

Business Results for the Fiscal Year Ended December 31, 2015

(January 1, 2015 through December 31, 2015)

(Japan GAAP)

February 9, 2016

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:

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

Representative:

Hiroyuki Yanagi, President, Chief Executive Officer, and Representative Director

Contact:

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

March 25, 2016

Beginning of payment of dividends (scheduled):

March 28, 2016

Filing of securities report (scheduled):

March 28, 2016

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)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2015

(January 1, 2015 through December 31, 2015)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2015	1,615,350	6.2	120,436	38.0	125,231	28.7	60,023	(12.3)
Fiscal year ended December 31, 2014	1,521,207	7.9	87,249	58.2	97,279	61.9	68,452	55.4

Note: Comprehensive income

Fiscal year ended December 31, 2015: ¥51,073 million (-52.8 %)

Fiscal year ended December 31, 2014: ¥108,235 million (19.5 %)

	Net income per share – basic	Net income 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, 2015	171.89	171.88	12.6	9.6	7.5
Fiscal year ended December 31, 2014	196.06	196.04	16.2	7.9	5.7

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

Fiscal year ended December 31, 2015: ¥1,672 million

Fiscal year ended December 31, 2014: ¥1,896 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, 2015	1,305,236	531,700	37.6	1,405.35
As of December 31, 2014	1,310,040	503,224	35.1	1,316.58

Reference: Shareholders' equity

As of December 31, 2015: ¥490,778 million

As of December 31, 2014: ¥459,716 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, 2015	23,988	(63,989)	6,845	107,622
Fiscal year ended December 31, 2014	93,618	(72,470)	(8,908)	137,294

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, 2014	—	14.50	—	25.50	40.00	13,968	20.4	3.3
Fiscal year ended December 31, 2015	—	22.00	—	22.00	44.00	15,367	25.6	3.2
Fiscal year ending December 31, 2016 (forecast)	—	35.00	—	35.00	70.00		30.6	

Note: The year-end dividend for the fiscal year ending December 31, 2016 is calculated with a payout ratio of 30% based on the forecast of consolidated financial results for the fiscal year ending December 31, 2016, as stated below.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2016

(January 1, 2016 through December 31, 2016)

*% represents year-on-year rate.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2016	1,700,000	5.2	120,000	(0.4)	125,000	(0.2)	80,000	33.3	229.08

(*Notes)

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

Companies included: —

Companies excluded: 1 (YMFH S.A.)

(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: For details, please refer to page 24 of the Attachment, “Changes in Accounting Policies” in “(5) Notes to Consolidated Financial Statements,” under “4. 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, 2015	349,898,284 shares	Fiscal year ended December 31, 2014	349,847,184 shares
2) Number of shares of treasury shares at end of period	Fiscal year ended December 31, 2015	676,621 shares	Fiscal year ended December 31, 2014	672,776 shares
3) Average number of shares during period	Fiscal year ended December 31, 2015	349,205,722 shares	Fiscal year ended December 31, 2014	349,148,101 shares

(*Notice regarding audit procedure for the consolidated financial statements)

The consolidated financial results presented herein are not subject to the audit procedure specified by the Financial Instruments and Exchange Act. The audit procedure for consolidated financial statements specified by the Financial Instruments and Exchange Act has not been completed at the time of the disclosure of these financial results.

(*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 80th Securities Report (filed on March 27, 2015).

For the results forecast, please refer to page 9 of the Attachment, “Forecast for the fiscal year ending December 31, 2016 (January 1, 2016 through December 31, 2016)” in “(1) Analysis of Operating Results,” under “1. Analysis 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 and after the next day of the briefing.

Tuesday, February 9, 2016: 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. Analysis of Operating Results and Financial Position

Net Sales by Segment

	Amount: millions of yen			Volume: thousand units		
	Fiscal year ended December 31, 2014 (January 1—December 31, 2014)			Fiscal year ended December 31, 2015 (January 1—December 31, 2015)		
	Volume	Amount	%	Volume	Amount	%
Net sales:						
Japan	—	162,824	10.7	—	166,017	10.3
Overseas:						
North America	—	284,921	18.7	—	356,912	22.1
Europe	—	188,193	12.4	—	202,593	12.5
Asia	—	655,031	43.1	—	677,546	41.9
Others	—	230,237	15.1	—	212,280	13.2
Subtotal	—	1,358,383	89.3	—	1,449,333	89.7
Total	—	1,521,207	100.0	—	1,615,350	100.0
Motorcycles:						
Japan	123	45,987	4.7	110	46,289	4.6
Overseas:						
North America	79	53,357	5.5	89	67,575	6.7
Europe	191	116,037	11.9	209	136,185	13.4
Asia	4,819	612,159	62.6	4,286	628,705	61.9
Others	587	150,038	15.3	524	137,231	13.4
Subtotal	5,676	931,592	95.3	5,108	969,697	95.4
Total	5,799	977,580	64.3	5,218	1,015,986	62.9
Marine products:						
Japan	—	26,612	9.6	—	26,607	8.8
Overseas:						
North America	—	145,081	52.5	—	176,488	58.2
Europe	—	41,697	15.1	—	39,187	12.9
Asia	—	16,051	5.8	—	18,696	6.2
Others	—	46,924	17.0	—	42,454	13.9
Subtotal	—	249,754	90.4	—	276,825	91.2
Total	—	276,367	18.2	—	303,433	18.8
Power products:						
Japan	—	17,204	12.1	—	15,586	9.7
Overseas:						
North America	—	84,467	59.4	—	110,055	68.2
Europe	—	23,011	16.2	—	17,456	10.8
Asia	—	5,723	4.0	—	5,931	3.7
Others	—	11,796	8.3	—	12,420	7.6
Subtotal	—	124,999	87.9	—	145,863	90.3
Total	—	142,204	9.3	—	161,450	10.0
Industrial machinery and robots:						
Japan	—	13,776	35.4	—	19,359	39.8
Overseas:						
North America	—	2,012	5.2	—	2,792	5.7
Europe	—	5,206	13.4	—	4,793	9.8
Asia	—	17,409	44.7	—	20,901	42.9
Others	—	538	1.3	—	851	1.8
Subtotal	—	25,166	64.6	—	29,340	60.2
Total	—	38,942	2.6	—	48,699	3.0
Others:						
Japan	—	59,242	68.8	—	58,174	67.8
Overseas:						
North America	—	2	0.0	—	0	0.0
Europe	—	2,240	2.6	—	4,971	5.8
Asia	—	3,687	4.3	—	3,312	3.9
Others	—	20,940	24.3	—	19,322	22.5
Subtotal	—	26,870	31.2	—	27,606	32.2
Total	—	86,113	5.6	—	85,780	5.3

