Management Discussion and Analysis of Operations

Overview

During the fiscal year ended December 31, 2012 (fiscal 2012), the overall impression of the global economy was of growing signs of a slowdown from April onwards in particular, and there was no obvious improvement seen in the latter half of the year.

The United States saw a recovery trend in individual consumption with improvement in employment and housing market, however, no firm progress in economic recovery was observed. In Europe, as the debt crisis continues, the employment environment was severe and individual consumption stagnated. In emerging nations in Asia, Central and South America and other regions, a trend leaned toward an economic slowdown with the effect of the European economic crisis and financial restraint, and the consumer market, which had been showing continued rapid growth, slowed down for the moment. In Japan, reconstruction demand propped up the economy during the first half of the year, but in the latter half, economic conditions became weak due to factors such as persistent yen appreciation and a decrease in exports due to the economic slowdown worldwide. At the end of the year, however, a trend toward yen depreciation and a rise in stock prices was observed.

In the Company's main markets, there was a mild recovery in demand for motorcycles, outboard motors, and all-terrain vehicles (ATVs) in the United States. Demand for motorcycles continued to decline in Europe, while in emerging nations in Asia, Central and South America, and other regions, demand for motorcycles, which had been growing, saw a decline and leveled off since then. On the other hand, Russia saw increased demand for outboard motors and snowmobiles, and in Japan, demand rose for generators, fishing boats and utility boats due in part to reconstruction demand.

Sales and Operating Income

In operating performance, consolidated net sales for fiscal 2012 decreased 5.4% year on year to ¥1,207.7 billion. The marine products business, power products business, and automotive engines business saw a year-on-year increase, while the motorcycle business was down year on year due to a decline in demand in Europe, and a decline in demand and product inventory adjustments in Indonesia and Brazil. Furthermore, the impact of the exchange rate was negative ¥45.0 billion as a result of yen appreciation.

Operating income decreased 65.2% year on year to ¥18.6 billion. This is mainly attributable to a decrease in motorcycle sales in Europe and emerging nations, and the impact of yen appreciation, combined with the effects of reversal of provision for product liabilities (¥13.4 billion in the previous fiscal year, ¥2.4 billion in fiscal 2012), and an increase in development expenses aimed at future growth, which offset factors contributing to a rise in income such as cost reductions, falling cost of raw materials, and other expense reductions.

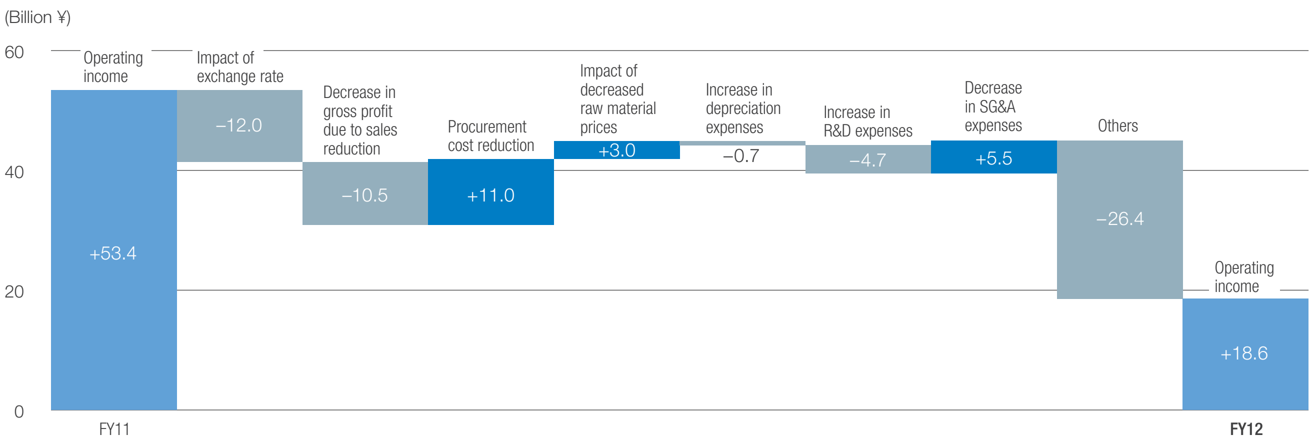
Sales Performance by Business Segment

Motorcycles

Net sales of the motorcycles business overall decreased by 10.0% from the previous fiscal year, to ¥798.7 billion, and operating loss amounted to ¥0.2 billion (operating income of ¥27.6 billion for the previous fiscal year).

Shipment units in developed countries decreased overall, with increases in the United States outweighed by decreases in Europe. Among the emerging nations, India and Thailand that was affected by flooding in the previous year showed increases, while Indonesia, Vietnam and Brazil showed decreases as a result of reduced demand and inventory adjustments leading to a decrease overall. Global shipment units decreased by 12.8% from the previous fiscal year (6.98 million units), to 6.09 million units.

Factors Impacting Operating Income



Marine Products

Net sales of marine products business overall increased by 9.7% from the previous fiscal year, to ¥196.3 billion, and operating income was increased by 53.0% from the previous fiscal year, to ¥10.8 billion. Due to a recovery in demand in the United States, shipment units of outboard motors, personal watercraft, and sports boats were strong. Also, shipment units of outboard motors in emerging nations such as Russia increased. In Japan, reconstruction demand has contributed to increases in shipment units of fishing boats, utility boats and outboard motors.

