Management Discussion and Analysis of Operations

Overview

The world economy during the fiscal year ended December 31, 2009 (fiscal 2009) experienced a further downturn, characterized by sluggish consumption, reduced production and higher unemployment. These symptoms were repercussions of the credit crunch triggered by uncertainty over the global financial system.

In this environment, the Japanese economy also suffered a serious slump, with substantial declines in corporate earnings due to contractions in both production and exports, coupled with the yen's continuing strength against major currencies.

Reflecting these negative factors, the Yamaha Motor Group (the "Group") faced sharply declining demand in the leisure markets of Europe and the United States. In response, the Group adjusted product shipments and significantly reduced production for export from Japanese factories to developed nations, thus curtailing market stocks (distributors' stocks and Group inventories) during the period.

To attain sustainable growth amid these harsh business conditions, the Company focused on decreasing expenses, targeting a reduction of more than 10% of total consolidated expenses, while initiating the Urgent Cost Reduction Project to cut manufacturing costs. The Company also has been implementing structural reforms designed to build a profitable foundation, even amid rapidly shrinking business volume over the medium term.

In addition, the Company reduced capital expenditures by nearly half from the previous year. These efforts, combined with a considerable decrease in working capital through the curtailment of market stocks, produced positive free cash flows.

The market in Asia (excluding Japan) was a relative bright spot, as demand for motorcycles fell only slightly there. The Company moved to expand sales in Asia by introducing new models and implementing aggressive promotions. This marketing approach enabled steady sales in Indonesia, Vietnam and other nations in the region.

The Company also focused on environmental technologies with future growth potential, launching new PAS electrically power assisted bicycles that comply with recently introduced standards in Japan, and enhancing the research and development system for next-generation mobility technologies, including electric motorcycles.

Scope of Consolidation

The number of consolidated subsidiaries at the end of fiscal 2009 decreased by six from fiscal 2008, to 107, and the number of companies accounted for by the equity method remained the same, at 33.

Impact of Exchange Rate Fluctuations

The impact of exchange rate fluctuations on sales is defined as the impact on foreign currency-denominated sales at the Company's overseas subsidiaries for fiscal 2009, due to the difference between the average exchange rate used in fiscal 2009 to translate these sales into Japanese yen, versus the average translation exchange rate applied in fiscal 2008. Meanwhile, the impact of exchange rate fluctuations on gross profit is defined as the aggregation of two effects: (1) the impact on foreign currency-denominated gross profit at the Company's overseas subsidiaries for fiscal 2009, due to the difference between the average exchange rate used in fiscal 2009 to translate the gross profit into Japanese yen, versus the average translation exchange rate applied in fiscal 2008; and (2) the impact on foreign-currency denominated gross profit at the Company for fiscal 2009, due to the difference between the average exchange rate used in fiscal 2009 to translate the gross profit into Japanese yen, versus the average translation exchange rate applied in fiscal 2008.

Note that the impact of exchange rate fluctuations on changes in selling prices for products was not included in the definition of the exchange rate fluctuation impact on sales.

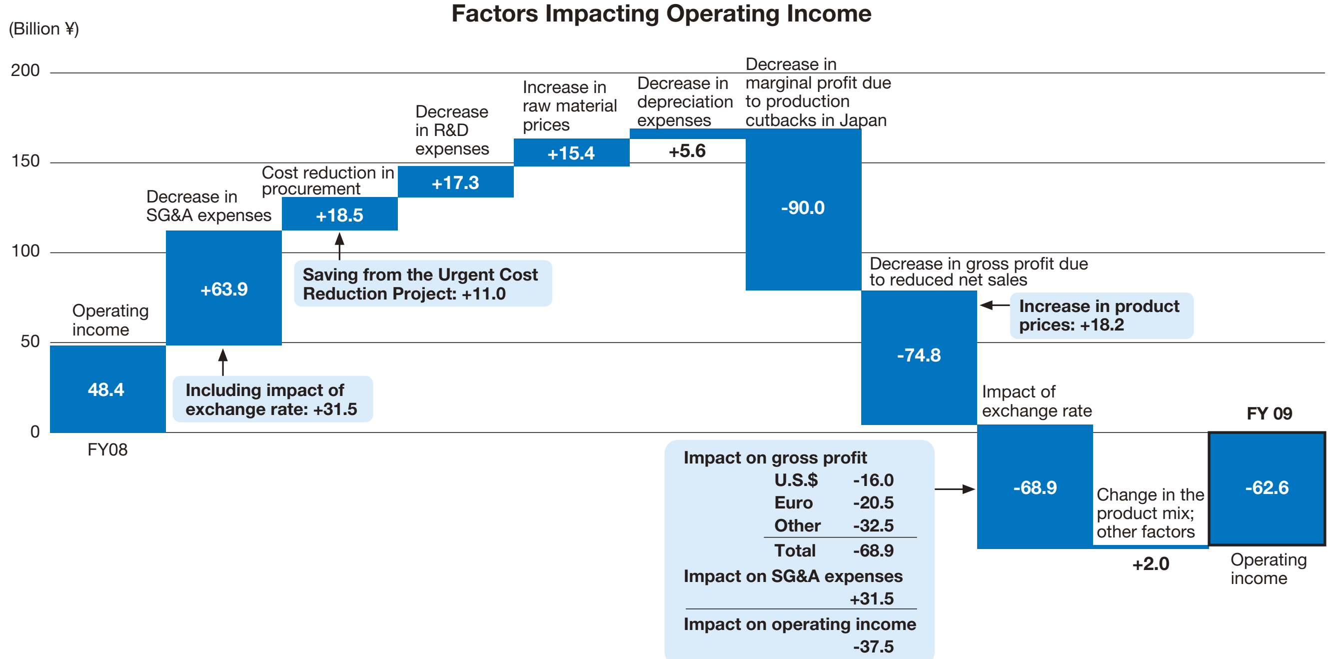
Overall, the negative impact resulting from exchange rate fluctuations totaled ¥195.5 billion ($2,122.7 million) for net sales and ¥68.9 billion ($748.1 million) for gross profit in fiscal 2009. The exchange rates applied to translate profits/losses in fiscal 2009 appreciated by ¥9 against the U.S. dollar, to ¥94, and by ¥23 against the euro, to ¥130.

Sales and Profits

Net sales for fiscal 2009 fell by ¥450.2 billion ($4,888.6 million), or 28.1%, from fiscal 2008, to ¥1,153.6 billion ($12,526.0 million). In Japan, sales decreased by ¥39.8 billion ($431.8 million), 23.4%, to ¥130.4 billion ($1,416.3 million), representing 11.3% of net sales. Meanwhile, overseas sales decreased by ¥410.5 billion ($4,456.8 million), or 28.6%, to ¥1,023.2 billion ($11,109.7 million), accounting for 88.7% of net sales.

