

Consolidated Business Results for the Fiscal Year Ended December 31, 2006

Name of registrant:	Yamaha Motor Co., Ltd.
Code No:	7272
Securities traded:	Tokyo Stock Exchange First Section
Headquarters:	Shizuoka, Japan (URL http://www.yamaha-motor.co.jp/global/ir/index.html)
Representative:	Takashi Kajikawa, President and Representative Director
Contact:	Yutaka Kume, General Manager, Finance & Accounting Division Phone: +81-538-32-1103
Date of the meeting of the Board of Directors for account settlement:	February 6, 2007
Parent company:	Yamaha Corporation (Code No: 7951) Percentage of voting rights owned by the parent company: 22.7%
Status of US GAAP:	Not adopted

INDEX

- I. Financial Summary**
- II. Overview of Group Companies**
- III. Management Policies**
- IV. Operating Performance and Financial Position**
- V. Consolidated Financial Statements**
- VI. Segment Information**
- VII. Lease Transactions**
- VIII. Related Party Transactions**
- IX. Deferred Tax Accounting**
- X. Marketable Securities**
- XI. Contract Amounts, Fair Values, and Unrealized Gains/Losses on Derivative Transactions**
- XII. Employees' Retirement Benefits**
- XIII. Stock Options**

I. Financial Summary

Results for the fiscal year ended December 31, 2006 (January 1, 2006 through December 31, 2006)

1) Operating Performance

	Millions of yen		% change
	Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005	
Net sales	¥1,582,046	¥1,375,249	15.0%
Operating income	123,534	103,341	19.5
Recurring profit	125,371	103,101	21.6
Net income	77,233	64,024	20.6
Yen			
<i>Per share amounts:</i>			
Net income — basic	¥270.09	¥224.42	—
Net income — diluted	269.82	223.39	—
Percent			
Net income to shareholders' equity	18.1%	18.9%	—
Recurring profit to total assets	12.0	11.9	—
Recurring profit to net sales	7.9	7.5	—

Notes:

1. Equity in earnings of affiliates:

Millions of yen	
Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
¥1,115	¥906

2. Average number of shares outstanding during the period (consolidated):

Shares	
Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
285,957,855	284,388,157

3. Change in financial accounting method: None

4. Percentages of net sales, operating income, recurring profit and net income represent annual changes compared with the previous fiscal year.

5. Amounts less than ¥1 million are omitted.

2) Financial Position

	Millions of yen	
	Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
Total assets	¥1,128,688	¥958,476
Net assets	501,054	383,895
Percent		
Equity ratio	41.7%	40.1%
Yen		
Net assets per share	¥1,644.77	¥1,343.34

Note:

Number of shares outstanding at December 31, 2006 and 2005 (consolidated):

Shares	
Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
286,138,819	285,625,974

3) Cash Flows

	Millions of yen	
	Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
Net cash provided by operating activities	¥94,160	¥66,307
Net cash used in investing activities	(79,668)	(72,074)
Net cash provided by (used in) financing activities	18,721	(31)
Cash and cash equivalents at end of the period	74,384	38,657

4) Scope of Consolidation

Number of consolidated subsidiaries	108
Number of non-consolidated subsidiaries accounted for by the equity method	14
Number of affiliates accounted for by the equity method	29

5) Change in Consolidation During the Period

Number of newly consolidated subsidiaries	14
Number of companies excluded from consolidation	4
Number of subsidiaries and affiliates newly accounted for by the equity method	1
Number of companies excluded from equity method accounting	9

Forecast for the Fiscal Year Ending December 31, 2007 (January 1, 2007 through December 31, 2007)

