

**Business Results for the First Six Months of the Fiscal Year  
Ending December 31, 2016  
(January 1, 2016 through June 30, 2016)  
(Japan GAAP)**

August 4, 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/>

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Filing of quarterly securities report (scheduled):

August 5, 2016

Beginning of payment of dividends (scheduled):

September 9, 2016

Supplementary explanatory documents related to the quarterly consolidated financial results:

Yes

Briefing on the quarterly consolidated financial results:

Yes (for institutional investors, securities analysts and media outlets)

## 1. Consolidated Financial Results for the Six Months Ended June 30, 2016

(January 1, 2016 through June 30, 2016)

### (1) Consolidated operating results (cumulative)

\*% 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	%
<b>Six months ended June 30, 2016</b>	<b>778,338</b>	<b>(6.1)</b>	<b>65,377</b>	<b>(10.9)</b>	<b>55,292</b>	<b>(25.7)</b>	<b>32,429</b>	<b>(37.8)</b>
Six months ended June 30, 2015	828,749	—	73,336	—	74,425	51.5	52,131	61.7

Notes: 1. Comprehensive income

Six months ended June 30, 2016: ¥(13,897) million (–%)

Six months ended June 30, 2015: ¥58,660 million (118.3%)

2. No year-on-year growth rate has been presented for net sales and operating income for the six months ended June 30, 2015 since income and expenses related to sales finance were reclassified, as described in “(2) Additional Information, (Changes in Presentation Methods)” under “2. Matters Regarding Summary Information (Notes)” on page 11 of the Attachment.

	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
<b>Six months ended June 30, 2016</b>	<b>92.86</b>	<b>92.86</b>
Six months ended June 30, 2015	149.29	149.28

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
<b>As of June 30, 2016</b>	<b>1,175,694</b>	<b>501,587</b>	<b>39.8</b>
As of December 31, 2015	1,305,236	531,700	37.6

Reference: Shareholders' equity

As of June 30, 2016: ¥468,079 million

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

## 2. Dividends

Record date	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2015	—	22.00	—	22.00	44.00
Fiscal year ending December 31, 2016	—	30.00			
Fiscal year ending December 31, 2016 (forecast)			—	30.00	60.00

Note: Revision to the most recently announced dividend forecast for the year ending December 31, 2016 was made.

### 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		Earnings per share – basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2016	1,500,000	(8.0)	105,000	(19.4)	95,000	(24.1)	60,000	(0.0)	171.81

Note: Revision to the most recently announced consolidated financial figures forecast for the year ending December 31, 2016 was made.

(\*Notes)

(1) Changes in significant subsidiaries during period (Changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of special accounting principles to the quarterly consolidated financial statements: None

(3) 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 11 of the Attachment, “(1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatement for Correction of Errors,” under “2. Matters Regarding Summary Information (Notes).”

(4) Number of shares outstanding (Common stock)

1) Number of shares outstanding at end of period, including treasury shares	Six months ended June 30, 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	Six months ended June 30, 2016	677,734 shares	Fiscal year ended December 31, 2015	676,621 shares
3) Average number of shares during period	Six months ended June 30, 2016	349,225,353 shares	Six months ended June 30, 2015	349,192,050 shares

(\*Notice regarding review procedure for the consolidated financial statements)

The quarterly consolidated financial results presented herein are not subject to the quarterly review procedure specified by the Financial Instruments and Exchange Act. The review procedure for quarterly 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, “(4) Forward-Looking Statements Including Consolidated Results Forecast,” under “1. Qualitative Information on Consolidated Results During the Period.”

- (2) Briefing on the quarterly 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.

Thursday, August 4, 2016:	Briefing on the consolidated financial results for institutional investors, securities analysts and media outlets
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- (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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## Net Sales by Segment

