We are continuing structural and foundation reforms, while shifting the footing towards growth

BUSINESS RESULTS FOR FISCAL 2010

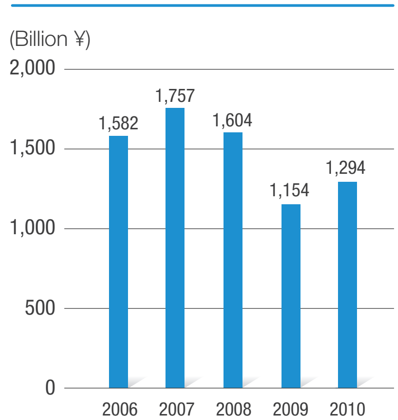
Q1 Please give us a recap of Yamaha Motor's business results for fiscal 2010 when the Company returned to profitability on an operating income basis.

The significant rebound in performance was the result of an increase in motorcycle unit sales in emerging markets and a recovery in sales of outboard motors and intelligent machinery, combined with structural reforms.

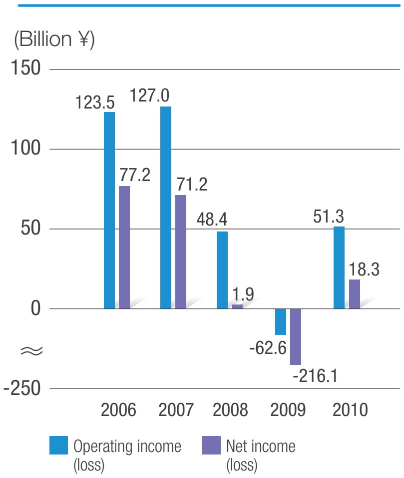
The economic environment saw a sluggish recovery in Europe and the United States. Despite signs of improvement in consumer spending in the United States, an improvement in employment conditions lagged, and Europe experienced financial crises in countries bordering the euro zone. On the other hand, the trend of economic growth continued in emerging markets, especially in Asia.

Against this backdrop, even though Yamaha Motor's consolidated net sales suffered due to the yen's appreciation, growth in motorcycle sales in emerging markets and a recovery in sales of outboard motors and surface mounters resulted in consolidated net sales of ¥1,294.1 billion.

Net sales



Operating income (loss) and net income (loss)



In terms of profit, despite the negative impact from a stronger yen and higher prices for raw materials, increased sales led to a higher gross profit, and with decreased depreciation and personnel expenses from structural reforms and other cost reductions, we achieved an operating income of ¥51.3 billion (a ¥113.9 billion improvement from fiscal 2009) and ordinary income of ¥66.1 billion (a ¥134.5 billion improvement). Reflecting ¥103.7 billion in restructuring expenses recorded in the previous year, net income improved by ¥234.4 billion to ¥18.3 billion.

Recovery in operating performance was the result of focusing on shared goals for management restructuring, and working toward those goals comprehensively as a group. This led to achieving our fiscal 2010 target under the Medium-Term Management Plan of returning to profitability on a consolidated operating income basis.

Q2 What strategies did you implement in emerging and developed markets?

In emerging markets, we increased production capacity in line with growth in motorcycle unit sales.

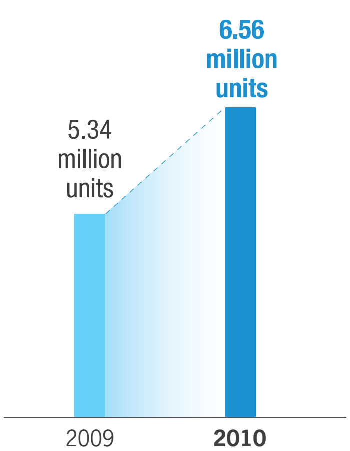
In developed markets, we saw a recovery in the marine products business.

Yamaha Motor's motorcycle unit sales in emerging markets grew 22.8% from fiscal 2009, to 6.56 million units, by actively introducing new products and strengthening our sales network. In anticipation of further growth, we also increased our production capacity to 3.60 million units in Indonesia, and to 1.00 million units in Vietnam.