(1) Operating Results

During the fiscal year ended December 31, 2015 (fiscal 2015), the U.S. economy continued to show a gradual recovery driven by domestic demand, while the gradual recovery of the European economy also continued, led by personal consumption despite a backdrop of geopolitical risks including terrorist attacks. Japan's underlying tone of economic recovery continued despite weak personal consumption. The impact of falling resource prices, the economic downturn in China and currency depreciation strengthened the sense of deceleration in emerging countries such as Asia and Central and South America, among others.

In terms of the Company's major markets, there was a gradual recovery in demand for motorcycles and outboard motors in the United States, and motorcycle demand rebounded in Europe. In Japan, motorcycle demand declined, while demand for electrically power assisted bicycles remained flat versus the previous year. The emerging markets of Vietnam, the Philippines, and Taiwan experienced a growth in demand, but demand contracted in Indonesia, Brazil, and China, among other emerging markets.

Against this backdrop, the Company's consolidated net sales for the fiscal year rose ¥94.1 billion, or 6.2%, year on year, to ¥1,615.4 billion, and operating income rose ¥33.2 billion, or 38.0%, to ¥120.4 billion.

The developed markets business recorded sales and profit growth, reflecting revenue growth from sales of global models and higher-priced products in the motorcycle business, increased sales of large models and the effect of yen depreciation on exports in the marine products business, and increased sales of recreational off-highway vehicles (ROVs) in the power products business. Regarding the emerging markets that the motorcycle business operates in, sales growth in Vietnam, the Philippines, and Taiwan, as well as a shift to higher-priced products and cost reductions in all markets led to profit growth that absorbed the effects of lower sales and weaker currencies in countries including Indonesia, Brazil, and China, for flat profit overall.

Ordinary income rose ¥28.0 billion, or 28.7%, to ¥125.2 billion. Net income declined ¥8.4 billion, or 12.3%, to ¥60.0 billion, which was partially the result of one-time factors including the emergence of additional corporate income tax payments made by U.S. subsidiaries amounting to ¥35.6 billion as a result of a mutual agreement procedure between Japan and U.S. tax authorities regarding the Advance Pricing Agreement pertaining to transfer pricing (APA), and the recognition of additional deferred tax assets totaling ¥14.4 billion by the Company.

Exchange rates for the fiscal year were ¥121 to the U.S. dollar (a depreciation of ¥15 from the previous fiscal year), and ¥134 to the euro (an appreciation of ¥6).

Operating results by segment

[Motorcycles]

Overall net sales of the motorcycle business rose ¥38.4 billion, or 3.9%, year on year, to ¥1,016.0 billion, and operating income rose ¥9.0 billion, or 39.1%, to ¥31.9 billion.

In developed markets, unit sales rose in North America and Europe, while in Japan unit sales of large motorcycles rose, but unit sales of mopeds declined. Unit sales also increased in emerging markets including Vietnam, the Philippines, and Taiwan, but declines were recorded in Indonesia, Brazil, and China, among other emerging markets.

Net sales grew on the introduction of the MT series and other new products, and from increased sales of higher-priced products. Operating income was boosted by factors including increased unit sales, an improved product mix, and cost reductions, which offset the negative effects of emerging market currency depreciation and higher development expenses for overall profit growth.

[Marine products]

Overall net sales of the marine products business rose ¥27.1 billion, or 9.8%, year on year, to ¥303.4 billion, and operating income rose ¥14.4 billion, or 31.5%, to ¥60.2 billion.

Sales and profit grew in North America on increased sales of large outboard motors and personal watercraft, and from yen depreciation.

[Power products]

Overall net sales of the power products business rose ¥19.2 billion, or 13.5%, year on year, to ¥161.5 billion, and operating income rose ¥6.7 billion, or 102.5%, to ¥13.2 billion.

Increased sales of ROVs, reflecting an enhanced product lineup, resulted in revenue and profit growth.

[Industrial machinery and robots]

Overall net sales of the industrial machinery and robots business rose ¥9.8 billion, or 25.1%, year on year, to ¥48.7 billion, and operating income rose ¥2.7 billion, or 54.2%, to ¥7.8 billion.

Unit sales of surface mounters grew, led by Asia and Japan. The business absorption via transfer of assets from the Hitachi High-Tech Group moved forward, contributing to sales growth.

[Others]

Overall net sales of the other products business decreased ¥0.3 billion, or 0.4%, year on year, to ¥85.8 billion, and operating income increased ¥0.4 billion, or 5.6%, to ¥7.4 billion.

Unit sales of electrically power assisted bicycles rose both in Japan and overseas, as a result of new products and the cultivation of new customers.

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, industrial robots and electrically powered wheelchairs
Others	Automobile engines, automobile components, electrically power assisted bicycles and industrial-use unmanned helicopters

(Reference Information)

Geographical segment information (Net sales includes intersegment sales among areas.)

[Japan]

Net sales in Japan increased ¥59.2 billion, or 9.0%, year on year, to ¥718.3 billion, and operating income increased ¥5.6 billion, or 15.1%, to ¥42.8 billion.

Unit sales grew, on increased sales of motorcycles in developed markets driven by the MT series, large outboard motors in North America, and electrically power assisted bicycles.

[North America]

Net sales in North America increased ¥78.1 billion, or 24.8%, year on year, to ¥393.4 billion, and operating income increased ¥15.4 billion, or 129.7%, to ¥27.2 billion.

Unit sales grew, mainly from large outboard motors and ROVs.

[Europe]

Net sales in Europe increased ¥8.6 billion, or 4.5%, year on year, to ¥198.9 billion, and operating income increased ¥5.5 billion, or 114.9%, to ¥10.3 billion.

Unit sales of motorcycles rose on the introduction of new products including the MT series.