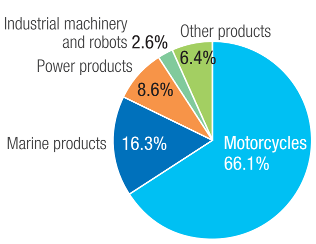
Power Products

Net sales of power products business overall increased by 3.3% from the previous fiscal year, to ¥103.6 billion. Operating income decreased by 92.9% from the previous fiscal year, to ¥0.5 billion, due to factors such as reversal of provision for product liabilities (¥13.4 billion in the previous fiscal year, ¥2.4 billion in fiscal 2012).

Shipment units of golf cars increased, but ATVs decreased. Furthermore, shipment units of generators increased in the United States and Japan due to increased demand and new customer acquisition.

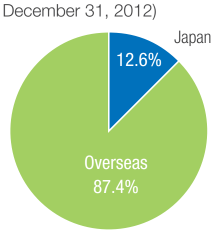
Percentage of sales by product segment

(Year ended December 31, 2012)

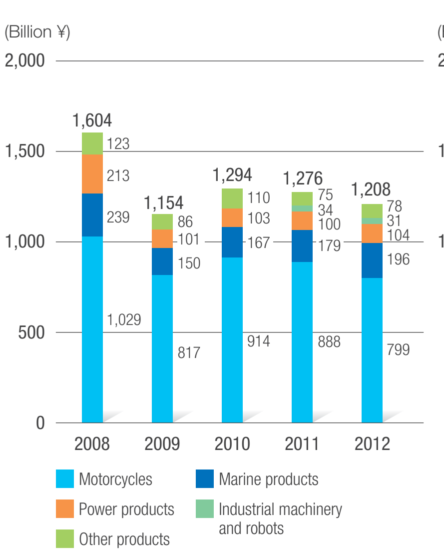


Percentage of sales by market

(Year ended December 31, 2012)

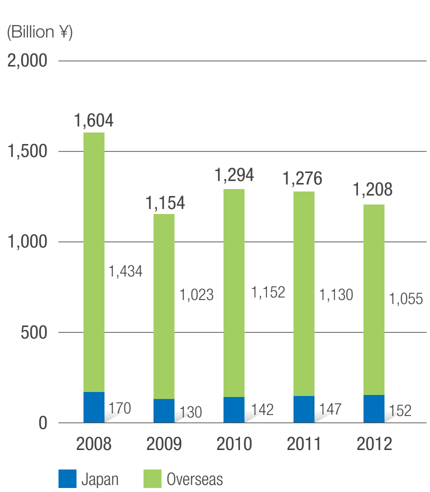


Sales by product segment



Note "Industrial machinery and robots," which was previously included in the "Other products" segment, is being reported in a separate segment effective from fiscal 2011.

Sales by market



Industrial Machinery and Robots

Net sales of industrial machinery and robots business overall decreased by 10.2% from the previous fiscal year, to ¥30.8 billion, and operating income decreased by 38.9% from the previous fiscal year, to ¥3.8 billion.

Although demand related to smartphones and tablet devices was strong, amid a worldwide trend toward capital investment restraint, shipment units of surface mounters declined overall.

Others

Net sales of other products business overall increased by 4.2% from the previous fiscal year, to ¥78.3 billion, and operating income decreased by 28.2% from the previous fiscal year, to ¥3.6 billion.

Shipment units of automobile engines increased from the previous fiscal year, when they were adversely affected by the earthquake. Shipment units of electrically power assisted bicycles decreased from the previous fiscal year, when there was a strong demand after the earthquake disaster, but the demand is increasing in general.

Sales Performance and Operating Income by Geographical Segment Note 1

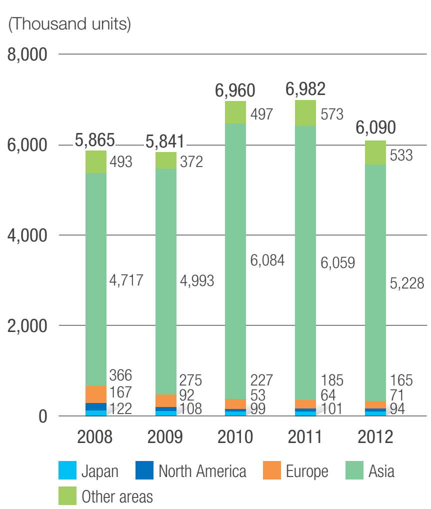
Japan

Despite decreased shipments of motorcycles for Europe and the negative impact of yen appreciation, net sales in Japan increased 2.4% from the previous year to ¥532.6 billion, and operating loss was ¥8.8 billion, compared to operating loss of ¥14.1 billion for the previous year, reflecting increased production and shipments of outboard motors and motorcycles for the U.S. market and increased shipments of automobile engines, generators, and other products.

