New Medium-Term Management Plan

Yamaha Motor Co., Ltd.

December 18th, 2012
New Medium-Term Management Plan

1. Review of the current MTP
2. From the current MTP to the new MTP
3. Management strategies
   - Strategies for business development
   - Strategies for main business activities
   - Cost reduction
4. Financial strategies
5. Management targets
Business in developed markets

- Reduced fixed costs under structural reforms
- Sustained a loss due to insufficient marginal profits
  - Insufficient sales (slow market recovery)
  - Impact of the strong yen (▲¥35.1 billion)

Under the new MTP, we aim to earn profit in this business area by “boosting marginal profits” while continuing structural reforms.

Motorcycle business in emerging markets

2011: Unit sales: 6.6 million
Operating income: ¥58.5 billion
ROS: Up to 8%

2012: Unit sales: 5.9 million
Operating income: ¥30 billion
ROS: Down to 4.6%

Under the new MTP, we aim to expand unit sales to 10 million and increase ROS to 6%.
## From the Current MTP to the New MTP

### 2010–2012
**“V-shaped recovery in results / stabilization of a profitable structure”**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Business scale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Unit sales</td>
<td>: 7.4 million</td>
<td>: 9 (10) million</td>
</tr>
<tr>
<td>• Net sales</td>
<td>: ¥1.3 trillion (short of the target)</td>
<td>: ¥1.6 (1.8) trillion</td>
</tr>
<tr>
<td><strong>Financial strength</strong></td>
<td>: 4.2% (short of the target)</td>
<td>: 5.0%</td>
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<tr>
<td>• ROS</td>
<td>: 4.2% (short of the target)</td>
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</tr>
<tr>
<td>• Equity ratio</td>
<td>: 31%</td>
<td>: 33%</td>
</tr>
<tr>
<td>• D/E</td>
<td>: 1.0</td>
<td>: 1.0</td>
</tr>
<tr>
<td>• ROE</td>
<td>: 9.6%</td>
<td>: 10%</td>
</tr>
<tr>
<td><strong>Business foundation / corporate strength</strong></td>
<td>: 9 factories / 17 units</td>
<td>: 6 factories / 13 units</td>
</tr>
<tr>
<td>• Domestic manufacturing layout</td>
<td>: ¥75 billion (3 years)</td>
<td>: ¥90 billion (3 years)</td>
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<tr>
<td>• Cost reduction</td>
<td></td>
<td></td>
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<tr>
<td>• Operational structure</td>
<td>: Japan-U.S.-Europe framework scaled down, integrated development and procurement system (involving 4 key regions), Design Center, etc.</td>
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### Toward 2015–2017
**“Increasing corporate value through sustainable growth”**

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New MTP: Management Strategies

“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”
Strategies for Business Development

“3 growth pillars to pursue diversity and individuality”

Fulfilling lifestyles
Introduce new off road vehicle to the market

Enjoyment in personal mobility
Introduce new concept mobility to the market

Innovative technologies that harmonize with people, Society and the Earth

SPI
New engines + high-precision control, and expand overseas markets

UMS
Introduce new technologies to the market

IM
Manufacture high-speed products and new types of products

SKY
New value-added technologies
• New ship-steering system
• New JW system to be introduced to the market

General marine business
Aim to sell ¥300 billion

Outboard motors
Engines with high reliability, lightweight and high fuel efficiency

Boats
Expand overseas markets

Power products
High fuel efficiency, and low-priced engines, expansion of overseas markets

Motorcycles in developed markets
High-performance engines + broadening of product lines

Motorcycles in emerging markets
Economical engines and platform + variation strategy

Auto engines
High performance, high efficiency and eco-friendliness

Motorcycles in developed markets

 Technologies applied in manufacturing high-performance, lightweight and fuel-efficient products
 Technologies for engineering, manufacturing competence
 Original designs – “refined dynamism”

Motorcycles in emerging markets

 Technologies for engineering, manufacturing competence
 Original designs – “refined dynamism”

Auto engines

 Technologies for engineering, manufacturing competence
 Original designs – “refined dynamism”

High performance, high efficiency and eco-friendliness

SPV: Smart Power Vehicle, UMS: Unmanned System, JW: electric powered wheel chair
Motorcycle Business: Overview of the Global Market

Number of motorcycles produced: 2009 = 52; 2010 = 59; 2011 = 63 (million units)

Growth potential: (Indian/untapped markets) to grow significantly, (ASEAN / Latin America) to grow steadily, (Developed markets) recovering/stable, (China) motorcycles (down) + electric-powered bicycles (up)

Motorcycle market (2010)

GDP per capita (ドル)

Penetration rate (%)

0% 10% 20% 30%

Motorcycle market (2010)

Vietnam

Indonesia

Thailand

Taiwan (52%)

China

India

Untapped markets

Vietnam

Argentina

Brazil

Colombia

Mexico

Argentina

Spain

Japan

Germany

Italy

France

U.S.