	Amount: millions of yen			Volume: thousand units		
	Six months ended June 30, 2015 (January 1—June 30, 2015)			Six months ended June 30, 2016 (January 1—June 30, 2016)		
	Volume	Amount	%	Volume	Amount	%
<b>Net sales:</b>						
<b>Japan</b>	—	84,791	10.2	—	83,715	10.8
<b>Overseas:</b>						
North America	—	189,038	22.8	—	177,873	22.9
Europe	—	121,349	14.6	—	122,287	15.7
Asia	—	327,630	39.5	—	309,720	39.8
Others	—	105,939	12.9	—	84,741	10.8
Subtotal	—	743,958	89.8	—	694,623	89.2
<b>Total</b>	—	<b>828,749</b>	<b>100.0</b>	—	<b>778,338</b>	<b>100.0</b>
<b>Motorcycles:</b>						
<b>Japan</b>	58	24,521	4.7	57	23,318	4.9
<b>Overseas:</b>						
North America	48	40,119	7.6	39	29,833	6.2
Europe	123	83,112	15.8	127	80,848	16.9
Asia	2,048	302,968	57.5	2,060	286,142	59.9
Others	256	76,342	14.4	225	57,374	12.1
Subtotal	2,475	502,542	95.3	2,451	454,199	95.1
<b>Total</b>	<b>2,533</b>	<b>527,064</b>	<b>63.6</b>	<b>2,508</b>	<b>477,518</b>	<b>61.4</b>
<b>Marine products:</b>						
<b>Japan</b>	—	14,252	8.3	—	15,297	9.0
<b>Overseas:</b>						
North America	—	100,311	58.4	—	99,693	58.5
Europe	—	26,133	15.2	—	27,768	16.3
Asia	—	9,204	5.4	—	9,056	5.3
Others	—	21,826	12.7	—	18,482	10.9
Subtotal	—	157,476	91.7	—	155,001	91.0
<b>Total</b>	—	<b>171,729</b>	<b>20.7</b>	—	<b>170,298</b>	<b>21.9</b>
<b>Power products:</b>						
<b>Japan</b>	—	7,121	10.1	—	6,816	9.8
<b>Overseas:</b>						
North America	—	47,295	67.0	—	46,957	67.3
Europe	—	8,147	11.5	—	7,661	11.0
Asia	—	2,847	4.0	—	2,640	3.8
Others	—	5,222	7.4	—	5,686	8.1
Subtotal	—	63,512	89.9	—	62,944	90.2
<b>Total</b>	—	<b>70,633</b>	<b>8.5</b>	—	<b>69,761</b>	<b>9.0</b>
<b>Industrial machinery and robots:</b>						
<b>Japan</b>	—	8,703	37.1	—	8,920	37.8
<b>Overseas:</b>						
North America	—	1,271	5.4	—	1,129	4.8
Europe	—	2,166	9.2	—	2,827	12.0
Asia	—	10,957	46.7	—	9,635	40.8
Others	—	357	1.6	—	1,113	4.6
Subtotal	—	14,752	62.9	—	14,705	62.2
<b>Total</b>	—	<b>23,456</b>	<b>2.8</b>	—	<b>23,626</b>	<b>3.0</b>
<b>Others:</b>						
<b>Japan</b>	—	30,192	84.2	—	29,361	79.1
<b>Overseas:</b>						
North America	—	40	0.1	—	259	0.7
Europe	—	1,789	5.0	—	3,181	8.6
Asia	—	1,652	4.6	—	2,245	6.0
Others	—	2,191	6.1	—	2,085	5.6
Subtotal	—	5,673	15.8	—	7,771	20.9
<b>Total</b>	—	<b>35,865</b>	<b>4.4</b>	—	<b>37,133</b>	<b>4.7</b>

Note: The method of presentation has been changed from the first quarter of the fiscal year ending December 31, 2016 as described in “2. Items related to changes in reporting segments, etc., Additional Information, (Changes in Presentation Methods)” under “Segment Information” on page 20 of the Attachment. Net Sales by Segment for the six months ended June 30, 2015 have been presented based on the method after the change.

## 1. Qualitative Information on Consolidated Results During the Period

The following information about the Group's operating results, financial position, and cash flows are based on the quarterly consolidated financial statements and consolidated financial statements for the six months ended June 30, 2015 and the fiscal year ended December 31, 2015 after reclassification as described in "(2) Additional Information, (Changes in Presentation Methods)" under "2. Matters regarding Summary Information (Notes)" on page 11.