[Asia]

Net sales in Asia (excluding Japan) increased ¥45.5 billion, or 6.3%, year on year, to ¥765.8 billion, and operating income increased ¥11.1 billion, or 40.3%, to ¥38.5 billion.

Unit sales of motorcycles grew in Vietnam, the Philippines, and Taiwan but declined in Indonesia and China.

[Others]

Net sales in other areas decreased ¥20.6 billion, or 11.3%, year on year, to ¥162.0 billion, and operating income

decreased ¥5.3 billion, or 52.8%, to ¥4.7 billion.

Unit sales of motorcycles declined in Brazil, Argentina, and other markets.

Forecast for the fiscal year ending December 31, 2016

(January 1, 2016 through December 31, 2016)

The Company's demand forecast for major businesses in 2016 is for continued solid macroeconomic conditions in developed markets, but with uncertainty continuing in emerging markets due to declining resource prices and weaker currencies in countries like Indonesia and Brazil.

Given these expectations, the Company plans to increase the earnings power of all its businesses. This will be achieved by further developing the market for platform models in the motorcycle business, leveraging the strength of the brand to maintain high profitability in the marine products business, and strengthening the sports segment for recreational off-highway vehicles (ROVs) in the power products business. These earnings will then be invested to facilitate lasting growth, with the aim of evolving into "a unique company that continues to achieve dynamic milestones."

	Billions of yen
Net sales	1,700.0 (+84.6, 5.2%)
Operating income	120.0 (-0.4, 0.4%)
Ordinary income	125.0 (-0.2, 0.2%)
Profit attributable to owners of parent	80.0 (+20.0, 33.3%)

Note: The figures in the parentheses indicate amount and percentage changes from the fiscal year ended December 31, 2015.

The forecast is based on the assumption that the exchange rates are ¥117 against the U.S. dollar (an appreciation of ¥4 from the previous fiscal year) and ¥127 against the euro (an appreciation of ¥7 from the previous fiscal year).

[Potential risks and uncertainties regarding the forecast for the fiscal year ending December 31, 2016]

The forecast for the fiscal year ending December 31, 2016 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' currency exchange and foreign investment policies, tax systems, etc.
- Currency exchange fluctuations
- Dependence on corporate customers and specific suppliers for procurement of raw materials and parts
- Legal procedures, etc.
- 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 80th Securities Report (filed on March 27, 2015).

(2) Financial Position

Overview of assets, liabilities and net assets

Total assets as of December 31, 2015, decreased ¥4.8 billion compared with December 31, 2014, to ¥1,305.2 billion. Current assets declined ¥1.1 billion. Despite an increase in finance receivables related to the commencement of in-house wholesale finance operations in Canada, decreases in cash and deposits and the effects of foreign exchange rates resulted in an overall decrease. Non-current assets declined ¥3.7 billion, primarily from the effects of foreign exchange rates.

Total liabilities decreased ¥33.3 billion, to ¥773.5 billion, mainly from reductions in claims payable – trade and net defined benefit liability, as well as from the effects of foreign exchange rates.

Total net assets increased ¥28.5 billion to ¥531.7 billion, reflecting such factors as net income of ¥60.0 billion, dividends paid of ¥24.4 billion, and a change in foreign currency translation adjustment of ¥27.5 billion due to yen depreciation. As a result, the shareholders' equity ratio as of December 31, 2015 was 37.6% (an improvement of 2.5 percentage points from the end of the previous fiscal year). The net debt-equity ratio remained at 0.6 times, the same as 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 was ¥24.0 billion (compared with ¥93.6 billion provided in the previous fiscal year), with the recording of ¥122.6 billion of income before income taxes and minority interests (¥97.8 billion recorded in the previous fiscal year) more than offsetting a ¥66.8 billion increase in working capital associated with an increase in claims related to the commencement of in-house wholesale finance operations in Canada and increased sales (a ¥28.3 billion increase), and the additional corporate income tax payment made by U.S. subsidiaries associated with the APA regarding transfer pricing.

[Cash flows from investing activities]

Net cash used in investing activities during the fiscal year under review was ¥64.0 billion (¥72.5 billion in net cash used during the previous fiscal year), as a result of factors including ¥67.5 billion for capital investments for production capacity increases in India and capital investments of the Company (¥61.9 billion).

[Cash flows from financing activities]

Net cash provided by financing activities during the fiscal year under review was ¥6.8 billion (compared with a net ¥8.9 billion used in the previous fiscal year), primarily funds procured for working capital and sales finances.

As a result of the activities discussed above, free cash flow for the fiscal year under review was negative ¥40.0 billion (positive ¥21.1 billion for the previous fiscal year). Interest-bearing debt at the end of the fiscal year under review was ¥410.1 billion (an increase of ¥6.5 billion from the end of the previous fiscal year), and cash and cash equivalents totaled ¥107.6 billion (a decrease of ¥29.7 billion). Interest-bearing debt includes ¥202.5 billion (an increase of ¥15.8 billion) in borrowings for sales finance.

(Reference) Trends in cash flow and related indexes

	Fiscal year ended December 31, 2011	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Shareholders' equity ratio (%)	31.2	32.0	33.5	35.1	37.6
Shareholders' equity ratio at market value (%)	37.8	34.4	48.0	65.1	73.4
Ratio of interest-bearing debt to cash flows (%)	824.3	—	571.7	431.2	1,709.7
Interest coverage ratio	5.0	—	9.6	11.1	3.3

Notes:

- The formulas for the indexes above are as follows:
 - Shareholders' equity ratio: Shareholders' equity/total assets
 - Shareholders' equity ratio at market value: Aggregate market value of corporate stock/total assets
 - Ratio of interest-bearing debt to cash flows: Interest-bearing debt/cash flows
 - Interest coverage ratio: Cash flows/interest expenses
- Each index is calculated using consolidated financial figures.
- Aggregate market value of corporate stock is calculated by multiplying the closing stock price at the end of each period by the number of shares issued (excluding treasury stock) at the end of that period.
- Cash flows refer to net cash provided by operating activities detailed in the Consolidated Statements of Cash Flows.
- Interest-bearing debt refers to all the debts in the Consolidated Balance Sheets that involve interest payment.
- Interest expenses refer to the figure for the amount of interest paid in the Consolidated Statements of Cash Flows.
- Ratio of interest-bearing debt to cash flows and interest coverage ratio for the fiscal year ended December 31, 2012 (fiscal 2012) are not listed, due to the negative status of cash flows from operating activities for fiscal 2012.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Years Ended December 31, 2015 and Ending December 31, 2016

In accordance with basic dividend policy of maintaining a minimum dividend payout ratio of 20% of consolidated net income, and in consideration of the results for the first nine months of the fiscal year ended December 31, 2015, the Company intends to propose the payment of a year-end dividend of ¥22 per share at the 81st Ordinary General Meeting of Shareholders, scheduled for March 25, 2016. Together with the interim dividend (¥22 per share), this will result in a full-year dividend of ¥44 per share.

