

Business Results for the Fiscal Year Ended December 31, 2016

(January 1, 2016 through December 31, 2016)

(Japanese GAAP)

February 9, 2017

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:

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

Contact:

Takahiko Matsushita, General Manager, Finance & Accounting Division
Phone: +81-538-32-1103

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

March 23, 2017

Beginning of payment of dividends (scheduled):

March 24, 2017

Filing of securities report (scheduled):

March 24, 2017

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, 2016

(January 1, 2016 through December 31, 2016)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2016	1,502,834	(7.9)	108,594	(16.7)	102,073	(18.5)	63,153	5.2
Fiscal year ended December 31, 2015	1,631,158	–	130,329	–	125,231	28.7	60,023	(12.3)

Notes: 1. Comprehensive income

Fiscal year ended December 31, 2016: ¥72,057 million [41.1%]

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

2. Year-on-year changes of net sales and operating income for the fiscal year ended December 31, 2015 are not presented since income and expenses related to sales finance were reclassified, as described in “(5) Notes to Consolidated Financial Statements, (Changes in Presentation Methods)” under “4. Consolidated Financial Statements” on page 27 of the Attachment.

	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, 2016	180.84	180.83	12.3	7.8	7.2
Fiscal year ended December 31, 2015	171.89	171.88	12.6	9.6	8.0

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

Fiscal year ended December 31, 2016: ¥781 million

Fiscal year ended December 31, 2015: ¥1,672 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, 2016	1,318,776	575,404	40.5	1,529.53
As of December 31, 2015	1,305,236	531,700	37.6	1,405.35

Reference: Shareholders' equity

As of December 31, 2016: ¥534,166 million

As of December 31, 2015: ¥490,778 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, 2016	143,163	(46,541)	(67,627)	135,527
Fiscal year ended December 31, 2015	28,475	(68,475)	6,845	107,622

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, 2015	—	22.00	—	22.00	44.00	15,367	25.6	3.2
Fiscal year ended December 31, 2016	—	30.00	—	30.00	60.00	20,956	33.2	4.1
Fiscal year ending December 31, 2017 (forecast)	—	32.50	—	32.50	65.00		30.3	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2017

(January 1, 2017 through December 31, 2017)

*% represents year-on-year rate.

	Net sales		Operating income		Ordinary income		Profit 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, 2016	1,600,000	6.5	120,000	10.5	120,000	17.6	75,000	18.8	214.76

(*Notes)

- (1) Changes in significant subsidiaries during period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (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 25 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, 2016	349,914,284 shares	Fiscal year ended December 31, 2015	349,898,284 shares
2) Number of shares of treasury shares at end of period	Fiscal year ended December 31, 2016	679,162 shares	Fiscal year ended December 31, 2015	676,621 shares
3) Average number of shares during period	Fiscal year ended December 31, 2016	349,230,121 shares	Fiscal year ended December 31, 2015	349,205,722 shares

(*Notice regarding review 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 81st Securities Report (filed on March 28, 2016).

For the results forecast, please refer to page 10 of the Attachment, “Forecast for the fiscal year ending December 31, 2017 (January 1, 2017 through December 31, 2017)” in “(1) 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.

Thursday, February 9, 2017: 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, 2015 (January 1—December 31, 2015)			Fiscal year ended December 31, 2016 (January 1—December 31, 2016)		
	Volume	Amount	%	Volume	Amount	%
Net sales:						
Japan	—	166,017	10.2	—	164,233	10.9
Overseas:						
North America	—	372,703	22.8	—	336,462	22.4
Europe	—	202,593	12.4	—	198,915	13.2
Asia	—	677,546	41.5	—	626,745	41.7
Others	—	212,298	13.1	—	176,477	11.8
Subtotal	—	1,465,141	89.8	—	1,338,601	89.1
Total	—	1,631,158	100.0	—	1,502,834	100.0
Motorcycles:						
Japan	110	46,289	4.5	110	47,000	5.1
Overseas:						
North America	89	72,289	7.0	77	55,894	6.0
Europe	209	136,185	13.2	208	127,868	13.7
Asia	4,286	628,705	60.9	4,307	579,594	62.3
Others	524	149,092	14.4	452	119,754	12.9
Subtotal	5,108	986,271	95.5	5,044	883,112	94.9
Total	5,218	1,032,560	63.3	5,154	930,112	61.9
Marine products:						
Japan	—	26,607	8.6	—	28,484	9.6
Overseas:						
North America	—	180,691	58.4	—	172,236	57.9
Europe	—	39,187	12.7	—	40,804	13.7
Asia	—	18,696	6.0	—	17,022	5.7
Others	—	44,155	14.3	—	38,668	13.1
Subtotal	—	282,730	91.4	—	268,731	90.4
Total	—	309,337	19.0	—	297,216	19.8
Power products:						
Japan	—	15,586	9.2	—	14,339	9.4
Overseas:						
North America	—	116,939	69.0	—	104,642	68.7
Europe	—	17,456	10.3	—	16,365	10.7
Asia	—	5,931	3.5	—	5,118	3.4
Others	—	13,581	8.0	—	11,845	7.8
Subtotal	—	153,909	90.8	—	137,971	90.6
Total	—	169,495	10.4	—	152,310	10.1
Industrial machinery and robots:						
Japan	—	17,686	38.0	—	15,979	34.1
Overseas:						
North America	—	2,661	5.7	—	3,469	7.4
Europe	—	4,463	9.6	—	5,306	11.3
Asia	—	20,877	44.9	—	20,481	43.7
Others	—	811	1.8	—	1,634	3.5
Subtotal	—	28,814	62.0	—	30,891	65.9
Total	—	46,501	2.9	—	46,871	3.1
Others:						
Japan	—	59,847	81.7	—	58,429	76.6
Overseas:						
North America	—	120	0.2	—	219	0.3
Europe	—	5,301	7.2	—	8,571	11.2
Asia	—	3,336	4.6	—	4,528	5.9
Others	—	4,657	6.3	—	4,573	6.0
Subtotal	—	13,415	18.3	—	17,893	23.4
Total	—	73,262	4.4	—	76,322	5.1

