

“Next 50”
New 3-Year Management Plan



Contents

- 1. Review of the Previous Medium-term Management Plan**
- 2. Goals of the New Medium-term Management Plan**
- 3. Numerical Targets of the New Medium-term Management Plan**
- 4. Outline of the New Business Strategy**
 - (1) Business portfolio
 - (2) Motorcycle business
 - (3) Marine engine business
 - (4) ATV business
 - (5) IM business
 - (6) Marine business in Japan
 - (7) PAS business
- 5. Outline of the Corporate Strategy**
- 6. Summary**

1. Review of the Previous Medium-term Management Plan

Creating a stronger corporate structure, capable of withstanding changes in the business environment

【Seven management targets】

1. Implementing the restructuring plan for low profitability businesses
2. Enhancing the competitiveness of core businesses
3. Improving cash flows by promoting a group-wide project (SCM)
4. Creating group-wide infrastructure and systems to hone the competitive edge of consolidated operations
5. Implementing the technological strategy, and formulating a new business strategy
6. Continuous improvement of the personnel system
7. Review and reform of the corporate management system

【 Numerical targets 】

Consolidated sales:

One trillion yen

Ordinary income to net sales:

5%

Interest-bearing debt:

Less than 150 billion yen

ROE: 10%

(For the fiscal year ended March 31, 2002)

▶ Yamaha Motor has taken various measures to achieve its seven management targets.

Seven management targets



Result

1. Implementing the restructuring plan for low profitability businesses →

2. Enhancing the competitiveness of core businesses →

3. Improving cash flows by promoting a group-wide project (SCM) →

4. Creating group-wide infrastructure and systems to hone the competitive edge of consolidated operations →

5. Implementing the technological strategy, and formulating a new business strategy →

6. Continuous improvement of the personnel system →

7. Review and reform of the corporate management system →

▶ Yamaha Motor liquidated its GHP business, and restored the motorcycle business in Japan to profitability. However, it failed to turn around its boat business in Japan and PAS business to profitability.

•M/C business in Japan

- Returned to profitability from the fiscal year ended March 31, 2000

•GHP business

- Liquidated in 2000

•Boat business in Japan

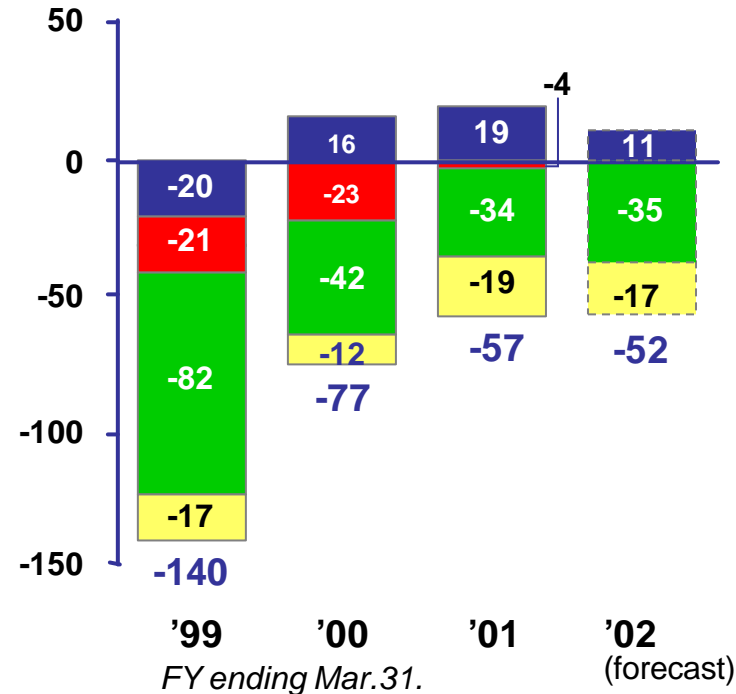
- Some factories closed and production functions integrated
- Business tie-up with Toyota Motor Corporation (March 2000)
- Reciprocal supply arrangement with Yanmar Diesel Engine Co., Ltd. (September 2000)

•PAS (Power Assisted Bicycle) business

- Increase in sales volume
- Cost reduction

Change in operating income for low profitability businesses

(unit: 100 million yen)



■ M/C Japan ■ GHP ■ Boat Japan ■ PAS

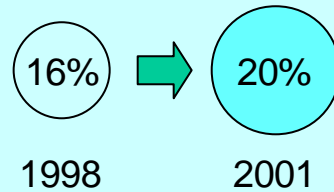
Enhancing the competitiveness of core businesses

▶ The competitive edge of core operations in motorcycles, marine products, power products and other products has been increased to a certain extent.

Motorcycle business

Motorcycle business in the U.S.

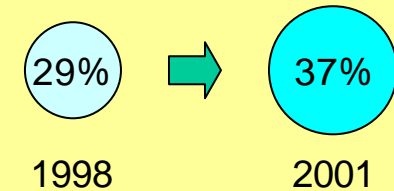
4% increase in market share



Marine product business

Marine engine business

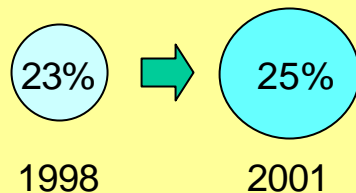
Secured the leading position



Power product business

ATV business

**Obtained a 25% market share
(second highest in the industry)**



Other product businesses

IM business

3-year cumulative operating income:
More than 20 billion yen

Average ratio of operating income to sales over 3 years: 26%

FY ended Mar. 31, 2002:

Attained a double-digit ratio of operating income to sales, although sales decreased to half those of the previous year



Note: The figures for the market share are based on Yamaha Motor estimates.

Previous medium-term management plan: Seven management targets

▶ Yamaha Motor has achieved 70% of its seven management targets. Those which have not yet been attained are priority items in the new medium-term management plan.

Seven management targets

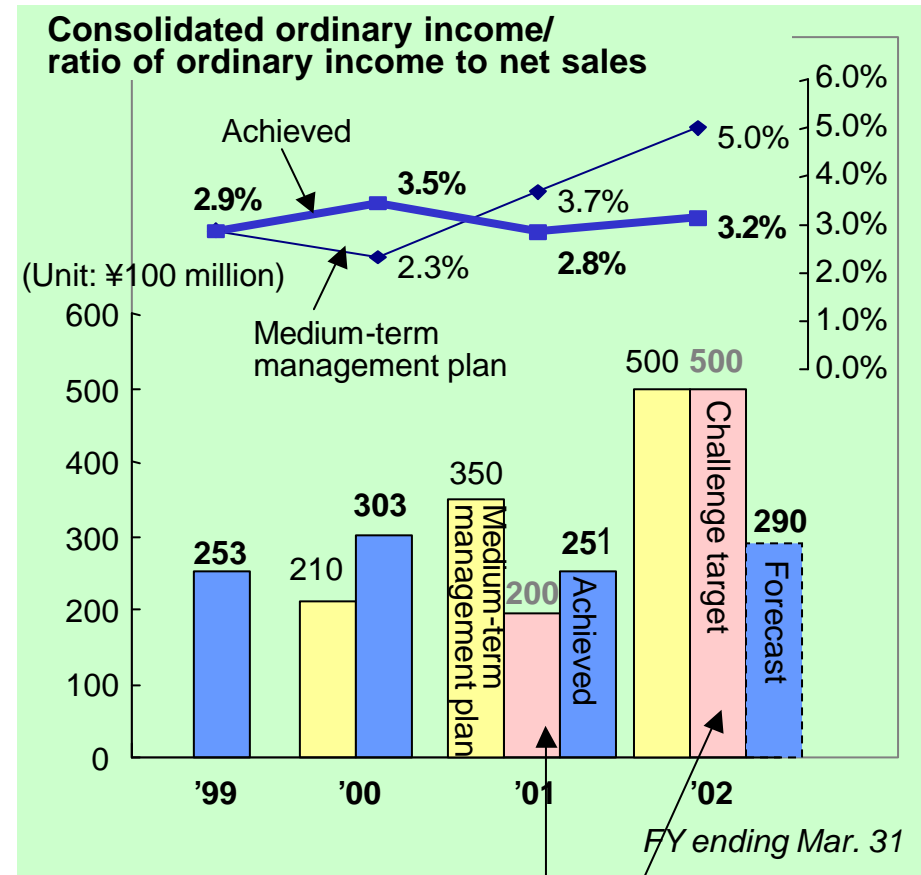
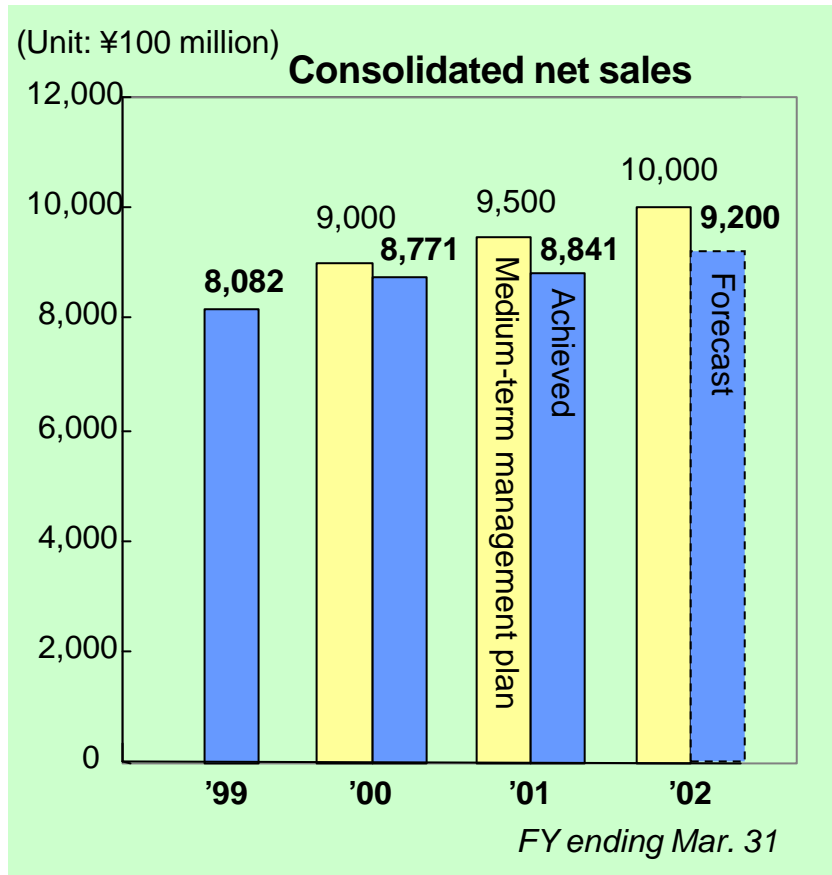
Result

○ Achieved △ In progress

1. Implementing the restructuring plan for low profitability businesses	→	△ 1. GHP business liquidated; motorcycle business in Japan restored to profitability; goal of making the boat business in Japan profitable was unrealized.
2. Enhancing the competitiveness of core businesses	→	△ 2. Increased share in U.S. motorcycle market; attained top share in European motorcycle market Increased share in outboard motor market; achieved a 25% share in worldwide ATV market Motorcycle business organization reformed; management resources shifted to Asian motorcycle operations
3. Improving cash flows by promoting a group-wide project (SCM)	→	△ 3. A reduction of trade notes and accounts receivable/inventories, and high turnover through SCM project (Preparation continues according to plan, but results have yet to materialize)
4. Creating group-wide infrastructure and systems to hone the competitive edge of consolidated operations	→	○ 4. Consolidated strategic management system in operation; consolidated business targets established
5. Implementing the technological strategy, and formulating a new business strategy	→	△ 5. Engine management system (EMS) strategy; bio-technology business; controlled filling aluminum diecast
6. Continuous improvement of the personnel system	→	○ 6. Result-oriented personnel system; multifaceted evaluation of personnel; early retirement
7. Review and reform of the corporate management system	→	○ 7. In-house company system; executive officer system; outside advisers, personnel committee for directors

Previous medium-term management plan vs. achievements

Yamaha Motor failed to attain the plan targets, both for net sales and ordinary income.



Exchange rate (average buy rate)

		FY '99	FY '00	FY '01	FY '02
Plan	US\$		¥120	¥120	¥120
	Euro		¥128	¥128	¥128
Result	US\$	¥130	¥111	¥107	¥119
	Euro	¥144	¥116	¥97	¥107

Challenge target set at ¥100/US\$ (established in April 2000)

Note: The figures for the fiscal year ended March 31, 2002 are based on the forecast business performance announced in November 2001.

2. Goals of the New Medium-term Management Plan

Business environment

- Lingered slump in the domestic market
- Stable European and U.S. markets
- Demand increase in China due to its growing economy
- Demand increase in other Asian nations due to their economic recovery
- Heightened awareness of global environmental preservation

Major positive factors

Competition

- Growth of low-priced motorcycles produced by Chinese companies in global markets
- Cost reduction through business collaboration with Chinese manufacturers, streamlining the number of models, and standardizing parts
- Standardization of product quality and services

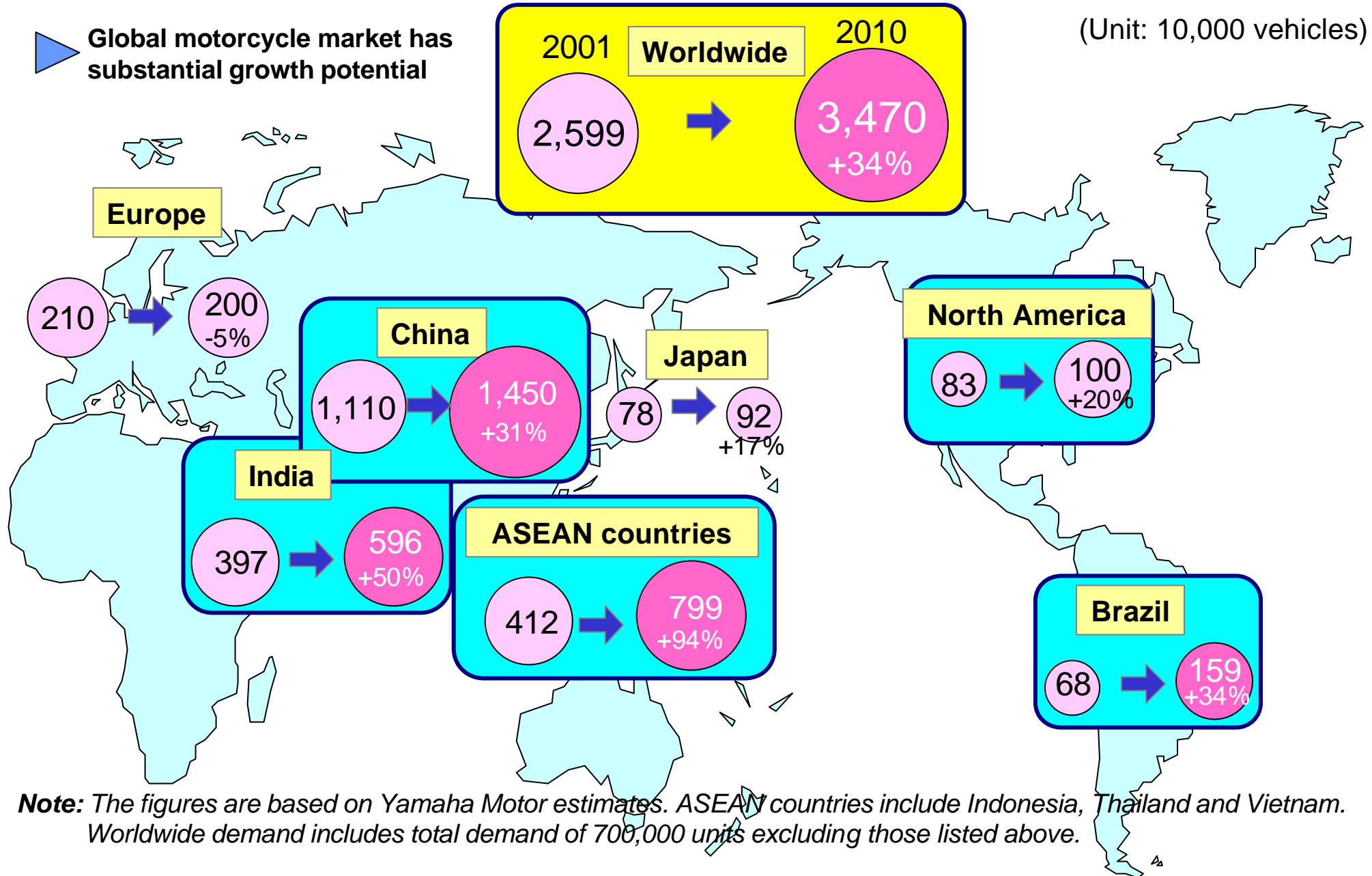
Yamaha Motor

- Increased cost for environmental preservation activities
- Growing importance of cost reduction and the creation of value which differentiates the company from competitors

Forecast worldwide motorcycle demand

▶ Global motorcycle market has substantial growth potential

(Unit: 10,000 vehicles)



Note: The figures are based on Yamaha Motor estimates. ASEAN countries include Indonesia, Thailand and Vietnam. Worldwide demand includes total demand of 700,000 units excluding those listed above.