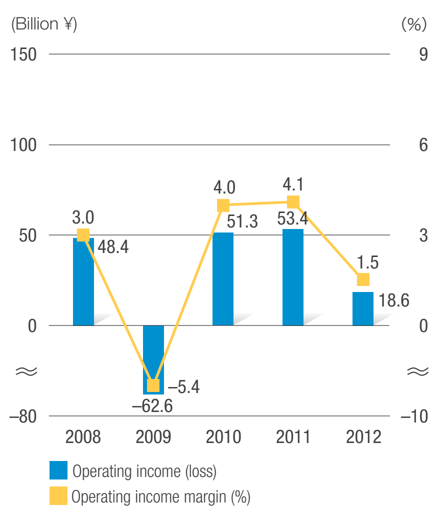
North America

Net sales in North America increased 15.9% from the previous year to ¥205.7 billion, reflecting higher sales of marine products such as outboard motors and personal watercraft, for which there was a clear demand recovery trend in the U.S., as well as higher sales of motorcycles and golf cars, despite a decrease in shipments of ATVs. Operating income decreased 10.1% to ¥6.9 billion as a result of factors including the negative impact of yen appreciation as well as the impact of reversal of provision for product liabilities.

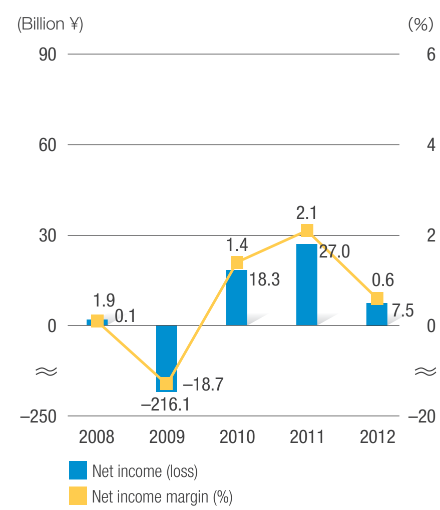
Motorcycle unit sales



Operating income (loss) and operating income margin



Net income (loss) and net income margin



Europe

Net sales in Europe decreased 10.4% from the previous year to ¥135.5 billion, owing to decreased shipments of motorcycles and outboard motors in Europe overall, despite increased shipments of outboard motors and snowmobiles in Russia. Operating loss was ¥4.7 billion, compared to operating loss of ¥3.6 billion for the previous year.

Asia

Net sales in Asia (excluding Japan) decreased 8.6% from the previous year to ¥596.0 billion, and operating income decreased 55.9% to ¥21.4 billion, on lower shipments of motorcycles in Indonesia and Vietnam, which offset higher shipments in Thailand and India.

Other Areas

Net sales in other areas decreased 15.0% from the previous year to ¥135.1 billion, and operating income decreased 63.8% to ¥5.2 billion, due to decreased shipments of motorcycles in Brazil and other Central and South American nations.

Note 1 Sales amounts by geographical segment include intersegment sales.

Income and Expenses

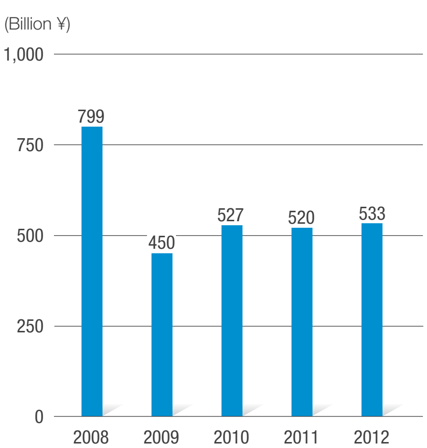
Cost of Sales, Gross Profit and SG&A Expenses

Cost of sales for fiscal 2012 decreased 2.8% from fiscal 2011 to ¥972.6 billion, representing 80.5% of net sales.

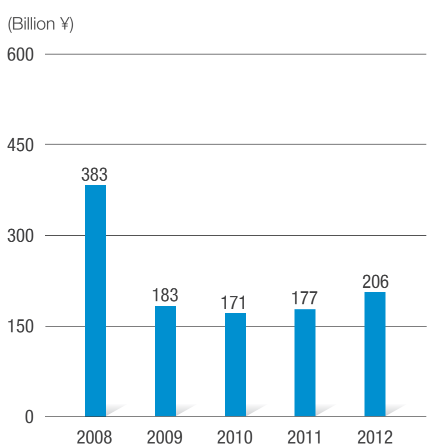
Gross profit decreased 14.8%, to ¥235.1 billion. This was primarily because the positive effects of cost reductions and lower raw material prices were unable to absorb the negative impact of a decline in motorcycle sales in Europe and emerging markets, the strong yen, and increased development expenses for future growth. The gross profit margin declined 2.2 percentage points, to 19.5%.

Selling, general and administrative expenses decreased 2.8%, to ¥216.5 billion. This was mainly due to reversal of provision for product liabilities (¥2.4 billion in 2012, compared with ¥13.4 billion in 2011). Selling, general and administrative expenses as a percentage of net sales were 17.9%, marking a 0.5 percentage point increase from the previous year. R&D expenses included in selling, general and administrative expenses and manufacturing costs for fiscal 2012 increased ¥4.7 billion from fiscal 2011 to ¥69.7 billion.