From fiscal 2016, the Company will seek to “enhance the earnings power of existing businesses, create a stable financial foundation, and increase new growth investment and stock dividends,” and therefore intends to bolster the dividend to a benchmark of 30% of profit attributable to owners of parent (previously called consolidated net income).

The Company has a basic policy of paying dividends from surplus twice a year as 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. The Company's Articles of Incorporation stipulate that the Company may pay interim dividends, with June 30 of each year designated as the record date.

In accordance with this new policy, the Company intends to pay a full-year dividend of ¥70 per share (interim dividend of ¥35; year-end dividend of ¥35) for the fiscal year ending December 31, 2016 based on the forecast of consolidated financial results and a 30% dividend payout ratio (consolidated basis).

2. Management Policies

Basic management policies, medium- and long-term management strategies, and key priorities the Group must address

For the three years beginning 2016, and as a long-term vision that goes beyond 2020, the Company will continue to aim to be “a unique company that continues to achieve dynamic milestones.” The new Medium-term Plan being implemented from 2016 covers the first three years. During this period, the Company aims to steadily realize a significant increase in its corporate strength, and from there begin laying the foundations to heighten corporate strength further.

Under the new Medium-term Plan (2016-2018), management aims to build on the previous Medium-term Plan (2013-2015), which targeted “increasing corporate value through sustainable growth,” by increasing investment for growth and returns to shareholders, while further enhancing the earnings power of existing businesses and maintaining and strengthening a stable financial foundation.

Management direction

The Company is forecasting continued strong conditions in developed markets, and the start of an economic recovery in some emerging markets within three years, and have therefore set a management target of “beginning new growth from ¥2 trillion and a standard of 10%.”

- 2018 financial targets (vs. 2015)
 - Net sales: ¥2 trillion (+24%)
 - Operating income: ¥180.0 billion (+50%)
 - Operating margin: 9% (+1.5 percentage points)
- Direction of each business
 - Motorcycles: Shift to “highly efficient” stable earnings structure not tied to unit volume
 - Marine: Develop business model for further growth by competing in the ¥3 trillion global marine market
 - Power products / Other: Develop unique business models for future growth

Financial strategy

The Company will seek to enhance the earnings power of existing businesses, create a stable financial foundation, and increase new growth investment and stock dividends. Under this financial strategy, the Company will aim for both growth and stability. With return on equity (ROE) as one of the most important management indexes, the Company will strive to keep ROE above the cost of capital, at roughly 15%.

Monozukuri (engineering, manufacturing and marketing)

- Product competitiveness

Strong product competitiveness is the source of the Company’s business competitiveness. Under the previous Medium-term Plan, the Company developed and brought to market 250 models. Under the new Plan, the Company intends to develop and bring to market 270 models, while simultaneously enhancing product appeal and realizing cost competitiveness and quality. The Company will work to create unique products that incorporate GEN (new ideas and communications), Play & Sure (technology that creates joy and trust among customers), S-EX-Y (design that expresses refined dynamism), and Ties (strong teamwork that connects with our customers).

- Cost reductions

The Company is targeting cost reductions of ¥60.0 billion by 2018 through improvements in development, procurement, manufacturing, and logistics.

Global management

- Localization of product development

The Company’s goal is to develop cutting-edge technologies and core platforms in Japan, and to develop models that meet customer demand in each region. In principle, 30-40% of development man-hours for products including MC, RV, and WV will be carried out locally. By doing this, the Company aims to deliver optimal products for each market swiftly and less expensively, in a timely manner. The Company will also develop and expand the reach of its global

models going forward.

- Human resource management

With the need for a global perspective becoming increasingly important in corporate management and business management, the Company needs to step up its corporate governance and human resource development. In terms of human resource development in particular, the Company will expand global training programs with the aim of having 60% of director-level positions at overseas centers staffed by persons hired locally by 2018. The Company will also promote diversity at its head office by hiring managers from overseas, increasing the numbers of non-Japanese employees and women in management positions, as well as allowing for flexibility in the ways work is done.

Growth strategies

Within the three business areas defined in 2010 – fulfilling lifestyles, enjoyment in personal mobility, and innovative technologies that harmonize with people, society, and the Earth – the Company will pursue four strategies for future growth.

- The growing world of personal mobility

The Company will expand its customer base by increasing the range and sophistication of its two-, three-, and four-wheeled vehicles and our technologies, and strive to create a style of mobility unique to Yamaha via PAS, EV, CV, MC, LMW, RV, and C4W.

- Marine products business

The Company aims to go beyond being an engine supplier to become a system supplier, by developing an entire marine products business that includes a strategy for rigging and boat hulls, and from there build a brand that has a solid No. 1 position globally.

- Solutions business

The Company will strive to grow the IM, UMS, and pool businesses and create a unique business model. By combining in-house technologies with outside expertise, the Company will strive to provide new value in areas including industry, agriculture, lifestyles, and infrastructure.

- Foundational technology development

The Company possesses a wealth of elemental technologies in fields including power sources, automobile, boat, and aircraft bodies and hulls, controls and information, materials, and manufacturing. The Company will seek further evolution of such technologies as it pursues innovation that combines them in new, original ways.

The Company will make every effort to achieve the targets of the Medium-term Plan as outlined above. As part of implementing global management, the Company will maintain rigorous corporate ethics and in particular will engage in activities to fulfill its social responsibilities in its three business areas.

- Cutting-edge environmental activities

The Company works to address environmental issues in all countries and regions with an awareness of the four facets of products, operations, management, and employees. As a product example, the BLUE CORE next-generation platform engine achieves unprecedented fuel efficiency and environmental performance. Efforts are being ramped up to introduce this engine in markets including ASEAN and China.