In terms of profits, operating income decreased by ¥111.0 billion ($1,204.8 million) from the previous year, with the Company recording an operating loss of ¥62.6 billion ($679.5 million) in fiscal 2009. There were some positive factors affecting operating income, such as a decrease in selling, general and administrative expenses totaling ¥63.9 billion ($693.3 million) from fiscal 2008, cost reduction in procurement operations — including saving from the Urgent Cost Reduction Project — totaling ¥18.5 billion ($200.9 million); decreases in raw material prices totaling ¥15.4 billion ($167.2 million); a decline in research and development expenses totaling ¥17.3 billion ($187.8 million); and a reduction

Factors Impacting Operating Income

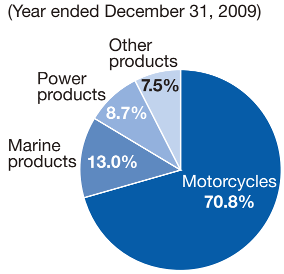


in depreciation expenses totaling ¥5.6 billion ($60.8 million). However, these were more than offset by such negative factors as a ¥74.8 billion ($812.2 million) decrease in gross profit due to reduced net sales; the impact of exchange translation totaling ¥68.9 billion ($748.1 million); and the impact of change in the product mix reflecting production cutbacks in Japan and related factors totaling ¥88.0 billion ($955.5 million). These were primarily responsible for the substantial operating loss in fiscal 2009, referenced above. Meanwhile, ordinary income dropped by ¥127.2 billion ($1,381.2 million), resulting in an ordinary loss of ¥68.3 billion ($742.0 million).

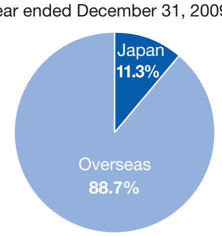
In addition, the Company appropriated extraordinary losses including an impairment loss on fixed assets and the expenses incurred by early retirement of employees in Japan, Europe and the United States as business structure improvement expenses, in order to accelerate structural reform at businesses in developed nations.

Consequent to the developments discussed above, net income declined by ¥218.0 billion ($2,367.0 million), for a net loss of ¥216.1 billion ($2,346.9 million).

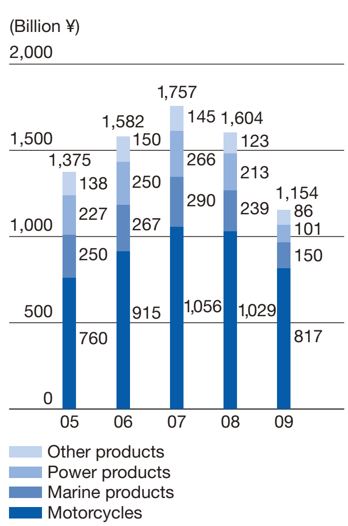
Percentage of sales by product segment
(Year ended December 31, 2009)



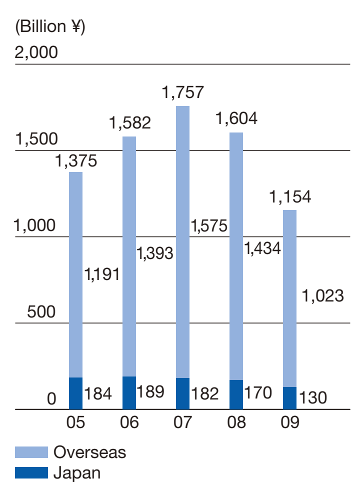
Percentage of sales by market
(Year ended December 31, 2009)



Sales by product segment



Sales by market



Management Discussion and Analysis of Operations

Sales Performance by Business Segment

Motorcycles

Motorcycle sales for fiscal 2009 fell by ¥211.8 billion ($2,299.1 million), or 20.6%, from fiscal 2008, to ¥817.1 billion ($8,871.4 million), due to decreased demand — mainly in the United States and Europe — coupled with the negative impact of the stronger yen. Motorcycle sales comprised of 70.8% of net sales.

In Japan, sales decreased by ¥5.4 billion ($58.7 million), or 12.5%, to ¥38.0 billion ($412.8 million), making up 4.7% of total motorcycle sales.

In Asia (excluding Japan), unit sales of the affordable moped[Note 1] Vega-ZR, automatic transmission scooter Mio and other Yamaha models increased in Indonesia, thanks to customer-oriented marketing, although total motorcycle demand declined in the nation. In Vietnam, India and other nations in the region where demand recovered early, aggressive new product releases spurred steady sales. However, the negative impact of the stronger yen caused a drop of ¥41.2 billion ($447.1 million), or 7.9%, in motorcycle sales in Asia from fiscal 2008. Overall, motorcycle sales in Asia amounted to ¥479.0 billion ($5,200.5 million), accounting for 58.6% of total motorcycle sales. Sales in North America fell by ¥49.1 billion ($533.6 million), or 45.9%, to ¥58.0 billion ($629.5 million), reflecting shrinking demand for leisure products amid the recession, coupled with the negative impact of the stronger yen against the U.S. dollar and the adjustments to shipping from Japan, designed to reduce market stocks. North American sales made up 7.1% of total motorcycle sales. Sales in Europe dropped by ¥71.3 billion ($774.0 million) or 33.2%, to ¥143.7 billion ($1,560.5 million), affected by sluggish demand amid the recession, coupled with the negative impact of the stronger yen against the euro. Sales in Europe comprised 17.6% of total motorcycle sales. Sales in other areas decreased by ¥44.7 billion ($485.7 million), or 31.3%, to ¥98.4 billion ($1,068.1 million), reflecting sluggish sales in Latin America, particularly in Brazil, due to decreased demand, coupled with the negative impact of the stronger yen. Sales in other areas represented 12.0% of total motorcycle sales.

In total, overseas sales decreased by ¥206.3 billion ($2,240.4 million), or 20.9%, to ¥779.0 billion ($8,458.7 million), accounting for 95.3% of total motorcycle sales.

Note 1
A **moped** is a small motorcycle characterized by an easy-to-mount downward curving mainframe and large-diameter (often 17 inch) tires on the front and rear. It is also called an underbone-type motorcycle.