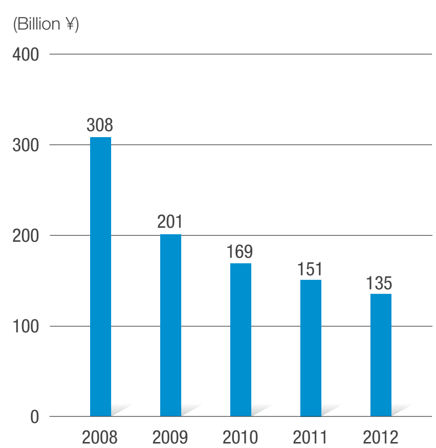
Sales by geographical segment Note 1 —Japan



Sales by geographical segment Note 1 —North America



Sales by geographical segment Note 1 —Europe



R&D Expenses

Under the corporate philosophy of being a *Kando* Creating Company, the group is aggressively engaged in R&D activities in various technological fields, including small engine, FRP processing, control, component, environmental and advanced safety technologies, in order to provide customers worldwide with “high-quality, high-performance, lightweight and compact” products.

To create products that precisely meet the needs of customers around the world, we have built an R&D structure that is organized around the headquarters, carrying out research and development in close cooperation with group companies in Japan and overseas.

The ASEAN Integrated Development Center, which will strengthen the motorcycle development and parts procurement functions previously performed by our Thai subsidiary, was established and commenced operations in 2012. This Center will function as an integrated development center, incorporating manufacturing, purchasing, and technology, to develop products that meet the needs of customers in local markets.

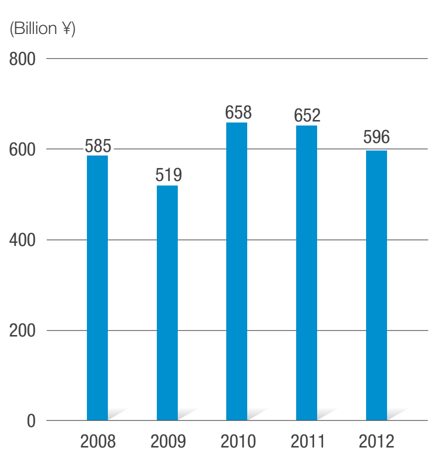
R&D expenses for fiscal 2012 amounted to ¥69.7 billion. R&D expenses stood at ¥44.3 billion in the motorcycle business; ¥8.0 billion in the marine products business; ¥7.8 billion in the power products business; ¥4.1 billion in the industrial machinery and robots businesses; and ¥5.5 billion in the other products business.

Operating Income

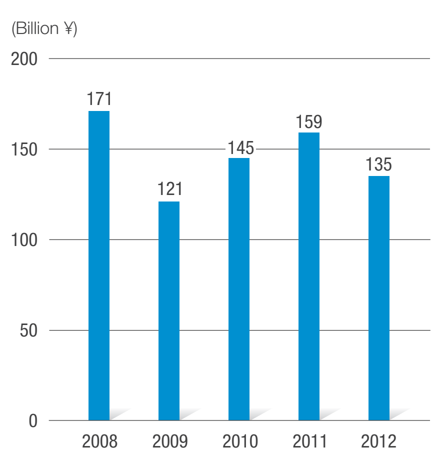
The Company posted operating income in fiscal 2012, decreasing 65.2% from fiscal 2011 to ¥18.6 billion. As a result, the operating income ratio was 1.5%, down 2.7 percentage points.

The motorcycle business recorded an operating loss of ¥0.2 billion in 2012, compared with a ¥27.6 billion profit in 2011. In developed countries, despite increased shipments in the United States, the decline in Europe led to an overall decrease. Emerging countries saw increased shipments in Thailand, following the previous year’s flood-related decrease, and in India, but overall shipments declined from the effects of lower demand and inventory adjustments in

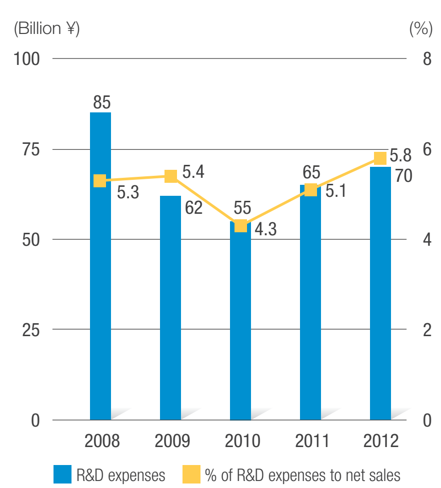
Sales by geographical segment Note 1
—Asia



Sales by geographical segment Note 1
—Other areas



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



Indonesia, Vietnam, and Brazil. As a result, total shipments for the year declined.

The marine products business posted operating income of ¥10.8 billion, a 53.0% increase from the previous year, as shipments increased on a rebound in demand for outboard motors and personal watercraft in the United States.

In the power products business, although shipments of golf cars and generators increased, operating income declined 92.9% from the previous year, to ¥0.5 billion, from the effect of reversal of provision for product liabilities (¥2.4 billion in 2012, compared with ¥13.4 billion in 2011).

The industrial machinery and robots business recorded operating income of ¥3.8 billion, for a 38.9% decline, reflecting a global trend of restrained capital investment.

The other products business posted operating income of ¥3.6 billion, a 28.2% decline. Although shipments of automobile engines rose, a decline in shipments of electrically power assisted bicycles resulted in lower overall profit.

Non-Operating Income and Expenses

Net non-operating income was positive in the amount of ¥8.7 billion, which was ¥1.4 billion less than in the previous year. The decline was primarily due to a decrease of ¥2.4 billion in interest income.

