December 31, 2019) |
| Cash flows from operating activities: | | |
| Income before income taxes | 136,883 | 120,626 |
| Depreciation | 46,405 | 49,689 |
| Impairment loss | 183 | 238 |
| Gain on bargain purchase | — | (2,235) |
| Increase (decrease) in allowance for doubtful accounts | (35) | (837) |
| Increase (decrease) in net defined benefit liability | 1,984 | 8,552 |
| Decrease (increase) in retirement benefit asset | (30) | (6,216) |
| Interest and dividend income | (5,379) | (4,945) |
| Interest expenses | 3,364 | 3,381 |
| Share of (profit) loss of entities accounted for using equity method | (2,345) | (2,472) |
| Loss (gain) on sales of property, plant and equipment and intangible assets | (187) | (288) |
| Loss (gain) on disposal of property, plant and equipment and intangible assets | 919 | 1,246 |
| Decrease (increase) in notes and accounts receivable – trade | (7,790) | 2,680 |
| Decrease (increase) in sales finance receivables | (27,214) | (32,173) |
| Decrease (increase) in inventories | (36,597) | (17,352) |
| Increase (decrease) in notes and accounts payable–trade | (8,323) | (7,074) |
| Other, net | (3,934) | 14,918 |
| Subtotal | 97,903 | 127,768 |
| Interest and dividend income received | 7,515 | 7,398 |
| Interest expenses paid | (3,382) | (3,396) |
| Income taxes paid | (43,177) | (32,642) |
| Net cash provided by (used in) operating activities | 58,858 | 99,127 |

| | Millions of yen | |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| | Fiscal year ended December 31, 2018 (January 1— December 31, 2018) | Fiscal year ended December 31, 2019 (January 1— December 31, 2019) |
| Cash flows from investing activities: | | |
| Payments into time deposits | (135) | (2,344) |
| Proceeds from withdrawal of time deposits | 1,147 | 1,036 |
| Purchase of property, plant and equipment and intangible assets | (53,985) | (58,694) |
| Proceeds from sales of property, plant and equipment and intangible assets | 7,004 | 5,122 |
| Purchase of investment securities | (2,909) | (23,417) |
| Proceeds from sales of investment securities | 242 | 568 |
| Payments of long-term loans receivable | (877) | (609) |
| Collection of long-term loans receivable | 856 | 583 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (1,458) |
| Other, net | 382 | (447) |
| Net cash provided by (used in) investing activities | (48,274) | (79,662) |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term loans payable | 41,313 | (12,990) |
| Proceeds from long-term loans payable | 36,394 | 140,322 |
| Repayment of long-term loans payable | (57,983) | (126,330) |
| Proceeds from issuance of bonds | — | 5,324 |
| Proceeds from share issuance to non-controlling interests | — | 2,165 |
| Cash dividends paid | (32,832) | (31,439) |
| Dividends paid to non-controlling interests | (12,974) | (10,985) |
| Net decrease (increase) in treasury shares | (5) | (5) |
| Other, net | (336) | (2,822) |
| Net cash provided by (used in) financing activities | (26,423) | (36,760) |
| Effect of exchange rate change on cash and cash equivalents | (1,639) | 1,859 |
| Net increase (decrease) in cash and cash equivalents | (17,478) | (15,436) |
| Cash and cash equivalents at beginning of period | 155,635 | 138,156 |
| Cash and cash equivalents at end of period | 138,156 | 122,719 |

(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: 134

Name of major subsidiaries:

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

In the fiscal year ended December 31, 2019, 23 newly acquired or established companies were added to the scope of consolidation. In addition, two companies were merged into other consolidated subsidiaries and were therefore removed from the scope of consolidation. For non-consolidated subsidiaries such as Yamaha Motor Racing S.r.l., when considering total assets, net sales, net income, and retained earnings, etc., they do not have a significant influence on the consolidated financial statements as a whole, and were therefore removed from the scope of consolidation.

2. Scope of application of equity method

Number of subsidiaries accounted for by the equity method: 4

Yamaha Motor Racing S.r.l. and 3 other subsidiaries

Number of affiliates accounted for by the equity method: 31

Hong Leong Yamaha Motor Sdn. Bhd. and 30 other affiliates

In the fiscal year ended December 31, 2019, one newly established subsidiary, three affiliates of the newly acquired subsidiary, and one newly invested affiliate were added to the scope of equity-method application.