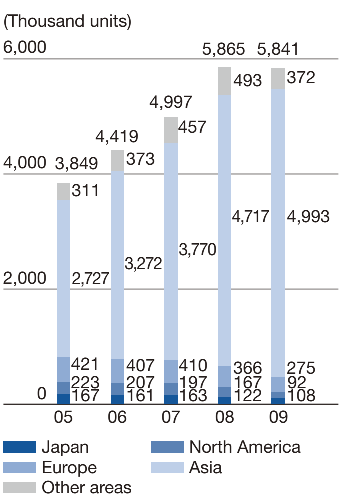
Marine Products

Marine product sales for fiscal 2009 decreased by ¥88.7 billion ($963.1 million), or 37.1%, from fiscal 2008, to ¥150.1 billon ($1,629.9 million), reflecting decreased demand, coupled with the negative impact of the stronger yen. Marine product sales made up 13.0% of net sales.

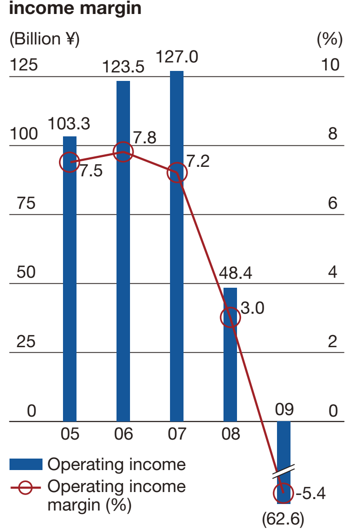
In Japan, sales fell by ¥7.3 billion ($78.9 million), or 23.5%, to ¥23.7 billion ($257.3 million), representing 15.8% of total marine product sales.

In North America, sales decreased by ¥43.4 billion ($471.5 million), or 44.0%, to ¥55.3 billion ($600.2 million). This was attributable to sluggish sales of large outboard motors and personal watercraft in the United States, the mainstay market in the region, coupled with the adjustments to shipping from Japan, designed to reduce market stocks. Slow demand was behind the downturn for these products, as consumption for recreational and

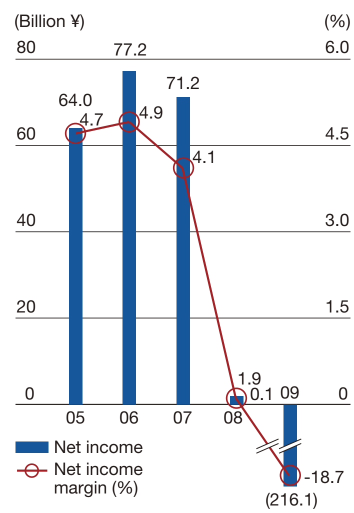
Motorcycle unit sales



Operating income and operating income margin



Net income and net income margin



leisure activities contracted amid the recession. Sales in North America made up 36.8% of total marine product sales. Sales in Europe dropped by ¥20.3 billion ($220.7 million), or 37.6%, to ¥33.8 billion ($366.7 million), due mainly to sluggish outboard motor sales. Sales in Europe comprised 22.5% of total marine product sales.

Overall, overseas marine product sales fell by ¥81.4 billion ($884.2 million), or 39.2%, to ¥126.4 billion ($1,372.5 million). Overseas sales accounted for 84.2% of total marine product sales.

Power Products

Power product sales for fiscal 2009 decreased by ¥112.7 billion ($1,223.5 million), or 52.8%, from fiscal 2008, to ¥100.6 billion ($1,092.0 million), reflecting decreased demand — mainly in the United States — coupled with the negative impact of the stronger yen. Power product sales comprised 8.7% of net sales.

In the United States, sales of leisure-oriented sport all-terrain vehicles (ATVs) and side-by-side vehicles decreased. This was primarily due to slow demand as consumption for recreational and leisure activities contracted amid the recession. The decline in the U.S. sent North American sales down ¥88.6 billion ($962.4 million), or 62.9%, to ¥52.4 billion ($568.8 million), making up 52.1% of total power product sales. Sales in Europe dropped by ¥11.5 billion ($124.7 million), or 35.9%, to ¥20.6 billion ($223.2 million), representing 20.4% of total power product sales.

Overall, overseas power product sales decreased by ¥111.6 billion ($1,211.2 million), or 54.9%, to ¥91.7 billion ($995.6 million). Overseas sales accounted for 91.2% of total power product sales.

Other Products

Sales of other products for fiscal 2009 decreased by ¥37.1 billion ($402.9 million), or 30.2%, from fiscal 2008, to ¥85.9 billion ($932.6 million), comprising 7.5% of net sales. Demand for electrically power assisted bicycles increased in Japan, reflecting growing heath and environmental awareness. Thanks to the introduction of models that comply with new standards, and the release of models designed to accommodate two small children, sales of electrically power assisted bicycles expanded steadily. However, sales of automobile engines and surface mounters decreased, due to a decline in demand amid the recession.

Sales in Japan decreased by ¥26.0 billion ($281.9 million), or 30.3%, to ¥59.8 billion ($649.7 million), making up 69.7% of total sales in this segment. Meanwhile, overseas sales dropped by ¥11.1 billion ($121.0 million), or 30.0%, to ¥26.1 billion ($282.9 million), representing 30.3% of the total sales.

Sales Performance by Geographical Segment[Note 2]

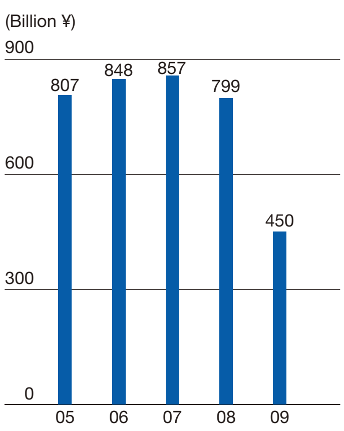
Japan

Sales in Japan decreased by ¥349.2 billion ($3,791.0 million), or 43.7%, from fiscal 2008, to ¥450.3 billion ($4,888.7 million), reflecting decreased exports of motorcycles, outboard motors, and ATVs to Europe and the United States. Sales in Japan accounted for 30.5% of net sales.

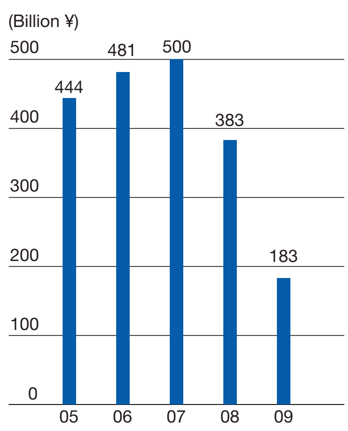
North America

Sales in North America decreased by ¥199.9 billion ($2,170.4 million), or 52.2%, to ¥183.2 billion ($1,989.0 million), due to shrinking demand for leisure products amid the recession, coupled with the negative impact of the stronger yen against the

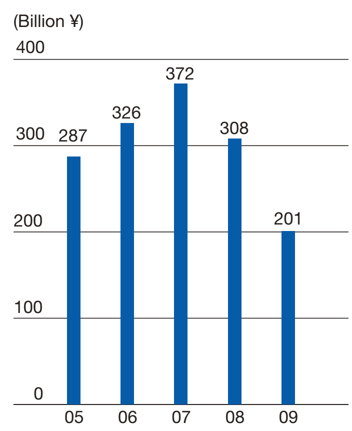
Sales by geographical segment [Note 2]
— Japan



Sales by geographical segment [Note 2]
— North America



Sales by geographical segment [Note 2]
— Europe



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U.S. dollar. North American sales comprised 12.4% of net sales.