Note: The method of presentation has been changed from the fiscal year ended December 31, 2016 as described in “4. Items related to changes in reporting segments, etc.” under “Segment Information” on page 31 of the Attachment. Net sales by segment for the fiscal year ended December 31, 2015 have been presented based on the method after the change.

The following analysis of the Group's operating results, financial position, and cash flows are based on the consolidated financial statements for the fiscal year ended December 31, 2015 after reclassification as described in "Changes in Presenting Methods" in "(5) Notes to Consolidated Financial Statements," under "4. Consolidated Financial Statements." on page 26.

(1) Operating Results

During the fiscal year ended December 31, 2016 (fiscal 2016), the global economy saw a spate of transformations from conventional systems and frameworks, including the U.K.'s decision to leave the E.U. and anti-globalization following the U.S. presidential election. In Japan, corporate earnings, employment and personal income conditions improved against a backdrop of government economic policy and the monetary easing policy of the Bank of Japan, but a sense of stagnation remained with regard to escape from deflation and economic growth.

In terms of the Company's major markets, a sense of economic stability generally continued in the developed markets. Meanwhile, in the emerging markets, the situation differed in each country. The economy recovered in ASEAN countries excluding Indonesia, and India achieved favorable growth. However, economic recovery was stagnant in Indonesia, and the economy was sluggish in China and Brazil.

Against this backdrop, the Company's consolidated net sales for the fiscal year under review declined ¥128.3 billion, or 7.9%, year on year, to ¥1,502.8 billion, and operating income declined ¥21.7 billion, or 16.7%, to ¥108.6 billion. Ordinary income declined ¥23.2 billion, or 18.5%, to ¥102.1 billion, and profit attributable to owners of parent rose ¥3.1 billion, or 5.2%, to ¥63.2 billion. Exchange rates for the fiscal year were ¥109 to the U.S. dollar (an appreciation of ¥12, year on year) and ¥120 to the euro (an appreciation of ¥14).

Factors affecting operating income from the previous year include an increase of ¥36.5 billion due to improved profitability, including increased sales of high-price products and cost reductions using development methods for platform and global models, etc. and manufacturing methods such as theoretical-value-based production, a decrease of ¥43.8 billion due to the effects of exchange rates and a decrease of ¥14.4 billion due to increased expenses. In addition to the progress of yen appreciation against the U.S. dollar and the euro, the yen appreciation has also progressed against the currencies of emerging countries including Indonesia, Brazil and India. Excluding the effects of exchange rates, net sales rose ¥29.3 billion, or 1.8%, year on year, and operating income rose ¥22.1 billion, or 16.9%.

In terms of financial position, the ratio of net income attributable to owners of the parent to net sales was 4.2% (a year on year increase of 0.5%), total asset turnover was 1.15 (a year on year decline of 0.1) while the Company expanded the financial business, and shareholders' equity was ¥534.2 billion (an increase of ¥43.4 billion compared with the end of the previous fiscal year), exceeding levels recorded prior to the 2008 global financial crisis. As a result, ROE was 12.3% (a year on year decline of 0.3%). In addition, free cash flow (including sales finance) improved significantly at positive ¥96.6 billion (a year on year increase of ¥136.6 billion), owing mainly to the results of more efficient working capital and reviews of normal investments.

Operating results by segment

[Motorcycles]

Net sales declined ¥102.4 billion, or 9.9%, year on year, to ¥930.1 billion, and operating income declined ¥3.2 billion, or 8.1%, year on year, to ¥36.0 billion.

Unit sales increased in countries such as India, Vietnam, and the Philippines, remained at the same level as the previous year in developed markets, and declined in countries such as Indonesia, China and Brazil. Net sales declined in the business as a whole owing to the impact of exchange rates. Operating income rose in emerging markets due to increased sales of high price products and the effects of cost reductions, fell in developed markets due to the effects of exchange rates, and declined in the business as a whole.

In developed markets, the Company is implementing initiatives focusing on inventory reduction, the financial business, and further structural reforms. In addition, amid a robust market in India, the Company continues to make efforts to proactively increase sales and at the same time lower the break-even point. While sluggish economic conditions continue in Brazil and China, the Company strives for further structural reforms.

[Marine products]

Net sales declined ¥12.1 billion, or 3.9%, year on year, to ¥297.2 billion, and operating income declined ¥8.6 billion, or 13.4%, to ¥55.4 billion.

Unit sales of outboard motors expanded in North America and Europe, where sales are centered on large models. Although sales and profits declined due to the effects of exchange rates in the business as a whole, a high earnings structure with an operating income ratio of 19% was maintained. For the future, the Company is creating a business model aimed at becoming a system supplier.