Developing an identity for the 21st century: Yamaha Motor as a

***Kando** creating company**

* *Kando* is a Japanese word for the simultaneous feelings of deep satisfaction and intense excitement that people experience when they encounter something of exceptional value.

What is required to realize the goal:

Corporate brand strategy

The key word is “Excitement.”

Excitement generated by Yamaha Motor spurs people to embark on new challenges. It is this value which differentiates the company from competitors.

Yamaha Motor continues to evolve its technologies, creating a new level of excitement that enables people to “become more than what they used to be.”

Yamaha Motor will develop and market its products and services guided by its “Touching Your Heart” brand slogan, and its landmarks in the market the distinctive value that each of its business operations can offer.

Ensuring the continued satisfaction of stakeholders



Brand slogan

Touching Your Heart

Yamaha Motor creates an exciting world by utilizing its proprietary Humachine Technology* to offer you wonderful weekend fun in the great outdoors.

Brand message

* Humachine Technology: Mechatronics, human sensation/ergonomics (“humanonics”), control technology, process engineering, environmental technology

Business landmarks
(distinctive value)

Number 1
in
People-friendly
interaction

New businesses,
electro-hybrid
bicycles, electric-
powered
wheelchairs

Number 1
in
Exciting
performance
& stylish design

Motorcycles,
commuter vehicles,
ATVs, snowmobiles,
personal watercraft,
boats, racing karts

Number 1
in
Absolute
reliability:

Backed by durability
and customer-oriented
initiatives

Outboard
motors

Number 1
in
Just-right
solutions

Industrial
robots, automotive
engines, swimming
pools, golf cars, multi-
purpose engines,
unmanned helicopters

Number 1
in
Easy
operation

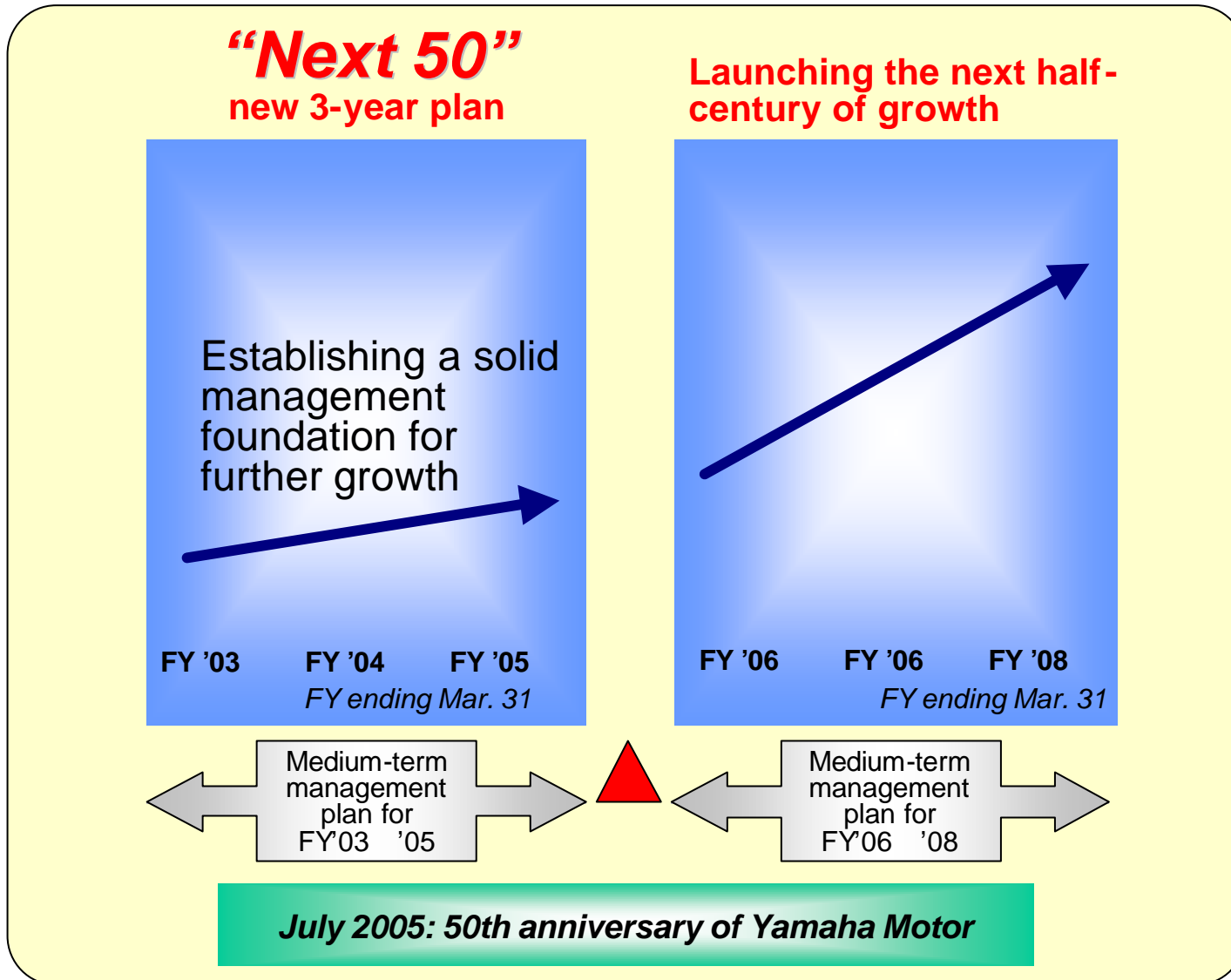
Generators,
snow removers

Essential prerequisites

Requirements for successfully promoting business operations
(safety, environmentally friendliness, profit-generating structure)

Positioning of the new medium-term management plan

- ▶ July 2005 marks the 50th anniversary of the company's founding. The new medium-term management plan aims to solidify the management foundation to achieve further growth in the next half century.



Medium-term management issues

(1) Improving the profitability of existing businesses

Attractive products

30% cost reduction

Top-to-bottom review and restructure of low profitability businesses

(2) Enhancing the business foundation in China, India and ASEAN countries

•Growth regions, yet with low market share:
China, India, Thailand, Vietnam
•Growth region: Indonesia

(3) Promoting a growth strategy

Promotion in existing business areas

Promotion in new business areas

(4) Enhancing financial position

Improvement of SCM

Improving the efficiency of capital expenditures

3. Numerical Targets of the New Medium-term Management Plan

Exchange rate conditions

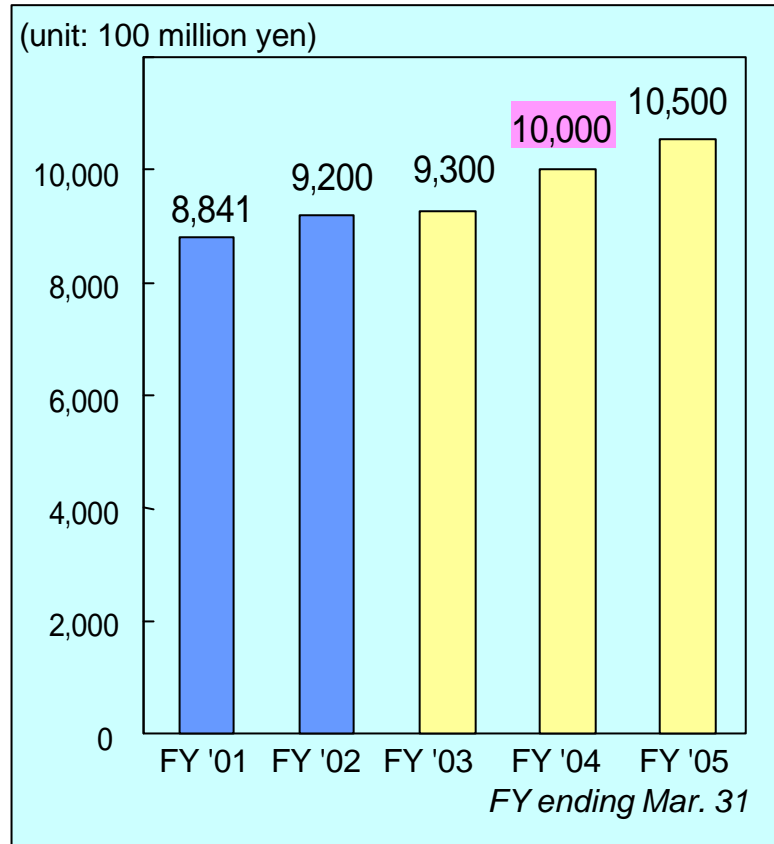
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
(US dollar)	¥120	¥120	¥120
(Euro)	¥110	¥110	¥110

FY ending Mar. 31

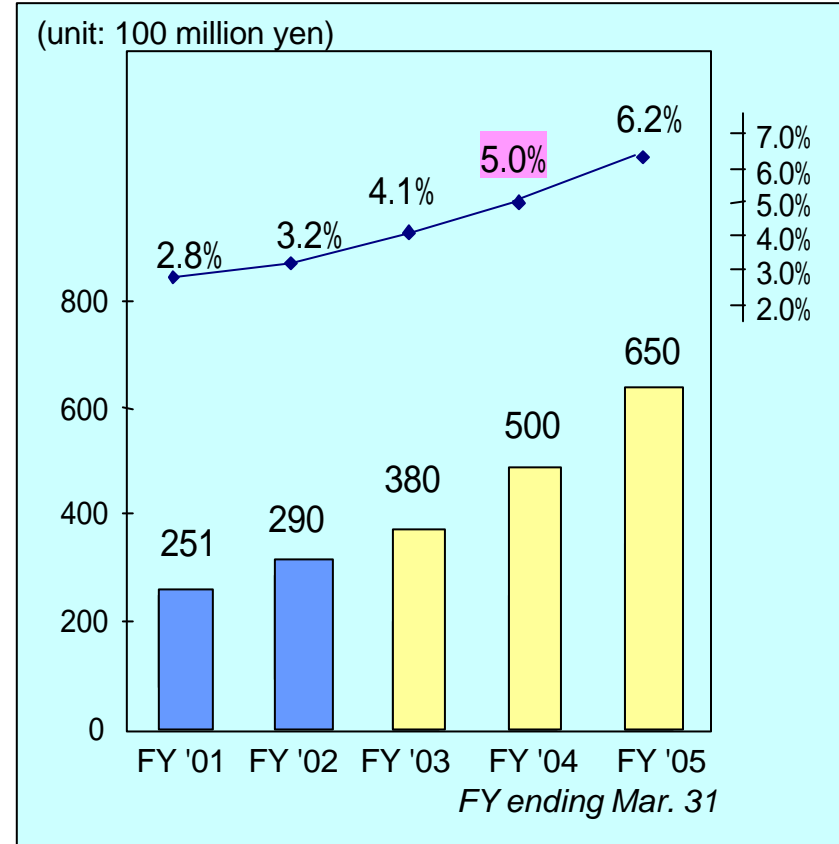
Net sales/ordinary income

▶ Achieving sales of 1 trillion yen, and a 5% ratio of ordinary income to net sales in the fiscal year ending March 31, 2004

Consolidated net sales



Consolidated ordinary income

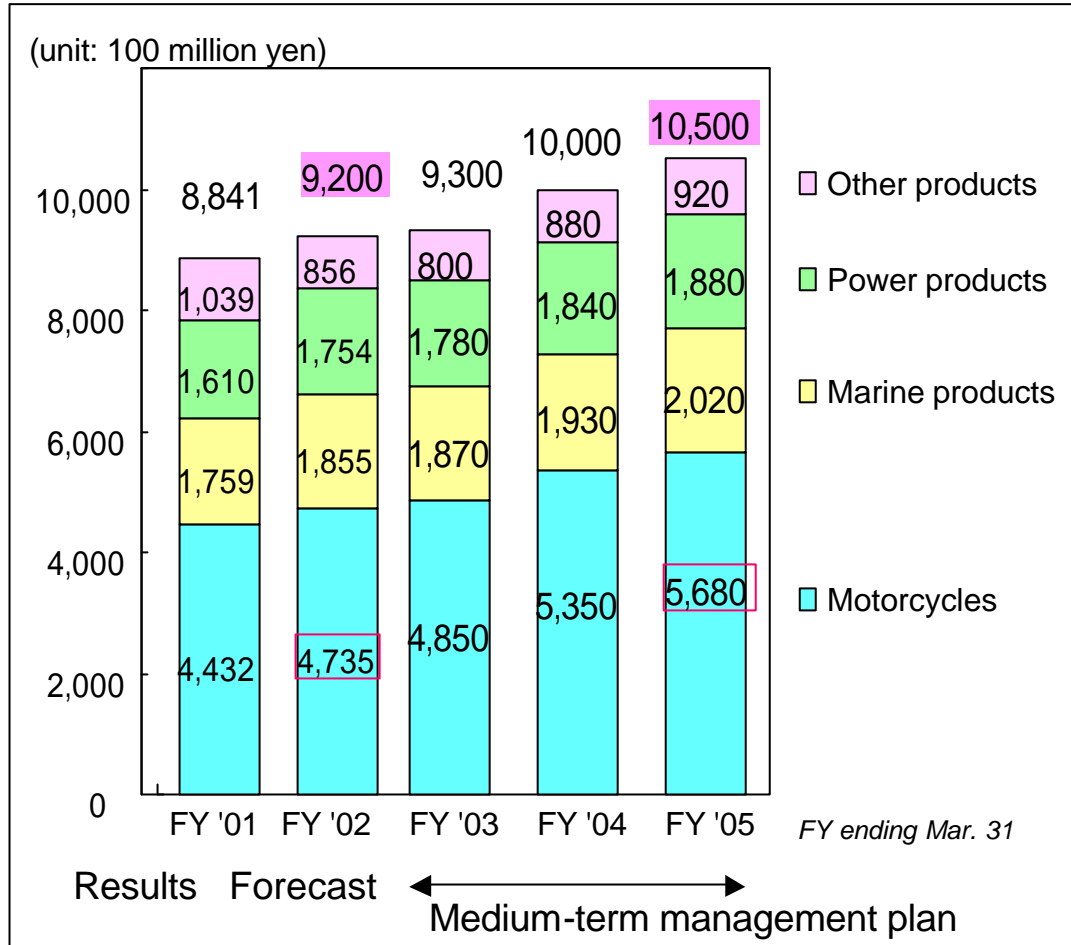


Note: The figures for the fiscal year ended March 31, 2002 are based on the forecast business performance announced in November 2001.

