

INTERVIEW WITH THE PRESIDENT

New Medium-Term Management Plan

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The Yamaha Motor Group launched a new Medium-Term Management Plan (MTP) in January 2013. The new Plan builds on the successes of the previous MTP, which targeted a V-shaped recovery in results and stable profitability, and sets ultimate targets for 2017. To achieve this, the Plan calls for proactive expansion of the Company's business scale and improved profitability, with the aim of increasing corporate value through sustained growth over the three years to 2015.

In the following interview, the President addresses these key issues:

Previous Medium-Term Management Plan (MTP)	Management targets of the new MTP	Management strategy under the new MTP	Strategy for business development
Market strategy for the Motorcycle business	Strategies for major businesses other than Motorcycles	Plan for new model development	Measures to enhance profitability under the new MTP
Financial strategy under the new MTP	Measures to increase corporate value through sustainable growth	Returns to shareholders	Message for stakeholders



Q1 Please summarize the previous (three-year) Medium-Term Management Plan.

We continue to face issues in terms of business scale and profitability.

The previous Medium-Term Management Plan (MTP) was positioned to bring about a V-shaped recovery in results and stable profitability following large losses in the wake of the global financial crisis, and set targets of ¥1,400 billion in net sales with an operating income margin of 5%. A V-shaped recovery was achieved in 2010, and in 2011 net sales reached ¥1,276.2 billion with an operating income margin of 4.2%. However, in 2012 net sales were held to ¥1,207.7 billion with an operating income margin of 1.5%, falling short of our management targets.

Issues remain in terms of business scale and profitability. Although fixed costs in our business in developed markets were reduced through restructuring, the business was unable to achieve profitability as a result of a slow market recovery and the strong yen. In the motorcycle business in emerging markets, sales volume in 2011 reached 6.60 million units with an 8% return on sales, but as markets weakened 2012 sales volume slowed to 5.76 million units and the operating income margin declined to 3.5%.

We have stabilized our financial position in line with our targets, with the equity ratio at 32% and the debt/equity ratio at 1.1. Measures to enhance our corporate strength, including the realignment of our domestic production structure, the commencement of operations at the ASEAN Integrated Development Center, the implementation of a procurement system organized around four key regions, and the establishment of a new Design Center, are proceeding according to plan.

Q2 What are the new MTP's management targets?

We are aiming for sales volume of at least nine million units, with ¥1.6 trillion in net sales, in 2015.

We have set ultimate five-year targets (for 2017) of sales volume of 12 million units for major products, with net sales of ¥2

From the Previous MTP to the New MTP			
	2010–2012 “V-shaped recovery in results / stabilization of a profitable structure”	Toward 2015–2017 “Increasing corporate value through sustainable growth”	
	Achievements	Targets (2015)	Ultimate targets (2017)
Business scale • Unit sales • Net sales	7.4 million ¥1.3 trillion (short of the target)	9 (10) million ¥1.6 (1.8) trillion	12 million ¥2 trillion
Financial strength • ROS • Equity ratio • D/E • ROE	4.2% (short of the target) 31% 1.0 9.6%	5.0% 33% 1.0 10%	7.5% 35% 1.0 15%
Business foundation/ corporate strength • Domestic manufacturing layout • Cost reduction • Operational structure	9 factories/17 units ¥75 billion (3 years) Japan-U.S.-Europe framework scaled down, integrated development and procurement system (involving 4 key regions), Design Center, etc.	6 factories/13 units ¥90 billion (3 years) Realignment of operations in Europe, more than 30% localization of product development, proportion of locally hired executives to be increased to 80%, etc.	¥150 billion (5 years)

trillion and an operating income margin of 7.5%. For the intermediate period, we are aiming for sales volume of nine million units, with net sales of ¥1.6 trillion and an operating income margin of 5%, for 2015. Our financial targets are for an equity ratio of 33%, a debt/equity ratio of 1.0, and return on equity (ROE) of 10%. These targets take into account the current uncertainty in the global economy, and if the global economy recovers quickly we will aim for sales volume of 10 million units with ¥1.8 trillion in net sales.



Q3 What is the management strategy under the new MTP?

We are pursuing two broad strategies.

We have established two broad management strategies: “Go beyond customer expectations with unique concept in the YAMAHA way” and “Continue challenging a management reform.”