[Power products]

Net sales declined ¥17.2 billion, or 10.1%, year on year, to ¥152.3 billion, and operating income declined ¥11.5 billion, or 71.8%, to ¥4.5 billion.

ROV retail units sold increased, but the number of units produced and sold declined in line with inventory adjustments. Increased expenses as a result and the effects of exchange rates led to a decline in sales and profits in the business as a whole. For the fiscal year ending December 31, 2017, the Company will bring new platform models to market, while swiftly realizing business normalization.

[Industrial machinery and robots]

Net sales rose ¥0.4 billion, or 0.8%, year on year, to ¥46.9 billion, and operating income rose ¥0.3 billion, or 4.2%, to ¥7.5 billion.

While the unit sales of surface mounters decreased owing to sluggish economic conditions in China, increased sales of high-value-added products, etc. led sales and profits to increase. An operating income ratio of 16% was achieved, and the Company's high earnings structure has further progressed. The Company is broadening its customer base in the next-generation solutions business, including high speed and multi-feature surface mounters and integrated control robot systems.

[Others]

Net sales rose ¥3.1 billion, or 4.2%, year on year, to ¥76.3 billion, and operating income rose ¥1.2 billion, or 30.1%, to ¥5.2 billion.

In electrically power assisted bicycles, exports of the E-kit (drive unit for electrically power assisted bicycles) to Europe and sales of finished units in Japan grew. As a result, sales and profits increased for the other products business overall. In global markets, the Company is further broadening its customer base.

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

(Reference Information)

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

[Japan]

Net sales in Japan declined ¥45.1 billion, or 6.3% to ¥673.2 billion, and operating income declined ¥13.5 billion, or 31.5%, to ¥29.3 billion.

Unit sales of electrically power assisted bicycles and other items increased, but motorcycle shipments to North America and unit sales of surface mounters and other items decreased. In addition, unit sales of motorcycles in Japan remained flat versus the previous year.

[North America]

Net sales in North America declined ¥44.3 billion, or 10.8%, year on year, to ¥364.8 billion, and operating income declined ¥20.9 billion, or 56.7%, to ¥16.0 billion.

Unit sales of outboard motors rose, however, unit sales of motorcycles decreased due to the effect of planned distribution inventory reduction.

[Europe]

Net sales in Europe declined ¥7.0 billion, or 3.5%, year on year, to ¥191.9 billion, and operating income rose ¥0.9 billion, or 8.4%, to ¥11.1 billion.

Unit sales of motorcycles remained the same level as the previous year. Unit sales of outboard motors and snowmobiles decreased mainly in Russia.

[Asia]

Net sales in Asia (excluding Japan) declined ¥73.8 billion, or 9.6%, year on year, to ¥692.0 billion, while operating income rose ¥8.0 billion, or 20.8%, to ¥46.6 billion.

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

[Others]

Net sales in other areas declined ¥29.4 billion, or 18.2%, year on year, to ¥132.6 billion, and operating income rose ¥0.7 billion, or 14.9%, to ¥5.6 billion.

Unit sales of motorcycles decreased in Brazil and other markets.

Forecast for the fiscal year ending December 31, 2017

(January 1, 2017 through December 31, 2017)

In the fiscal year ending December 31, 2017, the Company expects market conditions and business environment continue to be similar to those of the previous fiscal year. Under these conditions, the Company plans to maintain stable profits while steadily implementing medium-term initiatives. Consolidated financial results forecast is as follows.

	Billions of yen
Net sales	1,600.0 (+97.2, 6.5%)
Operating income	120.0 (+11.4, 10.5%)
Ordinary income	120.0 (+17.9, 17.6%)
Profit attributable to owners of parent	75.0 (+11.8, 18.8%)

Note: The figures in parentheses indicate amount and percentage changes from the fiscal year ended December 31, 2016.

The forecast is based on the assumption that the exchange rates are ¥110 against the U.S. dollar (a depreciation of ¥1 from the previous fiscal year) and ¥115 against the euro (an appreciation of ¥5 from the previous fiscal year).

[Potential risks and uncertainties regarding the forecast for the fiscal year ending December 31, 2017]

The forecast for the fiscal year ending December 31, 2017 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 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 81st Securities Report (filed on March 28, 2016).

(2) Financial Position

Overview of assets, liabilities and net assets

Total assets as of December 31, 2016, increased ¥13.5 billion, from December 31, 2015, to ¥1,318.8 billion. Current assets fell ¥5.6 billion, due to a decrease in inventories and other factors. Non-current assets increased ¥19.1 billion as a result of factors including an increase in property, plant and equipment.

Total liabilities decreased ¥30.2 billion, to ¥743.4 billion, mainly from the repayment of interest-bearing debt.

Total net assets increased ¥43.7 billion, to ¥575.4 billion, which included the recording of ¥63.2 billion of profit attributable to owners of parent, ¥18.2 billion of cash dividends paid, and a change in foreign currency translation adjustments of ¥7.6 billion. As a result, the shareholders' equity ratio as of December 31, 2016 was 40.5% (an improvement of 2.9 percentage points from the end of the previous fiscal year). The net debt-equity ratio was 0.4 times, compared with 0.6 times 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 under review was ¥143.2 billion (¥28.5 billion in net cash provided in the previous fiscal year). This mainly reflected ¥99.7 billion in profit before income taxes (¥122.6 billion), ¥42.4 billion in depreciation (¥44.3 billion) and a decline in working capital of ¥9.8 billion (an increase of ¥38.8 billion) due mainly to decreases in inventories.