Europe

Sales in Europe decreased by ¥106.7 billion ($1,158.3 million), or 34.7%, to ¥201.1 billion ($2,184.0 million), making up 13.6% of net sales.

Asia

Although motorcycle unit sales in Asia (excluding Japan) grew steadily, the sales amount decreased ¥65.3 billion ($709.5 million), or 11.2%, reflecting the negative impact of the stronger yen, to ¥519.5 billion ($5,640.3 million). Sales in Asia represented 35.2% of net sales.

Other Areas

Sales in other areas decreased by ¥50.4 billion ($547.6 million) or 29.5%, to ¥120.8 billion ($1,311.2 million), due mainly to reduced motorcycle sales in Latin America. Sales in other areas accounted for 8.2% of net sales.

Note 2
Sales amounts by geographical segment include intersegment sales.

Income and Expenses

Cost of Sales, Gross Profit and SG&A Expenses

Cost of sales for fiscal 2009 decreased by ¥275.4 billion ($2,990.5 million), or 22.5%, from fiscal 2008, to ¥951.4 billion ($10,329.5 million), representing 82.5% of net sales.

Gross profit fell by ¥174.8 billion ($1,898.1 million), or 46.4%, to ¥202.3 billion ($2,196.4 million). This was attributable to the negative impact on gross profit of several factors, including: ¥90.0 billion ($977.2 million) stemming from production cutbacks in Japan; and ¥74.8 billion ($812.2 million) from decreased sales. The decrease in gross profit came about despite reductions in purchasing costs totaling ¥18.5 billion ($200.9 million). Overall, the gross profit margin dropped by 6.0 percentage points, to 17.5%.

Selling, general and administrative (SG&A) expenses for fiscal 2009 fell by ¥63.9 billion ($693.3 million), or 19.4%, from fiscal 2008, to ¥264.9 billion ($2,875.9 million). The ratio of SG&A expenses to net sales increased by 2.5 percentage points, to 23.0%.

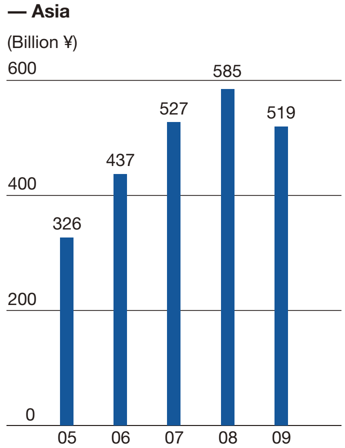
R&D Expenses

Capitalizing on its core small engine technology, and other technologies centering on frame, hull and electronic control, the Group is engaged in research and development (R&D) activities for a diversity of products, including motorcycles, marine products, power products, surface mounters, industrial robots, and automobile engines.

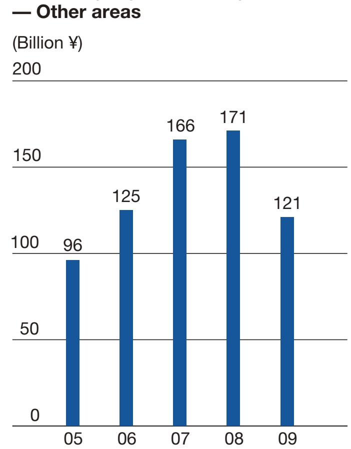
R&D expenses for fiscal 2009 decreased by ¥23.0 billion ($250.0 million), or 27.1%, from fiscal 2008, to ¥62.1 billion ($673.9 million), which was equivalent to 5.4% of net sales. Broken down by business segment, R&D expenses stood at ¥40.1 billion ($435.1 million) in the motorcycle business; ¥7.2 billion ($78.1 million) in the marine product business; ¥6.8 billion ($73.9 million) in the power product business; and ¥8.0 billion ($86.8 million) in the "other products" business.

Under the new medium-term management plan in place from fiscal 2010 through 2012, the Company will focus on developing affordably-priced motorcycles to be marketed in China, India and other emerging nations. The Company will also work to

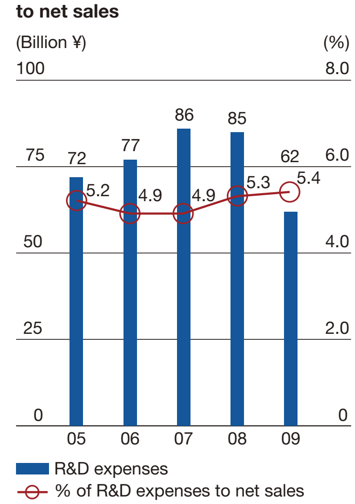
Sales by geographical segment Note 2
— Asia



Sales by geographical segment Note 2
— Other areas



R&D expenses and % of R&D expenses to net sales



simultaneously increase the appeal and profitability of motorcycles in Indonesia, Vietnam, and other ASEAN nations by incorporating Yamaha's exclusive fuel-injection system, while reducing the costs of these products. Furthermore, it will develop next-generation, environmentally friendly engines for motorcycles and outboard motors, as well as Smart Power[Note 3] technology for electric motorcycles and electrically power assisted bicycles.

Note 3
Smart Power: New power sources, primarily for electric vehicles, designed to create a new paradigm of mobility

Operating Income (Loss)

Operating income for fiscal 2009 decreased by ¥111.0 billion ($1,204.8 million), from fiscal 2008, generating an operating loss of ¥62.6 billion ($679.5 million). Operating income margin declined by 8.4 percentage points, to negative 5.4%.

Broken down by business segment, operating income in the motorcycle business decreased by ¥37.8 billion ($409.9 million), resulting in an operating loss of ¥4.2 billion ($45.1 million). This was attributable to a decrease in sales in the United States and Europe, coupled with the negative impact of the stronger yen, although sales increased in some emerging nations including those in the ASEAN region. Operating income margin in the motorcycle business fell by 3.8 percentage points, to negative 0.5%.