First, we will work to surpass customer expectations through original concepts unique to Yamaha by pursuing engineering and marketing excellence, and by taking on new businesses. Then, we will execute an even more ambitious cost reduction program, while achieving structural reforms and advancing toward true globalization, to implement management reforms. We aim to achieve our targets by addressing these issues.

New MTP: Management Strategies “Aiming to Expand Our Business Scale and Enhance Profitability”

“Go beyond customer expectations with unique concept in the YAMAHA way”

Stand out by engineering excellence

- Concept to create new trend
- High performance, lightweight and high fuel efficiency
- Advanced technologies and high cost performance
- Original designs

Stand out by marketing excellence

- Attract more [lifelong customers](#) by promoting [market-based](#) “3S” policy and strengthening contact points with customers
- Thoroughly implement new [brand communication](#)

Taking on new business activities

- Develop key business areas other than motorcycles and marine products
- Create “fulfilling lifestyles,” “enjoyment in personal mobility,” and “innovative technologies that harmonize with people, society and the Earth”

“Continue challenging a management reform”

Expand global activities/cost reduction

- Change global manufacturing: Consolidate to [Platform \(PF\)](#), change [drawings](#) based on each market, change the [process of developing products](#)
- Expand global procurement and supply: Consolidate suppliers, streamline [logistics](#), strengthen [manufacturing competence](#)

Accomplish structural reforms

- Domestic manufacturing layout: Complete the consolidation of factories and offices
- Operational structure in Europe: Change into “[Euro one company](#)”
- Headquarters: Reorganize business structure and corporate framework

Go global in a true sense

- [Localize product development](#) based on the integrated development and procurement centers (in 4 key regions)
- Augment “[mother](#)” and “[global](#)” [functions](#) in production
- Appoint excellent human resources from around the world and train them to become “[employees who embody YAMAHA brands](#)”

**Aiming for a ¥300 billion
comprehensive global marine
business**



Q4 What is your strategy for business development?

We are establishing three growth pillars upon which we will pursue diversity and individuality to expand business scale.

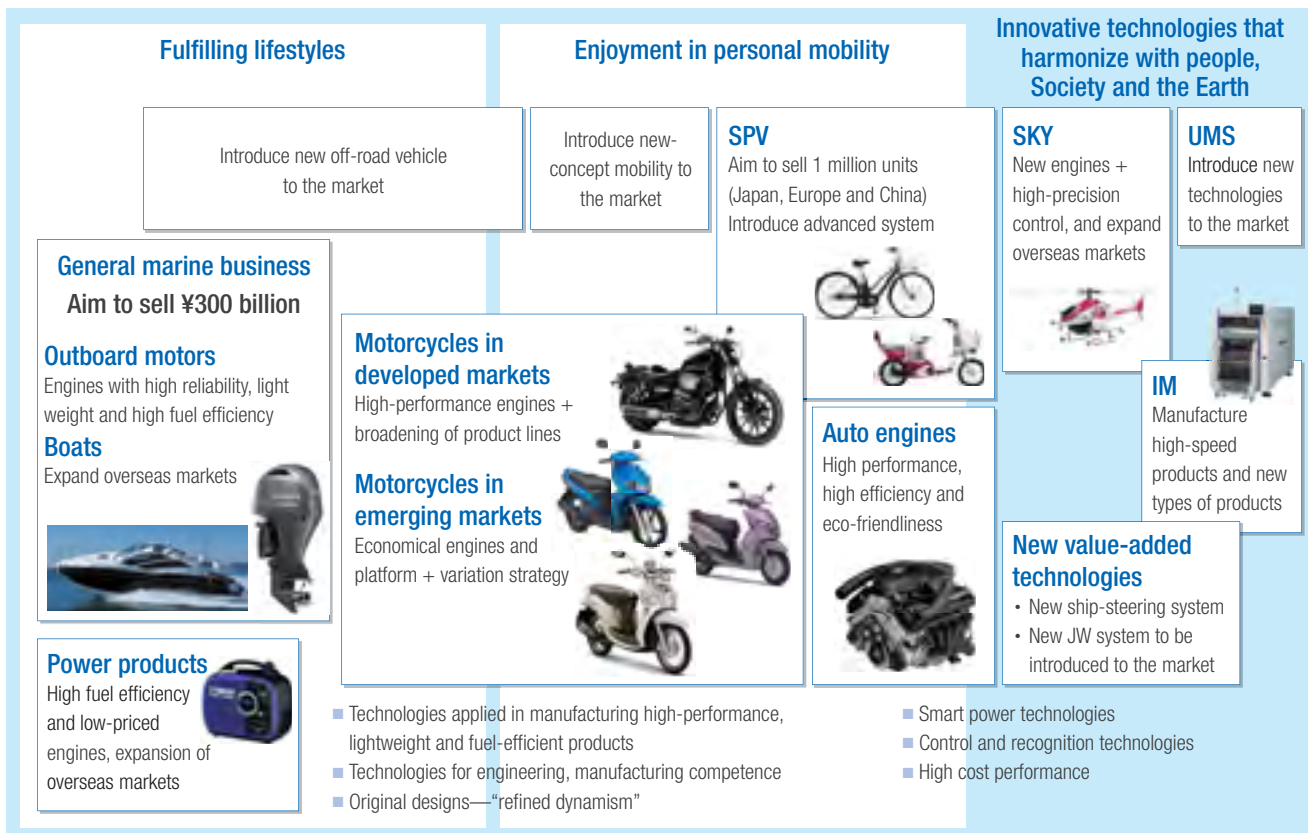
Traditionally, Yamaha Motor has pursued a high degree of individuality in each of the various businesses we have developed, and this will continue to be a core theme in our corporate management going forward. To expand on this theme, we will further pursue individuality along the three growth pillars of fulfilling lifestyles, enjoyment in personal mobility, and innovative technologies that harmonize with people, the Earth, and society.