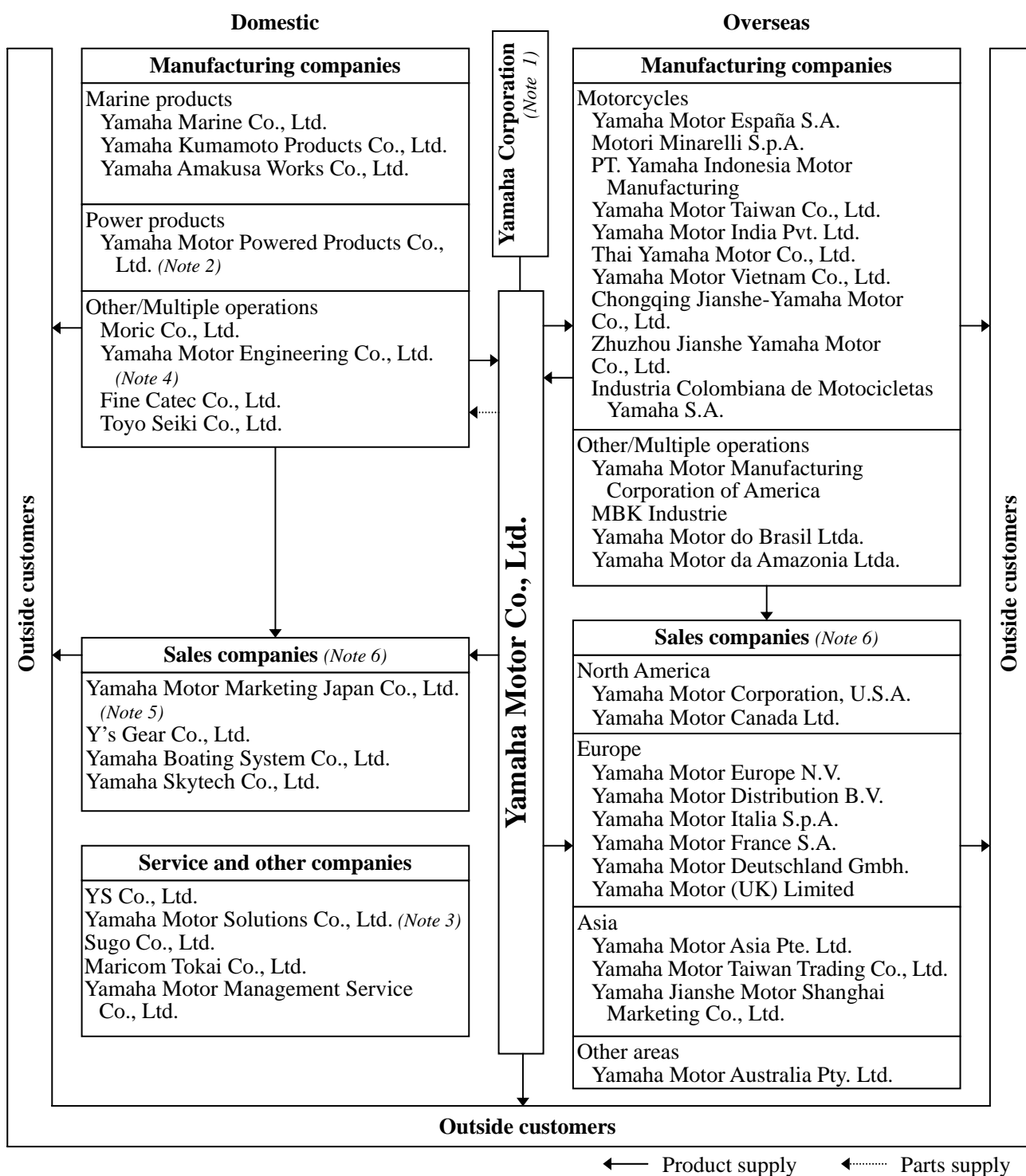
	Millions of yen	
	First half-year ending Jun. 30, 2007	Fiscal year ending Dec. 31, 2007
Net sales	¥860,000	¥1,650,000
Recurring profit	72,000	133,000
Net income	43,000	78,000
	Yen	
Net income per share	—	¥272.59

* The forecast consolidated results for the fiscal year ending December 31, 2007 above are based on the Company's assumptions and beliefs in light of the information currently available, and may differ significantly from actual business results.

Please refer to the "Forecast for the Fiscal Year Ending December 31, 2007" on page 13 for further information on forecast performance.

II. Overview of Group Companies

The Yamaha Motor Group is comprised of Yamaha Motor Co., Ltd. (the “Company”) and its 160 associated companies (125 subsidiaries, 34 affiliates and one related company, as of December 31, 2006) in Japan and overseas. The Company and its subsidiaries and affiliates are mainly engaged in the manufacture and sale of motorcycles, outboard motors, boats, personal watercraft, all-terrain vehicles, side-by-side vehicles, snowmobiles, automotive engines and surface mounters, as well as the management of leisure and recreation facilities. These business operations are divided into four segments — motorcycles, marine products, power products, and other products — based on similarities of product type and target market, among other characteristics. The positioning of the Company and major associated companies within the Group, as well as their respective business segment relationships, are as follows.



Notes:

1. Yamaha Corporation is classified as a related company.
2. SOQI, Inc. changed its name to Yamaha Motor Powered Products Co., Ltd. on January 1, 2006.
3. Alpha Information Systems Co., Ltd. changed its name to Yamaha Motor Solutions Co., Ltd. on January 1, 2006.
4. Y.E.C. Co., Ltd. changed its name to Yamaha Motor Engineering Co., Ltd. on January 1, 2007.
5. Yamaha Motor Co., Ltd. and its consolidated subsidiaries have implemented the following organizational reforms, effective January 1, 2007. Note that the companies indicated in parentheses are successors arising from the divestitures described below.
 - 1) The Company undertook a divestiture of its multi-purpose engine business, centering on generators. (Yamaha Motor Powered Products Co., Ltd.)
 - 2) Yamaha Motor Marketing Japan Co., Ltd. undertook a divestiture of its sales business for motorcycles and other land vehicles (YMSJ Co., Ltd.), its sales business for multi-purpose engines, centering on generators (Yamaha Motor Powered Products Co., Ltd.), and its sales business for mobile phones (YS Co., Ltd.).
 - 3) The Company acquired marine product and golf car sales businesses from Yamaha Motor Marketing Japan, Co., Ltd., with Yamaha Motor Co., Ltd. as the surviving company.
After the sales business for motorcycles and other land vehicles was transferred to YMSJ Co., Ltd., YMSJ changed its name to Yamaha Motor Marketing Japan Co., Ltd., on January 1, 2007.
6. Sales companies are engaged in the marketing of products related to more than one business segment.
7. No consolidated subsidiary in the Group is listed on any domestic stock exchange.