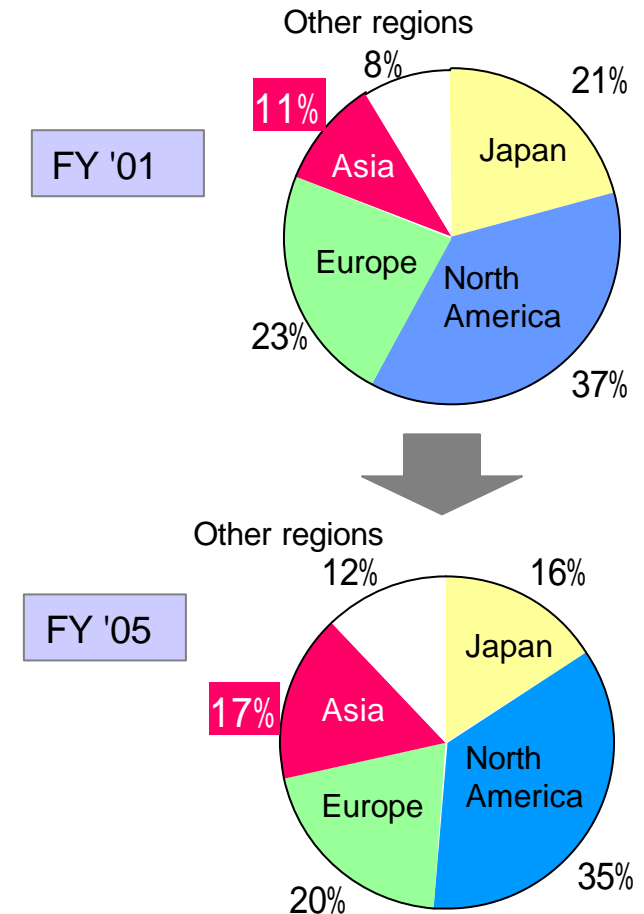
Breakdown of net sales

▶ 70% of sales growth will be realized by the motorcycle business, with the greatest growth expected in Asia.

Sales by business segment



Change in sales composition by region

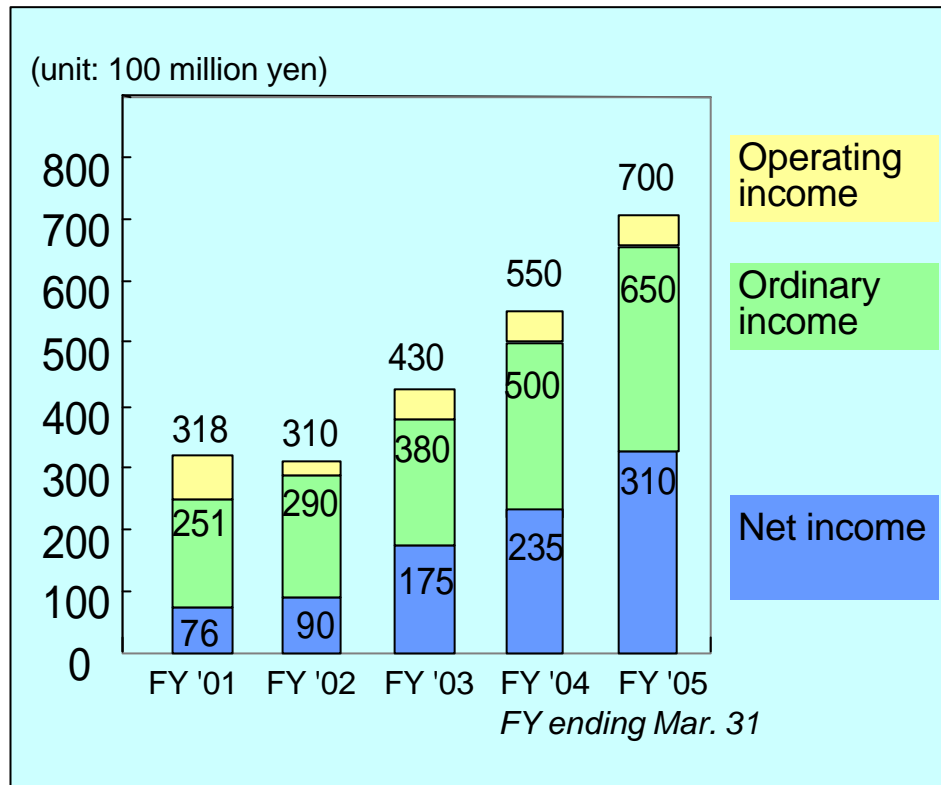


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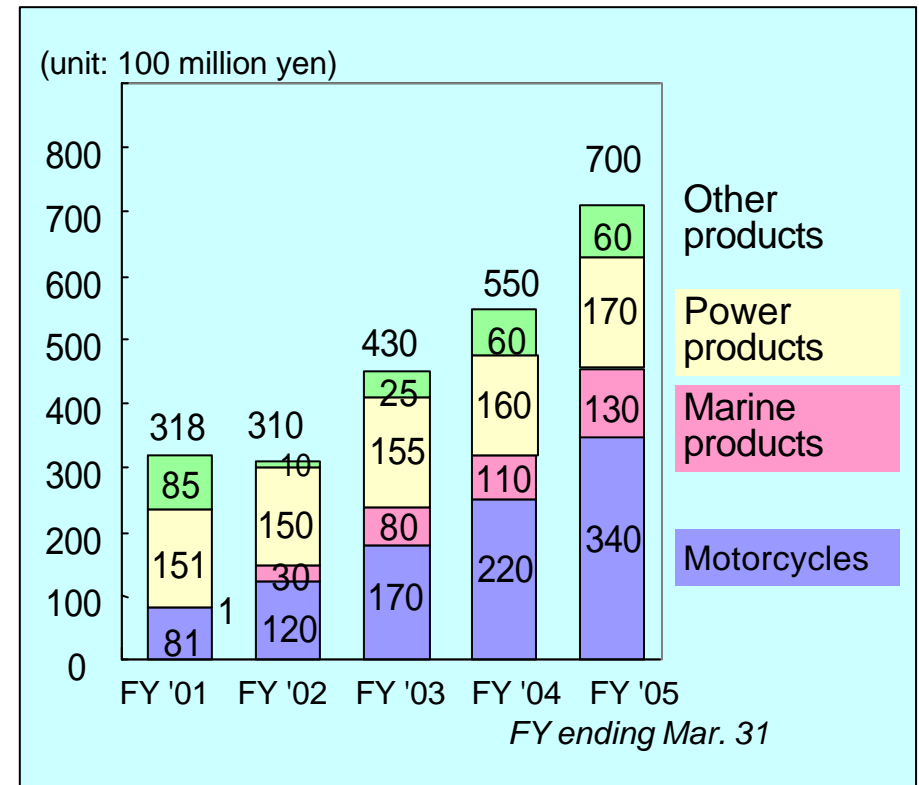
Forecast profit growth

▶ Improving profitability in the mainstay motorcycle business will result in increased profit overall.

Change in ordinary income, operating income and net income



Change in operating income by business segment



Note 1: The figures for the fiscal year ended March 31, 2002 are based on forecast business performance announced in November 2001.

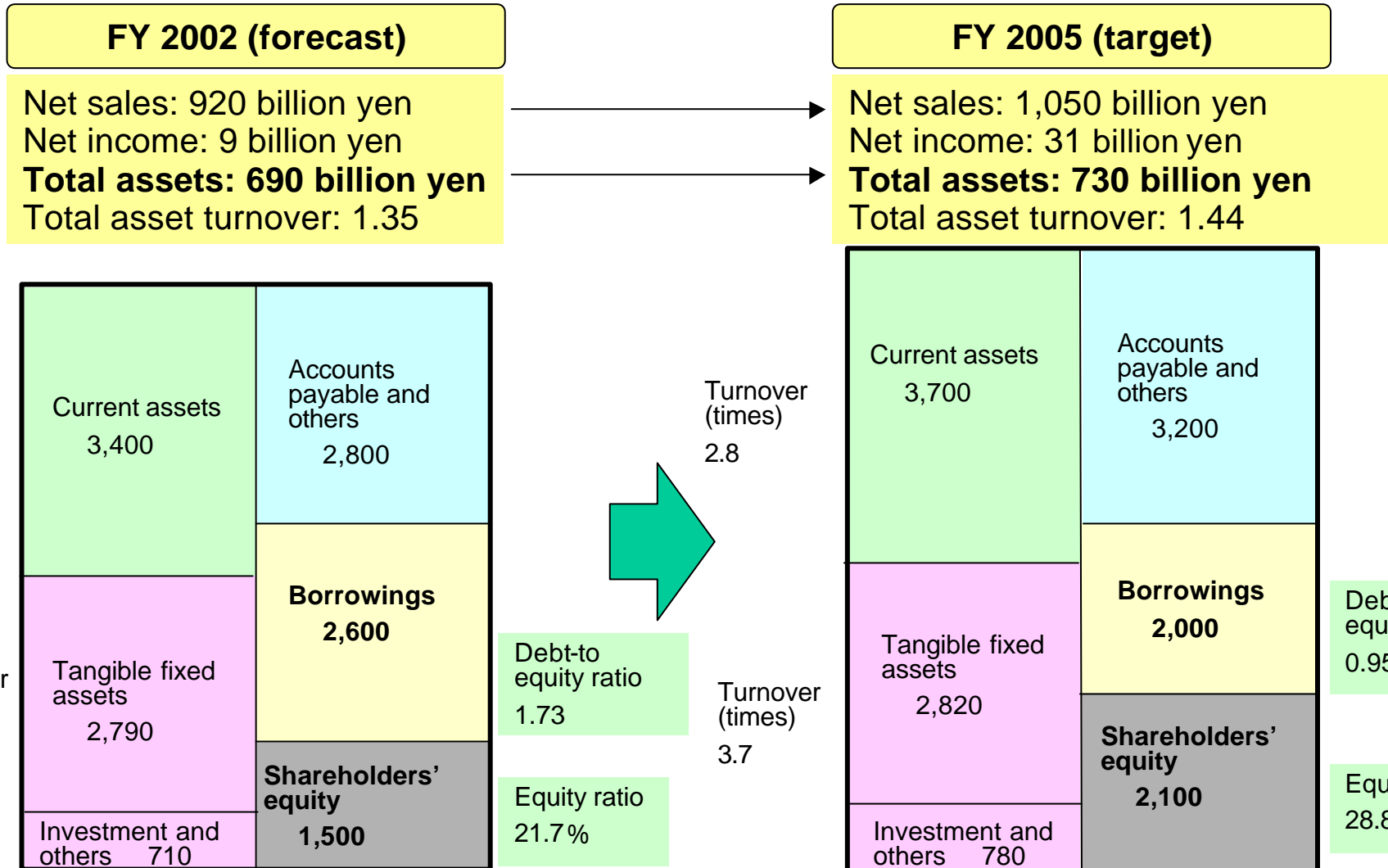
Note 2: The company wrote off 8,200 million yen of the shortage in the reserve for employees' retirement benefits in FY 2001 and 2002, respectively.

Balance sheet

Increase of asset turnover achieved by the implementation of SCM project and the effective utilization of fixed assets.



Holding interest-bearing debt to less than 200 billion yen by reducing 60 billion yen of borrowings, and achieving a 30% equity ratio.

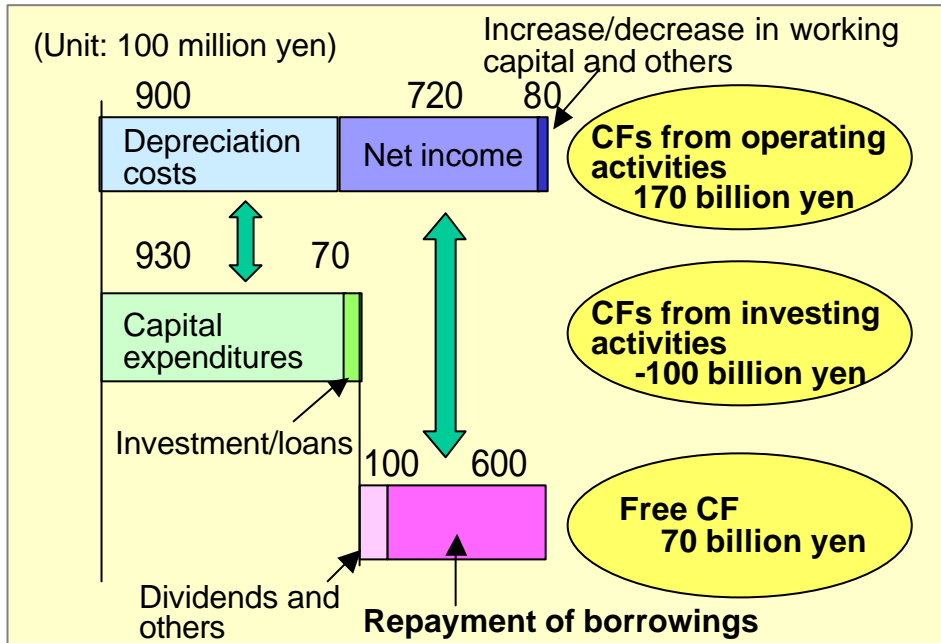


Cash flows / EPS·ROE

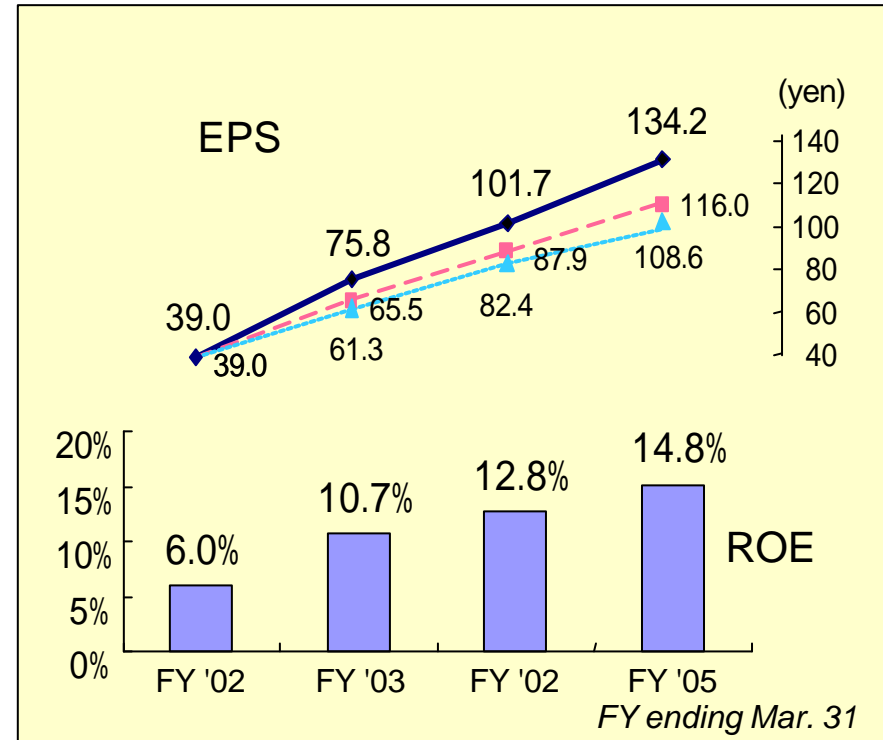
▶ **Generating 70 billion yen in free cash flow by increasing net income and improving asset turnover**

▶ **The company plans to ensure 10% or higher ROE at all times to raise the net income per share of common stock, diluted, to over 100 yen.**