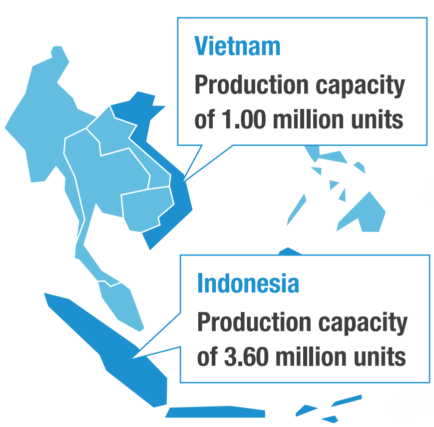
In developed markets, demand for motorcycles was lower than anticipated, and with the additional impact of a stronger yen, sales declined from the previous year. At the same time, we optimized our market inventory in the United States, bringing it in line with current demand. The marine engine business recorded sales growth as both retail sales and wholesale shipments exceeded the previous year. This was the result of inventory adjustments carried out in 2009 and the introduction of newly developed next-generation environmentally friendly engines (four models). We also signed a joint development agreement with AB Volvo Penta, the Swedish marine engine manufacturer for the development of electronic control systems for boats powered by outboard motors. We will utilize the strengths of both companies to further enhance our market competitiveness, and provide high-quality, highly dependable products to the global marine market.

The markets in emerging nations

Expanding motorcycle unit sales



Increasing production capacity



STRUCTURAL REFORMS

Q3 What progress was made in reorganizing the manufacturing layout in Japan?

We are shifting our focus from "market size-dependent" to "break-even-point" operations.

We are shifting the focus to "break-even-point" operations, and reorganizing our manufacturing layout in Japan. This aims to reform our earnings structure for developed markets so that profitability can be maintained even with domestic production of 200 thousand units for motorcycles, 230 thousand units for outboard motors and 100 thousand units for ATVs.

Our manufacturing layout in Japan will be reorganized from 12 factories/25 units to 7 factories/14 units. During 2010, we reduced the number to 11 factories/21 units.

We are also striving to extend companywide activities such as "theoretical-value-based production" and "*Zensuu Ryouhin* Process Activities*" to our group companies.

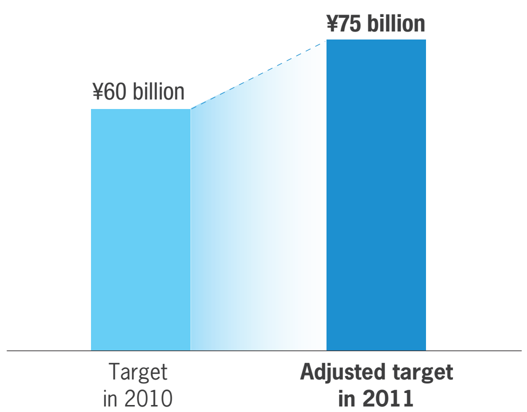
**Zensuu Ryouhin* Process Activities: Activities pertaining to the *Zensuu Ryouhin* Process, a process that allows for the logical designing and sustenance of consistently high-quality products

Q4 What cost-cutting measures were taken?

We have reached 90% of our initial target in cost reductions, and we are now working towards an even higher target.

To reduce the cost of procured parts, we are carrying out PRO-10 (cost reduction) activities with the aim of reducing costs by ¥60 billion over the three years to 2012, and as of the end of 2010 we had already achieved 90% of this target. We are now building on these PRO-10 activities, and have raised our target for 2012 from ¥60 billion to ¥75 billion.

Saving targets from parts procurement costs (2010–2012)



In Japan, we have established the Cost Innovation Section to reform the cost structure by integrating design, manufacturing technologies, and procurement functions, and through "concurrent" and "theoretical-value-based production" activities with our suppliers, we are making steady progress in cost reductions. In Asia, which accounts for 60% of our total procurement in terms of value, we are cultivating local manufacturers in China and India and rolling out domestic activities like the promotion of "concurrent activities in ASEAN." We are also building a structure for global concurrent activities, and promoting interchangeable parts among overseas group companies.

Q5 What other progress has been made in structural reforms?

We are proceeding on schedule under the Medium-Term Management Plan.