Extraordinary Income and Loss

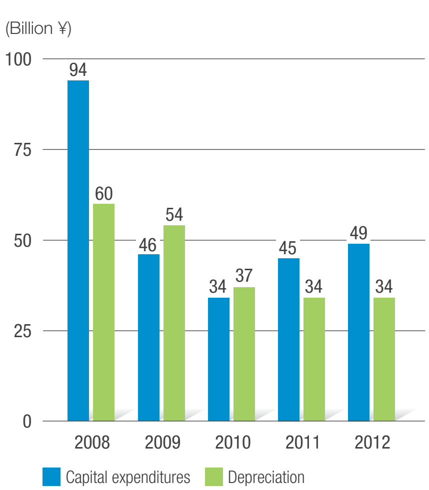
Extraordinary income totaled ¥0.7 billion, which was a ¥0.4 billion increase from the previous year as a result of a ¥0.5 billion gain on change in equity.

Extraordinary loss were ¥2.1 billion, which was a ¥0.5 billion decline from the previous year. The main extraordinary loss were ¥1.1 billion in impairment loss and a ¥0.8 billion loss on disposal of noncurrent assets.

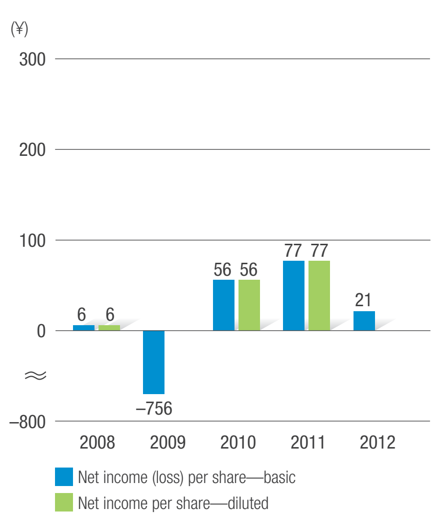
Income before Income Taxes

Income before income taxes for fiscal 2012 decreased 57.8% from the previous year to ¥25.8 billion.

Capital expenditures and depreciation

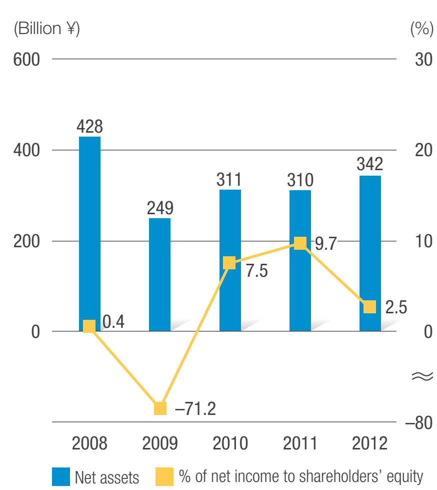


Net income (loss) per share



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 income per share—diluted for the fiscal year ended December 31, 2012 is not stated as there were no potential shares with dilutive effect.

Net assets and % of net income to shareholders' equity



Snapshot
Interview with the President
Special Features
Overview of Operations
CSR Section
Corporate Information
Financial Section

Income Taxes

In fiscal 2012, income taxes decreased ¥12.9 billion from fiscal 2011 to ¥14.0 billion.

Minority Interests in Income

Minority interests in income—including interests owned by minority shareholders in PT. Yamaha Indonesia Motor Manufacturing, Yamaha Motor Taiwan Co., Ltd., Yamaha Motor Vietnam Co., Ltd., Industria Colombiana de Motocicletas Yamaha S.A. and others—decreased 41.3% from fiscal 2011 to ¥4.3 billion.

Net Income

Net income for fiscal 2012 decreased 72.2% from the previous year to ¥7.5 billion. Basic net income per share decreased ¥55.78 from ¥77.23 for fiscal 2011 to ¥21.45 in fiscal 2012.

Capital Resources and Liquidity

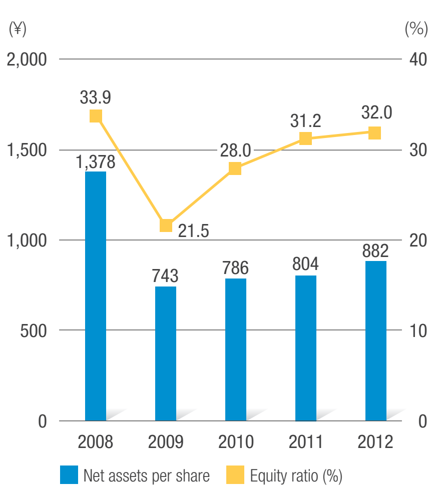
Assets, Liabilities and Total Net Assets

Total assets at the end of the fiscal year ended December 31, 2012 increased by ¥61.9 billion from the end of the previous fiscal year to ¥962.3 billion. The increase is attributable to increase of ¥25.6 billion in current assets and ¥36.3 billion in noncurrent assets, reflecting factors including the impact of yen depreciation.

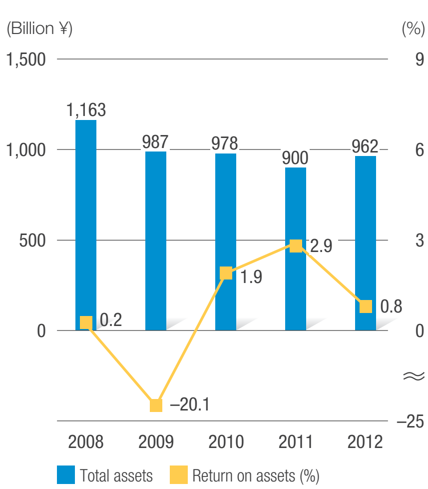
Total liabilities increased by ¥30.3 billion to ¥620.8 billion, reflecting such factors as an increase in short-term loans payable.