Changes in Accounting Policies

(Application of U.S. New Revenue Recognition Standards: Accounting Standards Update (ASU) No. 2014-09)

Subsidiaries in North America that adopt USGAAP have applied ASU No. 2014-09 “Revenue from Contracts with Customers” from the fiscal year ended December 31, 2019. Due to this application, the Company has revised the standard for revenue recognition, and recognizes revenue for all contracts (excluding financial instruments, lease contracts, insurance contracts and transactions to exchange products, etc., with peer companies) at the expected amount of consideration for the promised goods or services at the time of transfer to the customer.

In applying the accounting standard, as retained earnings have been adjusted for the cumulative effects of the application at the beginning of the fiscal year ended December 31, 2019 in line with the transitional treatment of the standard, the balance of “retained earnings” at the beginning of the current period declined by ¥9,957 million.

As a result, “other” in current assets, “deferred tax assets” and “other” in investments and other assets, “other” in current liabilities and in non-current liabilities were ¥1,765 million, ¥3,683 million, ¥4,929 million, ¥9,191 million and ¥12,222 million greater, respectively, while “retained earnings” were ¥11,168 million smaller than if the former accounting standard was applied at the end of the fiscal year ended December 31, 2019. Net sales increased by ¥156 million while operating income, ordinary income, income before income taxes, and net income for the fiscal year ended December 31, 2019 declined by ¥1,618 million, ¥1,618 million, ¥1,618 million and ¥1,210 million, respectively.

(Application of IFRS 16 “Leases”)

IFRS 16 “Leases” has been applied from the fiscal year ended December 31, 2019, excluding the Company and domestic subsidiaries that adopt JGAAP and subsidiaries in North America that adopt USGAAP. Due to this application, lessees, in principle, record all leases as assets and liabilities on the balance sheets. There are no significant changes to lessor accounting.

In applying the accounting standard, retained earnings, related items in non-current assets and liabilities have been adjusted for the cumulative effects of the application at the beginning of the fiscal year ended December 31, 2019 in line with the transitional treatment of the standard. The effect of this adjustment on the balance of retained earnings at the beginning of the current period is immaterial.

As a result, “other” in current assets was ¥326 million smaller, while “buildings and structures,” “machinery, equipment and vehicles,” “land,” “other” in property, plant and equipment, “other” in current liabilities and “other” in non-current liabilities were ¥5,207 million, ¥1,069 million, ¥2,552 million, ¥35 million, ¥2,126 million and ¥6,617 million greater, respectively, than if the former accounting standard was applied at the end of the fiscal year ended December 31, 2019. The effect of this adjustment on operating income, ordinary income, income before income taxes, and net income for the fiscal year ended December 31, 2019 is immaterial.

Unapplied Accounting Standards, etc.

(Accounting Standards Board of Japan (“ASBJ”) Statement No. 29 Accounting Standard for Revenue Recognition and ASBJ Guidance No. 30 Implementation Guidance on Accounting Standard for Revenue Recognition)

(1) Overview

The application of this accounting standard requires the Company to recognize revenue for all contracts excluding financial instruments, lease contracts, insurance contracts, and transactions to exchange products, etc., with competitors at the expected amount of consideration for the promised goods or services at the time of transfer to the customer.

(2) Expected date of application

To be applied for the Company and domestic subsidiaries from the fiscal year ending December 31, 2022.

(3) Effect due to application of accounting standard

The effect on the consolidated financial statements of the Company due to the application of this accounting standard is under evaluation.

(ASU No. 2016-02 “Leases”)

(1) Overview

The application of this accounting standard requires lessees, in principle, to record all leases as assets and liabilities on the balance sheets. There are no significant changes to lessor accounting.

(2) Expected date of application

To be applied for subsidiaries in North America from the fiscal year ending December 31, 2021.

(3) Effect due to application of accounting standard

The effect on the consolidated financial statements of the Company due to the application of this accounting standard is under evaluation.

(ASU No. 2016-13 “Financial Instruments - Credit Losses”)

(1) Overview

The application of this accounting standard requires the Company to revise classifications and measurement methods for financial instruments and recognize impairments of financial assets under the expected credit loss model.