Specifically, our overall business development strategy can be seen as comprising three layers: existing core businesses, strategic near-term growth areas, and new business segments.

First, let me explain our current business base. In Motorcycles, we are expanding our lineup in developed markets with high-performance engines and platforms, and in emerging markets we are developing a varied lineup using platforms with fuel-efficient engines. In both areas, we are pursuing high performance, light weight, and original design. In the Marine Products business, we are aiming for an overall marine business of ¥300 billion, by creating highly reliable, lightweight, and fuel-efficient outboard motors, and expanding our boat business in overseas markets. In automobile engines, we are creating high-performance, highly efficient, environmentally friendly products as a forward-looking foundation for engine technologies.

The next layer is strategic near-term growth areas. The Smart Power business is developing and introducing high-performance systems, targeting shipments of one million units, primarily in Japan, Europe, and China. The Intelligent Machinery

Strategies for Business Development: “Three Growth Pillars to Pursue Diversity and Individuality”



SPV: Smart Power Vehicle, UMS: Unmanned System, JW: electric-powered wheel chair

Snapshot

Interview with the President

Special Features

Overview of Operations

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*UMS: Unmanned System, using unmanned control technologies. In January 2013, the Unmanned Aerial Vehicle Business Development Section was reorganized as the UMS (Unmanned System) Business Development Section.

(IM) business has begun to move into the high-speed sector and new product areas. The Power Products business is developing and introducing low-cost, fuel-efficient engines and growing in overseas markets. The UMS* business is developing and introducing products with high-performance engines and high-precision controls, and is pursuing growth in overseas markets. We are also developing and introducing new technologies with a high-value-added component.

Finally, in terms of new business segments, we are entering the fields of off-road vehicles and new-concept mobility. In unmanned systems, we intend to build a business that covers the ground and under water as well as the sky.

Q5 What is your market strategy for the Motorcycle business?

Our strategy is to look at the global market as a whole, and to expand to the appropriate size in individual markets.

The global market contracted in 2012 on a temporary slowdown in emerging markets, but given the trends in motorcycle penetration rates and per capita GDP, we expect the market to grow going forward.

We are looking at India and untapped markets as the largest growth markets for the future, and see stable growth in the ASEAN and Central and South American markets, which have shown rapid growth to date. We expect developed markets to recover and maintain a stable size, and in China we see the motorcycle market contracting as the market for electric-powered bicycles grows.

Working from this analysis, the new MTP lays out an appropriate business strategy for each market that will expand the Company's business scale.