U.S.
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

Total demand

<table>
<thead>
<tr>
<th>Year</th>
<th>YAMAHA</th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1,400</td>
<td>1,600</td>
<td>2,000</td>
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(10 thousand units)
**Other Main Business Activities: Business Strategies**

### Marine products
General marine business (¥300 billion)

**Outboard motor**
- Engines with high reliability, lightweight 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)

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**Total demand**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>YAMAHA</td>
<td>85</td>
<td>100</td>
<td>110</td>
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<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
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<tbody>
<tr>
<td>PAS (Drive unit)</td>
<td>35</td>
<td>35</td>
<td>45</td>
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<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric-powered bicycle</td>
<td>18</td>
<td>65</td>
<td>80</td>
</tr>
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<thead>
<tr>
<th></th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>SMB</td>
<td>2</td>
<td>3</td>
<td>3</td>
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</table>

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<thead>
<tr>
<th></th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATV &amp; Off road vehicle</td>
<td>7</td>
<td>11</td>
<td>15</td>
</tr>
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WV: Water Vehicle, RV: Recreational Vehicle, ATV: All Terrain Vehicle
Launch 250 new models in 2013–2015

- **SPV**
  - Electric-powered bicycle: Expand the product lines including lithium battery powered models
  - PAS: Introduce advanced system
- **RV**
  - New off road vehicle to be launched
- **Marine products (outboard motor)**
  - High reliability, lightweight and high fuel efficiency
  - Augment the product lines to attack fresh water market
  - Introduce new ship-steering system
- **Motorcycle in emerging markets**
  - PF + many variations
  - High fuel efficiency (up 50% from the 2008 level), lightweight and good design
  - Cost reduction (market standard designs, procurement strategies)
- **Motorcycle in developed markets**
  - High-performance engines, lightweight and good design
  - Product lines to attract more lifelong customers
**Cost Reduction Strategies**

**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%

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

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**Cost Down targets**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012 (3 years)</th>
<th>2015 (3 years)</th>
<th>2017 (5 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cost down (¥ Bil.)</td>
<td>75.0</td>
<td>90.0</td>
<td>150.0</td>
</tr>
</tbody>
</table>

**Consolidate to PF**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement amount (¥ Bil.)</td>
<td>580.0</td>
<td>840.0</td>
<td>1,000.0</td>
</tr>
<tr>
<td>PF models</td>
<td>100%</td>
<td>60%</td>
<td>40%</td>
</tr>
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</table>
**Expand global procurement and supply**

Global supply of parts from procurement centers (in 4 key regions)  
Global supply of models from the most suitable production base  
Complementation of parts and products within the regions  
- Consumption, production + supply  
- Consumption, (production)

**Consolidate suppliers**

- Promote strategic collaborative activities  
- Reduce costs by 30% by consolidating to PF

<table>
<thead>
<tr>
<th>Year</th>
<th>Procurement amount</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PF Common parts</td>
<td>¥580 billion</td>
<td>¥600 billion</td>
</tr>
<tr>
<td></td>
<td>Global partners</td>
<td>400 suppliers</td>
<td>200 suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>¥380 billion</td>
<td>¥1 trillion</td>
</tr>
</tbody>
</table>

**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

- Global procurement logistics  
- CBU/CKD logistics  
- Sales logistics

**Cost Reduction Strategies**  
“Expand global procurement and supply”  
YAMAHA
New MTP: Financial Strategies

Strike a balance between active investments in growth and returns to shareholders / loan repayments

Current MTP
Prioritizes a stronger financial position
(Ceiling on investments = Up to depreciation expenses)
Total investments = ¥125 billion

New MTP
Aims to actively invest in growth
(Ceiling on investments = Depreciation expenses + 1/2 net income)
Total investments = ¥190 billion

Dividend payout ratio = 20% or more

Investments in emerging market growth: ¥30 billion,
Consolidation of domestic offices: ¥14 billion,
Investments in new models
New MTP: Management Targets (Business Scale)

Unit sales (main products) to over 10 million

Net sales to ¥2 trillion
- Developed markets and others; 2012: ¥550 billion, 2015: ¥700 billion, 2017: ¥800 billion
New MTP: Management Targets

2017 (Ultimate targets): Net sales = ¥2 trillion, ROS = 7.5%

2015 (Targets): Net sales = ¥1.6 (1.8) trillion, ROS = 5%
   Developed markets: to earn profit in,
   Motorcycle business in emerging markets: ROS = 6%

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (¥Bil.)</th>
<th>Operating income (¥Bil.)</th>
<th>ROE (%)</th>
<th>ROA (%)</th>
<th>EPS (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,276.2</td>
<td>4.2%</td>
<td>9.6%</td>
<td>3.0%</td>
<td>¥77</td>
</tr>
<tr>
<td>2012 Revised</td>
<td>1,200.0</td>
<td>2.3%</td>
<td>5.8%</td>
<td>1.8%</td>
<td>¥49</td>
</tr>
<tr>
<td>2015 Targets</td>
<td>1,600.0</td>
<td>5%</td>
<td>10%</td>
<td>4%</td>
<td>¥100 or more</td>
</tr>
<tr>
<td>2017 Ultimate targets</td>
<td>2,000.0</td>
<td>7.5%</td>
<td>15%</td>
<td>5%</td>
<td>¥200 or more</td>
</tr>
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