Cash flows (3 year totals)



Projected net income per stock share and ROE



• Earnings, mainly from Europe and the U.S. → Investment in motorcycle business in Asia
 • Improvement of low profitability businesses → Repayment of borrowings

• SCM project → No increase in working capital, with 14% increase in sales

• Fixed asset project → Capital expenditure within the amount of depreciation costs to produce effects corresponding to the expansion of sales and profits

◆ : Without dilution (convertible bond stock conversion)

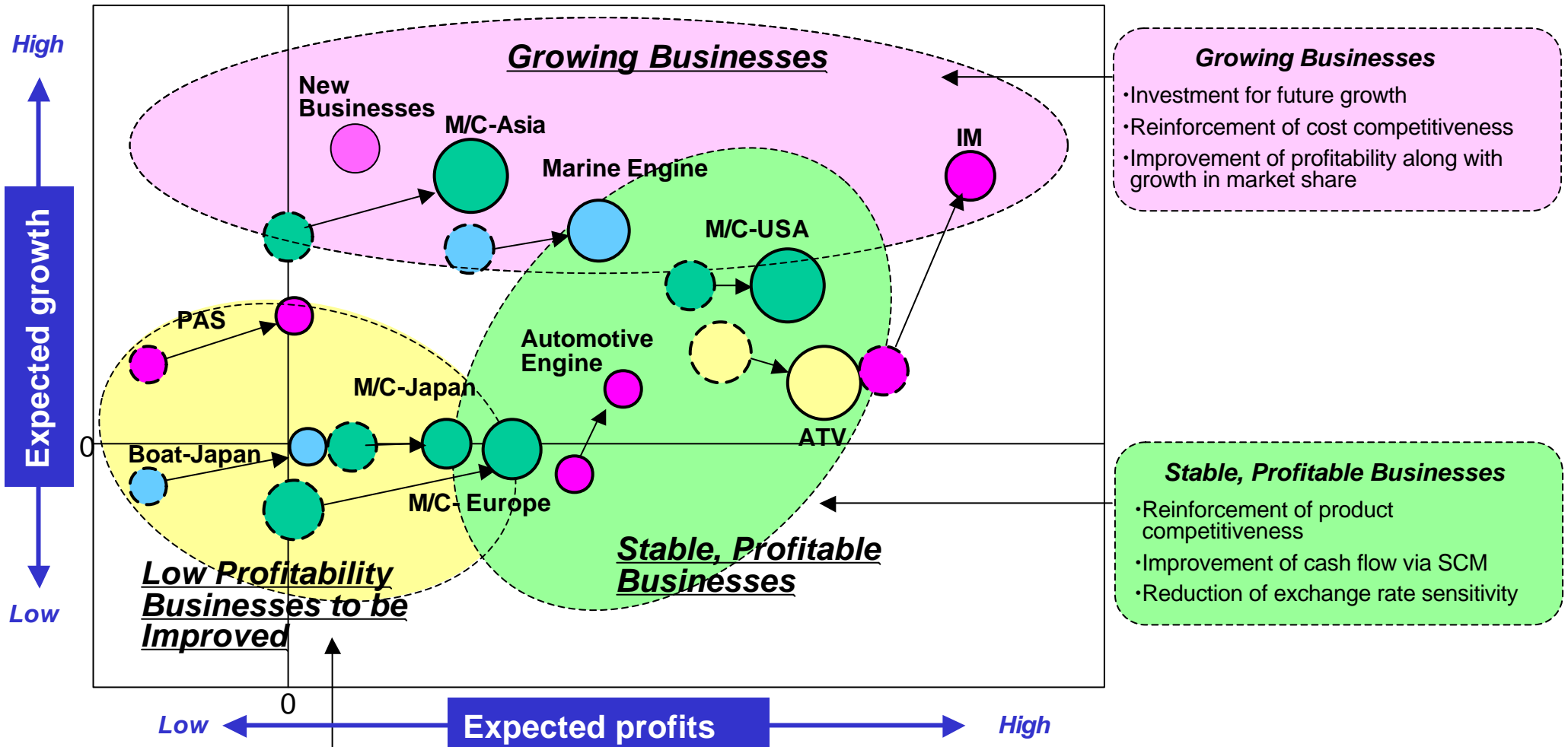
■ : Stock conversion of 4th convertible bond issue, amounting to 30 billion yen

▲ : Stock conversion of both 3rd- and 4th-issue convertible bonds, amounting 19.3 billion yen

Note: The conversion price is 828 yen for the 4th CB, and 1,066 yen for the 3rd CB.

4. Outline of the New Business Strategy

1. Business portfolio



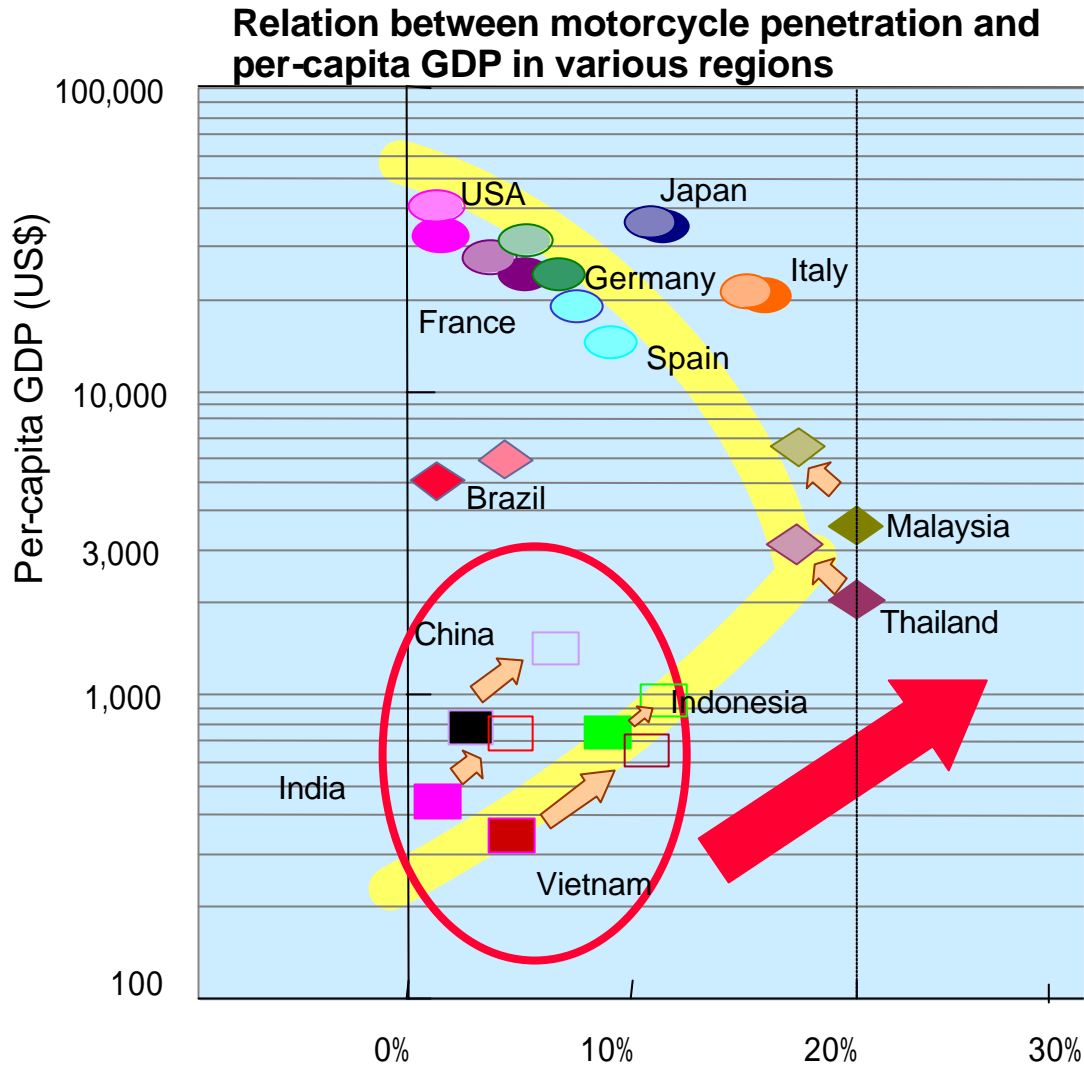
FY ending Mar. 31

Expected profits: The ratio of operating income to total assets in FY '02 to that in '02 to that in FY '05

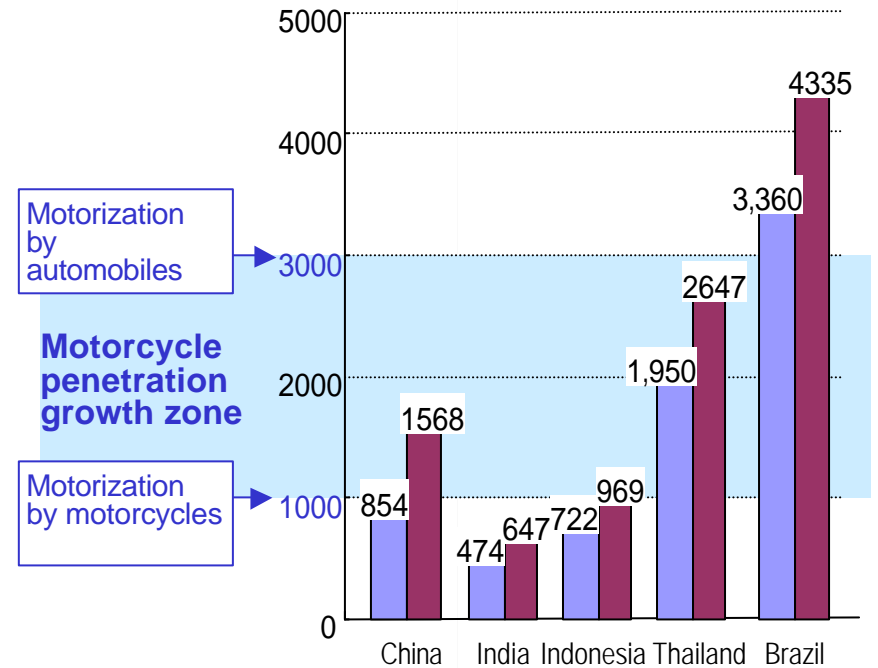
Expected growth: The average sales growth ratio in the previous three-year medium-term to that in the new medium-term

Per-capita GDP and motorcycle penetration ratio

▶ Analysis of per-capita GDP and motorcycle penetration ratios shows that India, China and ASEAN countries offer potentially high demand growth.



Note: Arrows indicate expected shifts from 2000 to 2010.



The source: Report issued by the Ministry of Public Management in Japan

Note: Per-capita GDP in 2000 (left) and forecast of per-capita GDP in 2010

2. Motorcycle business (overall)

Policy

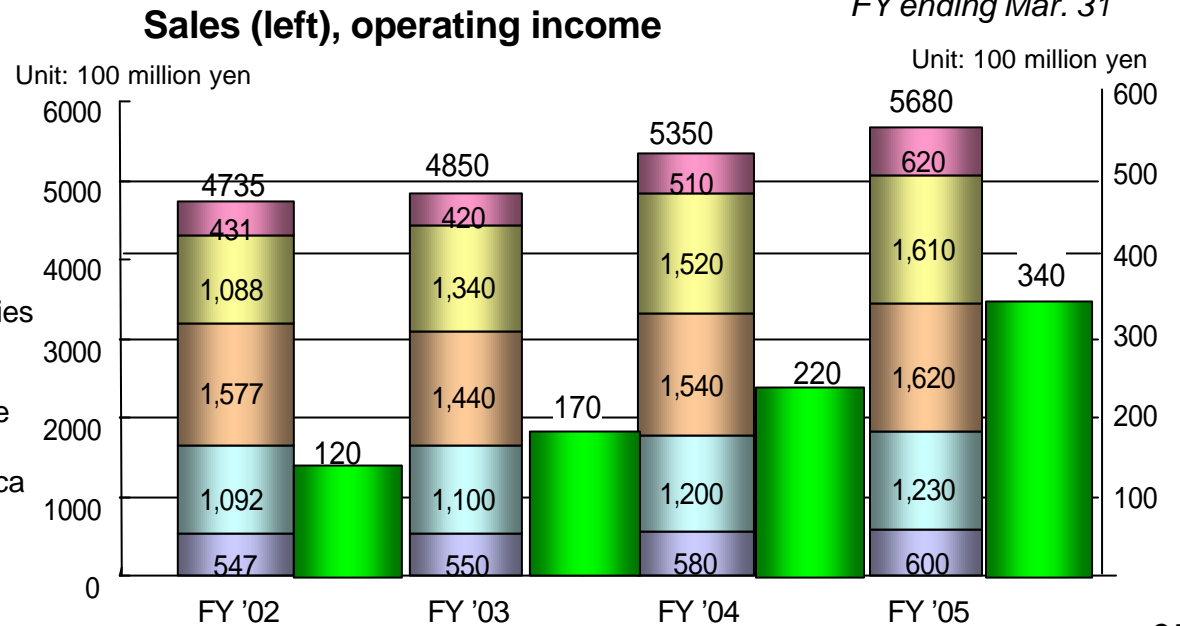
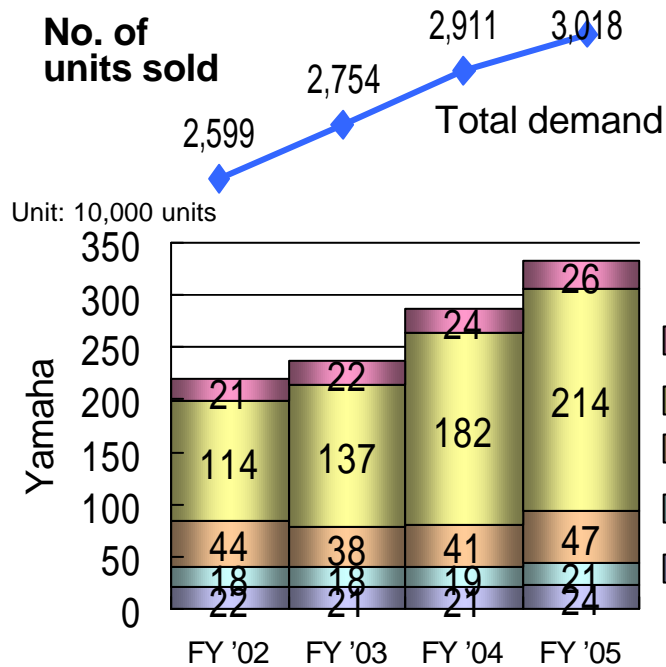
Restructure the motorcycle business to boost global competitiveness and expand sales and profits

Measures

- (1) 30% cost reduction through manufacturing innovation programs
- (2) Further enhancing brand power in Europe and the U.S. the major profit-generating markets for Yamaha Motor
- (3) Enhancing the business foundation in China, India and ASEAN countries to achieve growth
- (4) Continuous improvement of cash flows through promotion of SCM projects
- (5) Promoting development of compact 4-stroke models and global models

Targets

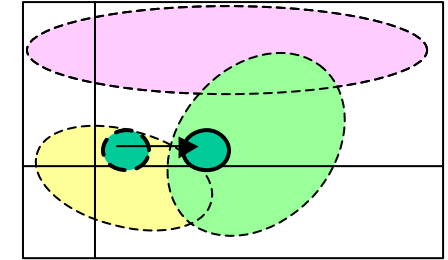
	FY 2002	FY 2005	Growth ratio
Total demand	25,990,000 units	30,180,000 units	(116%)
Yamaha	2,180,000 units	3,320,000 units	(152%)
	473.5 billion yen	568 billion yen	(120%)



Motorcycle business (Japan)