India

The Indian market continues to show large growth, and we are strengthening our mass-market business—scooters and low-end models in particular. In 2013, we are moving forward with the construction of our new factory in Chennai, while at the same time establishing an Integrated Development Center to accelerate the designing of products that meet the market's quality standards.

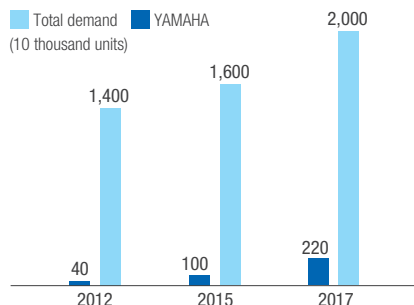
Motorcycle Business: Market Strategies

India

Market: Will continue to expand significantly

Strategy: Strengthen the mass segment

- SC, low-priced models, etc.
- Manufacture the world's lowest priced products
- Increase production capacity
- Expand sales networks and strengthen the points with customers

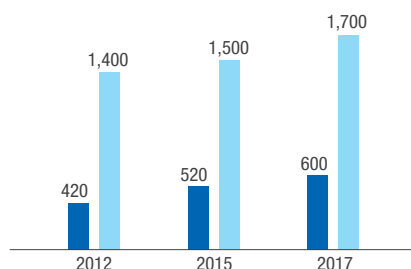


ASEAN

Market: Will move toward steady growth

Strategy: Respond to diversified customer needs

- Economical engines, PF + variation models
- Develop low cost PF (engines and bodies)
- Offer value as something more than a tool for transportation
- Strengthen the points with customers based on the market

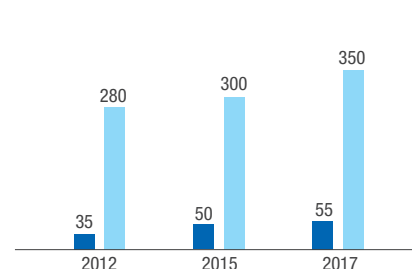


Developed markets

Market: Will recover due to healthy potential demand

Strategy: Attract more lifelong customers

- Create the "YAMAHA world" (entry models to flagship models)
- Lifetime marketing
- Offer new concepts



ASEAN

We expect the ASEAN market to show stable growth going forward, and are addressing increasingly diverse customer needs. We are accelerating our development of different variations of fuel-efficient engines and platforms, to provide value that goes beyond being simply a means of transportation.



Developed markets

In developed markets, where latent demand is leading to a solid recovery, our strategy is to grow our base of lifelong customers. We are creating a product lineup that ranges from entry to flagship models, and conducting marketing activities to create a Yamaha World. We are also offering new concepts in personal mobility.

Q6 What are your strategies for major businesses other than Motorcycles?

We will work to expand the scope of our businesses with a clear strategy for each business.

Our aim is to realize an earnings contribution from major businesses other than Motorcycles by closely following trends and issues in each business, and expanding the scope of our businesses.

Marine Products business

We aim to build a ¥300 billion global, integrated Marine Products business.

The Marine Products business in the United States is recovering, and demand is growing in emerging markets as well. We are striving to acquire a stable share in outboard motors by working with boat builders to develop reliable, lightweight, and fuel-efficient engines. During 2013 we plan to launch a new boat operating system developed jointly with Volvo Penta. We also plan to enter the Chinese business boat market in 2013. In the Personal Watercraft business, we are expanding the jet/engine supply business.

Other Main Business Activities: Business Strategies

Marine products

General marine business (¥300 billion)

Outboard motor

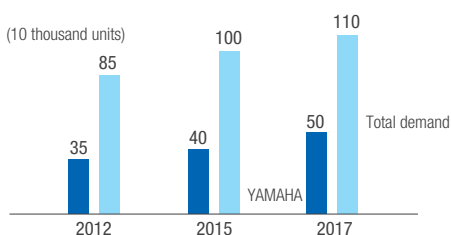
- Engines with high reliability, light weight and high fuel efficiency
- Gain a stable market share by cooperating with boat builders
- Introduce new technologies by cooperating with other companies (2013)

Boat

- Enter the Brazilian market (2012)
- Enter the Chinese business boat market (2013)

JET

- Expand jet/engine-supply business



SPV business

Electric-powered bicycle (China)