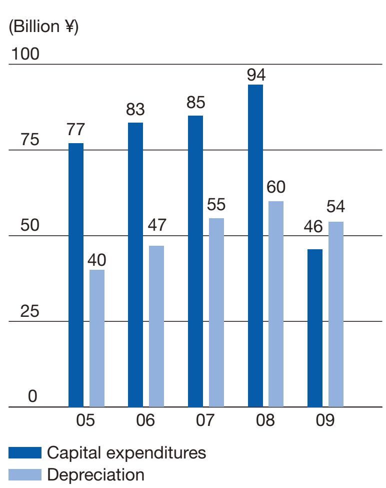
Operating income in the marine product business decreased by ¥30.4 billion ($329.5 million), resulting in an operating loss of ¥24.3 billion ($263.6 million). Major reasons for this decrease were the negative impact of the stronger yen; production cutbacks in Japan designed to curtail market stocks; stagnant boat demand amid recession-driven cutbacks in recreation and leisure consumption in the United States; and decreased sales of outboard motors in Europe and Russia. Operating income margin dropped by 18.7 percentage points, to negative 16.2%.

Operating income in the power product business fell by ¥37.3 billion ($405.4 million), resulting in an operating loss of ¥33.8 billion ($366.6 million). This arose mainly from sluggish sales in the United States; the negative impact of the stronger yen; production cutbacks in Japan and United States designed to curtail market stocks; and a provision for product liabilities. Operating income margin decreased by 35.2 percentage points, to negative 33.6%.

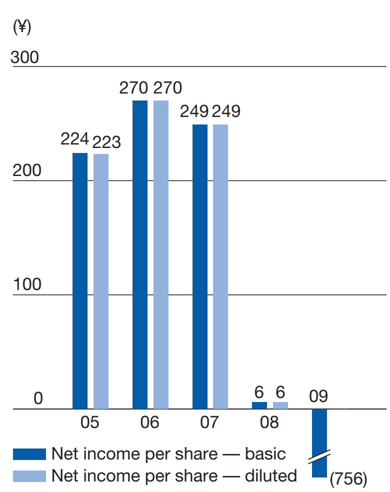
Operating income in the "other products" business declined by ¥5.5 billion ($59.9 million), resulting in an operating loss of ¥0.4 billion ($4.2 million). Increased sales of electrically power assisted bicycles reflecting strong demand growth were more than offset by decreased sales for automobile engines and surface mounters due to sluggish demand amid the recession, resulting in operating loss in this segment. Operating income margin fell by 4.6 percentage points, to negative 0.4%.

By geographical segment, operating income in Japan dropped by ¥32.6 billion ($354.4 million) from fiscal 2008, resulting in an operating loss of ¥55.6 billion ($603.5 million). This was attributable to significant production cutbacks designed to curtail market stocks, coupled with the negative impact of the stronger yen. Operating income in North America fell by ¥48.8 billion ($530.0 million), resulting in an operating loss of ¥42.3 billion ($458.9 million), while operating income in Europe dropped by ¥19.6 billion ($212.9 million), resulting in an operating loss of ¥9.1 billion ($99.3 million). Both operating income decreases were attributable to reduced sales, coupled with the negative impact of the stronger yen. Operating income in Asia (excluding Japan)

Capital expenditures and depreciation

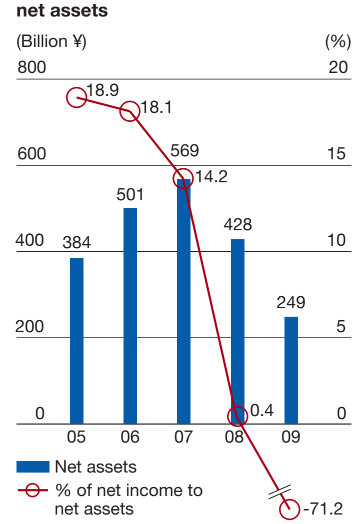


Net income per share



Note
Net income per share — diluted — for fiscal 2009 is not listed, since the Company registered a net loss per share for the period.

Net assets and % of net income to net assets



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declined by ¥1.8 billion ($19.3 million), or 5.0%, to ¥33.6 billion ($364.3 million), reflecting the negative impact of the stronger yen. Operating income in other areas decreased by ¥14.2 billion ($154.4 million), due mainly to a decrease in sales, resulting in an operating loss of ¥2.0 billion ($22.1 million).

Non-operating Income and Expenses

Interest expenses and similar expenses amounted to ¥5.8 billion ($62.5 million). The figure primarily arose from increased borrowings to secure cash on hand and to accommodate expanded working capital in some of the Company's subsidiaries, although procurement costs decreased due to lowered money market rates. With the net interest expenses, the balance between non-operating income and non-operating expenses for fiscal 2009 decreased ¥16.3 billion ($176.4 million) from fiscal 2008.

Extraordinary Profits and Losses

Extraordinary profits for fiscal 2009 amounted to ¥0.4 billion ($4.0 million), which includes a gain on sale of fixed assets. Extraordinary losses increased by ¥84.8 billion ($920.9 million), or 406.2%, to ¥105.7 billion ($1,147.7 million), due mainly to ¥103.7 billion ($1,126.3 million) in business structure improvement expenses and ¥1.7 billion ($18.6 million) in loss on sale and disposal of fixed assets.

Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests decreased by ¥212.5 billion ($2,307.1 million) from ¥38.8 billion for fiscal 2008, resulting in a loss of ¥173.7 billion ($1,885.7 million) for fiscal 2009.

Income Taxes

In fiscal 2009, income taxes increased by ¥7.6 billion ($82.6 million), or 24.0%, from fiscal 2008, to ¥39.3 billion ($426.3 million), due mainly to the reversal of deferred tax assets of the Company and its consolidated subsidiary in the United States.

Minority Interests

Minority interests — including interests owned by minority shareholders in Yamaha Motor Vietnam Co., Ltd.; PT. Yamaha Indonesia Motor Manufacturing and its consolidated subsidiaries; Yamaha Motor Taiwan Co. Ltd.; and Industria Colombiana de Motocicletas Yamaha S.A. — decreased by ¥2.1 billion ($22.7 million), or 39.4% from fiscal 2008 to ¥3.2 billion ($35.0 million).

Net Income

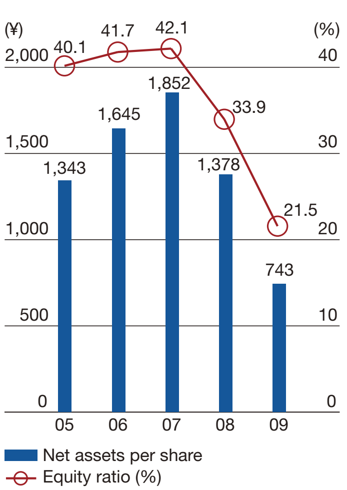
Net income for fiscal 2009 decreased by ¥218.0 billion ($2,367.0 million) from ¥1.9 billion for fiscal 2008, resulting in a net loss of ¥216.1 billion ($2,346.9 million) for fiscal 2009. Basic net income per share fell by ¥762.39 ($8.28) from ¥6.47 for fiscal 2008, resulting in a basic net loss per share of ¥755.92 ($8.21) for fiscal 2009.