[Cash flows from investing activities]

Net cash used in investing activities during the fiscal year under review was ¥46.5 billion (¥68.5 billion in net cash used in the previous fiscal year), primarily reflecting ¥50.4 billion used for purchase of property, plant and equipment and intangible assets (¥67.5 billion).

[Cash flows from financing activities]

Net cash used in financing activities during the fiscal year under review was ¥67.6 billion (¥6.8 billion in net cash provided in the previous fiscal year), primarily for the repayment of loans payable and for cash dividends paid.

As a result of the activities discussed above, free cash flow for the fiscal year under review was positive ¥96.6 billion (negative ¥40.0 billion for the previous fiscal year), and interest-bearing debt at the end of the fiscal year under review was ¥364.4 billion (a decrease of ¥45.8 billion from the end of the previous fiscal year) and cash and cash equivalents totaled ¥135.5 billion (an increase of ¥27.9 billion from the end of the previous fiscal year). Interest-bearing debt includes ¥214.6 billion in borrowings for sales finance (an increase of ¥12.2 billion).

(Reference) Trends in cash flow and related indexes

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Shareholders' equity ratio (%)	32.0	33.5	35.1	37.6	40.5
Shareholders' equity ratio at market value (%)	34.4	48.0	65.1	73.4	68.2
Ratio of interest-bearing debt to cash flows (%)	—	571.7	431.2	1,440.4	254.5
Interest coverage ratio	—	9.6	11.1	5.0	29.5

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, 2016 and Ending December 31, 2017

In the current Medium-term Plan, the Company seeks to “create a stable financial foundation, and increase new growth investment and stock dividends,” and sets the benchmark at dividend payout ratio of 30% of profit 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 ¥30 per share at the 82nd Ordinary General Meeting of Shareholders, scheduled for March 23, 2017. Together with the interim dividend (¥30 per share), this will result in a full-year dividend of ¥60 per share. The Company intends to pay a full-year dividend of ¥65 per share (interim dividend of ¥32.50; year-end dividend of ¥32.50) for the fiscal year ending December 31, 2017 based on the forecast of consolidated financial results.

2. Management Policies

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

The Company is making efforts in line with the Medium-term Plan (2016-2018) with a long-term vision of becoming “a unique company that continues to achieve dynamic milestones.” These three years are the phase where we boost our corporate strength and foster the preparation for further increase of corporate strength.

In the second year of the plan, 2017, the Company endeavors to continuously secure stable profits and invest for the future growth and increase returns to shareholders.

Initiatives to increase “corporate strength”

■ Enhancing brand value

We will pass on the spirit and passion of “Revs your Heart – deliver exceptional value and experiences that enrich the lives of everyone who comes across Yamaha,” and strives for the refining of Yamaha’s brand value.

■ Enhancing the earnings power

The Company will implement initiatives to enhance management efficiency and improve profitability in all businesses, and aims to secure stable profits even amid uncertain business conditions.

■ Increasing financial strength

While targeting ROE of roughly 15%, the Company aims to further improve cash flows, including enhancing the efficiency of working capital and reviewing normal investments. In addition, the Company will also continuously focus on the financial business, in order to promote and support sales in existing businesses.

■ Increasing product competitiveness

While developing proprietary development methods such as platform development and global models, the Company will bring to market unique products that incorporate the unique style of the Yamaha brand: 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). The Company brought 80 new models to market in 2016, and plans to release 110 models in 2017.

■ Pursuing growth strategies

During the three years of the current Medium-term Plan, the Company will focus on seeking new business opportunities and foundational technology development, with a framework of ¥60.0 billion for investment for growth and ¥70.0 billion for research and development expenses.

■ Creating an organization and human resources

While aiming to shape human resources and an organization that embody the Yamaha brand, the Company will focus mainly on global personnel development, vitalization of the organization and promotion of both diversity and women’s participation.

■ Harmony with stakeholders, local communities and society, and the environment

The Company will achieve growth by fulfilling its responsibilities in harmony with customers, shareholders and investors, employees, business partners, and other stakeholders, local communities, societies, and the environment. The Company will work on more constructive dialogue with stakeholders, while appropriately implementing the corporate governance policy announced in 2016.

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, 2015 and 2016

	Millions of yen	
	As of December 31, 2015	As of December 31, 2016
ASSETS		
Current assets:		
Cash and deposits	107,617	135,525
Notes and accounts receivable – trade	153,892	145,698
Short-term sales finance receivables	166,265	157,581
Merchandise and finished goods	202,066	188,032
Work in process	54,075	52,694
Raw materials and supplies	54,627	53,563
Deferred tax assets	27,793	30,524
Other	45,638	42,471
Allowance for doubtful accounts	(11,482)	(11,147)
Total current assets	800,494	794,943
Non-current assets:		
Property, plant and equipment		
Buildings and structures, net	99,785	102,377
Machinery, equipment and vehicles, net	106,362	104,723
Land	84,306	84,936
Construction in progress	24,674	31,656
Other, net	25,946	26,974
Total property, plant and equipment	341,075	350,668
Intangible assets	7,518	8,658
Investments and other assets		
Investment securities	86,378	87,884
Long-term loans receivable	958	1,075
Long-term sales finance receivables	50,436	57,034
Deferred tax assets	12,362	12,516
Other	7,345	7,897
Allowance for doubtful accounts	(1,334)	(1,901)
Total investments and other assets	156,148	164,506
Total non-current assets	504,741	523,833
Total assets	1,305,236	1,318,776