- Social contribution activities closely tied to local communities

The Company is engaged in social contribution activities closely tied to local communities in all regions. In Africa, it is introducing clean water systems that use proprietary technologies to provide clean water for daily use. In Japan, the Company strives to interact with local communities through corporate sports including rugby and football.

- Transparent and fair corporate governance

The Company's Board of Directors is swift and decisive in its decision making for the solid implementation of strategies for future growth, and appropriately oversees and monitors the implementation process for management strategies. This structure operates on the transparency and fairness mandated in the Company's corporate governance guidelines, to fulfill its responsibilities toward shareholders, investors, and all stakeholders.

Going forward, the Company will strive to build even stronger relationships of trust with all stakeholders through its various corporate activities.

Note: EV = electric vehicles, CV = commuter vehicles, MC = motorcycles, LMW = leaning multi-wheeled vehicles, RV = recreational vehicles, C4W = compact four-wheeled vehicles, IM = intelligent machinery, UMS = unmanned systems.

3. 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).

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of December 31, 2014 and 2015

() represents negative figures.

	Millions of yen	
	As of December 31, 2014	As of December 31, 2015
ASSETS		
Current assets:		
Cash and deposits	137,082	107,617
Notes and accounts receivable – trade	265,818	290,897
Merchandise and finished goods	208,093	202,066
Work in process	52,556	54,075
Raw materials and supplies	54,811	54,627
Deferred tax assets	14,555	27,793
Other	83,870	75,811
Allowance for doubtful accounts	(14,247)	(11,482)
Total current assets	802,541	801,407
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	95,363	99,785
Machinery, equipment and vehicles, net	95,774	106,362
Land	86,083	84,306
Construction in progress	40,735	24,674
Other, net	25,889	25,946
Total property, plant and equipment	343,846	341,075
Intangible assets	7,290	7,518
Investments and other assets		
Investment securities	78,155	86,378
Long-term loans receivable	46,007	37,846
Deferred tax assets	16,658	12,362
Other	17,257	19,981
Allowance for doubtful accounts	(1,717)	(1,334)
Total investments and other assets	156,361	155,235
Total non-current assets	507,499	503,828
Total assets	1,310,040	1,305,236

() represents negative figures.

Millions of yen

	As of December 31, 2014	As of December 31, 2015
LIABILITIES		
Current liabilities:		
Notes and accounts payable – trade	157,601	113,107
Electronically recorded obligations – operating	717	31,980
Short-term loans payable	125,908	220,692
Current portion of long-term loans payable	97,340	39,160
Income taxes payable	6,173	8,571
Provision for bonuses	11,464	11,542
Provision for product warranties	19,533	20,440
Other provision	1,689	1,426
Other	115,737	93,697
Total current liabilities	536,165	540,620
Non-current liabilities:		
Long-term loans payable	180,403	150,295
Deferred tax liabilities for land revaluation	6,080	5,521
Net defined benefit liability	61,927	55,215
Other provision	1,494	434
Other	20,744	21,448
Total non-current liabilities	270,650	232,915
Total liabilities	806,815	773,535
NET ASSETS		
Shareholders' equity:		
Capital stock	85,739	85,782
Capital surplus	74,655	74,698
Retained earnings	346,284	390,559
Treasury shares	(698)	(709)
Total shareholders' equity	505,981	550,331
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	15,029	23,948
Revaluation reserve for land	10,931	11,490
Foreign currency translation adjustment	(58,442)	(85,971)
Remeasurements of defined benefit plans	(13,783)	(9,019)
Total accumulated other comprehensive income	(46,264)	(59,552)
Subscription rights to shares	33	11
Minority interests	43,474	40,910
Total net assets	503,224	531,700
Total liabilities and net assets	1,310,040	1,305,236

**(2) Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
Fiscal years ended December 31, 2014 and 2015
Consolidated Statements of Income

() represents negative figures.

	Millions of yen	
	Fiscal year ended December 31, 2014 (January 1— December 31, 2014)	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)
Net sales	1,521,207	1,615,350
Cost of sales	1,148,357	1,187,927
Gross profit	372,849	427,422
Selling, general and administrative expenses	285,600	306,986
Operating income	87,249	120,436
Non-operating income:		
Interest income	7,772	9,903
Dividend income	856	942
Share of profit of entities accounted for using equity method	1,896	1,672
Foreign exchange gains	5,136	—
Loss on revaluation of sales finance assets	—	1,964
Sales finance-related income	480	1,880
Other	10,201	10,788
Total non-operating income	26,344	27,151
Non-operating expenses:		
Interest expenses	8,048	7,025
Foreign exchange losses	—	9,243
Loss on revaluation of sales finance assets	695	—
Other	7,570	6,087
Total non-operating expenses	16,315	22,356
Ordinary income	97,279	125,231
Extraordinary income:		
Gain on sales of non-current assets	368	479
Gain on reversal of subscription rights to shares	40	1
Gain on change in equity	1,442	—
Other	6	35
Total extraordinary income	1,857	516
Extraordinary losses:		
Loss on sales of non-current assets	245	1,325
Loss on disposal of non-current assets	971	1,144
Impairment loss	125	315
Loss on revision of retirement benefit plan	—	*1353
Other	0	8
Total extraordinary losses	1,342	3,148

() represents negative figures.

	Millions of yen	
	Fiscal year ended December 31, 2014 (January 1— December 31, 2014)	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)
Income before income taxes and minority interests	97,793	122,599
Income taxes – current	23,771	34,409
Income taxes for prior periods	*2460	*236,793
Income taxes – deferred	60	(17,033)
Total income taxes	24,292	54,169
Income before minority interests	73,500	68,429
Minority interests in income	5,048	8,406
Net income	68,452	60,023

Consolidated Statements of Comprehensive Income

() represents negative figures.