Capital Resources and Liquidity

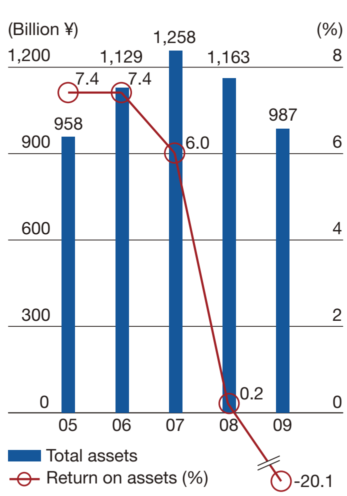
Assets, Liabilities and Shareholders' Equity

Total current assets at December 31, 2009 decreased by ¥96.2 billion ($1,044.7 million), or 13.4%, from December 31, 2008, to ¥620.8 billion ($6,740.5 million), due mainly to decreases in inventories — designed to curtail market stocks — and deferred tax assets. Tangible fixed assets also fell, by ¥80.0 billion ($869.1

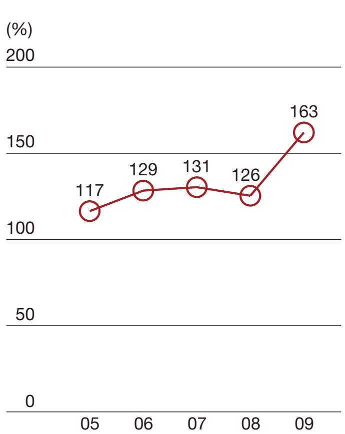
Net assets per share and equity ratio Note 4



Total assets and return on assets



Current ratio



million), or 22.5%, to ¥275.6 billion ($2,991.9 million), mainly attributable to an impairment loss on manufacturing equipment and facilities. Investments and other assets increased by ¥1.3 billion ($14.4 million), or 1.6%, to ¥85.9 billion ($932.9 million). This was principally attributable to increases in long-term loans receivable and investment securities, although deferred tax assets decreased. As a result, total assets at December 31, 2009 fell by ¥176.1 billion ($1,912.0 million), or 15.1%, from December 31, 2008, to ¥987.1 billion ($10,717.4 million). Return on assets (ROA) declined by 20.3 percentage points from fiscal 2008, to negative 20.1% in fiscal 2009.

Total current liabilities dropped by ¥187.8 billion ($2,039.0 million), or 33.1%, to ¥379.7 billion ($4,122.7 million), reflecting factors including declines in short-term borrowing and notes and accounts payable. Long-term liabilities increased by ¥190.9 billion ($2,072.9 million), or 114.2%, to ¥358.1 billion ($3,888.3 million), due mainly to long-term debt amounting to ¥209.3 billion ($2,272.5 million) borrowed from financial institutions, in order to stabilize fund procurement. Consequently, total liabilities at December 31, 2009 increased by ¥3.1 billion ($33.9 million), or 0.4%, to ¥737.8 billion ($8,011.0 million).

The current ratio at December 31, 2009 increased by 37.1 percentage points from December 31, 2008, to 163.5%.

Net assets at December 31, 2009 decreased by ¥179.2 billion ($1,945.9 million), or 41.8%, from December 31, 2008, to ¥249.3 billion ($2,706.5 million), due to a fall of ¥211.1 billion ($2,292.6 million) in retained earnings. Accordingly, return on equity (ROE) decreased by 71.6 percentage points from fiscal 2008, to negative 71.2% in fiscal 2009. Meanwhile, the equity ratio[Note 4] fell by 12.4 percentage points to 21.5% at December 31, 2009. Net assets per share dropped from ¥1,377.81 at December 31, 2008 to ¥743.04 ($8.07) at December 31, 2009.

Note 4
Equity ratio: (Shareholders' equity + Valuation and translation adjustments)/ Total assets x 100 (%)

Capital Expenditures

Capital expenditures for fiscal 2009 decreased by ¥48.4 billion ($525.0 million), or 51.2%, from fiscal 2008, to ¥46.0 billion ($499.8 million). These were mainly investments in manufacturing equipment and facilities for new products, and production capacity enhancements — primarily for the motorcycle and marine product business — as well as investments in research and development operations.

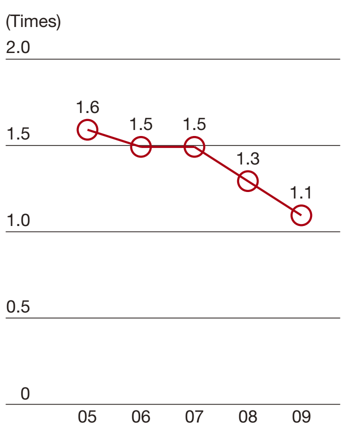
Broken down by business segment, capital expenditures for the motorcycle business totaled ¥29.9 billion ($325.0 million). In Asia (excluding Japan), investments were undertaken mainly in equipment and facilities. This included the equipment, facilities and molds for manufacturing new models, and the maintenance of existing equipment and facilities. In Japan, investments were mainly to acquire research and development equipment and facilities.

Capital expenditures for the marine product business amounted to ¥6.7 billion ($72.3 million), invested mainly in equipment, facilities and molds to manufacture new outboard motor and personal watercraft models.

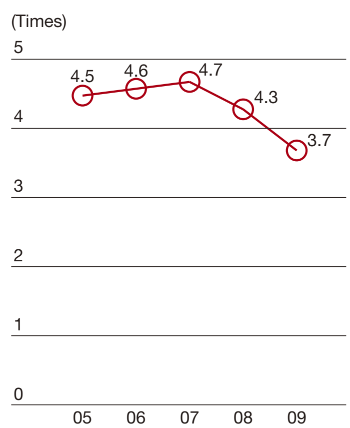
Capital expenditures for the power product business totaled ¥3.7 billion ($39.7 million), invested mainly in manufacturing equipment and facilities for new recreational vehicle models.