III. Management Policies

1. Basic Management Policies

Based on the corporate mission *Kando** Creating Company, the Company works together with other Group companies around the world to conduct a diversity of business activities. By maximizing its ingenuity and enthusiasm, the Yamaha Motor Group is committed to helping people realize their dreams, delivering a new level of excitement and contributing to a more fulfilling life. Thus, Yamaha Motor aims to become a company of value that people can always count on to take *Kando** to the next stage.

In the current three-year medium-term management plan, NEXT50-Phase II, launched in 2005, the Yamaha Motor Group aims to build on the profitable structure it established during the previous medium-term management plan, and to implement a business strategy designed to balance value, profitability and growth, thus making Yamaha *Your Only One* brand in the global marketplace. Specifically, the Group is focused on creating value that differentiates Yamaha from other brands in the market; continuing its profit-oriented approach; maximizing growth opportunities for existing businesses, particularly in Asia; entering new business domains for further growth; and vitalizing personnel and organizations. Through these efforts, the Group is fulfilling its responsibilities to stakeholders — including shareholders, customers, employees and society at large — to continue delivering value — and a value system — that can really move people.

**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.

2. Basic Policy Regarding Return of Profits to Shareholders

Recognizing that the shareholders' interests represent one of the highest management priorities of Yamaha Motor, the Company has been aiming to maximize its corporate value through a diversity of business operations worldwide. Regarding the return of profits to its shareholders, Company policy centers on paying cash dividends that accurately reflect its business performance, using the payout ratio as an indicator. In addition, the Company is focused on raising its corporate value by investing in new growth fields. Thus, the Company is striving to meet shareholders' expectations.

In accordance with this policy, the Company plans to increase annual cash dividends per share for fiscal 2006 by ¥8.00 to ¥36.00, which includes an interim dividend per share of ¥15.00, paid in September 2006.

The Company intends to use its retained earnings to further strengthen its mainstay businesses and make investments, with the priority on medium- to long-term growth domains. By optimizing retained earnings in this way, the Company seeks to bolster its future business performance.

	Per share amount: yen		
	Fiscal year ended Dec. 31, 2005	Fiscal year ended Dec. 31, 2006	Fiscal year ending Dec. 31, 2007 (Forecast)
Interim dividend	¥ 8.50	¥15.00	¥20.50
Year-end:			
Regular dividend	14.50	¥21.00	20.50
50th anniversary commemorative dividend	5.00	—	—
Annual cash dividends	¥28.00	¥36.00	¥41.00

3. Key Priorities the Group Must Address

Business conditions surrounding the Yamaha Motor Group are expected to remain worrisome, reflecting uncertainties over the future of the U.S. economy and persistently high raw material prices, although the Japanese economy is predicted to continue its mild recovery.

Against this backdrop, the Yamaha Motor Group remains committed to achieving continuous growth. It will leverage investments made thus far, take a consistent customer-first approach, and work to earn trust from the communities it serves.

1. Realizing the goals of the NEXT50-Phase II plan

With the NEXT50-Phase II medium-term management plan, the Yamaha Motor Group is focused on addressing three management priorities: creating value that differentiates Yamaha; continuing the profit-oriented approach; and maximizing growth opportunities. In the final year of the plan, the Company aims to achieve the following specific objectives within each of these areas.

1) Creating value that differentiates Yamaha

The Group seeks to deliver new value in technology, manufacturing and sales to markets worldwide by implementing high-value-added marketing that only Yamaha can offer.

2) Continuing the profit-oriented approach

The Group intends to improve profitability in product planning, development, purchasing and sales, by continuing the profit-oriented approach built during the previous medium term, and more fully deploying the system-supplier system. To this end, the Group will sharpen its focus on cost reduction, reviewing once again all operation processes from a comprehensive, upstream perspective.

3) Maximizing growth opportunities

The Group will accelerate ongoing business expansion in Asia and Brazil; development of the Russian market; and promotion of the new life science business.

2. Taking a consistent customer-first approach

The Group recognizes that quality problems not only cause immense damage to management, but also risk betraying customers' trust and expectations. They could destroy the Yamaha brand image that the Group has cultivated over many years. Therefore, quality problems should be addressed by the entire group. At Yamaha Motor, all employees are committed to making quality improvement a high priority, taking a customer-first approach and accepting personal responsibility for results.

3. Building a trustworthy corporate culture

The Company not only abides by law but also ensures that all its group companies and their employees adhere to high ethical standards in everything they do. Furthermore, the Group plans to introduce programs designed to fulfill its corporate social responsibilities and strengthen compliance, including an initiative proposed by the Compliance Special Committee, established in 2006.

4. Information Related to the Parent Company

1) Name of the parent company and its relation to Yamaha Motor

As of December 31, 2006

Parent company	Relation	Ratio of voting rights held by the parent company	Stock exchanges where shares issued by the parent company are traded
Yamaha Corporation	The listed company is an associated company of the parent company	22.7% (0.1)*	Tokyo Stock Exchange First Section

Note: The figure in parenthesis indicates the ratio of voting rights held by the parent company indirectly, and is included in the 22.7% total.