Total net assets increased ¥31.6 billion to ¥341.6 billion, reflecting such factors as net income of ¥7.5 billion, dividends paid of ¥7.2 billion, and a change in foreign currency translation adjustment of ¥23.6 billion due to yen depreciation. The shareholders' equity ratio as of December 31, 2012 was 32.0% (an improvement of 0.8

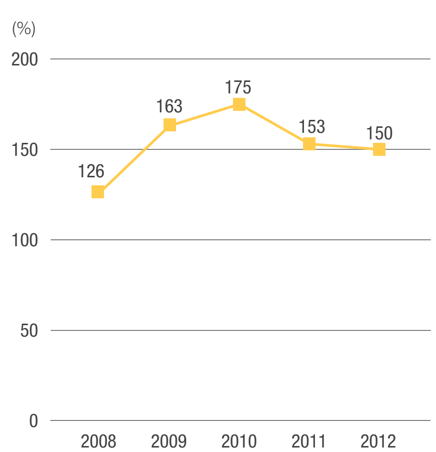
Net assets per share and equity ratio Note 2



Total assets and return on assets



Current ratio



percentage point from the end of the previous fiscal year). The gross debt/equity ratio was 1.1 times, compared with a gross debt/equity ratio of 1.0 times at the end of the previous fiscal year.

Note 2 Equity ratio: (Shareholders' equity + Accumulated other comprehensive income)/Total assets x 100 (%)

Capital Expenditures

Capital expenditures for fiscal 2012 totaled ¥48.8 billion, centering on investments in manufacturing equipment and facilities for the production of new models and production capacity enhancements—primarily for the motorcycle and marine products businesses—as well as investments in research and development operations.

By business segment, capital expenditures for the motorcycle business totaled ¥36.4 billion. This included investments to increase production capacity in India and to produce new models in the ASEAN region overseas while in Japan most investments went into the realignment of our production structure.

The marine products business made capital expenditures totaling ¥5.8 billion, primarily for R&D facilities and equipment and for the realignment of the domestic production structure.

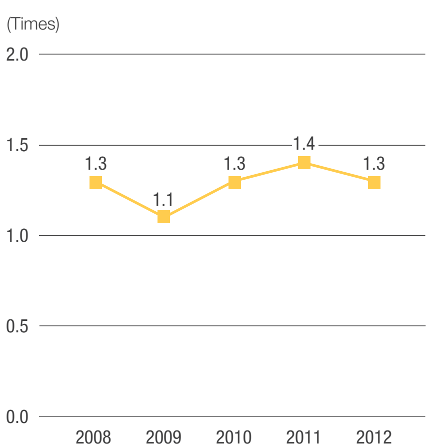
Capital expenditure at the power products business was ¥4.0 billion, mainly for facilities and equipment for the production of all-terrain vehicles.

The industrial machinery and robots business invested ¥0.6 billion, primarily for the production of new models.

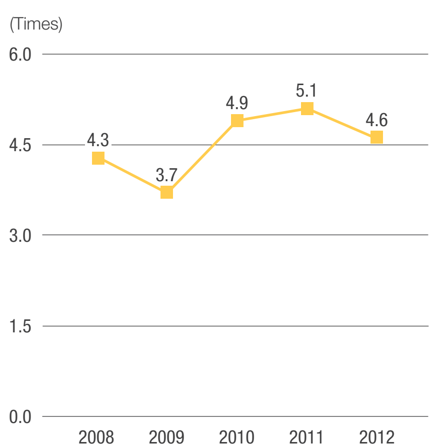
At the other products business, capital expenditures totaled ¥2.0 billion and were mostly for automobile engine R&D facilities and equipment.

The entire amount of the expenditures discussed above was funded by internal resources. During fiscal 2012, there was no disposal or sale of important facilities or similar assets.

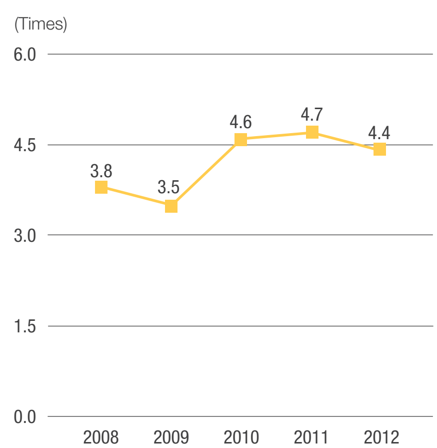
Total asset turnover



Property, plant and equipment turnover



Inventory turnover



Cash Flows

Net cash used in operating activities during the fiscal year under review was ¥2.4 billion (¥33.3 billion in net cash provided during the previous fiscal year), reflecting factors including an increase of ¥26.4 billion in working capital (an increase of ¥4.6 billion during the previous fiscal year) due to decrease of trade payables as a result of production adjustment to bring inventory to an appropriate level and income before income taxes of ¥25.8 billion (¥61.2 billion during the previous fiscal year).