### (1) Operating Results

In the first six months (January 1 through June 30, 2016) of the fiscal year ending December 31, 2016, the U.S. economy expanded gradually with steady employment and personal incomes, as well as personal consumption. In Europe, internal demand continued to rebound, centered on personal consumption. However, the future is now uncertain following the U.K.'s national referendum decision to withdraw from the European Union. In emerging countries, the economic slump in countries such as Indonesia and Brazil continues unchanged. In Japan, the economy is on a gradual recovery trend, supported by the government's economic policies and the Bank of Japan's monetary easing measures. However, the future direction of the economy is unclear due to concerns over unstable trends overseas.

Looking at the main markets relevant to the Company, in North America, demand for outboard motors increased, while demand for motorcycles and all-terrain vehicles remained flat year on year. In Europe, demand for motorcycles increased. In emerging markets, demand for motorcycles increased in India, the Philippines, and Vietnam, among others, but fell in Indonesia and Brazil to decrease overall.

In this management environment, the Company's businesses in developed markets saw sales and profits decline year on year due to the impact of the yen's appreciation. Meanwhile, the motorcycle business in emerging markets saw sales decrease due to a decline in unit sales in Indonesia and Brazil, while operating income was level year on year after having absorbed the impacts of the depreciation of local currencies by way of the effects of improvements in the product mix and cost reductions such as the promotion of platforms processing. Also, the Company as a whole systematically invested in development related to future growth.

As a result, consolidated net sales for the first six months under review declined ¥50.4 billion, or 6.1%, year on year, to ¥778.3 billion, and operating income decreased ¥8.0 billion, or 10.9%, to ¥65.4 billion. Ordinary income declined ¥19.1 billion, or 25.7%, to ¥55.3 billion due to foreign exchange losses, among other factors, and profit attributable to owners of parent decreased ¥19.7 billion, or 37.8%, to ¥32.4 billion.

Exchange rates for the first six months of the fiscal year ending December 31, 2016 were ¥112 to the U.S. dollar (an appreciation of ¥8, year on year) and ¥125 to the euro (an appreciation of ¥9).

#### Operating results by segment

[Motorcycles]

Overall net sales of the motorcycle business declined ¥49.5 billion, or 9.4%, year on year, to ¥477.5 billion, and operating income declined ¥4.0 billion, or 18.0%, year on year, to ¥18.1 billion.

In developed markets, unit sales increased in Europe due to the impact of new products such as the MT-10 and XSR900, but declined in North America due to the effect of planned distribution inventory reduction, to level overall year on year. The motorcycle business made a profit, but net sales and operating income both declined due to the impact of the yen's appreciation.

In emerging markets, unit sales increased in India, the Philippines, Vietnam, and Thailand, but declined in Indonesia and Brazil due to the impact of the market slump, among other factors, to level year on year. Net sales declined; however, operating income was level year on year after having absorbed the impacts of the depreciation of local currencies by way of the effects of improvements in the product mix and cost reductions, among other factors.

[Marine products]

Overall net sales of the marine products business declined ¥1.4 billion, or 0.8%, year on year, to ¥170.3 billion, and operating income declined ¥2.4 billion, or 5.9%, to ¥38.3 billion.

Unit sales were level year on year overall, although unit sales of outboard motors and others in the main market of North America increased. Although sales and profits declined due to the impact of the yen's appreciation, the operating income ratio was over 20%.

[Power products]

Overall net sales of the power products business declined ¥0.9 billion, or 1.2%, year on year, to ¥69.8 billion, and operating income declined ¥2.6 billion, or 49.7%, to ¥2.7 billion.

Unit sales decreased in snowmobiles and golf cars, among others, leading sales and profits to decline.

[Industrial machinery and robots]

Overall net sales of the industrial machinery and robots business rose ¥0.2 billion, or 0.7%, year on year, to ¥23.6 billion, and operating income rose ¥0.3 billion, or 6.8%, to ¥4.1 billion.

Sales and profit rose, reflecting increased unit sales of robots.

[Others]

Overall net sales of the other products business rose ¥1.3 billion, or 3.5%, year on year, to ¥37.1 billion, and operating income increased ¥0.8 billion, or 51.6%, to ¥2.3 billion.

Electrically power assisted bicycles recorded growth in sales and profits, reflecting increased unit sales in Japan and exports of the E-kit (drive unit for electrically power assisted bicycles) to Europe grew significantly.

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 decreased ¥30.8 billion, or 8.3%, year on year, to ¥339.1 billion, and operating income decreased ¥14.6 billion, or 51.8%, to ¥13.6 billion.