(2) Expected date of application

To be applied for subsidiaries in North America from the fiscal year ending December 31, 2023.

(3) Effect due to application of accounting standard

The effect on the consolidated financial statements of the Company due to the application of this accounting standard is under evaluation.

Changes in Presentation Method

(Consolidated Balance Sheets)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 28, February 16, 2018), etc. have been applied from the fiscal year ended December 31, 2019. Accordingly, deferred tax assets have been reclassified under non-current assets, and deferred tax liabilities have been reclassified under non-current liabilities.

As a result, on the consolidated balance sheets for the fiscal year ended December 31, 2018, “deferred tax assets” in current assets, “other” in current liabilities, and “other” in non-current liabilities decreased by ¥24,490 million, ¥3,646 million, and ¥8,957 million, respectively, while “deferred tax assets” in non-current assets increased by ¥11,886 million.

Deferred tax assets and deferred tax liabilities under the same tax authority are offset, and total net assets declined by ¥12,604 million compared with those before changes.

(Consolidated Statements of Cash Flows)

“Decrease (increase) in retirement benefit asset,” which was included in “other, net” under “cash flows from operating activities” in the previous fiscal year is stated separately from the fiscal year ended December 31, 2019, due to its increased monetary significance. In order to reflect this change in presentation method, a reclassification was made to the consolidated financial statements for the fiscal year ended December 31, 2018.

As a result, ¥(3,964) million stated as “other, net” under “cash flows from operating activities” in the consolidated statements of cash flows in the fiscal year ended December 31, 2018, is reclassified as ¥(30 million) in “decrease (increase) in retirement benefit asset” and ¥(3,934) million in “other, net.”

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 “Land mobility,” “Marine products,” “Robotics,” and “Financial services” constitute the Group’s reporting segments based on similarities of product type and target market.

From the fiscal year ended December 31, 2019, the reporting segments have changed from the former “Motorcycles,” “Marine products,” “Power products,” and “Industrial machinery and robots” to “Land mobility,” “Marine products,” “Robotics,” and “Financial services.”

In December 2018, the Company announced its Long-Term Vision looking ahead to 2030 alongside a New Medium-Term Management Plan spanning FY2019 through FY2021.

The reporting segments have been changed as a result of revising business administration categories in line with the priority measures to accomplish the New Medium-Term Management Plan: Land Mobility “Establishing the business foundation that can respond to the new era of mobility”; Marine “Reinforce high-profitability and establish base of sustainable growth”; and Robotics “Business scale and area expansion and reinforcement of high-profitability,” as well as the expansion of the financial services business as seen in the launch of a financial subsidiary in France following the U.S., Australia, Brazil and other areas.

Specific changes to the reporting segments are as follows:

(1) “Motorcycles,” all-terrain vehicles, recreational off-highway vehicles, and snowmobiles which were included in “Power products,” and electrically power assisted bicycles which were included in “Others” are now classified as “Land mobility.”

(2) “Industrial machinery and robots” and industrial-use unmanned helicopters which were included in “Others” are now classified as “Robotics.”

(3) Revenues, etc., for financial services which were included in each reporting segment are now classified as “Financial services” in line with the revised business administration categories.

Classifications after the change have been applied to segment information for the fiscal year ended December 31, 2018 (January 1, 2018 through December 31, 2018).

Major products and services in each reporting segment are as follows.

| Segment | Main products and services |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Land mobility | Motorcycles, intermediate parts for products, knockdown parts for overseas production, all-terrain vehicles, recreational off-highway vehicles, snowmobiles and electrically power assisted bicycles |
| Marine products | Outboard motors, personal watercraft, boats, FRP pools, fishing boats and utility boats |
| Robotics | Surface mounters, semiconductor manufacturing equipment, industrial robots and industrial-use unmanned helicopters |
| Financial services | Sales finance and lease related to the Company's products |
| Others | Golf cars, generators, multi-purpose engines, small-sized snow throwers, automobile engines, automobile components and electrically powered wheelchairs |

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 adopted in preparing 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.