With regard to structural reforms, 932 staff at our headquarters applied for the voluntary retirement scheme in October 2010, and we also reduced the number of our employees by 350 in Europe and the U.S. Decisions were also made to sell our domestic water purifier business and withdraw from the life science business to concentrate on our core businesses.

Q6 How is the "affordably priced motorcycle" strategy progressing?

GROWTH STRATEGY

Volume segment models introduced in China and India are showing solid sales. We intend to launch affordably priced models in other markets around the world.

During 2010, we launched the affordably priced YB125-Z in China and the affordable 150cc SZ series in India, and both have been well received. Yamaha Motor is leveraging its brand image established in emerging markets with high-quality, high-value-added models to accelerate the introduction of new products in the affordably priced motorcycle zone, the largest volume segment in the Chinese and Indian markets.

Going forward, we intend to introduce affordably priced models globally, while focusing on China and India.

Q7 How about the strategy of "Promoting FI* in ASEAN"?

We are aiming to increase the percentage of FI models in the ASEAN market, and have established a local fuel injection production system capable of producing one million units.

In cooperation with parts manufacturers, in 2010 we established a local FI production system capable of producing one million units in order to proactively launch models with FI systems like the YM-JET-FI for scooters and commuter vehicles. Fuel efficiency is a high priority in the ASEAN market, and we are addressing the needs of customers by increasing the percentage of FI models.

In addition to enhancing the strength of our products, we are also working to make FI models at the same cost as carburetor models, and aim to increase profitability through economies of scale.

*FI: Fuel injection

Q8 Tell us about the development of "next-generation environmentally friendly engines."

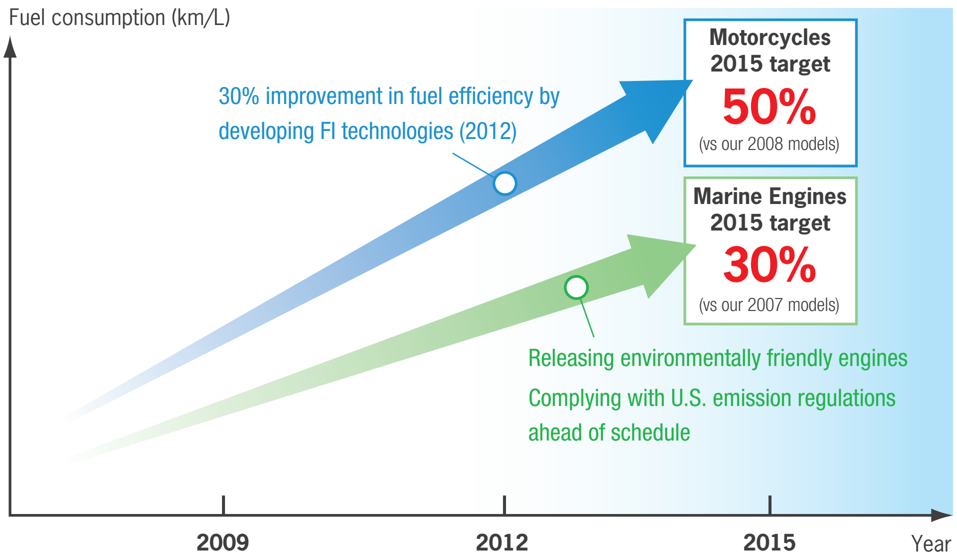
We are strengthening our product competitiveness in commuter vehicles in the ASEAN market through better fuel efficiency.

Outboard motors have experienced a recovery in sales driven by the launch of four next-generation models.

In the motorcycle business, we are working to further refine our proprietary FI system with the aim of improving fuel efficiency in 2012 models by 30% compared with our 2008 models, and by 50% in 2015 models. This improved fuel efficiency will enhance our product competitiveness in commuter vehicles in the ASEAN market, and lead to increased sales.

The outboard motor business saw sales recover, driven by the introduction of four new models of next-generation, 4-stroke large outboard motors that combine speed with fuel efficiency. Steady progress is also being seen in the development of next-generation, environmentally friendly engines that significantly improve fuel efficiency. We are accelerating our development of cutting-edge environmental technologies, with the aim of improving fuel efficiency by 30% in 2015 models compared with our 2007 models.

