

**Business Results for Third Quarter of Fiscal Year 2016**  
**Minutes for Analyst Briefing and Q&A**

**Overall**

**Progress towards the revised operating income announcement of 105.0 billion yen is said to be steady. We would like your comments regarding the situation per business segment.**

The positives have been motorcycles in Vietnam and the Philippines, which have generated income ahead of expectations. In addition, motorcycles in other ASEAN markets are also healthy. The negative is ROVs, for which retail growth has not met expectations.

Marine is extremely solid, with no major changes to report. Excluding foreign exchange effects, the developed markets motorcycle business was mostly as expected.

**You have said that in the Medium-term Management Plan you will focus increases on growth strategy expenses. Could you give us an update on your outlook from the next fiscal year onwards?**

We cannot disclose the exact details of our growth strategy expenses, but we are progressing research relating to automobiles and advanced technology. Regarding the outlook for research and development expenses, we are currently forecasting progress as planned.

**We would like to ask about your cash flow. Please tell us about the situations regarding each of working capital and sales finance etc.**

This year, we have been progressing inventory control not only in developed markets, but also in emerging markets, generating a large amount on a free cash flow basis. We will also progress aspects related to cash such as capital expenditure on schedule. Sales finance looks like it has decreased, but please understand that the effects of foreign exchange conversion have been high. We plan to gradually transition sales finance to a standalone operation. This is not a field in which results will appear quickly, and we want to take a long-term perspective to business operation.

**Developed Markets Motorcycle Business**

**Please tell us about production systems improvements in Europe. Recently, units have recovered to an extent, and new models have been a hit in the market. We have the impression that the appreciating yen is holding you back a little, but what measures are you planning in the future?**

To date, we have rationalized factories in Spain and Italy. Moving forward, we will change over the models being produced to those which suit Europe. Without going into details, we will make further progress, including models and production systems.

**Emerging Markets Motorcycle Business**

**Regarding Indonesia, you have maintained high profitability despite significant total demand decreases. We imagine that if volume recovers, income will increase further. Please tell us about your outlook for the next fiscal year onwards.**

As total demand is decreasing in Indonesia, we have become quite resilient, and we are taking measures to increase income. While we have expectations of total demand recovering, at this stage there is no prospect of improvement. Specifically, the conditions are still bearish, particularly in the outer island areas such as Sumatra, Kalimantan and Central Java, and we believe that we should monitor the situation a little longer.

**We would like an update about the market environment and your profitability situation etc. in India.**

Total demand in India has been a little becalmed for the last two to three years, but this year has resumed a gentle upward path. This year we are forecasting total demand of 17.5 to 18 million units, and given the current strength of the Indian economy, we anticipate that the market will expand to approximately 20 million units by around 2020. Given such an environment, we are also increasing our units sold. Our sales plan this year is for more than 800,000 units, but next year I would like to aim for over one million units. The Chennai plant is already operating stably. This is a market with extremely high future growth prospects, and we are planning on focusing our energies on model line-up expansion. Income is still low, but we believe that the business will enter the stage of gradually contributing to the income of the company overall from the next fiscal year onwards.

**Please tell us about the background of market expansion and profitability improvements in Vietnam and the Philippines, and future sustainability.**

Vietnam had been decreasing since around 2012 due to the impact of economic conditions, but it is rising again. Moreover, while the market has previously been focused on low-priced mopeds, higher-priced scooters and sports-type models are gradually becoming more popular. In the Philippines, total demand is increasing thanks to the strong economic conditions, and we are steadily expanding our market share even above that. We are expanding with a focus on high-margin scooters, and looking at just the scooter market, we have a market share of 70%. We believe that good conditions will continue for the time being in these two markets.

**Power Products**

**Please describe the background to the weakness in the ROV market. Moreover, is the recall by Polaris not a golden opportunity for sales by Yamaha Motor? Please tell us about your outlook for the market in the next fiscal year, including Yamaha Motor's market share.**

The growth rate in total demand has slowed as we moved into the first, second, and third quarters. We are working on inventory optimization for the *YXZ1000R*, for which we initially had high expectations, but market movement is a little sluggish, and inventory optimization has taken a little time. In terms of total demand from the next fiscal year onwards, we are currently discussing whether to see it as almost the same as this year, or a little less. We do not think that we can anticipate dramatic improvement in the next fiscal year.