Unit sales of motorcycles for Europe and North America and those of large outboard motors for North America declined.

[North America]

Net sales in North America decreased ¥11.1 billion, or 5.4%, year on year, to ¥193.5 billion, and operating income decreased ¥3.6 billion, or 19.6%, year on year, to ¥14.6 billion.

Unit sales rose, mainly from large outboard motors and ROVs; however, sales declined due to the negative impact of exchange rate.

[Europe]

Net sales in Europe decreased ¥1.0 billion, or 0.9%, year on year, to ¥119.8 billion, and operating income increased ¥0.2 billion, or 1.4%, year on year, to ¥10.7 billion.

Unit sales of motorcycles rose as a result of new products including MT-10 and XSR900.



[Asia]

Net sales in Asia (excluding Japan) decreased ¥30.4 billion, or 8.1%, year on year, to ¥343.9 billion, while operating income increased ¥11.3 billion, or 90.1%, year on year, to ¥23.9 billion.

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

[Others]

Net sales in other areas decreased ¥21.5 billion, or 26.2%, year on year, to ¥60.8 billion, and operating income decreased ¥3.8 billion, or 91.7%, year on year, to ¥0.3 billion.

Unit sales of motorcycles decreased in Brazil and other markets.

## **(2) Financial Position**

Total assets as of June 30, 2016, decreased ¥129.5 billion, from December 31, 2015, to ¥1,175.7 billion. Due to the impact of exchange rates, current assets decreased ¥90.5 billion and non-current assets decreased ¥39.1 billion.

Total liabilities decreased ¥99.4 billion, to ¥674.1 billion, mainly from the repayment of loans payable and the impact of exchange rates.

Total net assets decreased ¥30.1 billion, to ¥501.6 billion, which included the recording of ¥32.4 billion of profit attributable to owners of parent, ¥7.7 billion of cash dividends paid and a ¥43.1 billion change in foreign currency translation adjustments.

As a result, the shareholders' equity ratio as of June 30, 2016 was 39.8%, compared with 37.6% at the end of the previous year. The net debt-equity ratio was 0.5 times, compared with 0.6 times at the end of the previous year.

## **(3) Cash flows**

[Cash flows from operating activities]

Net cash provided by operating activities during the first six months (January 1 through June 30, 2016) was ¥53.6 billion (¥9.1 billion in net cash provided during the same period of the previous year). This mainly reflected a ¥54.2 billion of profit before income taxes (¥74.0 billion) and a ¥21.3 billion of depreciation (¥21.9 billion), despite recording ¥24.1 billion increase in notes and accounts receivable-trade (¥34.0 billion increase).

[Cash flows from investing activities]

Net cash used in investing activities during the first six months (January 1 through June 30, 2016) was ¥23.5 billion (¥34.9 billion in net cash used during the same period of the previous year), primarily reflecting ¥24.3 billion used for purchase of property, plant and equipment and intangible assets (¥37.2 billion).

[Cash flows from financing activities]

Net cash used in financing activities during the first six months (January 1 through June 30, 2016) was ¥51.8 billion (¥11.1 billion in net cash used during the same period of the previous 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 first six months (January 1 through June 30, 2016) was positive ¥30.1 billion (negative ¥25.9 billion during the same period of the previous year), and cash and cash equivalents totaled ¥84.7 billion (a decrease of ¥22.9 billion from the end of the previous year). Interest-bearing debt at the end of the second quarter under review was ¥340.9 billion (a decrease of ¥69.2 billion from the end of the previous year). Interest-bearing debt includes ¥185.4 billion in borrowings for sales finance (a decrease of ¥17.0 billion from the end of the previous year).

#### (4) Forward-Looking Statements Including Consolidated Results Forecast

The Company has changed its full-year consolidated results forecast for the fiscal year ending December 31, 2016. Although profits of the motorcycle business in the emerging markets are expected to increase through continued strong operations in Vietnam, the Philippines, Taiwan, and others, product mix improvements, cost reductions, and so forth, the impact of the yen's appreciation on the business in developed economies is expected to reduce sales and profits. The Company has therefore revised its forecast net sales and each level of profits downwards, as detailed below.