Net cash used in investing activities during the fiscal year under review was ¥51.1 billion (¥46.5 billion in net cash used during the previous fiscal year), mainly as a result of factors including the purchase of motorcycle manufacturing facilities for future growth in emerging nations.

Net cash provided by financing activities during the fiscal year under review was ¥15.8 billion (¥51.9 billion in net cash used during the previous fiscal year), due to factors including financing by means of short-term loans accompanying an increase in working capital.

As a result of the activities discussed above, free cash flows for the fiscal year under review were a negative ¥53.5 billion. Interest-bearing debt at the end of the fiscal year was ¥327.0 billion, and cash and cash equivalents totaled ¥106.5 billion. Interest-bearing debt includes ¥133.5 billion in borrowings for sales finance.

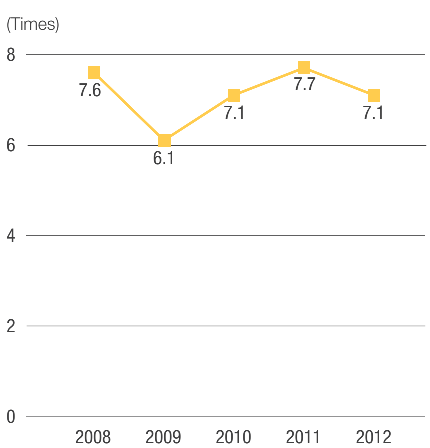
Demand for Funds

Within the group, funds are primarily required to cover the cost of procuring materials and parts used in product manufacturing and costs incurred in the manufacturing process, as well as purchasing costs of products and merchandise, selling, general and administrative expenses, working capital and capital expenditures.

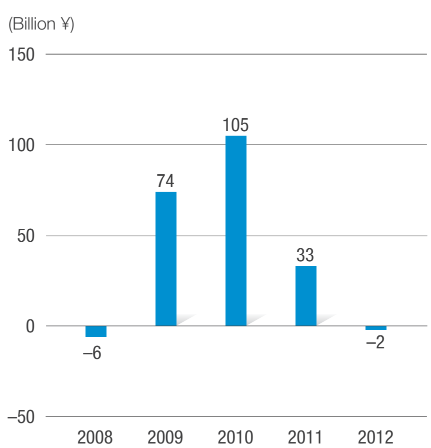
Domestic capital investment totaled ¥13.7 billion, and was used primarily for producing new motorcycle and marine product models, research and development, and the realignment of the domestic production structure. Capital investment overseas totaled ¥35.1 billion, mostly to increase production capacity in India and to produce new models in the ASEAN region.

As a result, total capital expenditures in fiscal 2012 amounted to ¥48.8 billion.

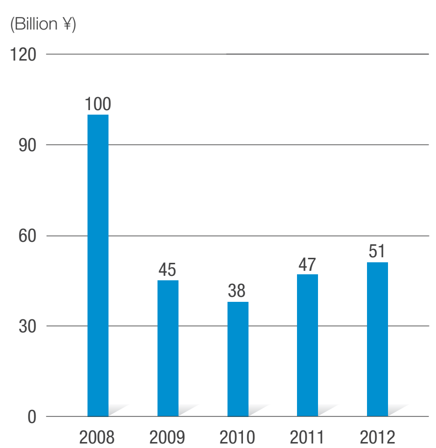
Account receivable turnover



Cash provided by (used in) operating activities



Cash used in investing activities



Cash Dividends

Recognizing that shareholders' interests represent one of the Company'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 aims to maintain a balance between proactive investment for growth, and returns to shareholders and the repayment of borrowings, and provide shareholder returns that reflect comprehensive consideration of the business environment, including trends in business performance and retained earnings, while maintaining a minimum dividend payout ratio of 20% of consolidated net income.

The year-end dividend for fiscal 2012 was determined to be ¥5 per share. Added to the interim dividend (¥5 per share), this gives a total dividend for the year of ¥10 per share.

Fund Procurement Conditions

Group companies acquire short-term loans payable denominated in local currencies to use as working capital. Meanwhile, funds for plant and equipment investment come primarily from internal reserves, including paid-in capital and retained earnings.

The annual amounts of interest-bearing debt to be repaid are as follows:

(Billion ¥)

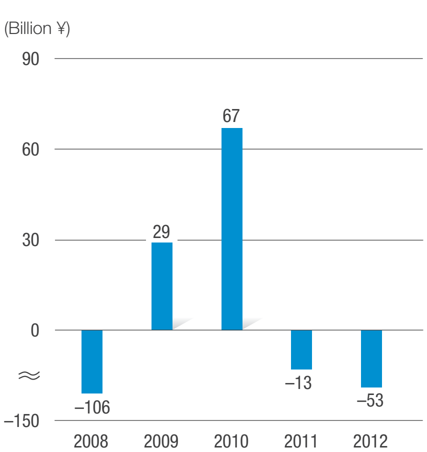
	Total	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term loans payable	102.5	102.5	—	—	—	—	—
Long-term loans payable	224.5	58.2	68.5	68.1	19.2	10.5	—

Note Long-term loans payable includes current portion of long-term loans payable.