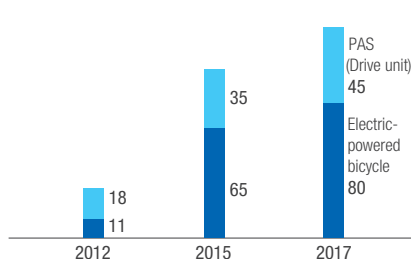
- Significantly broaden the product lines (2013)

PAS

- Launch advanced models (2013)
- Attract more European consumers (E-Kit)

EV

- Launch low-priced models



RV business

New off-road vehicle

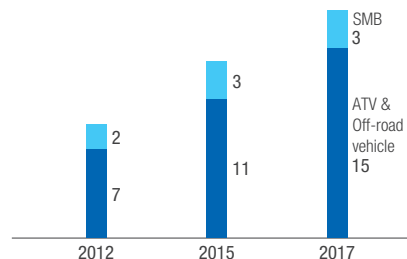
- Introduce new models to the market (2013)

ATV


- Complete the transfer of body production (2012)
- Strategies for procuring engines

SMB

- Improve business efficiency by cooperating with other companies (2013)



WV: Water Vehicle, RV: Recreational Vehicle, ATV: All Terrain Vehicle

A man in a dark suit and green patterned tie stands in a museum, gesturing with his hands. He is looking towards the right. The background features a large wall covered in historical documents and photographs, and a display case containing two vintage motorcycles. The floor is highly reflective, showing the man and the motorcycles.

Based on our founding spirit of engineering, manufacturing and marketing, Yamaha Motor has built up its global production capabilities while introducing groundbreaking new models that are uniquely Yamaha.

Smart Power (SPV) business

We are aiming for SPV sales of one million units. We will significantly expand our lineup of electric-powered bicycles for the Chinese market, which continues to grow. We are also aiming to make deep inroads in the electric motorcycle market by introducing low-end models. In the area of electrically power assisted bicycles (PAS), we are introducing high-performance models in Japan and making a full-scale entry into Europe by supplying drive units.

Recreational Vehicle (RV) business

We have completed the transfer of all-terrain vehicle body production to the United States and are launching a strategy for engine procurement. We are working with other companies to make our snowmobile business more efficient. We also intend to introduce a newly developed model for the Recreational Off-road Vehicle market in 2013.

Q7 What is the plan for new model development?

Using Yamaha's unique engineering, manufacturing, and marketing, we will launch 250 new models.

As a result of significant cutbacks in product development following the onset of the global financial crisis, we released 120 new models during the period covered by the previous MTP, and I feel that this was not sufficient in terms of the number of products. I want to focus on new product development and enhancing product strength under the new MTP. We plan to launch 65 new models during 2013 (a 50% year-on-year increase), and aim to introduce 250 new models over the next three years.

We have set the following themes for product development in our respective businesses:

- (1) In Motorcycles in emerging markets, develop platforms and variation, and pursue fuel efficiency, light weight, design, and cost reductions.
- (2) In Motorcycles in developed markets, emphasize high-performance engines and pursue light weight and design, and expand the lineup to grow the base of lifelong customers.

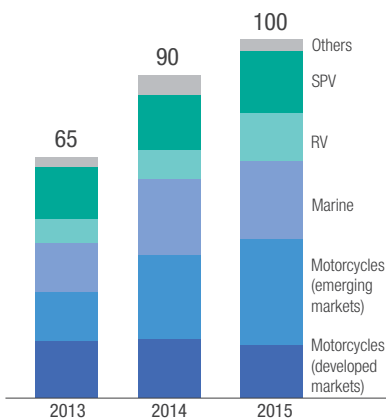
Product Strategies: Introduce 250 New Models in Three Years

(1) 2013: Increase new model releases by 50% vs. previous year (65 models)

(2) Craftsmanship with unique Yamaha 'Concept', 'Technology', and 'Design'

(3) Further increase new model releases in 2014/2015

[Medium-term] Introduce new models



[2013] Introduce new main models

Motorcycles (developed markets)

- Introduce a new lineup in sports, cruiser, competitions, and other segments

Motorcycles (emerging markets)

- ASEAN: Strengthen all segments, outfitting fuel injection systems (67%)
- Brazil: Introduce a new lineup
- India: Strengthen the SC segment

Marine

- Introduce "Helm Master" control system
- Outboard Motors: Introduce large, lightweight, and compact models

RV

- Introduce new off-road vehicles

SPV

- PAS: Introduce Multifunctional (triple sensor) models
- CAT: Expand the existing lineup (e.g., lithium models)

IM

- Full-fledged introduction of high-speed surface mounter (Z:TA), gain new customers

(3) In the Marine Products business, further strengthen the product lineup, pursue reliability, light weight, and fuel efficiency, and accelerate the introduction of new operating systems.