		Billions of yen
Net sales		<b>1,500.0</b>
	Change from the original forecast:	-200.0, -11.8%
	Change from the fiscal year ended December 31, 2015:	-131.2, -8.0%
Operating income		<b>105.0</b>
	Change from the original forecast:	-15.0, -12.5%
	Change from the fiscal year ended December 31, 2015:	-25.3, -19.4%
Ordinary income		<b>95.0</b>
	Change from the original forecast:	-30.0, -24.0%
	Change from the fiscal year ended December 31, 2015:	-30.2, -24.1%
Profit attributable to owners of parent		<b>60.0</b>
	Change from the original forecast:	-20.0, -25.0%
	Change from the fiscal year ended December 31, 2015:	-0.0, -0.0%

Note: Changes from the original forecast refers to increase or decrease from the results forecast for the fiscal year ending December 31, 2016, originally announced on February 9, 2016.

Second-half exchange rate assumptions are ¥100 to the U.S. dollar (an appreciation of ¥17 from the original projection and an appreciation of ¥22 from the previous year) and ¥110 to the euro (an appreciation of ¥17 from the original projection and an appreciation of ¥25 from the previous year). Full-year assumptions are ¥106 to the U.S. dollar (an appreciation of ¥11 from the original projection and an appreciation of ¥15 from the previous year) and ¥117 to the euro (an appreciation of ¥10 from the original projection and an appreciation of ¥17 from the previous year).

#### (5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Ending December 31, 2016

The Company considers increasing returns to shareholders to be an important management issue, and is striving to enhance corporate value.

The Company seeks 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.

Based on the abovementioned policy, despite the impact of the yen's appreciation, and considering the steady progress in enhancing the earnings power through strengthening product competitiveness and achieving lower costs through the introduction of platforms processing, the Company has resolved the annual dividend forecast for the fiscal year ending December 31, 2016 to be ¥60, for a dividend payout ratio of 34.9% (up ¥16 year on year, down ¥10 from the initial forecast), and an interim dividend of ¥30 (up ¥8 year on year, and down ¥5 from the initial forecast).

## 2. Matters Regarding Summary Information (Notes)

### (1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatement for Correction of Errors

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

Effective from the first quarter of the fiscal year ending 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 first quarter 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 quarterly and full-year consolidated financial statements for the six months ended June 30, 2015 and 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 first quarter of the fiscal year ending December 31, 2016.

The impact on the quarterly consolidated financial statements for the six months ended June 30, 2016 was minimal.

### (2) Additional Information

(Changes in Presentation Methods)

From the first quarter of the fiscal year ending 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 so forth, and the Company’s policy of expanding the finance business to support existing businesses.

To reflect this change in presentation method, the quarterly consolidated financial statements and consolidated financial statements for the six months ended June 30, 2015 and the fiscal year ended December 31, 2015 have been reclassified.

(Consolidated Balance Sheets)

In the consolidated balance sheets for the previous year, sales finance-related receivables were stated as ¥137,005 million under “Notes and accounts receivable-trade” and ¥30,172 million under “Other” in the current assets section, and ¥36,888 million under “Long-term loans receivable” and ¥12,635 million under “Other” in the investment and other assets section. These receivables have been reclassified as ¥166,265 million under “Short-term sales finance receivables” in the current assets section and as ¥50,436 million under “long-term sales finance receivables” in the non-current assets section.

(Consolidated Statements of Income)

In the consolidated statements of income for the six months ended June 30, 2015, sales finance-related income and expenses were stated as ¥883 million under “Selling, general and administrative expenses,” in non-operating income

as ¥2,556 million under “Interest income” and ¥3,128 million under “Other,” and in non-operating expenses as ¥821 million under “Interest expenses” and ¥1,197 million under “Other.” As a result of the reclassification, “Net sales” has increased by ¥7,620 million and “Cost of sales” has increased by ¥4,206 million, while “Selling, general and administrative expenses” has decreased by ¥252 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)

In the consolidated statements of cash flows for the six months ended June 30, 2015, increases and decreases in sales finance receivables were included in cash flows from operating activities as negative ¥14,960 million under “Decrease (increase) in notes and accounts receivable-trade” and negative ¥1,846 million under “Other, net,” and in cash flows from investing activities as ¥3,896 million under “Other, net.” These amounts have been reclassified in cash flows from operating activities as negative ¥12,910 million under “Decrease (increase) in sales finance receivables.”