	Millions of yen	
	As of December 31, 2015	As of December 31, 2016
LIABILITIES		
Current liabilities:		
Notes and accounts payable – trade	113,107	113,036
Electronically recorded obligations – operating	31,980	30,753
Short-term loans payable	220,692	128,517
Current portion of long-term loans payable	39,160	53,904
Income taxes payable	8,571	8,165
Provision for bonuses	11,542	12,971
Provision for product warranties	20,440	22,905
Other provision	1,426	1,466
Other	93,697	102,900
Total current liabilities	540,620	474,621
Non-current liabilities:		
Long-term loans payable	150,295	181,960
Deferred tax liabilities for land revaluation	5,521	5,241
Net defined benefit liability	55,215	55,404
Other provision	434	754
Other	21,448	25,389
Total non-current liabilities	232,915	268,750
Total liabilities	773,535	743,371
NET ASSETS		
Shareholders' equity:		
Capital stock	85,782	85,797
Capital surplus	74,698	74,712
Retained earnings	390,559	434,361
Treasury shares	(709)	(714)
Total shareholders' equity	550,331	594,157
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	23,948	28,945
Revaluation reserve for land	11,490	11,769
Foreign currency translation adjustment	(85,971)	(93,530)
Remeasurements of defined benefit plans	(9,019)	(7,174)
Total accumulated other comprehensive income	(59,552)	(59,990)
Subscription rights to shares	11	–
Non-controlling interests	40,910	41,238
Total net assets	531,700	575,404
Total liabilities and net assets	1,305,236	1,318,776

**(2) Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
Fiscal years ended December 31, 2015 and 2016
Consolidated Statements of Income

	Millions of yen	
	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)	Fiscal year ended December 31, 2016 (January 1— December 31, 2016)
Net sales	1,631,158	1,502,834
Cost of sales	1,194,633	1,100,173
Gross profit	436,525	402,660
Selling, general and administrative expenses	306,196	294,065
Operating income	130,329	108,594
Non-operating income:		
Interest income	4,707	4,262
Dividend income	942	1,007
Share of profit of entities accounted for using equity method	1,672	781
Other	6,212	4,865
Total non-operating income	13,534	10,917
Non-operating expenses:		
Interest expenses	5,666	4,644
Foreign exchange losses	9,243	8,275
Other	3,722	4,519
Total non-operating expenses	18,632	17,439
Ordinary income	125,231	102,073
Extraordinary income:		
Gain on sales of non-current assets	479	324
Gain on reversal of subscription rights to shares	1	4
Other	35	—
Total extraordinary income	516	328
Extraordinary losses:		
Loss on sales of non-current assets	1,325	220
Loss on disposal of non-current assets	1,144	1,019
Impairment loss	315	1,431
Loss on revision of retirement benefit plan	*1 353	—
Other	8	—
Total extraordinary losses	3,148	2,671

	Millions of yen	
	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)	Fiscal year ended December 31, 2016 (January 1— December 31, 2016)
Profit before income taxes	122,599	99,730
Income taxes – current	34,409	28,823
Income taxes for prior periods	*2 36,793	–
Income taxes – deferred	(17,033)	(3,312)
Total income taxes	54,169	25,510
Profit	68,429	74,220
Profit attributable to non-controlling interests	8,406	11,066
Profit attributable to owners of parent	60,023	63,153

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)	Fiscal year ended December 31, 2016 (January 1— December 31, 2016)
Profit	68,429	74,220
Other comprehensive income:		
Valuation difference on available-for-sale securities	8,928	5,001
Revaluation reserve for land	559	279
Foreign currency translation adjustment	(29,954)	(7,414)
Remeasurements of defined benefit plans, net of tax	4,905	1,680
Share of other comprehensive income of entities accounted for using equity method	(1,796)	(1,709)
Total other comprehensive income	(17,356)	(2,162)
Comprehensive income:	51,073	72,057
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,023	61,846
Comprehensive income attributable to non-controlling interests	5,049	10,211

(3) Consolidated Statements of Changes in Equity

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

	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)
Profit attributable to owners of parent			60,023		60,023
Increase in consolidated subsidiaries			(643)		(643)
Increase in affiliates accounted for by the equity method					—
Decrease in affiliates accounted for by the equity method					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
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	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	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)
Profit attributable to owners of parent								60,023
Increase in consolidated subsidiaries								(643)
Increase in affiliates accounted for by the equity method								—
Decrease in affiliates accounted for by the equity method								—
Change in treasury shares of parent arising from transactions with non-controlling shareholders								—
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

Fiscal year ended December 31, 2016 (January 1—December 31, 2016)

