Business Results for Full Fiscal Year Ended December 31, 2016
Minutes for Analyst Briefing and Q&A

Overall

In terms of the progress of the Medium-term Management Plan, we would like you to clarify areas that require revisions as well as areas which have responded to external environmental changes.

The Medium-term Management Plan started in 2016, and there were changes in two premises. The first change is the gap in the exchange rate, and the second is the unit number premise. Indonesia did not reach our expected recovery in demand, but in Vietnam and India the market remained steady as originally expected. Although we have not been able achieve the income plan - if we incorporate currency effects - we can see we have moved according to plan, if there had been no exchange effects. While sales in Indonesia are not growing, I would like to concentrate on business based on market trends. Currently, as all measures indicated in the Medium-term Management Plan have been put into practice, we are not looking to review the plan.

Regarding a U.S. border adjustment tax by the Trump Administration, you are currently exporting large outboard motors from Japan, however we would like to know what kind of countermeasures are being considered for each business such as motorcycles and marine.

We are analyzing the impact on our business segments (motorcycle, marine, and Power Products), but we anticipate that U.S. domestic markets will be revitalized due to tax cuts, increased employment, and various deregulation initiatives. Regarding the motorcycle business, we have experience from the time of the Reagan Administration, when some of our competitors fell into difficulties, but now as businesses are much more stable, the possibility that we will be affected by political reform this time is considered low. For the marine business, in addition to the fact that the competitors' business is stable, the possibility is also low as they are producing certain quantities outside the United States. Although President Trump has the impression that his statements are being steadily implemented, we believe even if such a border adjustment tax is introduced, the products we deal with will be the last to be affected.

In terms of our growth strategy expenses, we would like to ask about the progress on the Medium-term Management Plan, and about plans for its future use.

The actual result is 61.3 billion yen against the investment plan of 64 billion yen last year. The plan for this fiscal year is nearly 60 billion yen. The growth strategy takes the axes of cost and investment into consideration, and we are considering a growth strategy with costs of 70 billion yen and investment of 60 billion yen over three-year Medium-term Management Plan. Regarding the expenses for our growth strategies, we planned 10 billion yen for the last fiscal year, with 12 billion yen allocated for this year. For investment, cash flow improved considerably last year. We expect cash flow to be positive including dividend payments for this year as well. Using that positive as a base, we intend to make proactive investments and advance our plan.

Developed Markets Motorcycle Business Segment

The North American motorcycles business implemented inventory adjustment in 2016, but we would like to know more about the background to the stagnating shipment estimates for 2017.

As you pointed out, we made a normalization through inventory adjustments in 2016, and in 2017 we wanted to exceed the 80,000 units we sold in 2015, but there are differences in the progress depending on the models. Off-road vehicles such as dirt and competition models, and sports bikes including the MT series which are also hits in Europe will start to see sales increases from this year. However, among the models that had inventory adjustments, stocks of some models of cruisers are slightly higher, and production adjustments are planned accordingly. Together, these plans are in line with last year.

Emerging Markets Motorcycle Business Segment

We would like to ask about strategies for platform and global models from Indonesian production in 2016 and 2017.

We expect the high price range including the global models from Indonesian production to increase, and we hope that the degree of contribution to earnings will be further increased, such as the *X MAX* - with its 300cc displacement- being introduced to the market.

We would like to hear about which countries and what kind of products you believe will grow in the motorcycle business in emerging markets for 2017, especially in Asia.

ASEAN is becoming a pillar for earnings. Between 2015 and 2016, the profitability improved significantly through the effects of platform models etc. This year, we aim to further increase sales in Indonesia, Thailand, Vietnam, and the Philippines in order to increase profitability. There is also a sense of expectation that the total demand in Indonesia will soon bottom out. Vietnam and the Philippines were very strong in 2016, especially in the Philippines where the operating income ratio per unit was higher than Vietnam. Characteristically, our share in the scooter market has been growing as the shift in demand to scooters has begun, therefore we can expect the Philippines this year to continue this trend.

Marine Products Business

The boat show season appears to be starting, but we would like to hear about your impressions of the response to this season. I would also like to talk about the effects of high stock prices and the beginning of the Trump Administration.

Even sales in North America this January have shown a significant increase in larger outboard motors, with the marine business continuing to be healthy overall. We have made the Miami International Boat Show one barometer to measure the market situation of the marine business, and have seen the number of visitors increase to 100,000 in recent years, of which we anticipate a further increase in the number of visitors this year as well.

Power Products

The Power Products business is declining in income overall. There was a mention that ROV will undergo inventory adjustments, but please explain about the current level of inventory, and how long it will take to adjust.

Distribution stock in North America at the end of 2015 was about 13,000 units. By the end of last year, it had increased to about 16,000 units. Currently we are making production adjustments, and we will bring it to below 10,000 units by the end of this year. If it reaches that level it will meet the standard, and we hope to conclude inventory adjustment in 2017. During this period, we will use expenses by stock clearance and decreasing factory operations, which will lead to a decrease in income. In addition to this, some of our current models have lost some of their competitive edge as a result of the model cycles. As the new platform incorporates both product functionality and cost benefits, I would like you to understand that normalization and business recovery will start from 2018 when almost all products have been replaced.