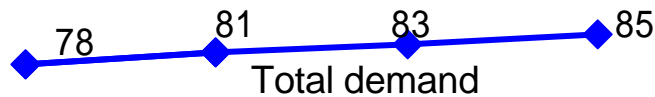
Policy Establish a stable profit-generating structure

- Measures**
- (1) Transforming existing businesses into profitable enterprises, and exploiting new businesses by establishing and operating a Japan headquarters
 - (2) Introducing low-price, high-quality scooters by transferring production capability to Taiwan
 - (3) Expanding sales of strong market performers large scooters and motorcycles
 - (4) Restructuring core sales channels to achieve customer need-based marketing and appeal to a wider range customers

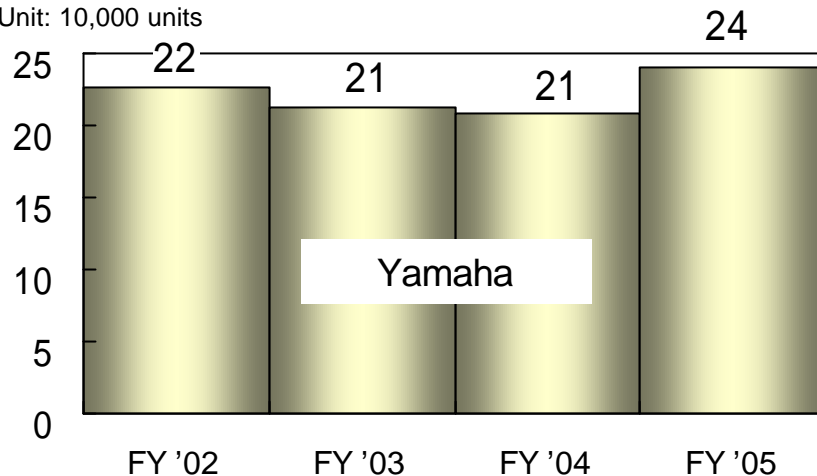


Targets	FY 2002		FY 2005		Growth ratio
	Total demand	Yamaha	Total demand	Yamaha	
	780,000 units	220,000 units	850,000 units	240,000 units	(110%)
	54.7 billion yen		60 billion yen		(110%)

No. of units sold



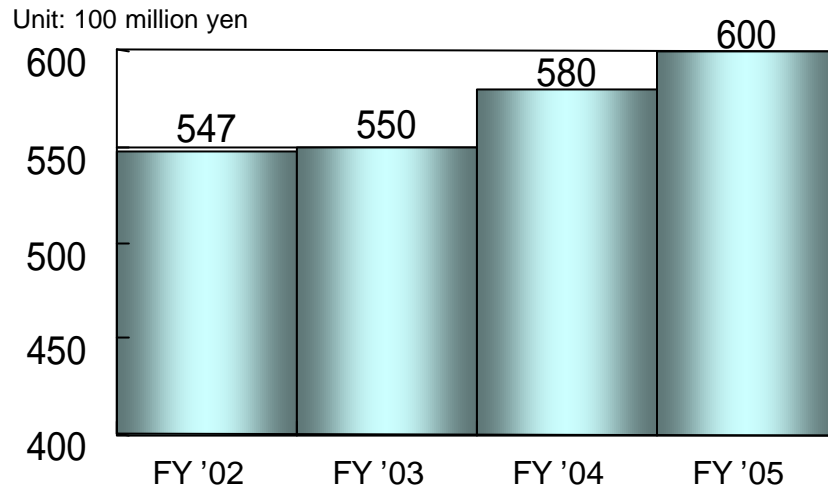
Unit: 10,000 units



Sales

FY ending Mar. 31

Unit: 100 million yen



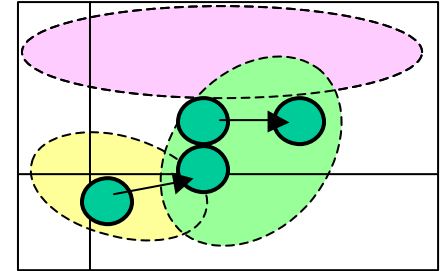
Motorcycle business (North America and Europe)

Policy

Maintain and improve on the power of the brand (market share) and profitability

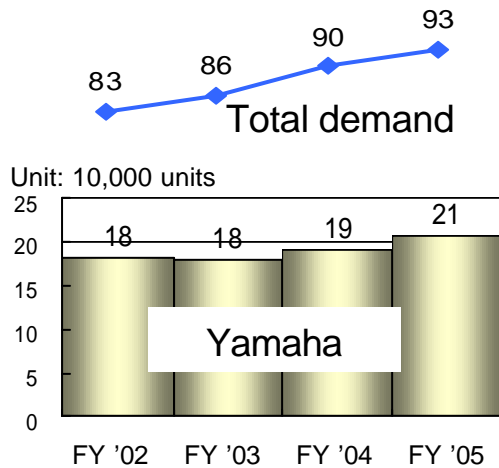
Measures

- (1) Establishing “Yamaha World” through the continuous introduction of new large models (North America: cruiser models, Europe: supersport models)
- (2) Enhancing the competitiveness of local production systems (manufacture, purchase, engineering) in Europe
- (3) Promoting cost reduction through the System Supplier system
- (4) Improving cash flows by promoting SCM reform

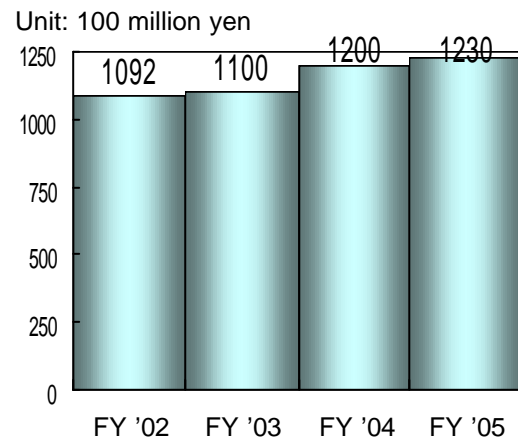


Targets

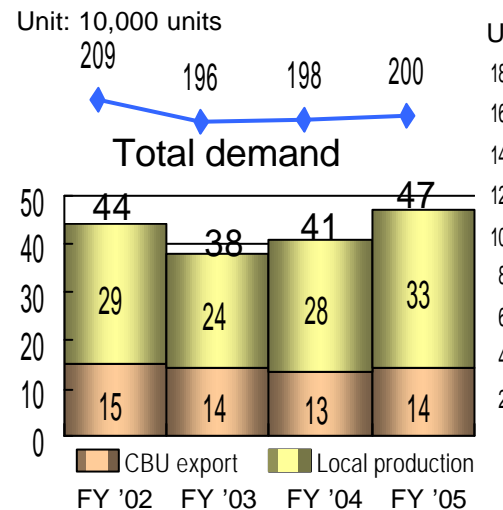
		FY 2002	FY 2005	Growth ratio
Total demand	North America	830,000 units	930,000 units	(114%)
	Europe	2,080,000 units	2,000,000 units	(96%)
Yamaha	North America	180,000 units	210,000 units	(114%)
	Europe	440,000 units	470,000 units	(107%)



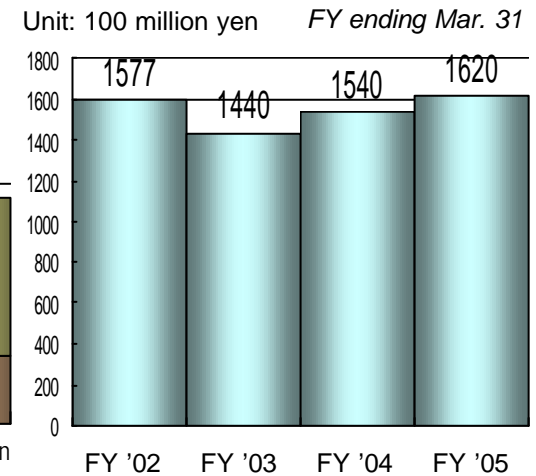
No. of units sold in the U.S.



Sales in the U.S.



No. of units sold in Europe (Yamaha)



Sales in Europe

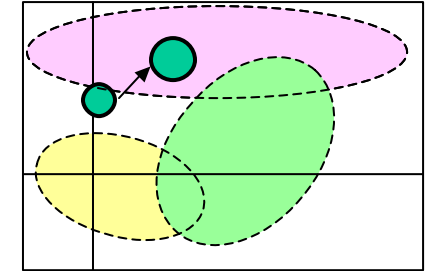
Motorcycle business (ASEAN countries and India)

Policy

Enhance the business foundation to secure appropriate market share in these top-priority markets

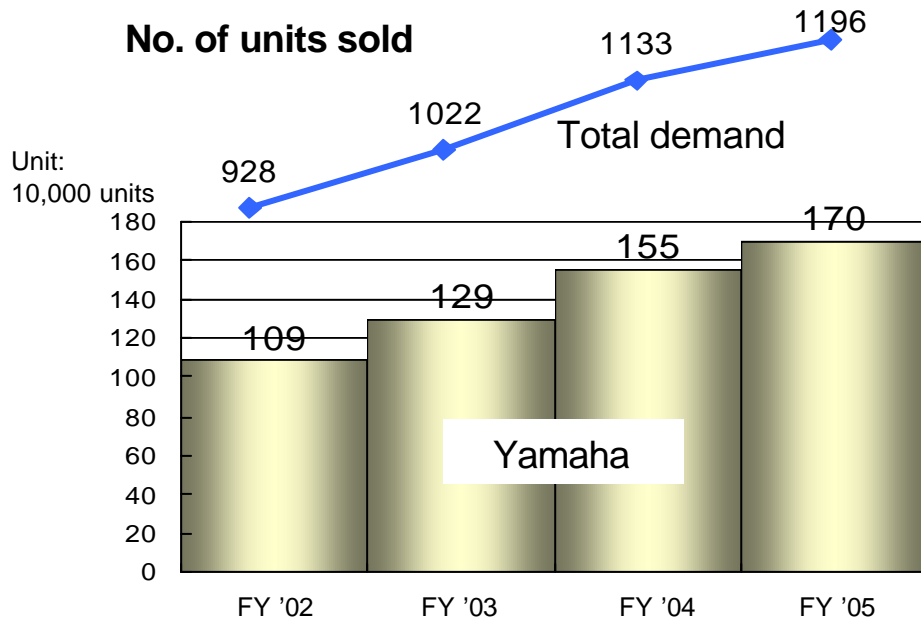
Measures

- (1) Enhancing local business bases in India, Indonesia and Thailand markets with huge demand
- (2) Introducing compact 4-stroke models and ASEAN models (new commuter vehicles)
- (3) Establishing an Asian headquarters to enhance competitiveness in all operations (procurement, development, financing, reciprocal supply)
- (4) Promoting cost reduction through overseas development of the System Supplier system and procurement of Chinese parts

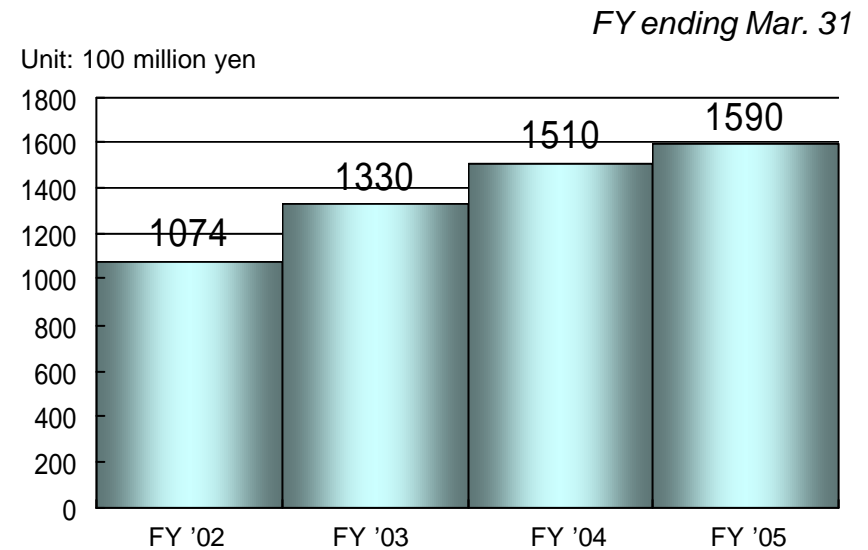


Targets

	FY 2002	FY 2005	Growth ratio
Total demand	9,280,000 units	11,960,000 units	(129%)
Yamaha	1,090,000 units	1,700,000 units	(156%)
	107.4 billion yen	159.0 billion yen	(148%)



Sales



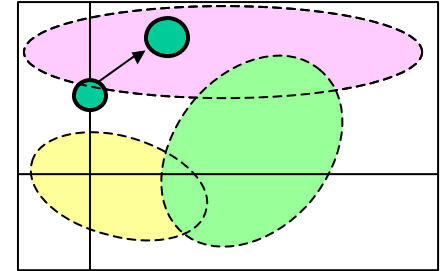
Motorcycle business (China)

Policy

Restructure the business foundation to enhance competitiveness in the Chinese market

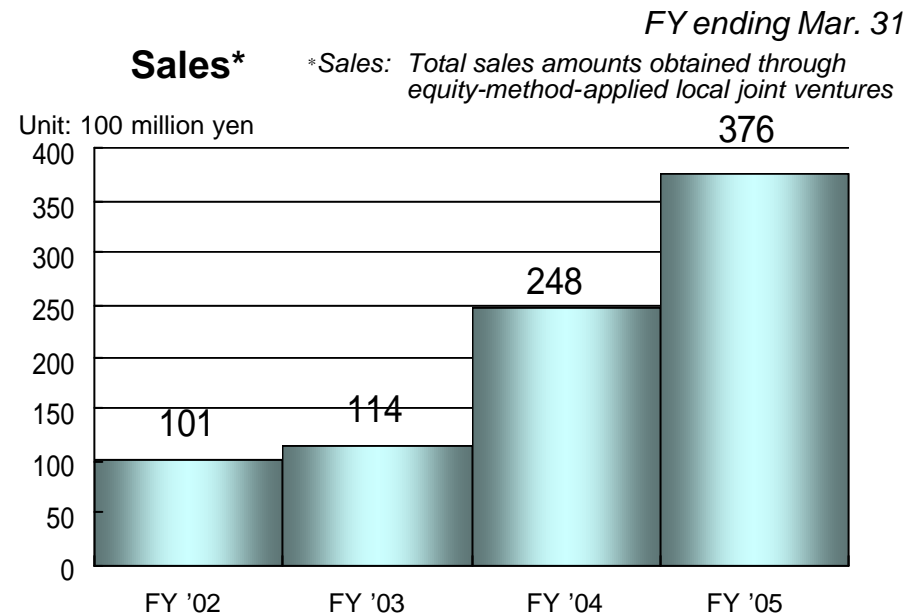
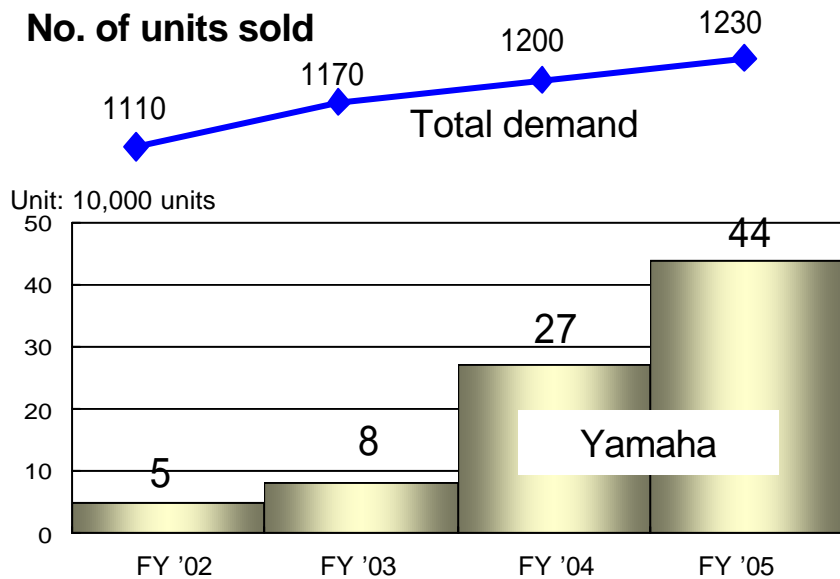
Measures