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	85,782	74,698	390,559	(709)	550,331
Cumulative effects of changes in accounting policies					—
Restated balance	85,782	74,698	390,559	(709)	550,331
Changes of items during period					
Issuance of new shares	14	14			29
Reversal of revaluation reserve for land			0		0
Dividends of surplus			(18,162)		(18,162)
Profit attributable to owners of parent			63,153		63,153
Increase in consolidated subsidiaries			(198)		(198)
Increase in affiliates accounted for by the equity method			(266)		(266)
Decrease in affiliates accounted for by the equity method			(724)		(724)
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		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	14	14	43,802	(5)	43,826
Balance at end of current period	85,797	74,712	434,361	(714)	594,157

	Millions of yen							
	Other accumulated comprehensive income					Subscrip-tion rights to shares	Non-control-ing interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	23,948	11,490	(85,971)	(9,019)	(59,552)	11	40,910	531,700
Cumulative effects of changes in accounting policies								–
Restated balance	23,948	11,490	(85,971)	(9,019)	(59,552)	11	40,910	531,700
Changes of items during period								
Issuance of new shares								29
Reversal of revaluation reserve for land								0
Dividends of surplus								(18,162)
Profit attributable to owners of parent								63,153
Increase in consolidated subsidiaries								(198)
Increase in affiliates accounted for by the equity method								(266)
Decrease in affiliates accounted for by the equity method								(724)
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(0)
Purchase of treasury shares								(5)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	4,997	279	(7,559)	1,844	(437)	(11)	327	(121)
Total changes of items during period	4,997	279	(7,559)	1,844	(437)	(11)	327	43,704
Balance at end of current period	28,945	11,769	(93,530)	(7,174)	(59,990)	–	41,238	575,404

(4) Consolidated Statements of Cash Flows

Fiscal years ended December 31, 2015 and 2016

	Millions of yen	
	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)	Fiscal year ended December 31, 2016 (January 1— December 31, 2016)
Cash flows from operating activities:		
Profit before income taxes	122,599	99,730
Depreciation	44,324	42,434
Impairment loss	315	1,431
Increase (decrease) in allowance for doubtful accounts	(898)	(258)
Increase (decrease) in net defined benefit liability	910	4,709
Interest and dividend income	(5,649)	(5,269)
Interest expenses	5,666	4,644
Share of (profit) loss of entities accounted for using equity method	(1,672)	(781)
Loss (gain) on sales of property, plant and equipment and intangible assets	846	(104)
Loss (gain) on disposal of property, plant and equipment and intangible assets	1,144	1,019
Decrease (increase) in sales finance receivables	(25,086)	(3,667)
Decrease (increase) in notes and accounts receivable – trade	(8,874)	1,456
Decrease (increase) in inventories	(18,179)	9,525
Increase (decrease) in notes and accounts payable–trade	(11,753)	(1,215)
Other, net	(7,995)	14,449
Subtotal	95,696	168,104
Interest and dividend income received	7,647	7,486
Interest expenses paid	(5,716)	(4,849)
Income taxes paid	(69,152)	(27,578)
Net cash provided by (used in) operating activities	28,475	143,163

	Millions of yen	
	Fiscal year ended December 31, 2015 (January 1— December 31, 2015)	Fiscal year ended December 31, 2016 (January 1— December 31, 2016)
Cash flows from investing activities:		
Payments into time deposits	(436)	(96)
Proceeds from withdrawal of time deposits	305	114
Purchase of property, plant and equipment and intangible assets	(67,504)	(50,445)
Proceeds from sales of property, plant and equipment and intangible assets	5,200	4,906
Purchase of investment securities	(5,103)	(485)
Payments of long-term loans receivable	(62)	(2,233)
Collection of long-term loans receivable	60	1,752
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,358)
Other, net	(935)	1,303
Net cash provided by (used in) investing activities	(68,475)	(46,541)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	108,743	(81,042)
Proceeds from long-term loans payable	21,774	86,791
Repayment of long-term loans payable	(98,870)	(40,326)
Cash dividends paid	(16,588)	(18,162)
Dividends paid to non-controlling interests	(7,787)	(9,948)
Decrease (increase) in treasury shares	(10)	(5)
Proceeds from exercise of share options	64	22
Other, net	(480)	(4,956)
Net cash provided by (used in) financing activities	6,845	(67,627)
Effect of exchange rate change on cash and cash equivalents	1,286	(1,372)
Net increase (decrease) in cash and cash equivalents	(31,868)	27,621
Cash and cash equivalents at beginning of period	137,294	107,622
Increase in cash and cash equivalents from newly consolidated subsidiary	2,196	283
Cash and cash equivalents at end of period	107,622	135,527

(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: 109

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

In the fiscal year ended December 31, 2016, two newly acquired companies, one newly established company was added to the scope of consolidation, along with four non-consolidated subsidiaries in consideration of their increased importance. In addition, two companies were liquidated, two companies were merged into 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: 27

Hong Leong Yamaha Motor Sdn. Bhd. and 26 other affiliates

In the fiscal year ended December 31, 2016, three subsidiaries accounted for by the non-equity method was reclassified as subsidiaries accounted for by the equity method 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 the non-consolidated subsidiary of Yamaha Motor do Brasil Logistica Ltda., as well as of the affiliate of Zhangzidao Yamaha (Dalian) FRP Boat Co., Ltd. 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

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the fiscal year ended December 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter the "Business Combinations Accounting Standard"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter the "Consolidated Accounting Standard"), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Business Divestiture Accounting Standard"), etc. Accordingly, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ending December 31, 2016, the

accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “Net income” and other related items was changed, and the presentation of “Minority interests” was changed to “Non-controlling interests.” To reflect these changes, the Company has reclassified its full-year consolidated financial statements for the previous year.