In addition, “Interest and dividend income”, “Interest expenses”, “Interest and dividend income received” and “Interest expenses paid” were included in cash flows from operating activities as negative ¥2,556 million, ¥821 million, ¥2,556 million and negative ¥832 million, respectively. These amounts have been reclassified as negative ¥11 million under “Other.”

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

As of December 31, 2015 and June 30, 2016

( ) represents negative figures.

	Millions of yen	
	As of December 31, 2015	As of June 30, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	107,617	84,696
Notes and accounts receivable-trade	153,892	161,410
Short-term sales finance receivables	166,265	134,912
Merchandise and finished goods	202,066	175,680
Work in process	54,075	51,336
Raw materials and supplies	54,627	49,598
Other	73,432	63,668
Allowance for doubtful accounts	(11,482)	(11,262)
Total current assets	800,494	710,041
<b>Non-current assets:</b>		
Property, plant and equipment	341,075	317,162
Intangible assets	7,518	7,453
Investments and other assets:		
Long-term sales finance receivables	50,436	50,525
Other	107,045	90,768
Allowance for doubtful accounts	(1,334)	(255)
Total investments and other assets	156,148	141,037
Total non-current assets	504,741	465,652
<b>Total assets</b>	1,305,236	1,175,694
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	113,107	102,117
Electronically recorded obligations-operating	31,980	30,457
Short-term loans payable	220,692	145,905
Current portion of long-term loans payable	39,160	38,575
Provision for product warranties	20,440	20,271
Other provision	12,969	12,456
Other	102,269	91,623
Total current liabilities	540,620	441,407
<b>Non-current liabilities:</b>		
Long-term loans payable	150,295	156,458
Net defined benefit liability	55,215	52,679
Other provision	434	643
Other	26,969	22,916
Total non-current liabilities	232,915	232,698
<b>Total liabilities</b>	773,535	674,106

( ) represents negative figures.

	Millions of yen	
	As of December 31, 2015	As of June 30, 2016
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	85,782	85,797
Capital surplus	74,698	74,712
Retained earnings	390,559	414,840
Treasury shares	(709)	(711)
Total shareholders' equity	550,331	574,639
<b>Accumulated other comprehensive income:</b>		
Valuation difference on available-for-sale securities	23,948	18,529
Revaluation reserve for land	11,490	11,770
Foreign currency translation adjustment	(85,971)	(129,114)
Remeasurements of defined benefit plans	(9,019)	(7,744)
Total accumulated other comprehensive income	(59,552)	(106,559)
<b>Subscription rights to shares</b>	11	–
<b>Non-controlling interests</b>	40,910	33,507
<b>Total net assets</b>	531,700	501,587
<b>Total liabilities and net assets</b>	1,305,236	1,175,694

**(2) Consolidated Statements of Income and  
Consolidated Statements of Comprehensive Income**

*Six months ended June 30, 2015 and 2016*

**Consolidated Statements of Income**

( ) represents negative figures.

	Millions of yen	
	Six months ended June 30, 2015 (January 1— June 30, 2015)	Six months ended June 30, 2016 (January 1— June 30, 2016)
<b>Net sales</b>	828,749	778,338
<b>Cost of sales</b>	608,651	567,893
<b>Gross profit</b>	220,098	210,445
<b>Selling, general and administrative expenses</b>	146,761	145,067
<b>Operating income</b>	73,336	65,377
<b>Non-operating income:</b>		
Interest income	2,370	1,865
Other	3,660	2,846
Total non-operating income	6,030	4,712
<b>Non-operating expenses:</b>		
Interest expenses	2,753	2,786
Foreign exchange losses	19	10,148
Other	2,169	1,861
Total non-operating expenses	4,942	14,797
<b>Ordinary income</b>	74,425	55,292
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	302	112
Gain on reversal of subscription rights to shares	1	4
Other	35	—
Total extraordinary income	339	116
<b>Extraordinary losses:</b>		
Loss on sales of non-current assets	45	37
Loss on disposal of non-current assets	371	419
Impairment loss	—	709
Loss on revision of retirement benefit plan	* 362	—
Total extraordinary losses	780	1,165
<b>Profit before income taxes</b>	73,984	54,243
<b>Income taxes – current</b>	19,744	14,895
<b>Income taxes – deferred</b>	(1,149)	1,284
<b>Total income taxes</b>	18,595	16,179
<b>Profit</b>	55,389	38,063
<b>Profit attributable to non-controlling interests</b>	3,257	5,633
<b>Profit attributable to owners of parent</b>	52,131	32,429

## Consolidated Statements of Comprehensive Income

( ) represents negative figures.