- (1) Reviewing model strategy (active introduction of medium to low price range models)
- (2) Reexamining quality standards and actively developing new suppliers in China
- (3) Establishing the Suzhou Center to enable parts development and supply
- (4) Restructuring the sales system (importing CBU models and increasing marketing efficiency)
- (5) Enhancing and reviewing existing joint ventures, and examining the possibility of establishing joint ventures with private companies



Targets

	FY 2002	FY 2005	Growth ratio
Total demand	11,100,000 units	12,300,000 units	(110%)
Yamaha	50,000 units	440,000 units	(880%)
	10.1 billion yen	37.6 billion yen	(372%)



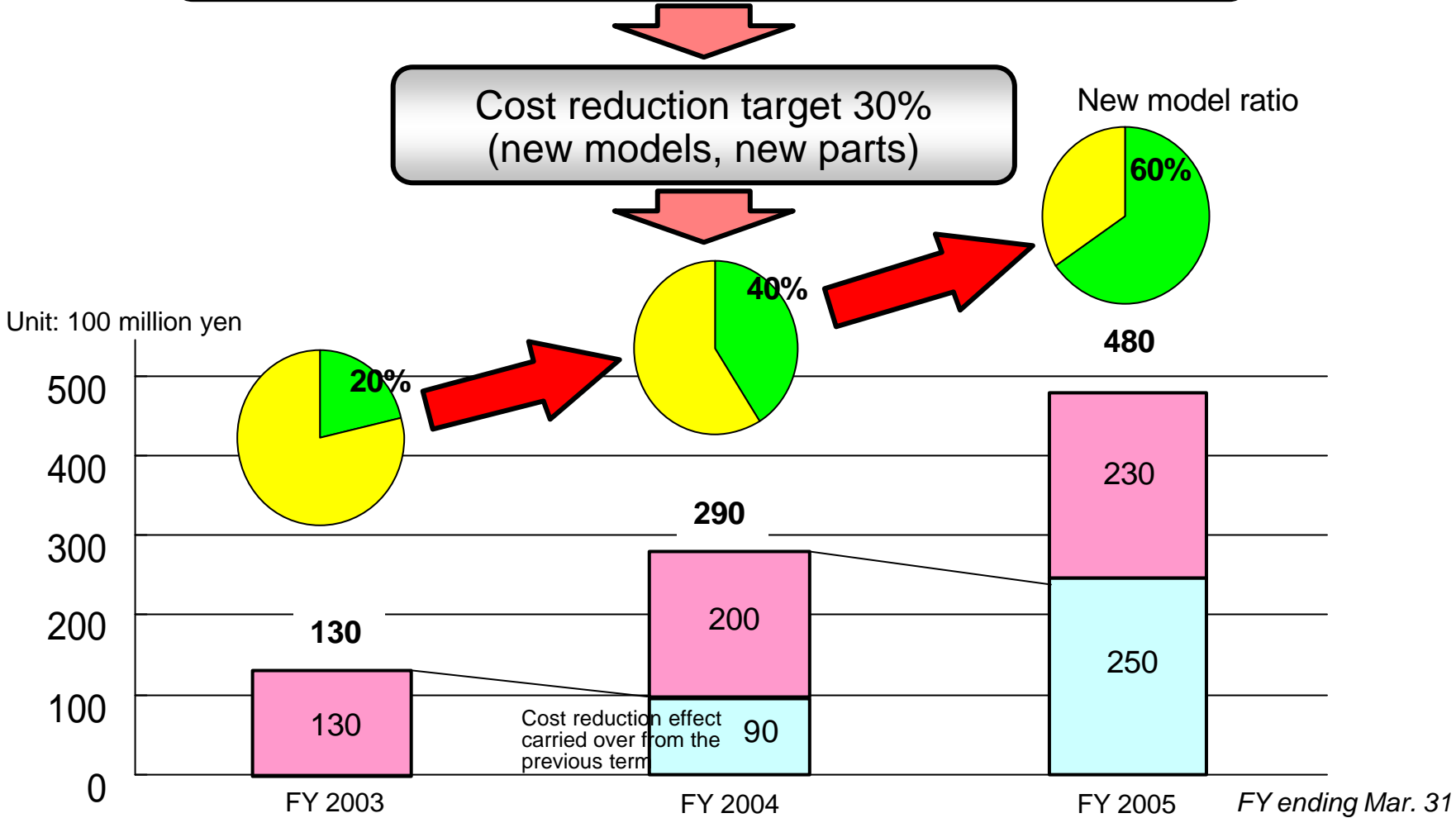
Motorcycle business (cost reduction)

Implementation of **System Supplier (SyS) system**
(integrating development, purchase and manufacture)

Globally optimized procurement (particularly, utilization of Chinese parts)

Cost reduction target 30%
(new models, new parts)

New model ratio



2. Motorcycle business (overall)

Policy

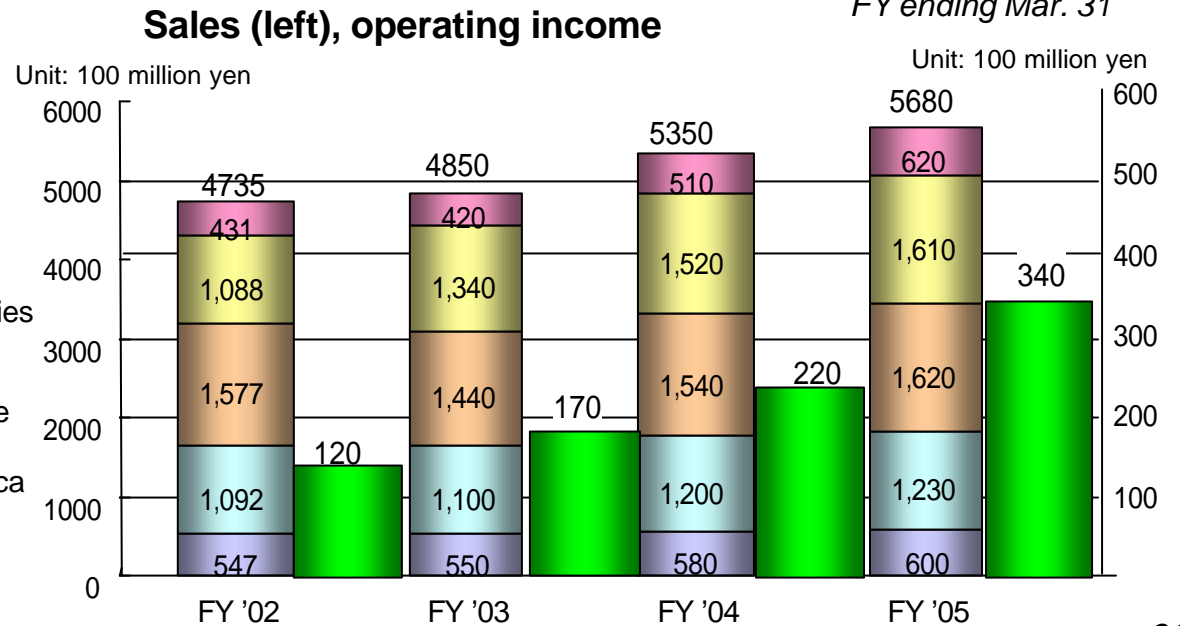
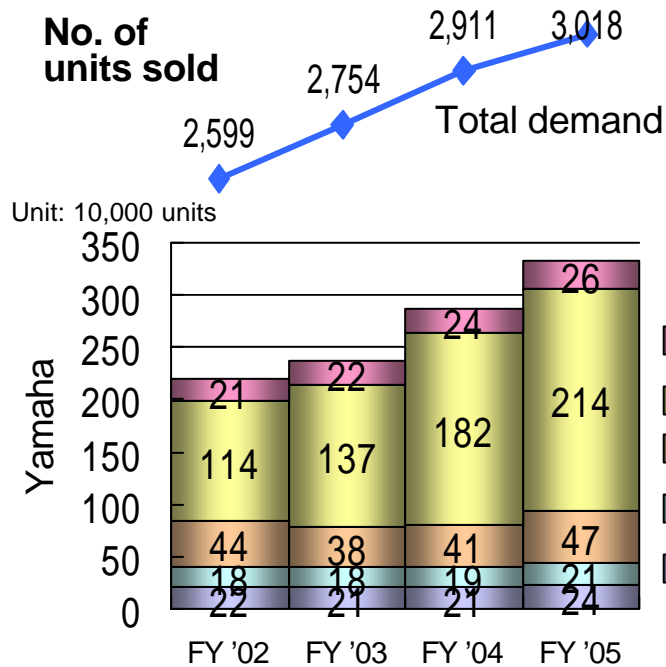
Restructure the motorcycle business to boost global competitiveness and expand sales and profits

Measures

- (1) 30% cost reduction through manufacturing innovation programs
- (2) Further enhancing brand power in Europe and the U.S. the major profit-generating markets for Yamaha Motor
- (3) Enhancing the business foundation in China, India and ASEAN countries to achieve growth
- (4) Continuous improvement of cash flows through promotion of SCM projects
- (5) Promoting development of compact 4-stroke models and global models

Targets

	FY 2002	FY 2005	Growth ratio
Total demand	25,990,000 units	30,180,000 units	(116%)
Yamaha	2,180,000 units	3,320,000 units	(152%)
	473.5 billion yen	568 billion yen	(120%)



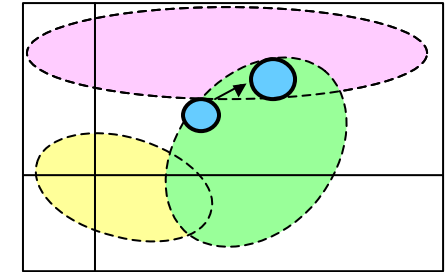
3. Marine engine business

Policy

Measures

Maintain the leading position in worldwide markets and the company's high profit-generating structure

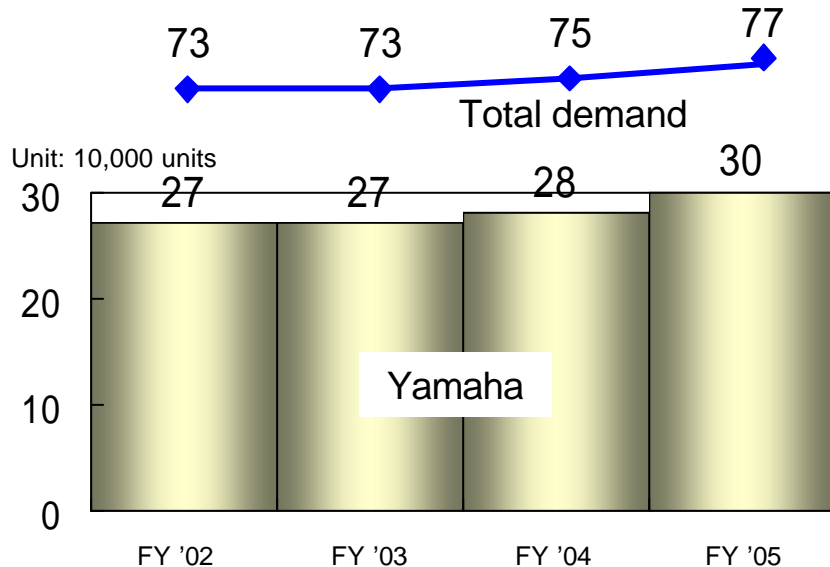
- (1) Expanding the business scale in North America (expansion of the boat-building business)
- (2) Improving sales worldwide by focusing on large models, where the company enjoys a competitive advantage
- (3) Maintaining a dominant position in developing countries, centering on enduro models
- (4) Strengthening development of environmentally friendly large models, and further promoting manufacturing innovation



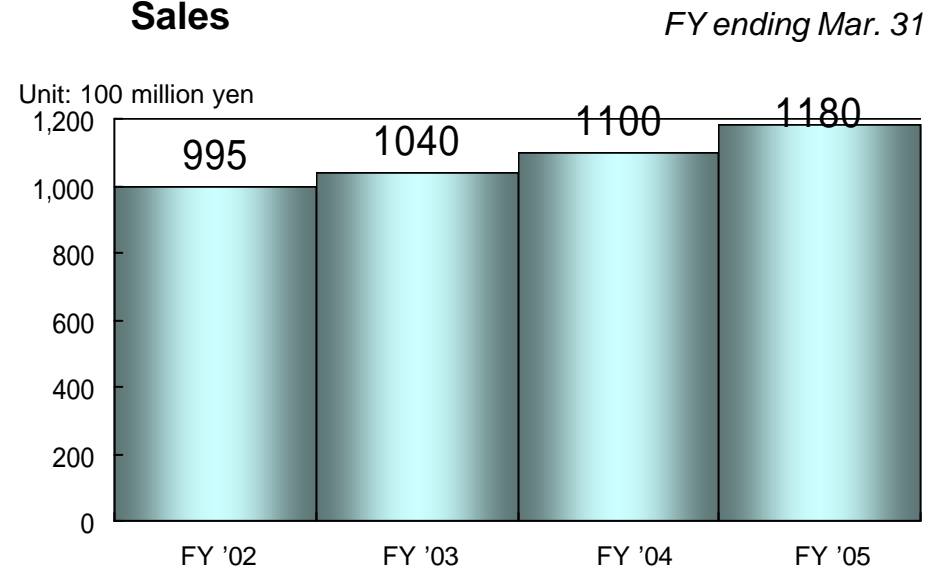
Targets

	<i>FY 2002</i>	<i>FY 2005</i>	<i>Growth ratio</i>
Total demand	730,000 units	770,000 units	(106%)
Yamaha	270,000 units	300,000 units	(111%)
	99.5 billion yen	118 billion yen	(118%)

No. of units sold



Sales



4. ATV business

Policy

Maintain and expand sales and profits in mature markets

Measures

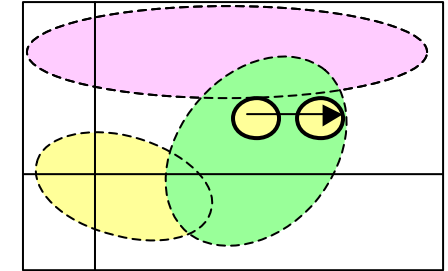
(1) Strengthening the automatic model lineup, for which demand is expected to grow

(2) Establishing a dual-factory production system using domestic and Atlanta plants

↳ Improving productivity and efficiency by classifying production models

↳ Expanding production capacity of the Atlanta plant (to more than 100,000 units)