	Millions of yen	
	Fiscal year ended December 31, 2014 (January 1— December 31, 2014)	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)
Income before minority interests	73,500	68,429
Other comprehensive income:		
Valuation difference on available-for-sale securities	2,912	8,928
Revaluation reserve for land	(1)	559
Foreign currency translation adjustment	29,441	(29,954)
Remeasurements of defined benefit plans, net of tax	—	4,905
Share of other comprehensive income of entities accounted for using equity method	2,382	(1,796)
Total other comprehensive income	34,734	(17,356)
Comprehensive income:	108,235	51,073
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	100,173	46,023
Comprehensive income attributable to minority interests	8,062	5,049

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2014 (January 1—December 31, 2014)

() represents negative figures.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,703	74,619	288,548	(691)	448,179
Cumulative effects of changes in accounting policies					
Restated balance	85,703	74,619	288,548	(691)	448,179
Changes of items during period					
Issuance of new shares	36	36			72
Reversal of revaluation reserve for land			45		45
Dividends of surplus			(10,649)		(10,649)
Net income			68,452		68,452
Increase in consolidated subsidiaries			(111)		(111)
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	36	36	57,736	(7)	57,801
Balance at end of current period	85,739	74,655	346,284	(698)	505,981

	Millions of yen							
	Other accumulated comprehensive income					Subscription rights to shares	Minority 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	12,110	10,978	(87,277)	—	(64,188)	91	38,709	422,792
Cumulative effects of changes in accounting policies								
Restated balance	12,110	10,978	(87,277)	—	(64,188)	91	38,709	422,792
Changes of items during period								
Issuance of new shares								72
Reversal of revaluation reserve for land								45
Dividends of surplus								(10,649)
Net income								68,452
Increase in consolidated subsidiaries								(111)
Purchase of treasury shares								(7)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	2,919	(47)	28,835	(13,783)	17,923	(57)	4,764	22,630
Total changes of items during period	2,919	(47)	28,835	(13,783)	17,923	(57)	4,764	80,432
Balance at end of current period	15,029	10,931	(58,442)	(13,783)	(46,264)	33	43,474	503,224

Fiscal year ended December 31, 2015 (January 1—December 31, 2015)

() represents negative figures.

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,739	74,655	346,284	(698)	505,981
Cumulative effects of changes in accounting policies			1,482		1,482
Restated balance	85,739	74,655	347,767	(698)	507,464
Changes of items during period					
Issuance of new shares	42	42			85
Reversal of revaluation reserve for land			0		0
Dividends of surplus			(16,588)		(16,588)
Net income			60,023		60,023
Increase in consolidated subsidiaries			(643)		(643)
Purchase of treasury shares				(11)	(11)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	42	42	42,792	(10)	42,866
Balance at end of current period	85,782	74,698	390,559	(709)	550,331

	Millions of yen							
	Other accumulated comprehensive income					Subscription rights to shares	Minority 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	15,029	10,931	(58,442)	(13,783)	(46,264)	33	43,474	503,224
Cumulative effects of changes in accounting policies								1,482
Restated balance	15,029	10,931	(58,442)	(13,783)	(46,264)	33	43,474	504,707
Changes of items during period								
Issuance of new shares								85
Reversal of revaluation reserve for land								0
Dividends of surplus								(16,588)
Net income								60,023
Increase in consolidated subsidiaries								(643)
Purchase of treasury shares								(11)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	8,918	558	(27,529)	4,763	(13,287)	(21)	(2,564)	(15,873)
Total changes of items during period	8,918	558	(27,529)	4,763	(13,287)	(21)	(2,564)	26,992
Balance at end of current period	23,948	11,490	(85,971)	(9,019)	(59,552)	11	40,910	531,700

(4) Consolidated Statements of Cash Flows

Fiscal years ended December 31, 2014 and 2015

() represents negative figures.

	Millions of yen	
	Fiscal year ended December 31, 2014 (January 1— December 31, 2014)	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)
Cash flows from operating activities:		
Income before income taxes and minority interests	97,793	122,599
Depreciation	37,667	44,324
Impairment loss	125	315
Increase (decrease) in allowance for doubtful accounts	4,665	(898)
Increase (decrease) in net defined benefit liability	(961)	910
Interest and dividend income	(8,629)	(10,846)
Interest expenses	8,048	7,025
Share of (profit) loss of entities accounted for using equity method	(1,896)	(1,672)
Loss (gain) on sales of property, plant and equipment and intangible assets	(122)	846
Loss (gain) on disposal of property, plant and equipment and intangible assets	971	1,144
Loss (gain) on change in equity	(1,442)	—
Decrease (increase) in notes and accounts receivable – trade	(9,008)	(36,907)
Decrease (increase) in inventories	(29,123)	(18,179)
Increase (decrease) in notes and accounts payable – trade	9,856	(11,753)
Other, net	3,074	(9,381)
Subtotal	111,018	87,527
Interest and dividend income received	10,606	12,844
Interest expenses paid	(8,469)	(7,230)
Income taxes paid	(19,536)	(69,152)
Net cash provided by (used in) operating activities	93,618	23,988
Cash flows from investing activities:		
Payments into time deposits	(271)	(436)
Proceeds from withdrawal of time deposits	455	305
Purchase of property, plant and equipment and intangible assets	(61,855)	(67,504)
Proceeds from sales of property, plant and equipment and intangible assets	3,288	5,200
Purchase of investment securities	(5,812)	(5,103)
Payments of long-term loans receivable	(15,868)	(13,793)
Collection of long-term loans receivable	11,137	15,321
Other, net	(3,543)	2,021
Net cash provided by (used in) investing activities	(72,470)	(63,989)

() represents negative figures.

	Millions of yen	
	Fiscal year ended December 31, 2014 (January 1— December 31, 2014)	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	(44,936)	108,743
Proceeds from long-term loans payable	132,434	21,774
Repayment of long-term loans payable	(83,760)	(98,870)
Proceeds from share issuance to minority shareholders	3,300	—
Cash dividends paid	(10,649)	(16,588)
Cash dividends paid to minority shareholders	(4,868)	(7,787)
Decrease (increase) in treasury shares	(7)	(10)
Proceeds from exercise of share options	54	64
Other, net	(474)	(480)
Net cash provided by (used in) financing activities	(8,908)	6,845
Effect of exchange rate change on cash and cash equivalents	3,561	1,286
Net increase (decrease) in cash and cash equivalents	15,802	(31,868)
Cash and cash equivalents at beginning of period	120,033	137,294
Increase in cash and cash equivalents from newly consolidated subsidiary	1,458	2,196
Cash and cash equivalents at end of period	137,294	107,622

(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: 106

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.; Yamaha Motor Taiwan Co., Ltd.; India Yamaha Motor Pvt. Ltd.;
Thai Yamaha Motor Co., Ltd.; and Yamaha Motor do Brasil Ltda.