2) The Company's position relative to the parent company and corporate group, and relations between the Company and the parent company.

Yamaha Corporation is the largest shareholder of Yamaha Motor Co., Ltd, with 22.7% of the Company's stock (as the voting rights ratio, as of December 31, 2006). The Company shares the use of the Yamaha brand name with Yamaha Corporation.

The President and Representative Director of Yamaha Corporation serves as an Outside Director of the Company, and one of the Standing Corporate Auditors of Yamaha Corporation serves as an Outside Corporate Auditor of the Company. The Chairman of the Board of Directors of the Company serves as an Outside Director of Yamaha Corporation.

3) Items related to business transactions with the parent company

The Company purchases merchandise from Yamaha Corporation.

5. Other Information

Yamaha Motor Co., Ltd. has been indicted by Japan's Ministry of Economy, Trade and Industry on suspicion of violating Japan's foreign exchange and foreign trade laws. The indictment alleges a breach of regulatory requirements regarding the export of unmanned industrial helicopters to China. Following the indictment, the Company was placed under investigation by the Shizuoka Prefectural Police, Fukuoka Prefectural Police and Nagoya Customs, on January 23, 2006.

IV. Operating Performance and Financial Position

1. Operating Performance (Sales breakdown by product and market)

	Amount: millions of yen Volume: thousand units						Change		
	Fiscal year ended Dec. 31, 2006 (Jan. 1, 2006—Dec. 31, 2006)			Fiscal year ended Dec. 31, 2005 (Jan. 1, 2005—Dec. 31, 2005)					
	Volume	Amount	%	Volume	Amount	%	Volume	Amount	%
Net sales:									
Japan	—	¥ 188,650	11.9%	—	¥ 183,877	13.4%	—	¥ 4,773	2.6%
Overseas:									
North America	—	468,093	29.6	—	436,177	31.7	—	31,915	7.3
Europe	—	333,446	21.1	—	298,076	21.7	—	35,369	11.9
Asia	—	423,493	26.8	—	328,989	23.9	—	94,503	28.7
Other areas	—	168,361	10.6	—	128,127	9.3	—	40,234	31.4
Sub-total	—	1,393,395	88.1	—	1,191,371	86.6	—	202,023	17.0
Total	—	¥1,582,046	100.0%	—	¥1,375,249	100.0%	—	¥206,797	15.0%
Motorcycles:									
Japan	161	¥ 48,382	5.3%	167	¥ 51,694	6.8%	(6)	¥ (3,312)	(6.4)%
Overseas:									
North America	207	143,410	15.7	223	130,609	17.2	(16)	12,801	9.8
Europe	407	228,781	25.0	421	204,381	26.9	(14)	24,400	11.9
Asia	3,272	390,482	42.7	2,727	296,682	39.0	545	93,800	31.6
Other areas	373	103,752	11.3	311	76,406	10.1	62	27,345	35.8
Sub-total	4,259	866,427	94.7	3,682	708,080	93.2	577	158,347	22.4
Total	4,419	¥914,810	57.8%	3,849	¥759,775	55.2%	571	¥155,034	20.4%
Marine products:									
Japan	—	¥ 30,424	11.4%	—	¥ 29,651	11.9%	—	¥ 773	2.6%
Overseas:									
North America	—	138,830	52.1	—	137,206	54.9	—	1,624	1.2
Europe	—	51,470	19.3	—	42,938	17.2	—	8,531	19.9
Asia	—	7,012	2.6	—	7,008	2.8	—	3	0.0
Other areas	—	38,791	14.6	—	33,038	13.2	—	5,752	17.4
Sub-total	—	236,104	88.6	—	220,192	88.1	—	15,911	7.2
Total	—	¥266,529	16.8%	—	¥249,844	18.2%	—	¥16,685	6.7%
Power products:									
Japan	—	¥ 14,020	5.6%	—	¥ 13,072	5.8%	—	¥ 948	7.3%
Overseas:									
North America	—	181,952	72.7	—	164,469	72.4	—	17,482	10.6
Europe	—	33,196	13.3	—	32,443	14.3	—	753	2.3
Asia	—	4,418	1.8	—	3,481	1.5	—	936	26.9
Other areas	—	16,829	6.6	—	13,691	6.0	—	3,137	22.9
Sub-total	—	236,397	94.4	—	214,086	94.2	—	22,310	10.4
Total	—	¥250,418	15.8%	—	¥227,159	16.5%	—	¥23,258	10.2%
Other products:									
Japan	—	¥ 95,822	63.8%	—	¥ 89,458	64.6%	—	¥ 6,363	7.1%
Overseas:									
North America	—	3,899	2.6	—	3,892	2.8	—	7	0.2
Europe	—	19,997	13.3	—	18,312	13.2	—	1,685	9.2
Asia	—	21,579	14.4	—	21,816	15.8	—	(236)	(1.1)
Other areas	—	8,988	5.9	—	4,989	3.6	—	3,998	80.1
Sub-total	—	54,465	36.2	—	49,011	35.4	—	5,454	11.1
Total	—	¥150,288	9.6%	—	¥138,469	10.1%	—	¥11,818	8.5%

Note: Amounts less than ¥1 million are omitted.