(3) Promoting SCM reform and manufacturing innovation



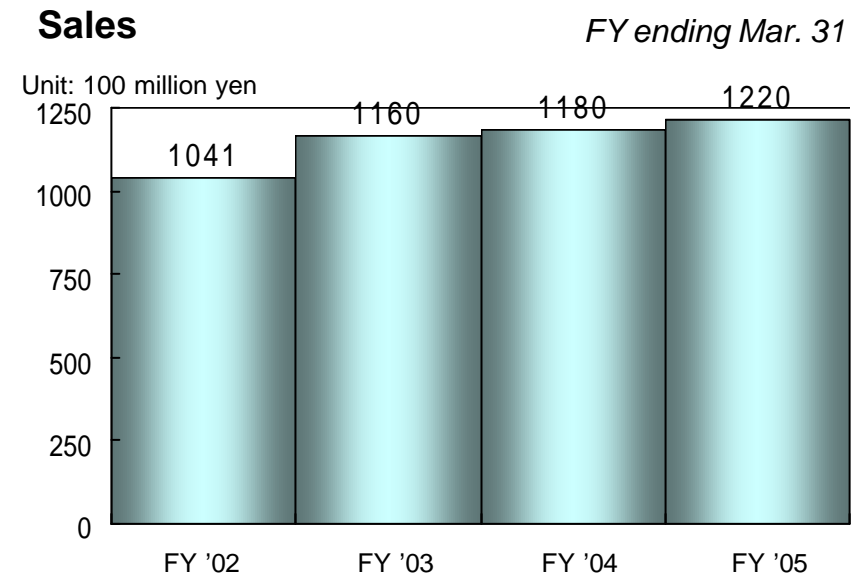
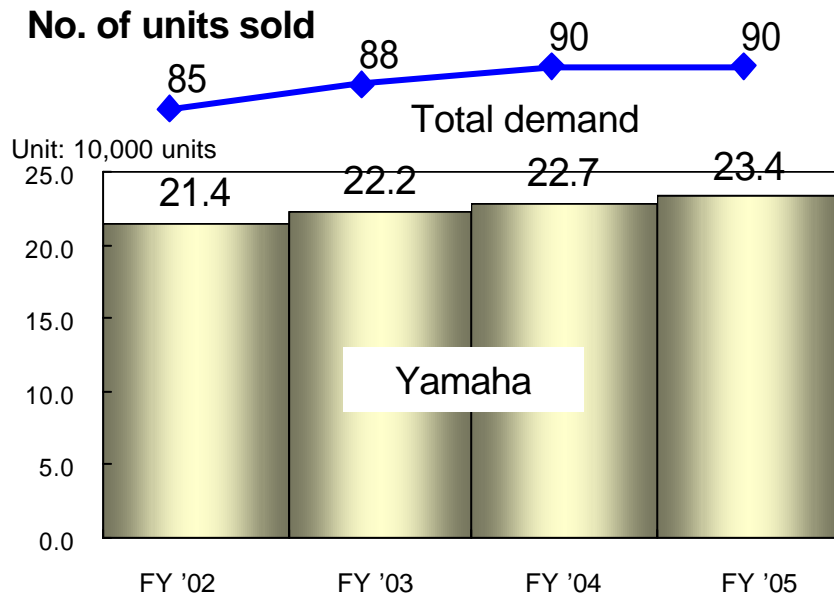
Targets

Total demand
Yamaha

FY 2002
850,000 units
214,000 units
104.1 billion yen

FY 2005
900,000 units
234,000 units
122 billion yen

Growth ratio
(106%)
(109%)
(117%)



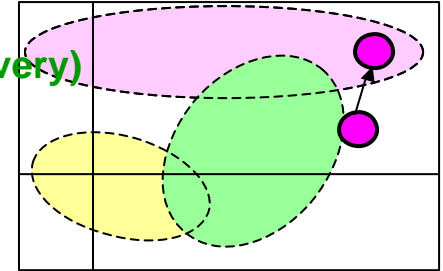
5. IM business

Policy

Maintain top share in the medium-speed surface mounter market (V-shape growth of sales and profits to correspond with market recovery)

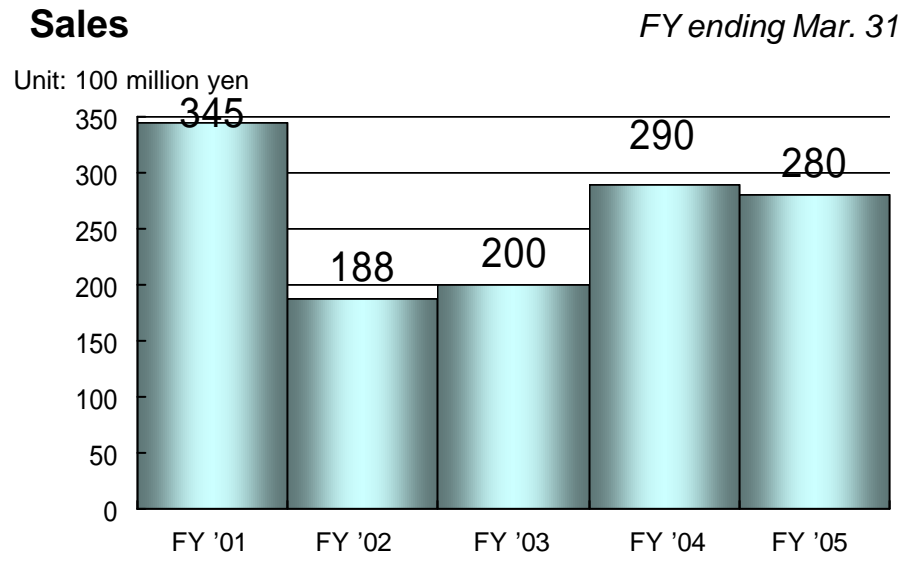
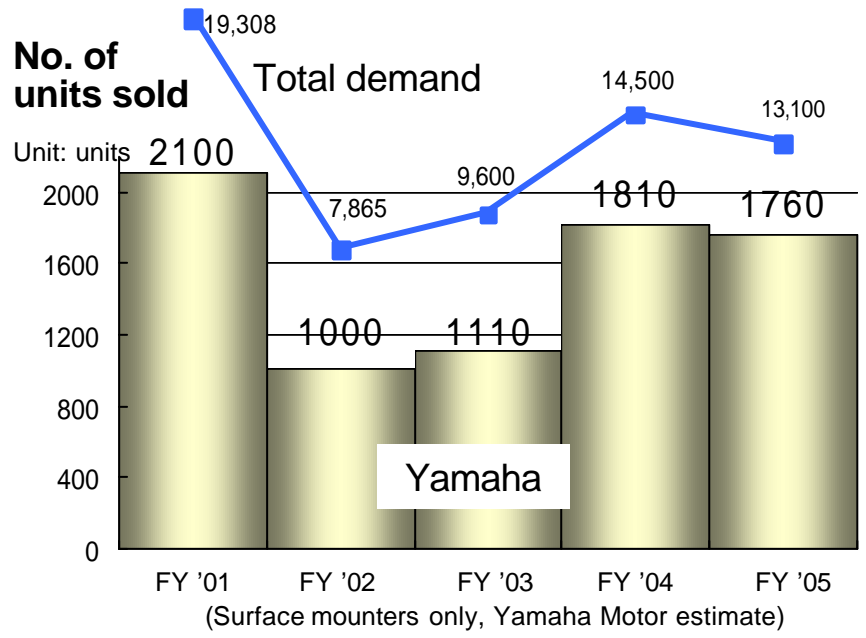
Measures

- (1) Concentrating marketing efforts on growing Asian and Chinese markets
- (2) Expanding the business for customer needs-oriented solutions
- (3) Developing and commercializing cutting-edge surface mounter technologies
- (4) Significantly reducing operation and product costs
- (5) Dramatically reducing lead time from order reception to installation



Targets

	FY 2002	FY 2005	Growth ratio
Total demand	7,865 units	13,100 units	(167%)
Yamaha	1,000 units	1,760 units	(174%)
	18.8 billion yen	28 billion yen	(148%)

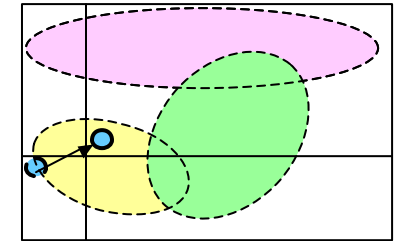


6. Marine business in Japan

Policy

Exploit market-leading position to revitalize the domestic marine industry

Establish a low-cost business structure capable of generating profits even if boat sales fall below the current mark to the 16 billion yen level
(Return to profitability on a consolidated basis in FY 2004)



Measures

- (1) Promoting the hull business, focusing on highly profitable small boats with outboard motors
- (2) Establishing a globally cost-competitive production system
 - Establishment of Y² Marine Manufacturing Co., Ltd. with Yanmar Diesel Engine Co., Ltd. (effective use of management resources)
 - Expansion of domestic and overseas outsourcing (for large boats and some smaller boats)
- (3) Integrating ordering and receiving functions into one domestic location, and enhancing service functions
- (4) Developing new engineering methods to improve productivity and environmentally friendliness

Targets

Yamaha

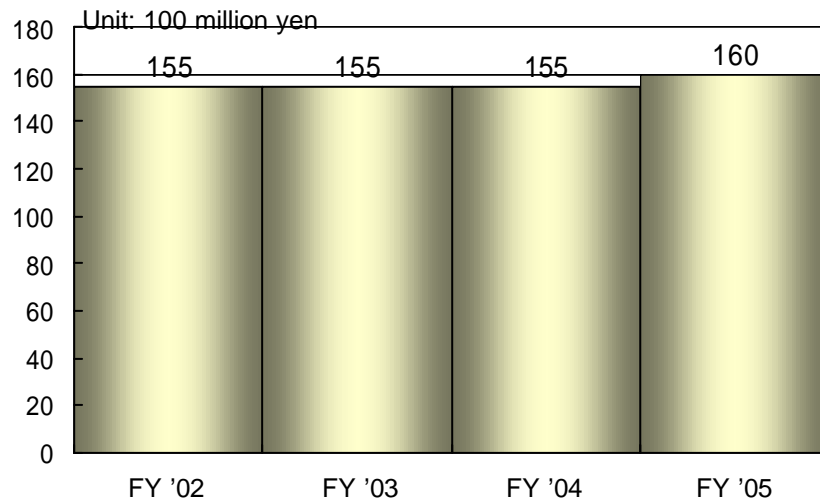
Sales
Operating income
(loss)

FY 2002
15.5 billion yen
(3.5 billion yen)

FY 2005
16 billion yen
0.1 billion yen

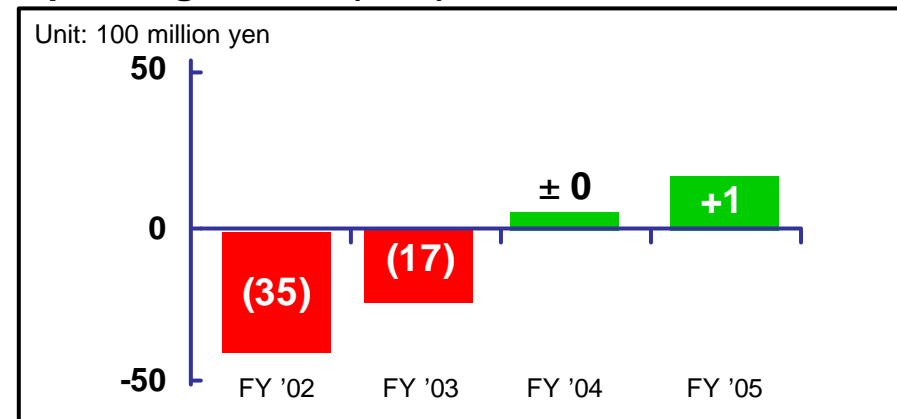
Growth ratio
(103%)

Sales



Operating income (loss)

FY ending Mar. 31



7. PAS business

Policy

Utilize Yamaha's original power assist system (PAS) as an environmental preservation technology

Expand the business domain and reduce operating cost by transferring main operations to a profitable unit

(Achieve profitability on a consolidated basis in FY 2004)

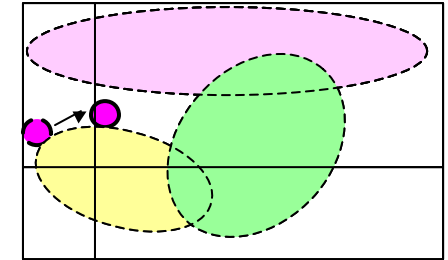
Measures

(1) Developing new businesses using power assist units

(2) Reducing operating cost (development- and production-related costs; and selling, general and administrative expenses)

Shifting business functions to the electric parts manufacturing subsidiary, Moric Co., Ltd.

(3) 50% cost reduction, centering on driving system units



Targets

Yamaha

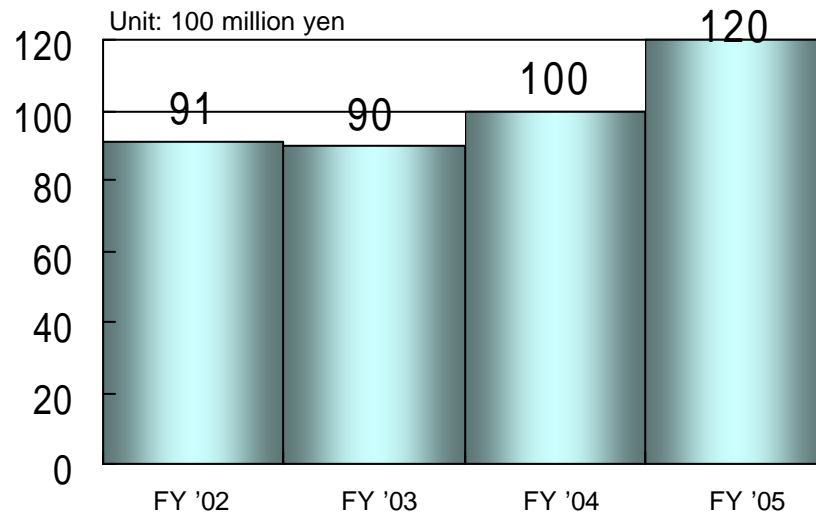
Sales
Operating income
(loss)

FY 2002
9.1 billion yen
(1.7 billion yen)

FY 2005
12 billion yen
0.3 billion yen

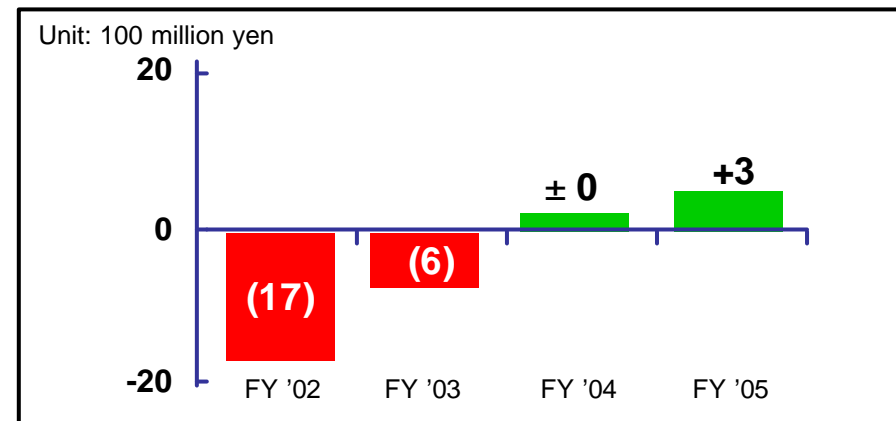
Growth ratio
(132%)