	Millions of yen	
	Six months ended June 30, 2015 (January 1— June 30, 2015)	Six months ended <b>June 30, 2016</b> (January 1— <b>June 30, 2016</b> )
<b>Profit</b>	55,389	<b>38,063</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	6,314	<b>(5,409)</b>
Revaluation reserve for land	559	<b>279</b>
Foreign currency translation adjustment	(6,937)	<b>(45,370)</b>
Remeasurements of defined benefit plans, net of tax	3,220	<b>1,258</b>
Share of other comprehensive income of entities accounted for using equity method	114	<b>(2,719)</b>
Total other comprehensive income	3,271	<b>(51,960)</b>
<b>Comprehensive income:</b>	58,660	<b>(13,897)</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	55,532	<b>(14,722)</b>
Comprehensive income attributable to non-controlling interests	3,127	<b>825</b>



### (3) Consolidated Statements of Cash Flows

Six months ended June 30, 2015 and 2016

( ) represents negative figures.

	Millions of yen	
	Six months ended June 30, 2015 (January 1— June 30, 2015)	Six months ended June 30, 2016 (January 1— June 30, 2016)
<b>Cash flows from operating activities:</b>		
Profit before income taxes	73,984	54,243
Depreciation	21,883	21,325
Impairment loss	—	709
Increase (decrease) in net defined benefit liability	1,576	1,317
Interest and dividend income	(2,925)	(2,412)
Interest expenses	2,753	2,786
Loss (gain) on sales of property, plant and equipment and intangible assets	(256)	(75)
Loss (gain) on disposal of property, plant and equipment and intangible assets	371	419
Decrease (increase) in notes and accounts receivable-trade	(33,999)	(24,107)
Decrease (increase) in sales finance receivables	(12,910)	2,757
Decrease (increase) in inventories	(12,540)	4,821
Increase (decrease) in notes and accounts payable-trade	(2,434)	(2,336)
Other, net	(4,171)	7,575
Subtotal	31,331	67,023
Interest and dividend income received	4,568	4,240
Interest expenses paid	(2,755)	(2,815)
Income taxes paid	(24,087)	(14,816)
Net cash provided by (used in) operating activities	9,056	53,632

( ) represents negative figures.

	Millions of yen	
	Six months ended June 30, 2015 (January 1— June 30, 2015)	Six months ended June 30, 2016 (January 1— June 30, 2016)
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(121)	(8)
Proceeds from withdrawal of time deposits	108	64
Purchase of property, plant and equipment and intangible assets	(37,207)	(24,296)
Proceeds from sales of property, plant and equipment and intangible assets	2,569	2,074
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,280)
Other, net	(271)	(102)
Net cash provided by (used in) investing activities	(34,922)	(23,548)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans payable	43,899	(53,254)
Proceeds from long-term loans payable	11,007	46,602
Repayment of long-term loans payable	(51,327)	(26,973)
Net decrease (increase) in treasury shares	(6)	(1)
Cash dividends paid	(8,905)	(7,683)
Dividends paid to non-controlling interests	(5,677)	(8,234)
Proceeds from exercise of share options	62	22
Other, net	(141)	(2,232)
Net cash provided by (used in) financing activities	(11,087)	(51,756)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(36)	(1,527)
<b>Net increase (decrease) in cash and cash equivalents</b>	(36,989)	(23,199)
<b>Cash and cash equivalents at beginning of period</b>	137,294	107,622
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	2,196	259
<b>Cash and cash equivalents at end of period</b>	102,501	84,682

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Notes Regarding Going-concern Assumptions**

None

##### **Notes Regarding Quarterly Consolidated Balance Sheets**

###### Guarantee obligations

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

Millions of yen			
As of December 31, 2015		As of June 30, 2016	
PT. Bussan Auto Finance	11,584	<b>PT. Bussan Auto Finance</b>	<b>8,445</b>
KYB Motorcycle Suspension India Pvt. Ltd.	275	<b>KYB Motorcycle Suspension India Pvt. Ltd.</b>	<b>234</b>
Amagasaki Woodland of Health Co., Ltd.	175	<b>Amagasaki Woodland of Health Co., Ltd.</b>	<b>163</b>
Total		Total	
	12,035		<b>8,844</b>

The above amounts include amounts arising from acts resembling guarantees of ¥175 million for the fiscal year ended December 31, 2015 and ¥163 million for the second quarter of the fiscal year ending December 31, 2016.