(1) Production and Sales

Consolidated net sales for the fiscal year ended December 31, 2006 totaled ¥1,582 billion, a record high. This was mainly attributable to favorable motorcycle sales.

In Japan, motorcycles sales decreased, due to a decline in the demand for large scooters. However, total domestic sales for fiscal 2006 remained nearly unchanged from fiscal 2005, amounting to ¥188.7 billion.

Overseas, motorcycle sales grew steadily in Asia and Latin America. Sales of large sports models increased in the United States and Europe. As a result, total overseas sales for fiscal 2006 rose 17.0% from fiscal 2005, to ¥1,393.4 billion.

In terms of manufacturing, the number of motorcycle units produced in fiscal 2006 in Japan remained about the same as in fiscal 2005. This was principally because the number of large sports models produced for export to Europe and the United States increased, while the number of motorcycle units for the Japanese market decreased. The number of motorcycle units produced by subsidiaries in Indonesia, Thailand, Vietnam and other Asian countries excluding Japan -- as well as unit production in Latin America -- increased significantly, in response to robust demand. In the marine product segment, the number of outboard motor units produced in fiscal 2006 remained roughly the same as fiscal 2005. In the power product segment, the number of side-by-side vehicle units produced in fiscal 2006 in the North American subsidiary rose substantially from fiscal 2005.

Operating performance by segment

(1) Business segment

[Motorcycles]

In Japan, sales of motorcycles for fiscal 2006 decreased from fiscal 2005, as sales fell in the mini-sized category (engine displacement of 126cc to 250cc) and small-sized category (engine displacement of 251cc and over).

Overseas, motorcycle sales in Asia excluding Japan rose. The gain reflects particularly significant sales growth in Indonesia, Thailand and Vietnam amid growing demand for automatic models in the region, and an aggressive marketing strategy, including the expansion of sales networks. In Europe and the United States, sales of large sports models were strong, while motorcycle sales also increased steadily in Latin America.

As a result, total motorcycle sales for fiscal 2006 increased 20.4% from fiscal 2005, to ¥914.8 billion, while operating income from the motorcycle business rose 64.6%, to ¥54.6 billion.

[Marine products]

In Japan, sales of marine products for fiscal 2006 were virtually unchanged from fiscal 2005. Although sales of outboard motors increased in Europe, sales of these products decreased in the United States as demand fell due to higher gasoline prices. However, personal watercraft sales increased.

Overall, marine product sales for fiscal 2006 rose 6.7% from fiscal 2005, to ¥266.5 billion. Operating income decreased 6.2%, to ¥23.2 billion.

[Power products]

Although sales of all-terrain vehicles dropped in the United States and Europe, side-by-side vehicle sales grew substantially in the United States.

Total power product sales for fiscal 2006 increased 10.2% from fiscal 2005, to ¥250.4 billion, while operating income rose 2.7%, to ¥27.6 billion.

[Other products]

Overall surface mounter sales increased, led by an increase in sales of exports to Asian countries, although sales decreased in Japan. Sales of automotive engines also grew.

In total, sales of other products for fiscal 2006 climbed 8.5% from fiscal 2005, to ¥150.3 billion. Operating income decreased 2.2%, to ¥18.1 billion.

(2) Geographical segment

[Japan]

Motorcycles sales declined; however, automotive engine sales climbed. Total sales in Japan for fiscal 2006 increased 1.3% from fiscal 2005, to ¥297.0 billion. Operating income increased 25.6%, to ¥42.1 billion, due partially to the positive impact of the weaker yen against the major currencies during fiscal 2006.

[North America]

Although outboard motor sales decreased in the United States, sales of large sports motorcycles as well as personal watercraft and side-by-side vehicles increased, thus expanding total sales in North America for fiscal 2006 by 8.8%, to ¥457.7 billion. Operating income, on the other hand, fell 7.1%, to ¥22.4 billion, due mainly to higher sales promotion costs.

[Europe]

Sales in Europe for fiscal 2006 rose 14.5% from fiscal 2005, to ¥321.8 billion, reflecting favorable performance for large sports motorcycles and locally-manufactured scooters. Operating income increased 35.5%, to ¥24.0 billion.

[Asia]

Due to strong motorcycle sales in Indonesia, Thailand, Vietnam and other Asian countries, sales for fiscal 2006 grew 32.7% from fiscal 2005, to ¥386.1 billion, while operating income rose 7.8%, to ¥27.2 billion.

[Other areas]

Sales in other areas for fiscal 2006 rose 33.5% from fiscal 2005, to ¥119.4 billion, reflecting steady motorcycle sales expansion in Latin America. Operating income climbed 97.2%, to ¥12.6 billion.

The operating income figures discussed above do not include the amount of “eliminations.” Transactions are recorded exclusive of consumption taxes. Accordingly, sales figures do not include consumption and other similar taxes.