Application of the Business Combinations Accounting Standard, etc. is in line with the transitional measures stipulated under paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidated Accounting Standard, and paragraph 57-4 (4) of the Business Divestiture Accounting Standard. The Company is applying the said standard, etc. prospectively from the beginning of the fiscal year ending December 31, 2016.

The impact on the quarterly consolidated financial statements for the fiscal year ending December 31, 2016 was minimal.

Changes in Presenting Methods

From the fiscal year ended December 31, 2016, the presentation of sales finance-related income and expenses has changed from recording under “Selling, general and administrative expenses,” “Non-operating income,” and “Non-operating expenses” to recording under “Net sales,” “Cost of sales,” and “Selling, general and administrative expenses.”

This change has been made to present the results of the Company’s sales activities more appropriately in light of the increasing importance of the finance business within the Group, such as the start of full-scale initiatives in the finance business in the U.S. and Canada with the establishment of local finance subsidiaries, and the Company’s policy of expanding the finance business to support existing businesses.

To reflect this change in presentation method, the consolidated financial statements for the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2015 have been reclassified.

Consolidated Balance Sheets

Sales finance-related receivables were recorded in each related accounts in the consolidated balance sheets for the fiscal year ended December 31, 2015. These receivables include ¥137,005 million in “Notes and accounts receivable – trade” and ¥30,172 million in “Other” under Current assets, and ¥36,888 million in “Long-term loans receivable” and ¥12,635 million in “Other” under Investment and other assets. They have been reclassified to ¥166,265 million in “Short-term sales finance receivables” under Current assets and ¥50,436 million in “Long-term sales finance receivables” under Non-current assets.

Consolidated Statements of Income

Sales financial-related income and expenses, which were recorded in each related accounts in the consolidated statements of income for the fiscal year ended December 31, 2015, have been reclassified. These income and expenses include ¥1,565 million in “Selling, general and administrative expenses,” and ¥5,196 million in “Interest income,” ¥1,964 million in “Profit on revaluation of sales finance assets,” ¥1,880 million in “Sales finance-related income” and ¥4,575 million in “Other” under Non-operating income, and ¥1,359 million in “Interest expenses” and ¥2,365 million in “Other” under Non-operating expenses. As a result of the reclassification, “Net sales” has increased by ¥15,807 million and “Cost of sales” has increased by ¥6,705 million, while “Selling, general and administrative expenses” has decreased by ¥790 million.

Furthermore, some sales finance-related transactions have been changed from net amount presentation to gross amount presentation; however, the impact is minimal.

Consolidated Statements of Cash Flows

The increases and decreases of sales finance-related receivables were recorded in each related accounts in the consolidated statements of cash flows for the fiscal year ended December 31, 2015. These increases and decreases include negative ¥28,032 million in “Decrease (increase) in notes and accounts receivable – trade” and negative ¥1,540 million in “Other, net” under Cash flows from operating activities, as well as negative ¥13,730 million in “Payments of long-term loans receivable,” ¥15,260 million in “Collection of long-term loans receivable” and ¥2,956 million in “Other, net” under Cash flows from investing activities. They have been reclassified as negative ¥25,086 million in “Decrease (increase) in sales finance receivables” under Cash flows from operating activities.

In addition, negative ¥5,196 million in “Interest and dividend income,” ¥1,359 million in “Interest expenses,” ¥5,196 million in “Interest and dividend income received” and negative ¥1,514 million in “Interest expenses paid” under Cash flows from operating activities have been reclassified as negative ¥154 million in “Other.”

Notes Regarding Consolidated Balance Sheets

1. Pledged assets and secured liabilities

Pledged assets provided are as follows.

	Millions of yen	
	As of December 31, 2015	As of December 31, 2016
Pledged assets	32,001	74,394
Secured liabilities	24,631	50,146

2. Guarantee obligations

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

	Millions of yen	
	As of December 31, 2015	As of December 31, 2016
PT. Bussan Auto Finance	11,584	PT. Bussan Auto Finance 8,376
KYB Motorcycle Suspension India Pvt. Ltd.	275	KYB Motorcycle Suspension India Pvt. Ltd. 265
Amagasaki Woodland of Health Co., Ltd.	175	Amagasaki Woodland of Health Co., Ltd. 151
Total	12,035	8,794

The above figures include amounts arising from quasi-guarantees of ¥175 million for the fiscal year ended December 31, 2015 and ¥151 million for the fiscal year ended December 31, 2016.