##### **Notes Regarding Quarterly Consolidated Statements of Income**

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

##### **Notes in the Event of Material Changes in the Amount of Shareholders' Equity**

None

## Segment Information

### Segment information

Six months ended June 30, 2015 (January 1, 2015 through June 30, 2015)

#### Information concerning net sales, income or loss, by reporting segment

	Millions of yen								
	Reporting segment					Others (Note 1)	Total	Adjustments	Amounts on consolidated statements of income
	Motorcycles	Marine products	Power products	Industrial machinery and robots	Total				
Net sales:									
Outside customers	527,064	171,729	70,633	23,456	792,883	35,865	828,749	—	828,749
Intersegment	—	—	—	—	—	17,801	17,801	(17,801)	—
<b>Total</b>	<b>527,064</b>	<b>171,729</b>	<b>70,633</b>	<b>23,456</b>	<b>792,883</b>	<b>53,667</b>	<b>846,551</b>	<b>(17,801)</b>	<b>828,749</b>
Segment income (Note 2)	22,054	40,683	5,273	3,807	71,820	1,516	73,336	0	73,336

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. Total of segment income corresponds to operating income in the Consolidated Statements of Income.

Six months ended June 30, 2016 (January 1, 2016 through June 30, 2016)

#### 1. Information concerning net sales, income or loss, by reporting segment

	Millions of yen								
	Reporting segment					Others (Note 1)	Total	Adjustments	Amounts on consolidated statements of income
	Motorcycles	Marine products	Power products	Industrial machinery and robots	Total				
Net sales:									
Outside customers	477,518	170,298	69,761	23,626	741,205	37,133	778,338	—	778,338
Intersegment	—	—	—	—	—	15,306	15,306	(15,306)	—
<b>Total</b>	<b>477,518</b>	<b>170,298</b>	<b>69,761</b>	<b>23,626</b>	<b>741,205</b>	<b>52,440</b>	<b>793,645</b>	<b>(15,306)</b>	<b>778,338</b>
Segment income (Note 2)	18,090	38,265	2,654	4,067	63,078	2,299	65,377	0	65,377

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. Total of segment income corresponds to operating income in the Consolidated Statements of Income.

#### 2. Items related to changes in reporting segments, etc.

##### Additional information

##### (Changes in Presentation Methods)

From the first quarter of the fiscal year ending 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 so forth, and the Company's policy of expanding the finance business to support existing businesses.

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

The segment information for the six months ended June 30, 2015 has been presented based on the method after the change.

## Reference Information

The geographical segment information for the six months ended June 30, 2015 has been presented based on the method after the change as described in “2. Items related to changes in reporting segments, etc., Additional Information, (Changes in Presentation Methods)” under “Segment Information” on page 21.

### Geographical segment information

Six months ended June 30, 2015 (January 1, 2015 through June 30, 2015)

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales:								
Outside customers	132,550	187,876	118,178	308,761	81,383	828,749	—	828,749
Intersegment	237,323	16,708	2,687	65,498	962	323,180	(323,180)	—
Total	369,873	204,584	120,865	374,259	82,346	1,151,929	(323,180)	828,749
Operating income	28,262	18,204	10,596	12,600	4,192	73,855	(518)	73,336

Notes:

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

Six months ended June 30, 2016 (January 1, 2016 through June 30, 2016)

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Eliminations	Consolidated
Net sales:								
Outside customers	131,092	177,398	117,668	291,851	60,327	778,338	—	778,338
Intersegment	208,022	16,086	2,153	52,023	472	278,758	(278,758)	—
Total	339,115	193,485	119,821	343,874	60,800	1,057,097	(278,758)	778,338
Operating income	13,615	14,631	10,749	23,947	346	63,291	2,086	65,377

Notes:

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