As stated in “Changes in Accounting Policies,” subsidiaries in North America that adopt USGAAP have applied ASU No. 2014-09 “Revenue from Contracts with Customers” from the fiscal year ended December 31, 2019. Due to this change, sales to outside customers and segment income decreased by ¥472 million and ¥514 million, respectively in the “Land mobility” segment, sales to outside customers and segment income decreased by ¥626 million and ¥681 million, respectively in the “Marine products” segment, and sales to outside customers and segment income decreased by ¥10 million and ¥11 million, respectively in “Others.” Sales to outside customers increased by ¥1,265 million and segment income decreased by ¥411 million in the “Financial services” segment.

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

Fiscal year ended December 31, 2018 (January 1, 2018 through December 31, 2018)

| | Millions of yen | | | | | | | | |
|------------------------------------------------------------------|-------------------|--------------------|---------------|-----------------------|------------------|--------------------|------------------|-------------------------|-------------------------------------------------------|
| | Reporting segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Amounts on consolidated financial statements |
| | Land mobility | Marine products | Robotics | Financial services | Total | | | | |
| Net sales: | | | | | | | | | |
| Outside customers | 1,117,755 | 338,194 | 74,858 | 39,038 | 1,569,847 | 103,289 | 1,673,137 | — | 1,673,137 |
| Intersegment | — | — | — | — | — | 39,579 | 39,579 | (39,579) | — |
| Total | 1,117,755 | 338,194 | 74,858 | 39,038 | 1,569,847 | 142,869 | 1,712,716 | (39,579) | 1,673,137 |
| Segment income (Note 3) | 48,688 | 60,790 | 16,704 | 12,219 | 138,403 | 2,383 | 140,787 | — | 140,787 |
| Segment assets | 797,881 | 200,812 | 53,685 | 255,983 | 1,308,363 | 112,490 | 1,420,854 | — | 1,420,854 |
| Other items | | | | | | | | | |
| Depreciation (Note 4) | 31,811 | 7,770 | 986 | 2,265 | 42,834 | 3,395 | 46,229 | — | 46,229 |
| Investments in entities accounted for using equity method | 16,195 | 1,722 | — | 4,042 | 21,961 | 5,072 | 27,033 | — | 27,033 |
| Increase in property, plant and equipment, and intangible assets | 32,490 | 11,776 | 1,340 | 5,767 | 51,374 | 3,694 | 55,068 | — | 55,068 |

Notes:

1. "Others" is a business segment not included in the reporting segments. It includes businesses involving the business of golf cars, generators, multi-purpose engines, small-sized snow throwers, automobile engines, automobile components 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, 2019 (January 1, 2019 through December 31, 2019)

| | Millions of yen | | | | | | | | |
|------------------------------------------------------------------|-------------------|--------------------|---------------|-----------------------|------------------|--------------------|------------------|-------------------------|-------------------------------------------------------|
| | Reporting segment | | | | | Others (Note 1) | Total | Adjustments (Note 2) | Amounts on consolidated financial statements |
| | Land mobility | Marine products | Robotics | Financial services | Total | | | | |
| Net sales: | | | | | | | | | |
| Outside customers | 1,100,430 | 345,058 | 75,644 | 40,928 | 1,562,061 | 102,703 | 1,664,764 | — | 1,664,764 |
| Intersegment | — | — | — | — | — | 41,072 | 41,072 | (41,072) | — |
| Total | 1,100,430 | 345,058 | 75,644 | 40,928 | 1,562,061 | 143,775 | 1,705,837 | (41,072) | 1,664,764 |
| Segment income (loss) (Note 3) | 41,804 | 58,405 | 7,698 | 8,041 | 115,951 | (586) | 115,364 | — | 115,364 |
| Segment assets | 799,523 | 216,378 | 86,556 | 287,767 | 1,390,225 | 142,584 | 1,532,810 | — | 1,532,810 |
| Other items | | | | | | | | | |
| Depreciation (Note 4) | 33,286 | 8,610 | 1,715 | 2,753 | 46,365 | 3,109 | 49,475 | — | 49,475 |
| Investments in entities accounted for using equity method | 15,772 | 1,729 | 698 | 3,797 | 21,996 | 5,089 | 27,086 | — | 27,086 |
| Increase in property, plant and equipment, and intangible assets | 41,849 | 12,431 | 2,715 | 4,694 | 61,691 | 7,749 | 69,440 | — | 69,440 |

Notes:

1. "Others" is a business segment not included in the reporting segments. It includes businesses involving the business of golf cars, generators, multi-purpose engines, small-sized snow throwers, automobile engines, automobile components 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.