Capital expenditures for the "other products" business stood at ¥5.8 billion ($62.8 million), invested mainly in research and

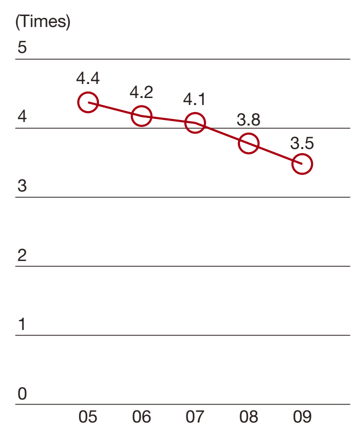
Total asset turnover



Tangible fixed asset turnover



Inventory turnover



Management Discussion and Analysis of Operations

development operations in the automobile engine business.

The entire amount of the expenditures discussed above was funded by internal resources.

The Company registered an impairment loss on fixed assets of ¥83.1 billion ($901.8 million) in fiscal 2009.

During fiscal 2009, there was no disposal or sale of important facilities or similar assets.

Cash Flows

Net cash provided by operating activities during fiscal 2009 increased by ¥80.5 billion ($874.5 million), compared with fiscal 2008, when inventories increased significantly. The figure amounted to ¥74.1 billion ($804.5 million) in fiscal 2009, mainly consisting of a decrease in trade notes and accounts receivable of ¥61.0 billion ($662.6 million); compared to an increase of ¥8.2 billion in fiscal 2008; and a reduction in inventories of ¥116.8 billion ($1,268.3 million) compared to an increase of ¥76.0 billion in fiscal 2008. However, notes and accounts payable fell by ¥55.9 billion ($606.5 million), due to the effect of production cutbacks designed to reduce market stocks; while in fiscal 2008, notes and accounts payable climbed by ¥2.4 billion.

Net cash used in investing activities decreased by ¥54.3 billion ($589.1 million), to ¥45.3 billion ($491.7 million), primarily by curtailing capital expenditures. Consequent to these operating and investing activities, free cash flows increased by ¥134.8 billion ($1,463.6 million), to ¥28.8 billion ($312.8 million).

Net cash used in financing activities increased by ¥195.2 billion ($2,119.4 million), to ¥32.0 billion ($347.7 million), mainly reflecting reduced borrowings. There was no impact on cash flows, due to a change in the accounting method implemented in line with a revision in a fund-raising program, involving liquidation of receivables of Company subsidiary Yamaha Motor Corporation, U.S.A.

Consequent to the developments discussed above, interest-bearing debt at the end of fiscal 2009 increased by ¥50.7 billion ($550.9 million) from the end of fiscal 2008, to ¥399.9 billion ($4,342.5 million), while cash and cash equivalents increased by ¥2.9 billion ($31.0 million) to ¥137.2 billion ($1,489.9 million). Interest-bearing debt includes ¥133.6 billion ($1,450.6 million) in borrowings for sales financing.

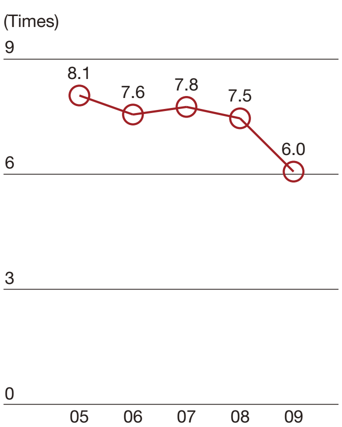
Demand for Funds

The major demand for Group funds arises from raw material costs for product manufacturing; purchasing costs for parts, products and other commodities; manufacturing costs; selling, general and administrative expenses; working capital; and capital expenditures.

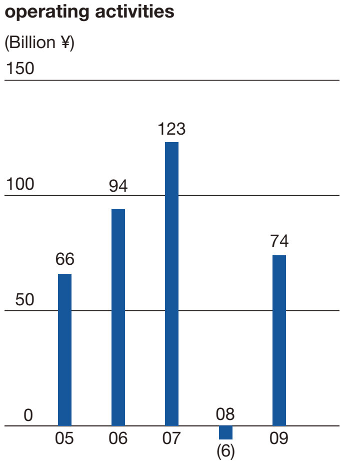
Capital expenditures for fiscal 2009 amounted to ¥46.0 billion ($499.8 million), used mainly for boosting manufacturing capacity in Indonesia. However, the Group focused on reducing capital expenditures during fiscal 2009, in order to curtail depreciation expenses.

Under the new medium-term management plan in place from fiscal 2010 through 2012, the Company will concentrate the management resources in two domains — personal mobility and engines — of the four defined in the *Frontier 2020* long-term vision the Company announced in February 2008. Specifically, the Company plans to invest in developing affordably-priced motorcycles to be marketed in emerging nations and simultaneously increasing the appeal and profitability of motorcycles in the ASEAN

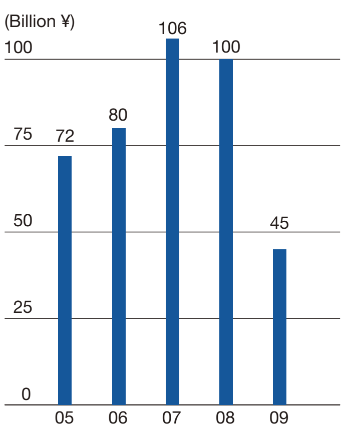
Account receivable turnover



Cash provided by (used in) operating activities



Cash used in investing activities



region by incorporating Yamaha's exclusive fuel-injection system. On the green technology front, the Company will develop next-generation, environmentally friendly engines for motorcycles and outboard motors; and enhance research and development toward marketing Smart Power technology and products.

Cash Dividends

Recognizing that shareholders' interests represent one of Yamaha Motor's highest management priorities, the Company has been striving to meet shareholder expectations by working to maximize its corporate value through a diversity of business operations worldwide. The Company's policy centers on paying cash dividends based on a long-term perspective, reflecting its consolidated financial performance and other factors in a comprehensive manner, using the payout ratio as an indicator.

However, in light of considerations such as the decline in performance in fiscal 2009 and the harsh business environment — projected to continue into the future, the Company regrets to announce it has suspended its dividend payout for fiscal 2009 and fiscal 2010.

Fund Procurement Conditions

The Group employs short-term borrowing denominated in local currencies to procure working capital. Meanwhile, to procure funds for plant and equipment investment, the Group primarily uses its internal reserves, including capitalization and retained earnings. In fiscal 2009, the Company took out long-term debt amounting to ¥209.3 billion ($2,273.0 million) from financial institutions, in order to stabilize fund procurement.

The annual maturities of the interest-bearing debt subsequent to December 31, 2009 are summarized as follows.