(2) Income and Expenses

Motorcycle sales in Asia, Europe, North America and Latin America all increased substantially, expanding net sales for fiscal 2006 by 15.0% from fiscal 2005, to ¥1,582 billion. Although rising raw material costs had a negative effect, the weaker yen against major currencies during fiscal 2006, coupled with other positive factors, helped boost the profit figures. Consequently, operating income, recurring profit and net income for fiscal 2006 increased from fiscal 2005, by 19.5%, to ¥123.5 billion; by 21.6%, to ¥125.4 billion; and by 20.6%, to ¥77.2 billion, respectively. Both net sales and profits reached record highs.

**(3) Forecast for the Fiscal Year Ending December 31, 2007
(January 1, 2007 through December 31, 2007)**

Business conditions surrounding the Yamaha Motor Group are expected to remain worrisome, reflecting uncertainties over the future of the U.S. economy and persistently high raw material prices, although the Japanese economy is predicted to continue its mild recovery.

Against this backdrop, demand for motorcycles in Japan, Europe and the United States in fiscal 2007 is projected to remain about the same as fiscal 2006. However, motorcycle demand in Asia (excluding Japan) is expected to continue growing, although at a slower pace. In the marine product segment, demand for outboard motors in Europe and the United States is projected to decrease slightly. In the power product segment, demand for all-terrain vehicles is expected to decrease in Europe and the United States. Demand for surface mounters and industrial robots in fiscal 2007 will remain about the same as fiscal 2006.

Factoring in all these elements, the Company forecasts its consolidated and non-consolidated business results for the fiscal year ending December 31, 2007 as follows:

	Consolidated	Non-consolidated
	Billions of yen	Billions of yen
	Fiscal year ending Dec.31, 2007	Fiscal year ending Dec. 31, 2007
Net sales	¥1,650 (+4.3%)	¥790 (-0.7%)
Operating income	128 (+3.6)	23 (-20.8)
Recurring profit	133 (+6.1)	30 (-22.4)
Net income	78 (+1.0)	21 (-21.2)

Note: Figures in parentheses represent the percentage change from the fiscal year ended December 31, 2006.

The forecast is based on the assumption that one U.S. dollar and one euro will equal ¥114 and ¥148, respectively.

[Notice regarding forward-looking statements]

The forecast for the fiscal year ending December 31, 2007 above is based on the Company's assumptions and beliefs in light of the information currently available, and may differ significantly from actual business results. Please be advised that many risks and uncertainties can affect business performance, including:

- Changes in general economic conditions in Yamaha Motor's major markets, including shifting consumer preferences and market competition.
- Currency exchange rate fluctuations
- Changes in government currency exchange policies, foreign investment policies, tax systems, etc. in countries around the world
- Dependence on suppliers for procurement of certain raw materials and parts
- Product liability
- Changes in environmental and other regulations
- Natural disasters such as the predicted "Tokai Earthquake"
- Internal corruption, leaks and similar damage involving customer information or other personal and/or confidential data.

For further details about potential risks and uncertainties, please refer to the *Annual Report 2005*, pages 51 to 53.

2. Financial Position

Cash Flows

Net cash provided by operating activities for fiscal 2006 increased from fiscal 2005, to ¥94.2 billion. This was mainly attributable to income before income taxes and minority interests, amounting to ¥118.1 billion, which more than offset inventories and trade notes and accounts receivable, both of which increased in tandem with the sales expansion.

Net cash used in investing activities for fiscal 2006 totaled ¥79.7 billion, principally for capital expenditures in the manufacture of new motorcycle models and outboard motors, and for the purchase of other fixed assets.

Consequent to these operating and investing activities, free cash flows for fiscal 2006 amounted to ¥14.5 billion.

Net cash provided by financing activities for fiscal 2006 totaled ¥18.7 billion, primarily reflecting an increase in short-term bank loans procured as working capital and proceeds from long-term loans procured as reserves against the risk of interest rate increases.

As a result of the cash flow activities discussed above, interest-bearing debt at December 31, 2006 totaled ¥195.2 billion, while cash and cash equivalents at December 31, 2006 stood at ¥74.4 billion.

3. Trend of Cash Flow Indexes

		Fiscal year ended Mar. 31, 2003	Fiscal year ended Mar. 31, 2004	Fiscal year ended Dec. 31, 2004	Fiscal year ended Dec. 31, 2005	Fiscal year ended Dec. 31, 2006
Equity ratio	(%)	25.8	35.5	38.3	40.1	41.7
Equity ratio at market value	(%)	28.2	55.9	56.4	91.8	94.8
Debt redemption period	(years)	2.4	1.3	—	2.3	2.1
Interest coverage ratio	(times)	8.6	13.8	10.2	13.4	13.2

Notes: The formulas for the indexes above are as follows:

- Equity ratio: Shareholders' equity/total assets
- Equity ratio at market value: Aggregate market value of corporate stock/total assets
- Debt redemption period: Interest-bearing debt/net cash provided by operating activities.
- Interest coverage ratio: Net cash provided by operating activities/interest expenses

* Each index is calculated using consolidated financial values.

* The aggregate market value of corporate stock is calculated by multiplying the closing stock price at the end of each period by the number of shares issued (excluding treasury stock) at the end of that period.

* Net cash provided by operating activities refers to activities detailed in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all the debts in the Consolidated Balance Sheets that involve interest payment. Interest expenses refer to the figure for the amount of interest paid in the Consolidated Statements of Cash Flows.