4. Information concerning gain on bargain purchase by reporting segment

Fiscal year ended December 31, 2018 (January 1, 2018 through December 31, 2018)

None

Fiscal year ended December 31, 2019 (January 1, 2019 through December 31, 2019)

During the fiscal year ended December 31, 2019, Shinkawa and its subsidiary, Apic Yamada, as well as their subsidiaries have been newly included in the scope of consolidation. As a result, gain on bargain purchase of ¥2,235 million was recorded in the "Robotics" segment.

Business Combinations, etc.

The Company concluded a business integration agreement (hereinafter “Business Integration Agreement”) on February 12, 2019, concerning the business integration of three companies including (i) making SHINKAWA LTD. (hereinafter “Shinkawa”) a subsidiary of the Company through a third-party allotment of shares to which the Company is assigned (hereinafter “Third Party Allotment Capital Increase”), (ii) making APIC YAMADA CORPORATION (hereinafter “Apic Yamada”) a wholly-owned subsidiary of Shinkawa through a tender offer and a series of subsequent procedures, and (iii) transition to a joint holding company structure for Shinkawa and Apic Yamada through the corporate separation of Shinkawa.

Pursuant to the Business Integration Agreement, the Company completed payment for the Third Party Allotment Capital Increase on June 24, 2019, and Shinkawa and its subsidiaries including Apic Yamada became subsidiaries of the Company.

On July 1, 2019, as the effective date, Shinkawa conducted a corporate separation (hereinafter “Corporate Separation”) and Shinkawa and Apic Yamada have transitioned to a joint holding company structure.

1. Making Shinkawa a subsidiary of the Company (Business combination by acquisition)

(1) Settlement of provisional accounting treatment relating to business combination

Provisional accounting treatment was used for the first six months of the fiscal year ended December 31, 2019 and it was subsequently settled in the first nine months of the fiscal year ended December 31, 2019.

Quarterly consolidated financial statements for the first nine months of the fiscal year ended December 31, 2019 reflect the revision of allocation of acquisition costs. The amount of gain on bargain purchase, the provisional calculation of which was ¥2,461 million, decreased by ¥226 million to ¥2,235 million due to settlement of the accounting treatment.

(2) Overview of business combination

(i) Name of acquired company and its business description

Name of acquired company: SHINKAWA LTD.

Business description: Development, manufacturing and sales of semiconductor manufacturing equipment

(ii) Main reasons for business combination

Through this business combination, the Company aims to provide total solutions that exceeds customer expectations as a “Turn-Key provider (Note) in the field of semiconductor back-end processing and electronic component mounting” by integrating the technologies of three companies: the Company, Shinkawa, and Apic Yamada.

(Note) To provide a set of manufacturing process equipment for a series of semiconductor back-end processing and electronic component manufacturing processes. Furthermore, to propose and provide overall optimization solutions for the entire process when multiple manufacturing processes are recognized as a single process.

(iii) Date of business combination

June 24, 2019 (Date of acquisition of shares)

June 30, 2019 (Assumed date of acquisition)

(iv) Legal form of business combination

Acquisition of shares by way of acceptance of Third Party Allotment Capital Increase

(v) Name of company after business combination

Along with transition to a joint holding company structure through an incorporation-type separation, in which Shinkawa is a separating company and a new company incorporated as a succeeding company, the trade name has been changed to “Yamaha Motor Robotics Holdings Co., Ltd.” as of July 1, 2019.

(vi) Percentage of voting rights acquired

59.03%

(vii) Main reason to decide the acquiring company

By holding a majority of voting rights of Shinkawa, it has become clear that the Company holds control over decision-making bodies.

(3) The period of results of the acquired company included in the consolidated statements of income for the fiscal year ended December 31, 2019

From July 1, 2019 to December 31, 2019

(4) Breakdown of acquisition costs and consideration for acquisition of the acquired company by type

| Consideration for acquisition | Cash | ¥10,000 million |
|-------------------------------|------|-----------------|
| Acquisition costs | | ¥10,000 million |

(5) Breakdown and amount of major expenses related to acquisition

Advisory fee, etc. ¥160 million

(6) Amount of and reasons for gain on bargain purchase

(i) Amount of gain on bargain purchase

¥2,235 million

(ii) Reasons for recognition

As acquisition costs were lower than the market value of the net assets at the time of business combination, the difference has been recognized as gain on bargain purchase.