(4) In the SPV business, expand the lineup of electric-powered bicycles with models using lithium-ion batteries, and introduce high-performance PAS systems.

(5) In the RV business, focus on the introduction of new off-road vehicles.

In each of these areas, we will pursue original concepts, technologies that achieve superior performance and functionality, and design that expresses refined, lively beauty, incorporating Yamaha's unique engineering, manufacturing, and marketing, and following through with thorough implementation.

Q8 How will Yamaha Motor enhance profitability under the new MTP?

We will change our global engineering, manufacturing, and marketing, and expand our global procurement and supplies.

We have reduced costs by ¥75 billion over the past three years. The majority of this amount, however, was for changes in model mixes, with a relatively low degree of actual profit contribution. Given this experience, we are working to reduce costs by a total of ¥90 billion by 2015 and by ¥150 billion by 2017, and at the same time raise the degree of profit contribution to at least 50%,

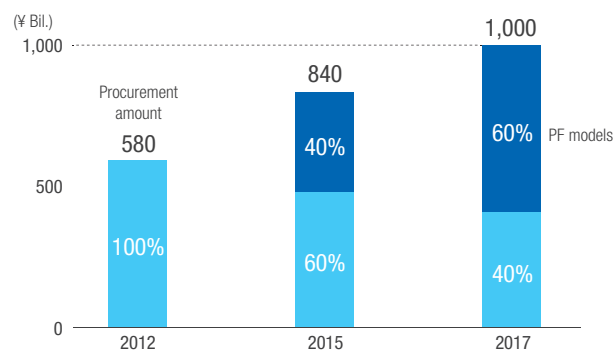
Cost Reduction Strategies: "Change Global Manufacturing"

➤ Cost down targets



➤ Consolidate to PF

■ Scale effects in procurement and production



➤ Change drawings based on each market

- Operate integrated development centers (for motorcycle)
- Design products and draw up plans based on market quality standards



➤ Change the development process

- Consolidate to PF and expand variations
- Reduce the lead time for product development by 30%

Japan:
Develop basic PF

Integrated development centers:
Develop variations

- Localize the process of drawing up plans
- Increase the marketability and modernity of products



through two initiatives.

The first is to change our global engineering, manufacturing, and marketing. This means consolidating platforms and introducing design and patterning that meet market standards for quality. Specifically, we are introducing platforms, with target levels of covering 40% of all procurement value by 2015 and 60% by 2017. This will result in changes to the development process. Basic platforms will be developed in Japan, and overseas development centers will use these to create variations. We believe this will make it possible to reduce development lead times by 30%.

The second initiative is to expand our global procurement and supplies. To date, we have provided supplementary parts and products within the regions of Japan, ASEAN, China, Taiwan, and India, but going forward we will expand the supply coming from four centers to cover the entire world. We will consolidate the number of vendors from which we procure important parts by half, to 200 from the current 400, and promote strategic joint activities as global partners. We will also reduce costs by ¥10 billion in the areas of procurement logistics, and inter-region and intra-region movements of goods. Then, as a foundation for cost-reduction activities, we will strengthen our production engineering, manufacturing, and marketing in each region, with target incorporation levels of 76% for quality production processes and 74% for theoretical-value-based production.

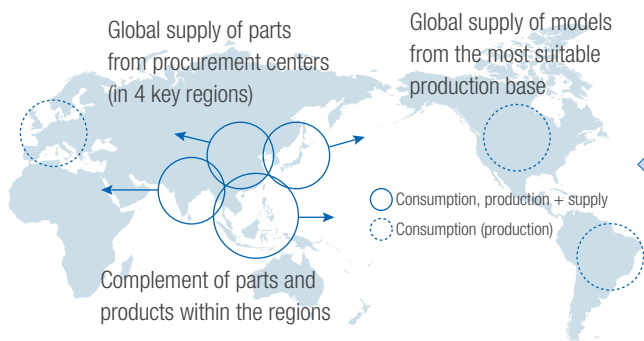
Many other companies are implementing measures similar to these, but I would like to pursue these while at the same time creating original products unique to Yamaha.