Notes Regarding Consolidated Statements of Income

Research and development expenses included in selling, general and administrative expenses and manufacturing costs incurring during the period under review

	Millions of yen	
	Fiscal year ended December 31, 2015 (January 1—December 31, 2015)	Fiscal year ended December 31, 2016 (January 1—December 31, 2016)
Research and development expenses	91,312	94,855

*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

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 and industrial robots

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, 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	1,032,560	309,337	169,495	46,501	1,557,895	73,262	1,631,158	—	1,631,158
Intersegment	—	—	—	—	—	33,670	33,670	(33,670)	—
Total	1,032,560	309,337	169,495	46,501	1,557,895	106,933	1,664,829	(33,670)	1,631,158
Segment income (Note 3)	39,138	63,993	15,980	7,231	126,343	3,985	130,329	0	130,329
Segment assets	775,274	238,115	180,309	29,671	1,223,371	81,864	1,305,236	—	1,305,236
Other items									
Depreciation (Note 4)	30,853	6,108	5,424	446	42,832	1,380	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	1,817	60,149	3,915	64,064	—	64,064

Notes:

1. "Others" is a business segment not included in the reporting segments. It includes businesses involving the business of electrically power assisted bicycles, automobile engines, automobile components, industrial-use unmanned helicopters 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, 2016 (January 1, 2016 through December 31, 2016)

	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	930,112	297,216	152,310	46,871	1,426,511	76,322	1,502,834	—	1,502,834
Intersegment	—	—	—	—	—	32,688	32,688	(32,688)	—
Total	930,112	297,216	152,310	46,871	1,426,511	109,011	1,535,522	(32,688)	1,502,834
Segment income (Note 3)	35,962	55,398	4,510	7,536	103,407	5,187	108,594	0	108,594
Segment assets	761,900	236,717	189,178	37,420	1,225,215	93,560	1,318,776	—	1,318,776
Other items									
Depreciation (Note 4)	27,132	6,690	5,837	466	40,127	2,094	42,221	—	42,221
Investments in entities accounted for using equity method	21,465	1,643	253	—	23,361	3,915	27,277	—	27,277
Increase in property, plant and equipment, and intangible assets	32,004	9,447	7,085	8,419	56,956	4,374	61,330	—	61,330

Notes:

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

4. Items related to changes in reporting segments, etc.

From the fiscal year ended December 31, 2016, the presentation of sales finance-related income and expenses has changed from recording under "Selling, general and administrative expenses," "Non-operating income" and "Non-operating expenses" to recording under "Net sales," "Cost of sales" and "Selling, general and administrative expenses."

This change has been made to present the results of the Company's sales activities more appropriately in light of the increasing importance of the finance business within the Group, such as the start of full-scale initiatives in the finance business in the U.S. and Canada with the establishment of local finance subsidiaries and the Company's policy of expanding the finance business to support existing businesses.

In accordance with this change, from the fiscal year ended December 31, 2016, sales finance-related income and expenses under "Net sales," "Cost of sales," and "Selling, general and administrative expenses" have been allocated directly to each reporting segment.

The segment information for the fiscal year ended December 31, 2015 has been presented based on the method after the change.

Reference Information

Geographical segment information

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	371,195	194,475	639,898	160,111	1,631,158	—	1,631,158
Intersegment	452,778	37,986	4,412	125,908	1,847	622,933	(622,933)	—
Total	718,256	409,182	198,888	765,807	161,958	2,254,092	(622,933)	1,631,158
Operating income	42,834	36,967	10,263	38,548	4,893	133,507	(3,178)	130,329

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, Russia and Germany
 - Asia: Indonesia, Taiwan, China, Vietnam, Singapore, India and Thailand
 - Others: Brazil, Australia, Colombia and Argentina

Fiscal year ended December 31, 2016 (January 1, 2016 through December 31, 2016)

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales:								
Outside customers	258,698	333,772	187,540	591,962	130,859	1,502,834	—	1,502,834
Intersegment	414,488	31,063	4,377	100,058	1,693	551,680	(551,680)	—
Total	673,187	364,835	191,917	692,021	132,553	2,054,515	(551,680)	1,502,834
Operating income	29,329	16,021	11,128	46,564	5,623	108,666	(71)	108,594

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, Germany and Spain
 - Asia: Indonesia, Taiwan, Vietnam, China, Singapore, India and Thailand
 - Others: Brazil, Australia, Colombia and Argentina

Per Share Information

	Fiscal year ended December 31, 2015 (January 1—December 31, 2015)	Fiscal year ended December 31, 2016 (January 1—December 31, 2016)
	Yen	Yen
Net assets per share	1,405.35	1,529.53
Net income per share — basic	171.89	180.84
Net income per share — diluted	171.88	180.83

Note 1. Net assets per share are calculated based on the following: (Millions of yen otherwise noted)

	As of December 31, 2015	As of December 31, 2016
Total net assets	531,700	575,404
Amount excluded from total net assets	40,922	41,238
Subscription rights to shares	11	—
Non-controlling interests	40,910	41,238
Net assets attributable to common stock at end of period	490,778	534,166
Number of shares of common stock outstanding at end of period calculated under “Net assets per share” (Shares)	349,221,663	349,235,122

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

(Millions of yen otherwise noted)

	Fiscal year ended December 31, 2015 (January 1—December 31, 2015)	Fiscal year ended December 31, 2016 (January 1—December 31, 2016)
Net income per share — basic:		
Profit attributable to owners of parent	60,023	63,153
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent attributable to common stock	60,023	63,153
Average number of shares outstanding during period (Shares)	349,205,722	349,230,121
Net income per share — diluted:		
Adjustment for profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	22,715	2,998
Subscription rights to shares (Shares)	22,715	2,998
Dilutive securities not calculated under “Net income per share — diluted” because they do not have dilutive effect:	—	—

Significant Subsequent Events

None

5. Others

Personnel Changes related to the Office of Directors and Executive Officers

The executive transfers effective March 23, 2017 were officially announced on December 27, 2016.

For details, please see the Company's website:

<https://global.yamaha-motor.com/news/2016/1227/personnel02.html>