Next-generation environmentally friendly engines



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Q9 How is the development of "Smart Power" progressing?

We have launched the EC-03 electric motorcycle in Japan, and the PAS business has experienced solid growth.

We are striving to meet expectations for next-generation personal mobility.

"Smart Power" will play a key role in next-generation transport infrastructure, and as part of this movement Yamaha launched the EC-03 electric motorcycle in Japan in September 2010. Our initial sales target called for 1,000 vehicles in the first full year from the launch date, and as of the end of December 2010 wholesale sales had already reached approximately 1,000 units, prompting us to raise our sales target to 2,000 units.

We also plan to introduce the EC-03 in Europe and Taiwan in 2011. At the same time, the PAS electrically power assisted bicycle business recorded a 17% increase in 2010 unit sales, to 93 thousand complete units, as a result of our proprietary S.P.E.C.3* system. By promoting Smart Power, both businesses are working to meet expectations for personal mobility that conforms to a low-carbon society.

*S.P.E.C.3: Shift Position Electric Control and in-hub 3-speed gear mechanism

Q10 What is your stance on investing in research and development?

We are strengthening our investment in research and development to "lay the groundwork for future growth."

During 2010, we proactively worked to cultivate new markets, with the development of new, cost-competitive motorcycles for emerging markets, the development of next-generation environmentally friendly engines and the introduction of the EC-03 electric motorcycle.

We also procured ¥74.6 billion in capital through a public offering in April 2010, to accelerate development investment to lay the groundwork for future growth and strengthen our financial foundation. Of this amount, ¥19.3 billion is slated for development of affordably priced commuter vehicles in emerging markets, ¥34.7 billion is being used to promote FI vehicles in ASEAN and develop next-generation environmentally friendly engines, and ¥8.0 billion is being allocated to Smart Power. Having secured stable, long-term capital, we are well on our way to laying the groundwork for future growth.

STRENGTHENING THE FINANCIAL FOUNDATION

Q11 What is the status of strengthening the financial foundation?

We are aiming to achieve our Medium-Term Management Plan targets, originally set for 2012, one year ahead of schedule.

Inventory reductions and the return to profitability generated ¥66.9 billion of free cash flow in 2010, and we reduced gross interest-bearing debt by ¥77.5 billion, to ¥322.4 billion from ¥399.9 billion. In addition, with the ¥74.6 billion public offering we secured funds for research and development and bolstered shareholders' equity. This increased cash and deposits to ¥205.3 billion as of the end of 2010 from ¥137.3 billion at the end of 2009 (a ¥68.0 billion increase), and net assets grew to ¥310.8 billion from ¥249.3 billion (a ¥61.5 billion increase).

As a result, net interest-bearing debt was reduced by ¥145.5 billion, to ¥117.1 billion as of the end of 2010 from ¥262.6 billion at the end of 2009; the debt-equity ratio improved to 1.2 from 1.9; and the equity ratio rose to 28% from 22%, for a significantly stronger financial foundation.

Q12 Given the recovery in business results, what is your thinking with regard to shareholder returns?

We will strive to stabilize the management foundation in order to resume dividend payments at an early date.

Although 2010 showed a steady recovery in Yamaha Motor's business results, we were not able to eliminate our cumulative loss on a non-consolidated basis, and felt it necessary to forgo dividend payments for the year. I kindly ask our shareholders for their understanding.

In order to prepare for future dividend payments, we have eliminated the non-consolidated-basis cumulative loss in 2011 through reductions of additional paid-in capital and legal reserve and the appropriation of surplus, to apply retained earnings brought forward to the disposition of the deficit as approved at the Ordinary General Meeting of Shareholders held in March 2011.

Going forward, we will make every effort to generate profit to make it possible to resume dividend payments at an early date.

Q13 What do you see as issues to be addressed in the foreseeable future?

We will continue to work on the issues currently being addressed under the Medium-Term Management Plan, while repositioning to lay the groundwork for future growth.