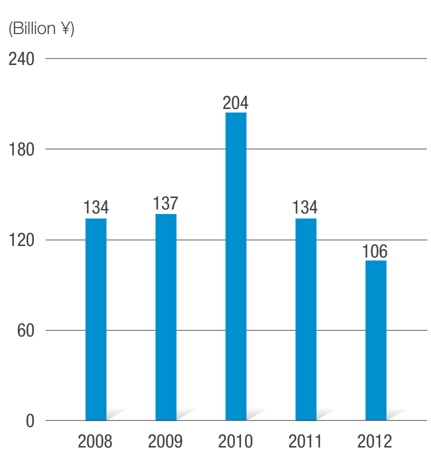
Share Performance

Price per share decreased from ¥974 at December 31, 2011 to ¥949 at December 31, 2012. The number of shares outstanding, excluding treasury stock, decreased from 349,095,241 shares at December 31, 2011 to 349,092,483 shares at December 31, 2012. As a result, the market capitalization of the Company decreased from ¥340.0 billion at December 31, 2011 to ¥331.3 billion at December 31, 2012.

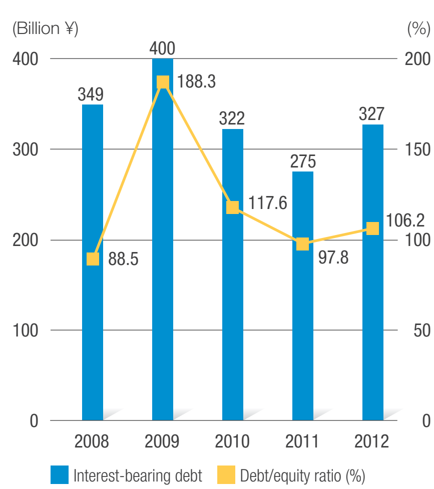
Free cash flows



Cash and cash equivalents at the end of the year



Interest-bearing debt and debt/equity ratio



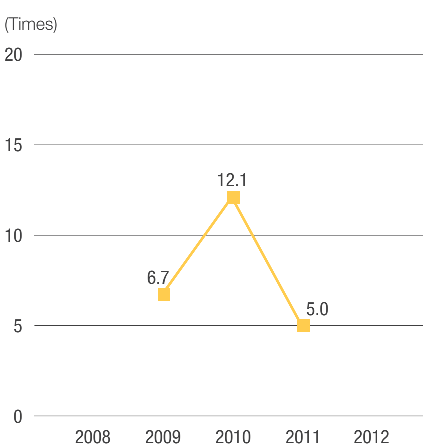
Forecast for Fiscal 2013

Demand for motorcycles and outboard motors is expected to recover gradually in the U.S., and a return to growth in demand for motorcycles is expected in emerging nations in Asia and Central and South America, and other regions. In response to the commercial environment imposed by the extremely strong yen, the Yamaha Motor Group has been implementing initiatives to expand the Group's scale of operations and increase profitability by improving overall business competitiveness during the fiscal year ended December 31, 2012. Based on these improvements, in fiscal 2013, the Group will seek business recovery and a return to profitability in developed countries, and business scale and earning power recovery in emerging nations by aggressively introducing new models and enhancing cost reduction measures, such as platform strategies.

The Company forecasts the following for its consolidated financial results for the fiscal year ending December 31, 2013: a sales increase, owing to higher sales of motorcycles in emerging nations and outboard motors in the U.S., and a profit increase, as positive factors including the sales increase, higher profits due to cost reductions, and yen depreciation enable the absorption of factors including an increase in selling, general and administrative expenses and R&D expenses in preparation for future growth.

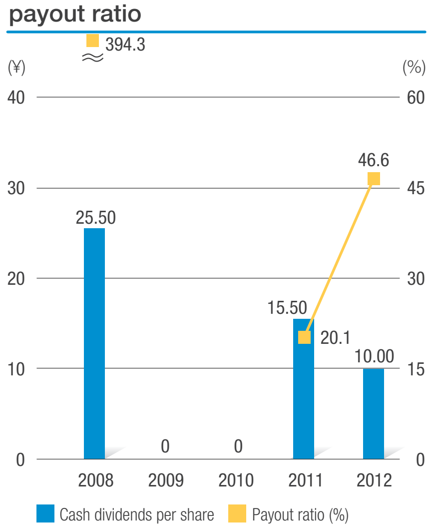
The forecast is based on the assumption that the exchange rates are ¥87 against the U.S. dollar (a depreciation of ¥7 from the previous year) and ¥115 against the euro (a depreciation of ¥12 from the previous year).

Interest coverage



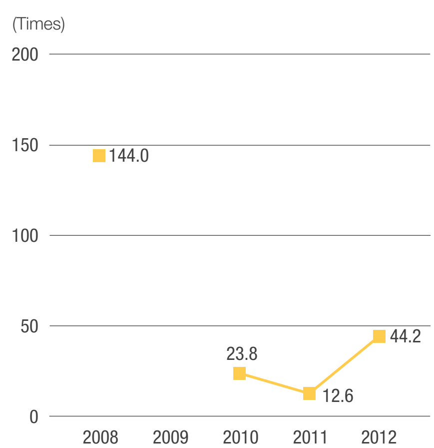
Note Interest coverages for fiscal 2008 and fiscal 2012 are not listed, due to the negative status of cash flows from operating activities during the periods.

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. The payout ratio for fiscal 2010 is not listed, since the Company did not pay out any dividends.

Price/earnings ratio



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