2016-2018 New Medium-term Management Plan  Q&A Session

(Overall: Growth strategy)
With regard to growth strategy, which areas should receive priority in terms of resource investment for both capital expenditure and research and development costs?

For research and development we will invest in "the growing world of personal mobility" and "Foundational technology development". Investment being considered for "The growing world of personal mobility" will include the C4W (compact four-wheeler), LMW, EV and other models while "Foundational technology development" investment will be in line with the intelligent product types like what was recently introduced at the Tokyo Motor Show. Eventually we want this to lead to advanced safety technology and rider support.

(Overall: Financial strategy)
Can we have a look at the dividend payout ratio? Although the target is 30% up to 2018, will it be 30% from 2016 or will it be based on an average over the 3 year period?

Conventionally, there has been a policy of setting a lower limit of 20% until a more stable financial situation is achieved, but with this medium-term plan, that is not the case and a target of 30% has been set much earlier.

(Overall: Finance Department)
With regard to expanding the sales finance business, can you give us a general picture on areas such as profitability and risk management?

Originally the sales finance business was started with the goal of supporting sales growth further in developed markets as well as in the ASEAN region and India, predominantly for motorcycles. In 2015 ROA has been at the 3% level, which we'll look to maintain while expanding the business. In the future we will be looking to target an ROA of 5%.

(Motorcycle Business)
1. Regarding the profitability of motorcycles in developed markets, we get the impression there has been steady improvement, what measures are being considered for further enhancement of profitability?

Structural reforms have been implemented after the Global Financial Crisis with the reduction of domestic plants from twelve plants to six, and in Europe we have consolidated four plants into two plants. In addition, we have been consolidating sales companies in Europe as part of reforming the sales system. Compared to 2007, the overall market scale has shrunk so it is difficult to compare with actual figures for current profitability. In the future, we are definitely looking to further advance the effects of structural reform with this medium-term plan.

2. The operating profit ratio is slightly under 3.3% for motorcycles in developed markets. I've heard that "harvesting" has been a theme up to this point but what kinds of initiatives are being considered now?

When looking at the scale of business, 3.3% is low for profitability in developed markets. Ideally we should be at the 5% level at least. Also in terms of options for raising profitability, we have to consider implementing measures that are structurally different.

3. When looking back on the last three years, we've seen a lot of unique, strong products such as the MT series and R series that competitors are not producing. I would like you to give us an overview of the evaluation of these products and also about product planning for the coming three years.

I think that things have gone to plan in the last three years. In terms of timing, each model was introduced at a point where business confidence in developed markets was beginning to bottom out.
With regards to the next three years, I have talked about the five ideals that make up our Monozukuri philosophy. It just wouldn't be Yamaha without "GEN". Styling is also one of Yamaha's core values which I would like to have incorporated into our products.

In terms of our platform, we have basically attained our first stage by 2015 which we would like to continue to mature over the coming three years, producing products that realize our ideals of "GEN" and "Play & Sure". From 2018 we will move on to stage two. The Monozukuri policy has almost been fully implemented.

4. **Within the major regional strategies for motorcycles in developing countries with an increase in operating income of 30 billion yen over the past three years, I would like to know about the profit standards for markets with the highest rate of change such as ASEAN and India. I also hear that exports out of Indonesia are on the increase currently. Could you give us an overview of the export strategy for this market?**

I think Indonesia gains around half of its profit from exports. Indonesia’s profitability is not just about scale, but also includes factors such as focusing on increasing high value added products through sports models and cost reductions. For the expansion of exports of global models, we will take a further step in expansion from this point.

**Marine Products Business**

Plans are for sales growth at about 4% per annum, with flat profit margins. With regards to the progression to larger models of outboard motors and expansion of peripheral equipment, I would like to learn about the upcoming perspectives of the marine products business.

For outboard motors we already have a large share at 40%. The situation is the same for water vehicles. Rather than requiring a continuation of strong growth, we would like to maintain the current high-profit structure.

**Power Products Business**

I would like to know more details of the sales strategy for the potential growth driver, ROV.

Currently we have 4 models in comparison to the 24 models that are produced by our competitors in North America. We analyze what our customers actually want and introduce products on that basis. In particular we combine all of the required factors to produce an effective model. We are considering producing one model with a combination of technologies and continue expanding with variations within six months.