* The Company adopted an irregular nine-month accounting period for the fiscal year ended December 31, 2004, due to a change in the fiscal year-end from March 31 to December 31. Therefore, debt redemption period information for the fiscal year ended December 31, 2004 is not listed.

V. Consolidated Financial Statements

1) Consolidated Statements of Income

Fiscal years ended December 31, 2006 and 2005

	Millions of yen		
	Fiscal year ended Dec. 31, 2006 (Jan. 1, 2006— Dec. 31, 2006)	Fiscal year ended Dec. 31, 2005 (Jan. 1, 2005— Dec. 31, 2005)	Change
Net sales	¥1,582,046	¥1,375,249	¥206,797
Cost of sales	1,162,255	1,002,270	159,985
Gross profit	419,790	372,978	46,811
Selling, general and administrative expenses	296,255	269,637	26,618
Operating income	123,534	103,341	20,193
Non-operating income	26,739	16,170	10,568
Interest income	11,878	7,218	4,659
Dividend income	404	387	17
Equity in earnings of affiliates	1,115	906	208
Gain from currency translation	1,292	1,339	(46)
Gain on revaluation of sales finance	641	—	641
Other	11,405	6,318	5,086
Non-operating expenses	24,902	16,411	8,491
Interest expense	6,941	4,948	1,992
Early retirement benefit expenses	2,440	1,214	1,225
Sales-finance-related expenses	5,036	5,151	(114)
Loss on devaluation of sales finance assets	—	3,014	(3,014)
Specific market restructuring related expenses	3,591	—	3,591
Other	6,892	2,081	4,810
Recurring profit	125,371	103,101	22,270
Special profits	1,141	703	437
Gain on sale of fixed assets	986	440	546
Gain on sale of investment securities	154	263	(108)
Special losses	8,458	1,484	6,973
Loss on disposal of fixed assets	3,059	1,484	1,574
Impairment loss	106	0	106
Loss on sale of investment securities	302	0	302
Special provision for accrued warranty costs	4,989	—	4,989
Income before income taxes and minority interests	118,054	102,319	15,735
Corporation, inhabitant and enterprise taxes	43,656	37,726	5,930
Deferred income taxes	(9,090)	(3,991)	(5,098)
Minority interests	6,254	4,560	1,694
Net income	¥ 77,233	¥ 64,024	¥ 13,208

Notes:

1. Research and development expenses included in selling, general and administrative expenses and manufacturing costs:

Millions of yen	
Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
¥77,068	¥71,616

2. Amounts less than ¥1 million are omitted.

2) Consolidated Balance Sheets

December 31, 2006 and 2005

	Millions of yen		
	Dec. 31, 2006	Dec. 31, 2005	Change
ASSETS			
Current assets:			
Cash and deposits in banks	¥ 79,299	¥ 38,809	¥ 40,489
Trade notes and accounts receivable	223,082	206,213	16,869
Inventories	297,853	251,227	46,625
Deferred tax assets	41,422	34,672	6,750
Other	36,000	30,987	5,012
Less: Allowance for doubtful accounts	(6,636)	(6,986)	349
Total current assets	671,021	554,924	116,097
Fixed assets:			
Tangible fixed assets:			
Buildings and structures	100,806	86,270	14,536
Machinery and transportation equipment	114,441	99,524	14,917
Land	94,278	89,653	4,624
Construction in progress	24,488	24,977	(488)
Other	27,821	23,420	4,401
Total tangible fixed assets	361,837	323,846	37,991
Intangible fixed assets	4,281	3,075	1,206
Investments and other assets:			
Investment securities	35,756	37,060	(1,303)
Long-term loans receivable	26,556	21,795	4,761
Deferred tax assets	23,904	14,011	9,893
Other	6,818	6,992	(173)
Less: Allowance for doubtful accounts	(1,488)	(3,229)	1,740
Total investments and other assets	91,548	76,630	14,917
Total fixed assets	457,667	403,552	54,114
Total assets	¥1,128,688	¥958,476	¥170,211

Note: Amounts less than ¥1 million are omitted.

	Millions of yen		
	Dec. 31, 2006	Dec. 31, 2005	Change
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥187,419	¥176,000	¥11,418
Short-term loans	127,341	100,097	27,243
Current portion of long-term debt	8,568	20,885	(12,316)
Current portion of convertible bonds	—	5,000	(5,000)
Commercial paper	15,000	6,991	8,008
Accrued expenses	48,009	46,645	1,364
Income taxes payable	11,225	13,318	(2,092)
Accrued bonuses	9,620	9,494	125
Accrued bonuses for Directors	254	—	254
Accrued warranty costs	31,907	24,339	7,568
Other	79,177	70,447	8,729
Total current liabilities	518,525	473,221	45,304
Long-term liabilities:			
Bonds	63	295	(232)
Long-term debt	44,235	20,747	23,488
Deferred tax liabilities on unrealized revaluation gain on land	12,867	12,208	659
Accrued employees' retirement benefits	34,004	32,207	1,797
Accrued retirement benefits for Directors and Corporate Auditors	516	545	(29)
Accrual for product liabilities	1,237	1,240	(2)
Accrual for motorcycle recycling costs	974	843	131
Other	15,207	8,542	6,665
Total long-term liabilities	109,108	76,629	32,478
Total liabilities	¥627,633	¥549,850	¥77,782
Minority interests	¥ —	¥ 24,730	¥ —

Note: Amounts less than ¥1 million are omitted.