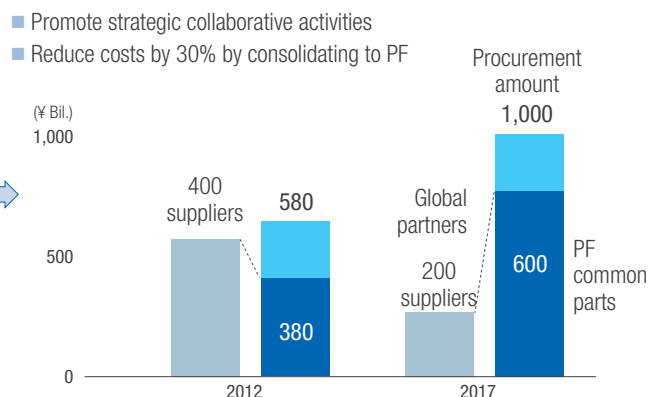
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Cost Reduction Strategies: “Expand Global Procurement and Supply”

➤ Expand global procurement and supply

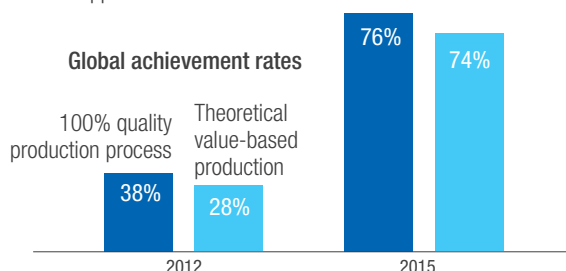


➤ Consolidate suppliers



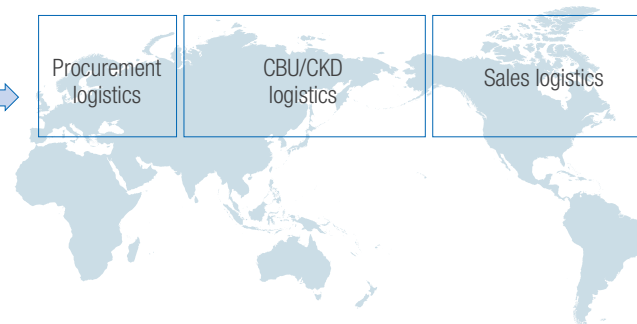
➤ Strengthen manufacturing competence

- Gain “great technological strengths” and “outstanding competence at factories”
- Augment “mother” and “global” functions
- Involve suppliers



➤ Streamline logistics

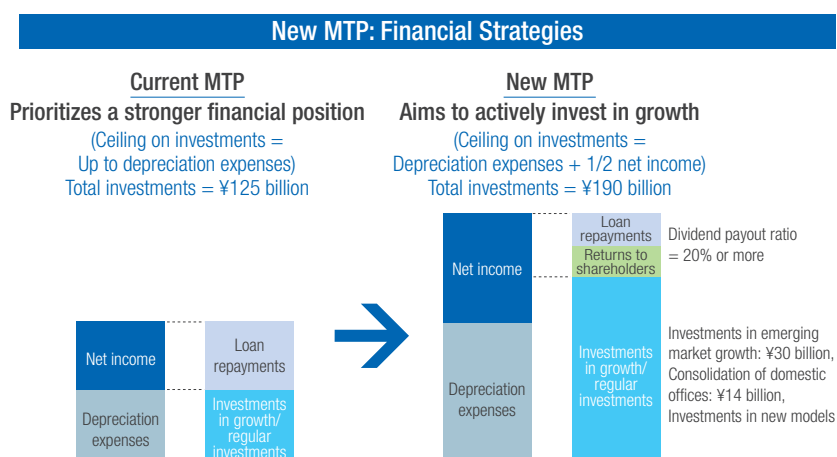
- Overall review of logistics in procurement, production and sales
- Reduce costs by ¥10 billion



Q9 What is your financial strategy under the new MTP?