Sales

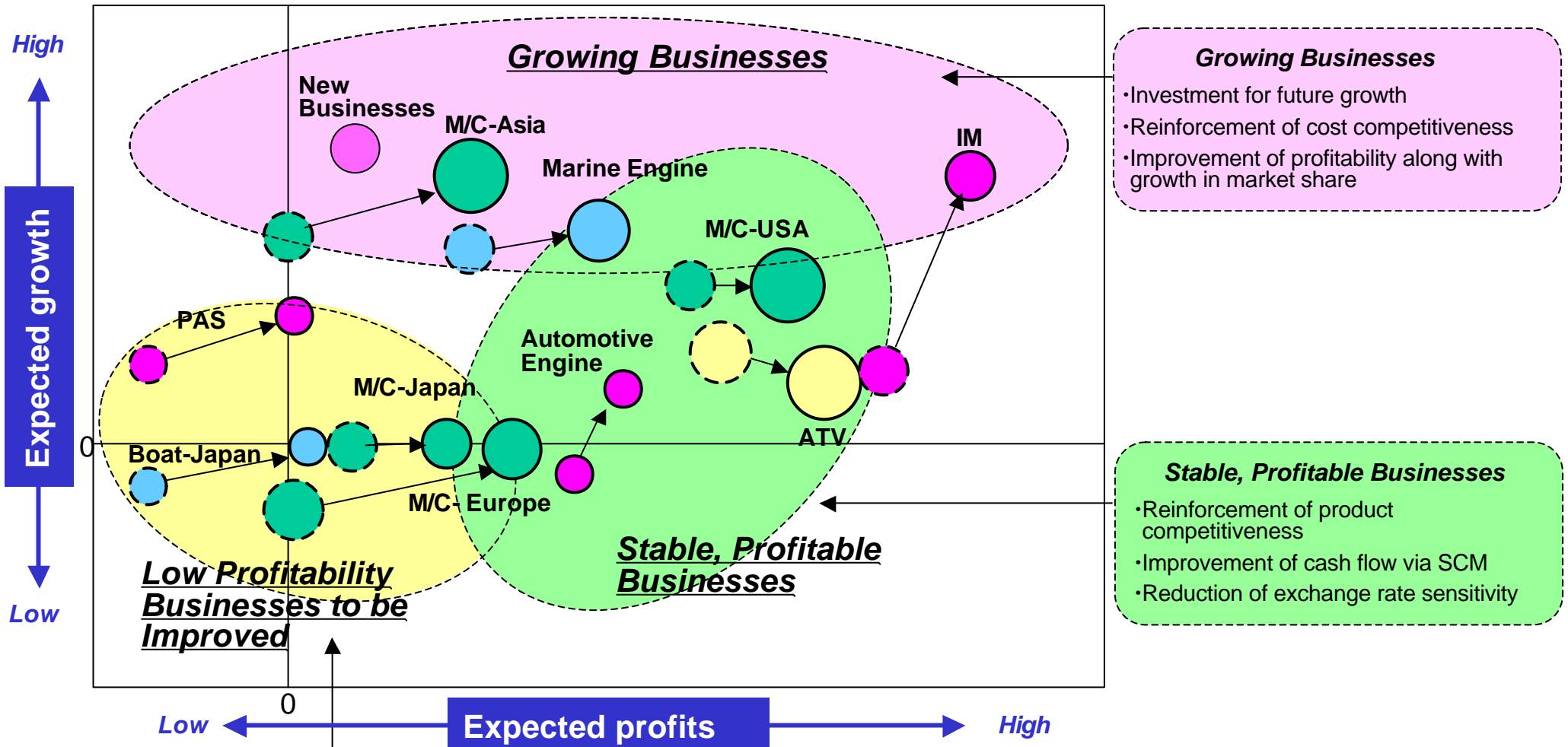


Operating income (loss)

FY ending Mar. 31



1. Business portfolio



FY ending Mar. 31

Low Profitability Businesses to be Improved

- Selective capital expenditure
- Emphasis on improvement of profitability

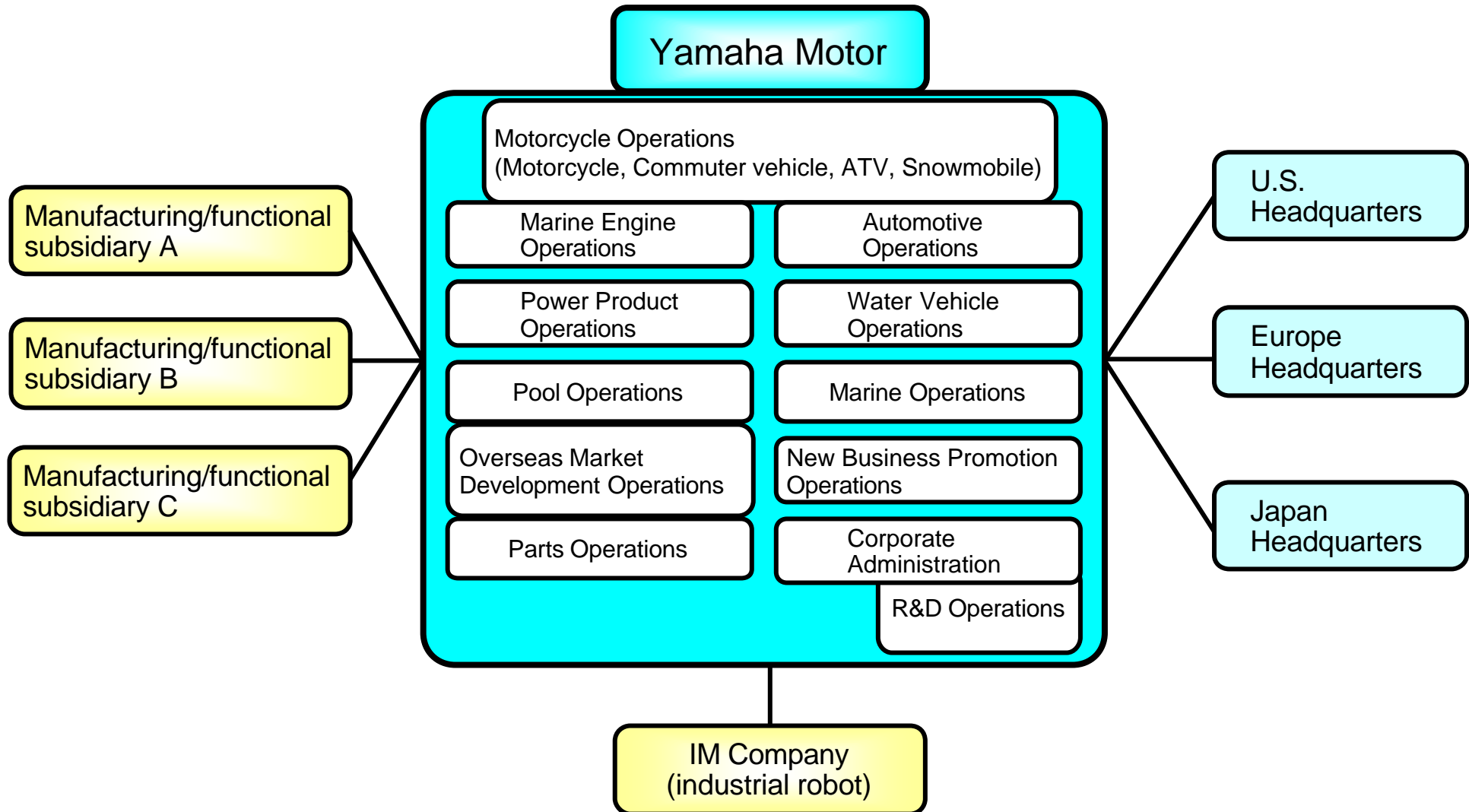
Expected profits: The ratio of operating income to total assets in FY '02 to that in '02 to that in FY '05

Expected growth: The average sales growth ratio in the previous three-year medium-term to that in the new medium-term

5. Outline of the Corporate Strategy

(1) Reform of group management system

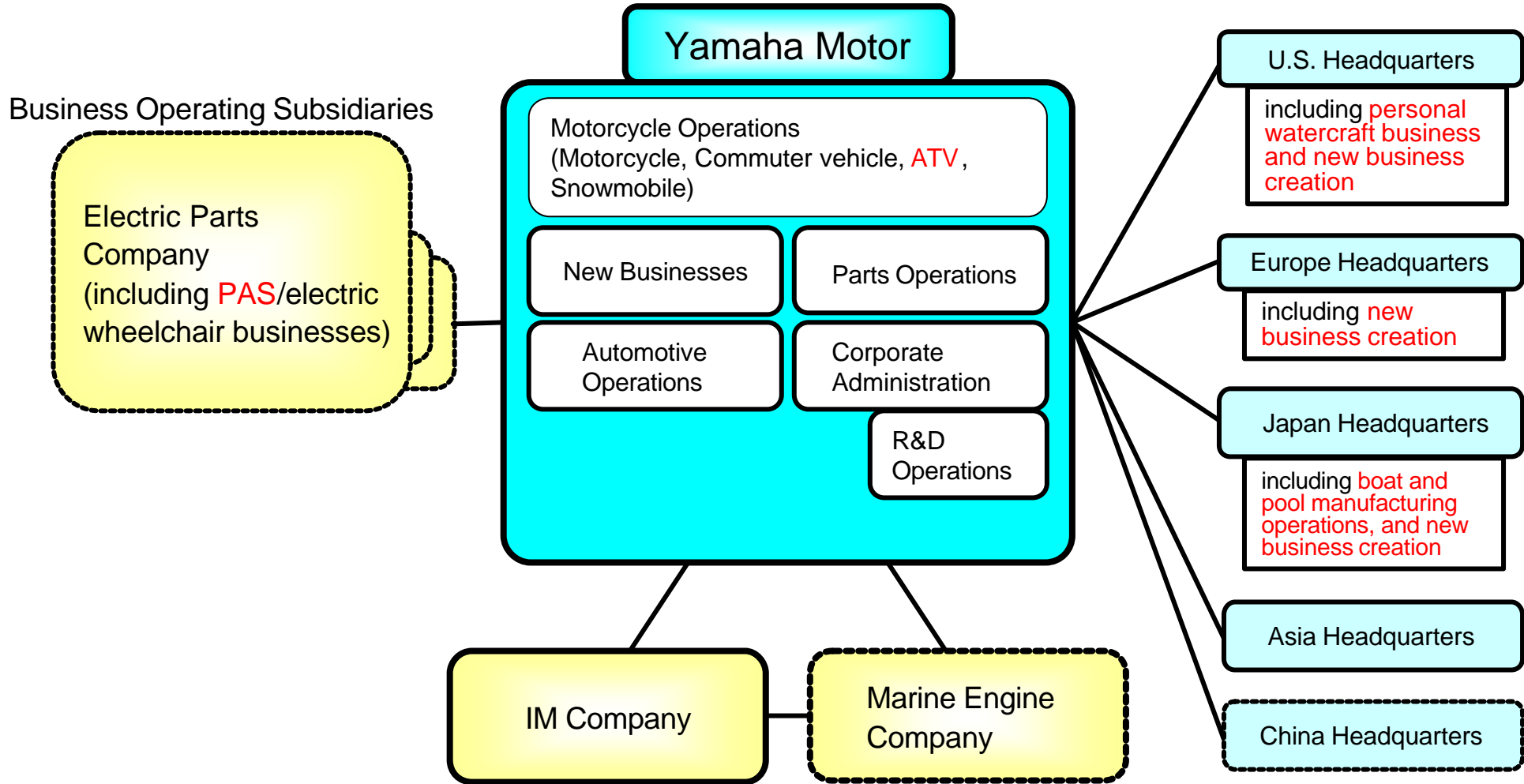
Current organizational structure



(1) Reform of group management system

Vision of Yamaha Motor Group consolidated management

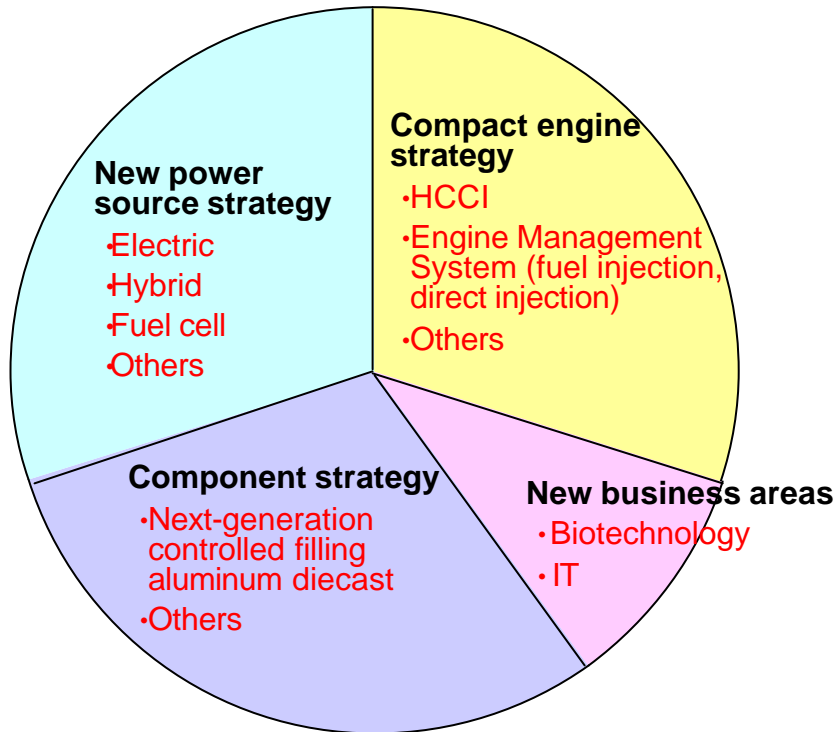
<Promoting establishment of in-house companies and spin-offs>



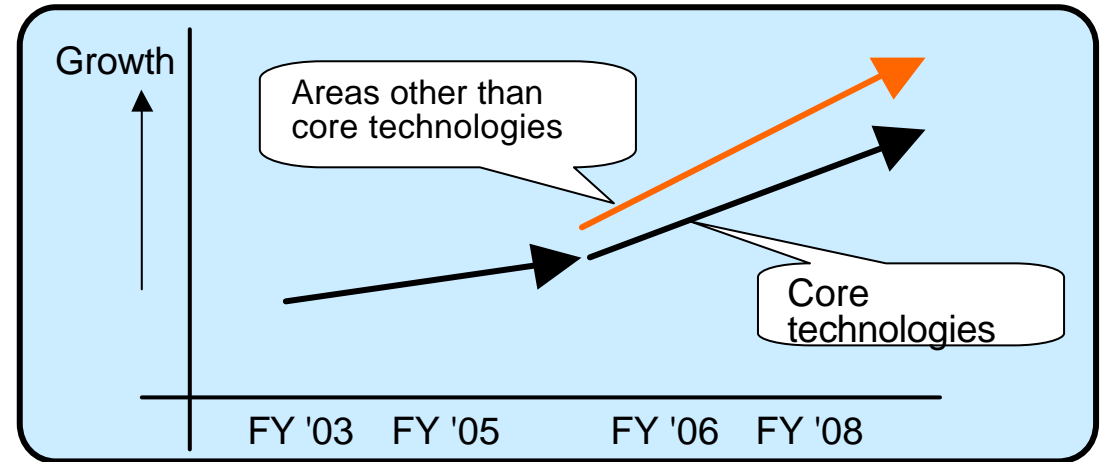
- Creating subsidiaries through the “in-house company” process -

(2) Next-generation growth strategy

Core strategic areas



Business scale growth image



FY ending Mar.31

6. Summary

Kando* creating company

July 2005

50th anniversary

Far-reaching corporate structural reinforcement to grow the company into the future

* *Kando* is a Japanese word for the simultaneous feelings of deep satisfaction and intense excitement that people experience when they encounter something of exceptional value.

“NEXT 50” New 3-Year Management Plan

Globally acclaimed, profit-oriented corporate structure

Improving profitability

Attractive products

30% cost reduction

Restructuring low profitability businesses

Attaining growth

Promoting growth strategy

Solidifying the business foundation in China, India and ASEAN countries

Improving the financial structure

SCM·PJ

Effective fixed asset utilization PJ

Result-oriented personnel system

Corporate reform

Yamaha Value 21

A pleasure-oriented, excitement-based, visionary corporate culture