(Billion ¥)

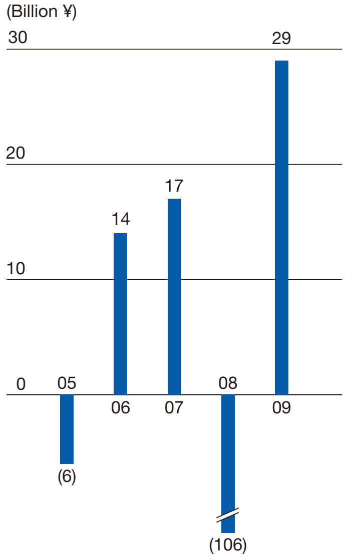
	Total	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term borrowing	87.6	87.6	—	—	—	—	—
Long-term debt	312.4	30.5	60.2	105.5	45.0	53.7	17.5

In order to complement the liquidity on hand, the Company's overseas subsidiary has made commitment line contracts with major financial institutions, under which they can withdraw up to 150 million euros. Cash and cash equivalents stood at ¥137.2 billion ($1,489.9 million) at December 31, 2009, nearly equal in value to the amount of sales for 1.4 months. When the commitment lines are taken into account, the Company has liquidity nearly equal in value to the amount of sales for 1.6 months.

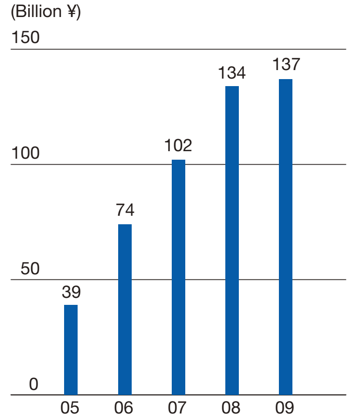
Financial Policy

Interest-bearing debt at December 31, 2009 increased by ¥50.7 billion ($550.9 million), or 14.5%, from fiscal 2008, to ¥399.9 billion ($4,342.5 million), due to a revision in the fund-raising program, promoted by the liquidation of receivables of the Company's U.S. subsidiary.

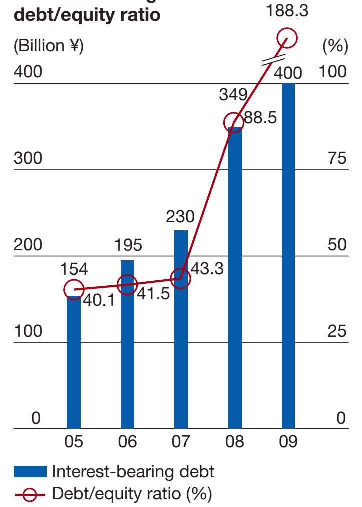
Free cash flows



Cash and cash equivalents at the end of the year



Interest-bearing debt and debt/equity ratio



Management Discussion and Analysis of Operations

The debt/equity ratio (the ratio of interest-bearing debt to equity capital, which includes shareholders' equity, along with valuation and translation adjustments) rose from 88.5% at December 31, 2008 to 188.3% at December 31, 2009. When the debt/equity ratio at December 31, 2009 is computed based on interest-bearing debt in real terms — the figure generated by subtracting cash and deposits in banks from interest-bearing debt — the ratio rises by 69.0 percentage points, from 54.6% at December 31, 2008, to 123.6%, at December 31, 2009.

Share Performance

Price per share increased from ¥932 at December 31, 2008, to ¥1,166 ($12.66) at December 31, 2009. The number of shares outstanding, excluding treasury stock, decreased, from 286,373,326 shares at December 31, 2008, to 285,849,635 shares at December 31, 2009. As a result, the market capitalization of the Company increased from ¥266.9 billion at December 31, 2008, to ¥333.3 billion ($3,618.9 million) at December 31, 2009.

Forecast for Fiscal 2010

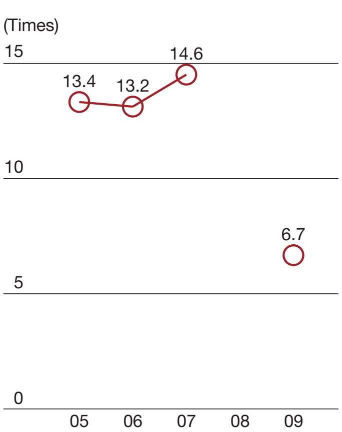
In fiscal 2010, motorcycle demand in Asia (excluding Japan) is expected to increase, while demand in Europe and the United States is not expected to recover for some time. Thus, sales conditions surrounding the Yamaha Motor Group are expected to remain harsh.

With regard to profits, the Company aims to return to profitability in fiscal 2010 on a consolidated basis, as group-wide cost structural reforms launched in fiscal 2009 begin to yield results and enable management to flexibly respond to the substantial decrease in business volume. The reform package entails reductions in market stocks in Europe and the United States, an Urgent Expense-Cutting Program and an Urgent Cost Reduction Project.

Factoring in all these elements, the Company forecasts its consolidated business results for fiscal 2010 as follows: ¥1,250 billion in net sales, an increase of ¥96.4 billion from fiscal 2009; ¥10.0 billion in operating income, an increase of ¥72.6 billion; ¥10.0 billion in ordinary income, an increase of ¥78.3 billion; and ¥0 in net income, an increase of ¥216.1 billion.

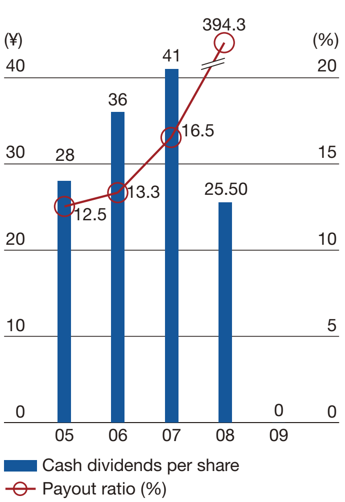
All of the business performance forecasts highlighted above are based on the assumption that one U.S. dollar will trade at ¥88 (¥6 higher than fiscal 2009) over the period, while one euro will equal ¥128 (¥2 higher than fiscal 2009).

Interest coverage



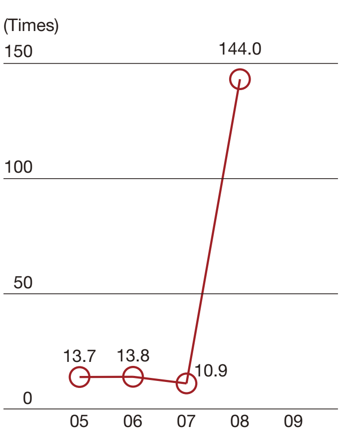
Note
Interest coverage for fiscal 2008 is not listed, due to the negative status of cash flows from operating activities during the period.

Cash dividends per share and payout ratio



Note
The payout ratio for fiscal 2009 is not listed, since the Company registered a net loss for the period.

Price/earnings ratio



Note
The price/earnings ratio for fiscal 2009 is not listed, since the Company registered a net loss for the period.