In the fiscal year ended December 31, 2015, one newly established company was added to the scope of consolidation, along with two non-consolidated subsidiaries and one subsidiary accounted for by the equity method in consideration of their increased importance. In addition, two companies were absorbed by other consolidated subsidiaries and were therefore removed from the scope of consolidation.

Yamaha Motor Racing S.r.l. and other non-consolidated subsidiaries were excluded from the scope of consolidation since their total assets, net sales, net income or loss, retained earnings, and other financial indexes were not significant in the aggregate to the Company's consolidated financial statements.

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: 25
Hong Leong Yamaha Motor Sdn. Bhd. and 24 other affiliates

In the fiscal year ended March 31, 2015, one subsidiary accounted for by the equity method was reclassified as a consolidated subsidiary in consideration of its increased importance. In addition, one affiliate was removed from the scope of equity-method application as a result of the sale of its shares.

The results of Yamaha Motor Electronics India PVT. Ltd. and other non-consolidated subsidiaries, as well as of Zhangzidao Yamaha (Dalian) FRP Boat Co., Ltd. and other affiliates are not deemed to have a material impact separately or in total on the Company's consolidated financial statements in terms of net income (equivalent to the equity holding) or retained earnings (equivalent to the equity holding). Therefore, investments in these companies are accounted for using cost accounting rather than the equity method.

Changes in Accounting Policies

Effective from the fiscal year ended December 31, 2015, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance on Retirement Benefits"), in respect of the provisions stated in article 35 of the Standard and article 67 of the Guidance. Accordingly, the Company has revised the calculation methods for retirement benefit obligations and service costs and changed the method of attributing expected retirement benefits to periods from a straight-line basis to a benefit formula basis. At the same time, the Company changed its method of determining the discount rate to one using the multiple discount rate, that reflect each estimated payment period of retirement benefits.

The Retirement Benefits Accounting Standard are applied, following the transitional measure stipulated under

article 37 of Retirement Benefits Accounting Standard, and the impact of the changes in the calculation methods for retirement benefit obligations and service costs were added to or deducted from retained earnings at the beginning of the fiscal year under review.

As a result, at the beginning of the fiscal year under review, net defined benefit liability decreased ¥1,579 million, while retained earnings increased ¥1,482 million. The impact on operating income, ordinary income, and income before income taxes and minority interests for the fiscal year under review was minimal.

The impact on per share information is shown where applicable.

Changes in Presenting Methods

Consolidated Balance Sheets

“Electrically recorded obligations – operating,” which was included under “Notes and accounts payable – trade” in current liabilities in the fiscal year ended December 31, 2014, is being shown separately from the fiscal year ended December 31, 2015, because the amount has surpassed 1% of the total amount of liabilities and net assets. The consolidated financial statements for the fiscal year ended December 31, 2014, have been adjusted to reflect this reclassification.

As a result, the ¥158,318 million of “Notes and accounts payable – trade” under current liabilities previously shown in the consolidated balance sheets for the fiscal year ended December 31, 2014, has been reclassified as ¥157,601 million of “Notes and accounts payable – trade” and ¥717 million of “Electrically recorded obligations – operating.”

Consolidated Statements of Income

“Income taxes for prior periods,” which was included under “Income taxes – current” in the fiscal year ended December 31, 2014, is being shown separately from the fiscal year ended December 31, 2015, in consideration of its increased monetary importance. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presenting methods.

As a result, the ¥24,232 million of “Income taxes – current” previously shown in the consolidated statements of income for the fiscal year ended December 31, 2014, has been reclassified as ¥23,771 million of “Income taxes – current” and ¥460 million of “Income taxes for prior periods.”

Additional Information

Regarding transfer pricing relating to transactions between Yamaha Motor and its U.S. subsidiaries from the December 2009 fiscal year to the December 2013 fiscal year, APA application was made in 2008 based on the U.S.-Japan Tax Treaty to competent authority for taxation regarding determining arm’s length price etc. As a result of subsequent examinations in each country and discussions between the tax authorities of the two countries, an agreement was reached under which the Company’s income has been reduced and the income of its U.S. subsidiaries has been increased by the same amount.

Accordingly, because of the emergence of additional corporate taxes to be paid by U.S. subsidiaries, ¥35,568 million has been recorded as “Income taxes for prior periods” in the consolidated statements of income for the fiscal year ended December 31, 2015.

Notes Regarding Consolidated Balance Sheets

1. Pledged assets and secured liabilities

Pledged assets provided are as follows.

	Millions of yen	
	As of December 31, 2014	As of December 31, 2015
Pledged assets	127,852	32,001
Secured liabilities	47,088	24,631

2. Guarantee obligations

Guarantee obligations are guarantees for the following associated companies' loans from financial institutions.

Millions of yen			
As of December 31, 2014		As of December 31, 2015	
PT. Bussan Auto Finance	15,526	PT. Bussan Auto Finance	11,584
KYB Motorcycle Suspension India Pvt. Ltd.	275	KYB Motorcycle Suspension India Pvt. Ltd.	275
Amagasaki Woodland of Health Co., Ltd.	199	Amagasaki Woodland of Health Co., Ltd.	175
Yamaha Motor Pakistan Pvt. Ltd.	85		
Total	16,087	Total	12,035

The above amounts include amounts arising from acts resembling guarantees of ¥199 million for the fiscal year ended December 31, 2014 and ¥175 million for the fiscal year ended December 31, 2015.

Notes Regarding Consolidated Statements of Income

Research and development expenses included in selling, general and administrative expenses and manufacturing costs

	Millions of yen	
	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
	(January 1—December 31, 2014)	(January 1—December 31, 2015)
Research and development expenses	84,494	91,312

*¹ Loss associated with the Company's partial shift from a defined benefit pension plan to a defined contribution pension plan.

*² Amount recorded as an additional expense for income taxes related to transactions in previous years.