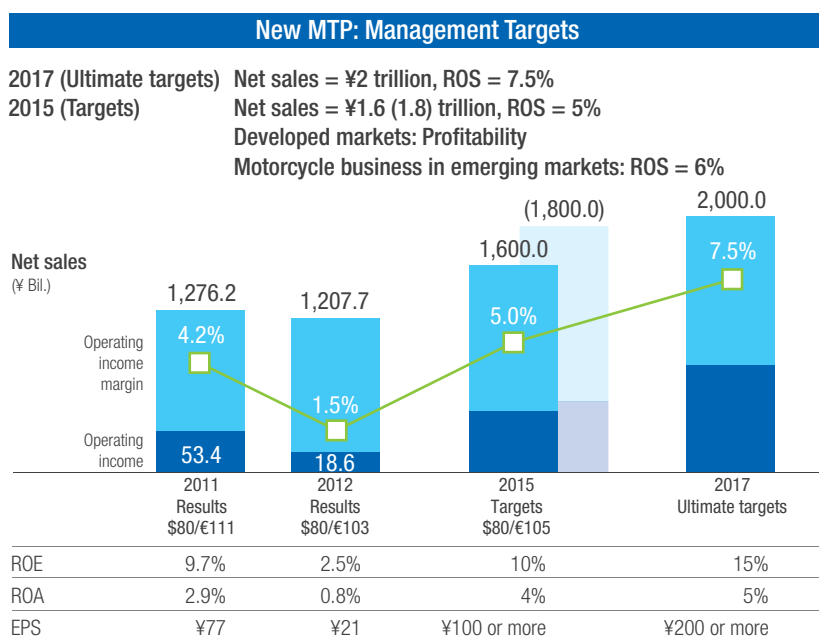
We will manage with a balance among investment for growth, debt repayment, and returns to shareholders, to support sustainable growth.

As a strong backup to the two main themes of the new MTP—expansion of the Company's business scale and improved profitability—we view a balance among active investment for growth, debt repayment, and returns to shareholders as the most important component of our financial strategy. We are therefore using ROE as our primary management indicator, and are managing the Company to enhance our comprehensive corporate strength, including profitability, asset efficiency, and stability.



Under the previous MTP, priority was given to improving our financial position, and therefore investment for growth was held to within the amount of depreciation expenses. Under the new MTP, however, the ceiling on investment is placed at depreciation expenses plus one-half of net income, and we expect the total investment amount to be ¥190 billion. This will enable us to actively invest for growth, by introducing 250 new models, developing new emerging markets, and consolidating domestic factories and offices.

Q10 What do you see as being necessary to increase corporate value through sustainable growth?



I believe it will be important for management to raise our return on assets (ROA).

In addition to ROS (operating income margin), it will be important to manage the Company to raise our ROA to increase corporate value through sustainable growth. ROA is calculated as profit as a percentage of total assets, indicating how efficiently assets are used to generate profit. We will manage businesses to reduce assets like capital investment, inventories, and accounts receivable, while increasing profit, with targets set for individual businesses.

Q11 What is your specific thinking with regard to returns to shareholders?

We will return profit (corporate value) to all stakeholders.

Yamaha Motor considers increasing profit for all stakeholders to be an important management issue, and we operate businesses around the world from a global perspective in an effort to increase corporate value.

With the new MTP, we have made ROE an important indicator, and internally we manage our businesses based on ROA. In this way, I hope to manage the Company by maintaining a balance between aggressive investment for growth and returns to shareholders.

We intend to maintain a dividend payout ratio of at least 20% and to return profit (corporate value) to all stakeholders.

Q12 What is your message for stakeholders?

We will work to increase value as a *Kando* Creating Company.

The Yamaha Motor Group seeks to constantly provide new *Kando* (the simultaneous feelings of deep satisfaction and intense excitement that we experience when we encounter something of exceptional value) by closely following markets and how we operate in them, and continuously pursuing further innovation.

To continuously surpass customer expectations, the Yamaha Motor Group pursues management reform for engineering excellence and prominence, and works to increase value as a *Kando* Creating Company.

With the launch of the new MTP, we have formulated an internal and external message as a shared, global ideal for all Group companies. That message is “Revs your Heart.” This encompasses our desire to utilize Yamaha’s unique engineering and marketing to provide value and *Kando* that surpass customer expectations. We are conveying this message to markets around the world.

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