Our basic outlook for the economic environment—a gradual recovery in developed markets and growth in emerging markets—remains unchanged. Nevertheless, in addition to the unchanging trends of higher prices for crude oil and raw materials and a stronger yen, coupled with the earthquake and tsunami that struck northeastern Japan and the resulting problems at the nuclear power plant in Fukushima, we recognize that the operating environment will be extremely difficult.

In order to continuously generate growth in this environment, we will continue to work on issues including ongoing structural and management foundation reforms to be able to maintain profitability at exchange rates of ¥80/U.S. dollar and ¥105/euro, cultivating new markets and entering new business fields. We will also accelerate our efforts under the Medium-Term Management Plan announced in February 2010, to stabilize earnings in 2011 despite the negative impact of factors including a stronger yen, and aim to achieve a consolidated operating income margin of 5% in 2012.

MEDIUM-TERM MANAGEMENT TARGETS FOR 2012

Management foundation reforms, growth scenario

Q14 How are you transforming the management foundation (to address the appreciation of the yen)?

We are transforming the management foundation to be able to maintain profitability at exchange rates of ¥80/U.S. dollar and ¥105/euro.

Based on the assumption that the yen will continue to appreciate, we are transforming our management foundation from a short-term, medium-term and long-term perspective to achieve an earnings structure that is able to maintain profitability at exchange rates of ¥80/U.S. dollar and ¥105/euro.

For the short term, we are further reducing business costs. Over the medium term, we will eliminate our excessive dependence on scale, maintain production volumes in Japan that are clear of the break-even point and generate marginal profit.

Looking to the long term, we are striving to add value to headquarters functions. The headquarters is specializing in the development of cutting-edge technologies, while promoting the localization of product development. In terms of production, we will diversify our production line while maintaining low production volume, and will further consolidate and streamline administrative functions.

Future growth scenario

Q15 Please tell us about developments in emerging markets.

We are strengthening our local production capacity and accelerating the diversification of our product lineup in line with growth in motorcycle unit sales in emerging markets.

Along with continuing to proactively invest in growing markets for the motorcycle business, we will accelerate our growth in emerging markets by promoting the development of various products in promising markets for products like marine products and generators.

In the motorcycle business, total demand in emerging markets is expected to grow to 58 million units in 2012, for a 12 million-unit increase from 46 million units in 2009. Yamaha Motor’s 22.8% growth in 2010, to 6.56 million units, outpaced that of the total market. We are aiming for annual growth in the one million-unit range, and are forecasting an increase to 8.40 million units in 2012.

To achieve this, we will increase our production capacity in Indonesia to 4.00 million units, introduce affordably priced models in China and India, incorporate FI in ASEAN models, increase sales in Central and South America, and cultivate markets in Africa.

Furthermore, we expect robust growth in demand for various products handled by our other businesses, including marine products and power products in emerging markets with economic growth potential. Our marine products business has begun to provide boat builders with technological assistance for pleasure boats aimed at the high net worth individual sectors in Brazil and Russia. In China, we are strengthening our cost competitiveness with an integrated production structure for generators, and are aiming for full-scale global sales.

We will develop a variety of products for promising markets, by building on the superior reliability of the Yamaha brand and the sales network that we have built in emerging markets.

Q16 What do you see as new growth areas?

By creating new values, we aim to become an excellent engineering, manufacturing and marketing enterprise with a prominent presence in the global market.

The Yamaha Motor group has announced three directions for its engineering, manufacturing and marketing as a future growth scenario for the years from 2010 to 2020—"creating fulfilling lifestyles," "creating enjoyment in personal mobility" and "creating innovative technologies that harmonize with people, the Earth and society." By pursuing this scenario, we aim to become an excellent engineering, manufacturing and marketing enterprise with a prominent presence in the global market. The Yamaha Motor group is shifting the footing towards growth and expanding its business scope by developing marine products, power products and a range of other products in emerging markets. Under the Medium-Term Management Plan, we are aiming for consolidated net sales of ¥1,500 billion with an operating income margin of 5% in 2012, the final year of the plan, and looking further into the future, we are working toward a goal of consolidated net sales of ¥2,000 billion.