Segment Information

a. 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, industrial robots 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 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, 2014 (January 1, 2014 through December 31, 2014)

	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	977,580	276,367	142,204	38,942	1,435,094	86,113	1,521,207	—	1,521,207
Intersegment	—	—	—	—	—	32,258	32,258	(32,258)	—
Total	977,580	276,367	142,204	38,942	1,435,094	118,371	1,553,466	(32,258)	1,521,207
Segment income (Note 3)	22,917	45,771	6,521	5,027	80,238	7,011	87,249	0	87,249
Segment assets	822,055	241,119	145,405	27,257	1,235,838	74,202	1,310,040	—	1,310,040
Other items									
Depreciation (Note 4)	26,523	5,408	3,985	350	36,267	1,267	37,535	—	37,535
Investments in entities accounted for using equity method	23,092	1,813	615	—	25,521	4,823	30,345	—	30,345
Increase in property, plant and equipment, and intangible assets	41,378	11,449	6,170	709	59,707	6,163	65,871	—	65,871

Notes:

1. “Others” is a business segment not included in the reporting segments. It includes businesses involving the business of automobile engines, automobile components, electrically power assisted bicycles and industrial-use unmanned helicopters.
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, 2015 (January 1, 2015 through December 31, 2015)

	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	1,015,986	303,433	161,450	48,699	1,529,570	85,780	1,615,350	—	1,615,350
Intersegment	—	—	—	—	—	33,670	33,670	(33,670)	—
Total	1,015,986	303,433	161,450	48,699	1,529,570	119,450	1,649,021	(33,670)	1,615,350
Segment income (Note 3)	31,885	60,192	13,204	7,751	113,033	7,402	120,436	0	120,436
Segment assets	780,685	251,995	167,213	30,941	1,230,834	74,401	1,305,236	—	1,305,236
Other items									
Depreciation (Note 4)	30,853	6,108	5,424	458	42,844	1,368	44,213	—	44,213
Investments in entities accounted for using equity method	21,541	1,469	633	—	23,644	4,175	27,820	—	27,820
Increase in property, plant and equipment, and intangible assets	37,666	10,817	9,848	2,086	60,418	3,645	64,064	—	64,064

Notes:

1. "Others" is a business segment not included in the reporting segments. It includes businesses involving the business of automobile engines, automobile components, electrically power assisted bicycles and industrial-use unmanned helicopters.
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.

Reference Information

Geographical segment information

Fiscal year ended December 31, 2014 (January 1, 2014 through December 31, 2014)

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales:								
Outside customers	252,397	282,359	184,106	622,115	180,227	1,521,207	—	1,521,207
Intersegment	406,624	32,875	6,162	98,231	2,335	546,230	(546,230)	—
Total	659,022	315,235	190,269	720,347	182,563	2,067,437	(546,230)	1,521,207
Operating income (loss)	37,216	11,858	4,775	27,477	10,039	91,368	(4,118)	87,249

Notes:

- Geographical segments are groupings of nations and regions, primarily based on geographical proximity.
- Nations and regions included in segments outside Japan:
 - North America: U.S.A. and Canada
 - Europe: The Netherlands, France, Russia, Italy and Sweden
 - Asia: Indonesia, Vietnam, Taiwan, China, Singapore, Thailand and India
 - Others: Brazil, Australia, Colombia and Argentina

Fiscal year ended December 31, 2015 (January 1, 2015 through December 31, 2015)

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales:								
Outside customers	265,477	355,394	194,475	639,898	160,104	1,615,350	—	1,615,350
Intersegment	452,778	37,986	4,412	125,908	1,847	622,933	(622,933)	—
Total	718,256	393,381	198,888	765,807	161,951	2,238,284	(622,933)	1,615,350
Operating income (loss)	42,834	27,234	10,263	38,548	4,734	123,615	(3,178)	120,436

Notes:

- Geographical segments are groupings of nations and regions, primarily based on geographical proximity.
- Nations and regions included in segments outside Japan:
 - North America: U.S.A. and Canada
 - Europe: The Netherlands, France, Italy, Sweden and Russia
 - Asia: Indonesia, Taiwan, China, Vietnam, Singapore, India and Thailand
 - Others: Brazil, Australia, Colombia and Argentina

Per Share Information

	Fiscal year ended December 31, 2014 (January 1—December 31, 2014)	Fiscal year ended December 31, 2015 (January 1—December 31, 2015)
	Yen	Yen
Net assets per share	1,316.58	1,405.35
Net income per share — basic	196.06	171.89
Net income per share — diluted	196.04	171.88

Note 1. Net assets per share are calculated based on the following:

	As of December 31, 2014	As of December 31, 2015
Total net assets (Millions of yen)	503,224	531,700
Amount excluded from total net assets (Millions of yen)	43,508	40,922
Subscription rights to shares	33	11
Minority interests	43,474	40,910
Net assets attributable to common stock at end of period (Millions of yen)	459,716	490,778
Number of shares of common stock outstanding at end of period calculated under “Net assets per share” (Shares)	349,174,408	349,221,663

Note 2. Net income per share — basic and net income per share — diluted are calculated based on the following:

	Fiscal year ended December 31, 2014 (January 1—December 31, 2014)	Fiscal year ended December 31, 2015 (January 1—December 31, 2015)
Net income per share — basic:		
Net income (Millions of yen)	68,452	60,023
Amount not attributable to common stockholders (Millions of yen)	—	—
Net income attributable to common stock (Millions of yen)	68,452	60,023
Average number of shares outstanding during period (Shares)	349,148,101	349,205,722
Net income per share — diluted:		
Adjustment for net income (Millions of yen)	—	—
Increase in the number of shares of common stock (Shares)	31,293	22,715
Subscription rights to shares	31,293	22,715
Dilutive securities not calculated under “Net income per share — diluted” because they do not have dilutive effect:	—	—

Note 3. As mentioned in “Changes in Accounting Policies,” the Company applied Retirement Benefits Accounting Standard, following the transitional measure stipulated under Article No. 37 of Retirement Benefits Accounting Standard. As a result, net assets per share for the fiscal year ended December 31, 2015 increased ¥4.25. The impact of this change on net income per share — basic and in net income per share — diluted is negligible.

Significant Subsequent Events

None

5. Others

Personnel Changes related to the Office of Directors and Executive Officers

The executive transfers effective March 25, 2016 were officially announced on December 24, 2015.

For details, please see the Company's website: <http://global.yamaha-motor.com/news/>