(7) Amount of assets and liabilities assumed on the date of business combination and its major breakdown

| | |
|--------------------------|------------------------|
| Current assets | ¥25,942 million |
| Non-current assets | ¥10,562 million |
| <u>Total assets</u> | <u>¥36,505 million</u> |
| Current liabilities | ¥12,352 million |
| Non-current liabilities | ¥3,425 million |
| <u>Total liabilities</u> | <u>¥15,777 million</u> |

(8) Estimated amount of the effect on the consolidated statements of income for the fiscal year under review assuming that the business combination was completed at the beginning of the fiscal year, and its calculation method

The estimated amount of the effect is omitted as it is immaterial.

2. Corporate separation of Shinkawa (Transactions under common control, etc.)

(1) Overview of transaction

(i) Effective date of Corporate Separation

July 1, 2019

(ii) Type of Corporate Separation

Incorporation-type separation by which Shinkawa becomes a company to be separated and a newly established company through Corporate Separation (hereinafter “New Company”) becomes a succeeding company.

(iii) Information on share allotment upon Corporate Separation

New Company issued 10,000 shares of common stock upon Corporate Separation, all of which were allotted to Shinkawa.

(iv) Rights and obligations to be succeeded to by the succeeding company

The succeeding company has succeeded the assets, liabilities, contractual positions, and other rights and obligations (excluding any rights and obligations which are difficult to transfer by nature) belonging to all businesses operated by Shinkawa other than the functions necessary for a joint holding company.

(v) Company name and business description after Corporate Separation

Separating company: (Name) Yamaha Motor Robotics Holdings Co., Ltd.

(Business description) Business management, asset management, and other businesses

Succeeding company: (Name) SHINKAWA LTD.

(Business description) Development, manufacturing, and sales of semiconductor manufacturing equipment

(2) Overview of accounting treatment adopted

The Corporate Separation is treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations, Accounting Standard for Business Divestitures, and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

Per Share Information

| | Fiscal year ended December 31, 2018 (January 1—December 31, 2018) | Fiscal year ended December 31, 2019 (January 1—December 31, 2019) |
|----------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| | Yen | Yen |
| Net assets per share | 1,882.64 | 2,018.84 |
| Earnings per share — basic | 267.35 | 216.83 |

Note 1. Earnings per share — diluted is not shown 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, 2018 | As of December 31, 2019 |
|-------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Total net assets | 695,743 | 751,828 |
| Amount excluded from total net assets | 38,268 | 46,594 |
| Non-controlling interests | 38,268 | 46,594 |
| Net assets attributable to common stock at end of period | 657,474 | 705,233 |
| Number of shares of common stock outstanding at end of period calculated under “Net assets per share” (Shares) | 349,230,730 | 349,327,063 |

Note 3. Earnings per share — basic is calculated based on the following:

(Millions of yen otherwise noted)

| | Fiscal year ended December 31, 2018 (January 1—December 31, 2018) | Fiscal year ended December 31, 2019 (January 1—December 31, 2019) |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Net income attributable to owners of parent | 93,366 | 75,736 |
| Amount not attributable to common shareholders | — | — |
| Net income attributable to owners of parent attributable to common stock | 93,366 | 75,736 |
| Average number of shares outstanding during period (Shares) | 349,231,683 | 349,297,918 |

Significant Subsequent Events

(Purchase of retail finance receivables for prime customers from a partner bank)

A part of retail finance receivables for prime customers of a partner bank was transferred to Yamaha Motor Finance Corporation, U.S.A., a subsidiary of the Company, on January 10, 2020.

(1) Purpose of transfer of receivables

The purpose of the transfer is to expand businesses and improve profitability with increment of good loan receivables.

(2) Name of company which offers receivables

Not disclosed due to request from the partner bank.

(3) Description of receivables transferred

(i) Type of receivables: Retail finance receivables for prime customers

(ii) Amount of receivables transferred: US\$724 million
(Approx. ¥79,640 million, calculated as US\$1= ¥110)