	Millions of yen		
	Dec. 31, 2006	Dec. 31, 2005	Change
NET ASSETS			
Shareholders' equity:			
Common stock	¥ 48,168	¥ —	¥ —
Capital surplus	60,651	—	—
Retained earnings	343,529	—	—
Treasury stock	(157)	—	—
Total shareholders' equity	452,190	—	—
Valuation and translation adjustments:			
Unrealized holding gain on securities	6,745	—	—
Deferred gains or losses on hedges	(1,773)	—	—
Unrealized revaluation gain on land	17,538	—	—
Translation adjustments	(4,068)	—	—
Total valuation and translation adjustments	18,442	—	—
Minority interests	30,421	—	—
Total net assets	501,054	—	—
Total liabilities and net assets	¥1,128,688	¥ —	¥ —
SHAREHOLDERS' EQUITY			
Common stock	¥ —	¥ 47,879	¥ —
Capital surplus	—	60,361	—
Retained earnings	—	276,597	—
Unrealized revaluation gain on land	—	18,542	—
Unrealized holding gain on securities	—	5,960	—
Translation adjustments	—	(25,316)	—
Treasury stock, at cost	—	(128)	—
Total shareholders' equity	—	383,895	—
Total liabilities and shareholders' equity	¥ —	¥958,476	¥ —

Notes: 1. Amounts less than ¥1 million are omitted.

2. In accordance with a change in accounting standards, the Company has changed the presentation of the item previously known as "SHAREHOLDERS' EQUITY" to "NET ASSETS," effective from the fiscal year ended December 31, 2006. Accordingly, changes in NET ASSETS and SHAREHOLDERS' EQUITY from the previous year are indicated as "—."

3) Consolidated Statements of Changes in Net Assets and Retained Earnings

Consolidated Statements of Changes in Net Assets

Fiscal year ended December 31, 2006 (January 1, 2006 through December 31, 2006)

	Shareholders' equity					Valuation and translation adjustments					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain (loss) on securities	Deferred gains or losses on hedges	Unrealized revaluation gain (loss) on land	Translation adjustments	Total Valuation and translation adjustments		
Balance at December 31, 2005	¥47,879	¥60,361	¥276,597	¥(128)	¥384,708	¥5,960	—	¥18,542	¥(25,316)	¥ (813)	¥24,730	¥408,625
Changes in items during the period												
Issuance of new shares	289	288			578							578
Reversal of revaluation reserve on land			207		207							207
Dividends from surplus			(9,859)		(9,859)							(9,859)
Bonuses to Directors and Corporate Auditors			(215)		(215)							(215)
Net income			77,233		77,233							77,233
Increase in consolidated subsidiaries			1,065		1,065							1,065
Decrease in subsidiaries and affiliates accounted for by the equity method of accounting			(1,499)		(1,499)							(1,499)
Acquisition of treasury stock				(29)	(29)							(29)
Disposal of treasury stock		0		0	1							1
Net changes of items other than shareholders' equity						784	(1,773)	(1,004)	21,248	19,255	5,691	24,946
Total changes of items during the period	289	289	66,932	(29)	67,482	784	(1,773)	(1,004)	21,248	19,255	5,691	92,429
Balance at December 31, 2006	¥48,168	¥60,651	¥343,529	¥(157)	¥452,190	¥6,745	¥(1,773)	¥17,538	¥ (4,068)	¥18,442	¥30,421	¥501,054

Note: Amounts less than ¥1 million are omitted.

Consolidated Statements of Retained Earnings

Fiscal year ended December 31, 2005

	Millions of yen
	Fiscal year ended Dec. 31, 2005 (Jan. 1, 2005— Dec. 31, 2005)
(Capital surplus)	
Capital surplus at beginning of the period	¥ 57,543
Increase in capital surplus	2,818
Conversion of convertible bonds	1,352
Increase due to exercise of new share subscription rights	162
Gain on sale of treasury stock	380
Increase due to share exchange	922
Decrease in capital surplus	0
Capital surplus at end of the period	60,361
(Retained earnings)	
Retained earnings at beginning of the period	218,506
Increases in retained earnings	64,608
Net income	64,024
Increase due to increase in consolidated subsidiaries	4
Increase due to increase in subsidiaries and affiliates accounted for by the equity method of accounting	150
Reversal of revaluation reserve on land	428
Decreases in retained earnings	6,517
Cash dividends	6,365
Bonuses to Directors and Corporate Auditors	157
Increase due to decrease in subsidiaries and affiliates accounted for by the equity method of accounting	(4)
Retained earnings at end of the period	¥276,597

Note: Amounts less than ¥1 million are omitted.

4) Consolidated Statements of Cash Flows

Fiscal years ended December 31, 2005 and 2006

	Millions of yen	
	Fiscal year ended Dec. 31, 2006 (Jan. 1, 2006— Dec. 31, 2006)	Fiscal year ended Dec. 31, 2005 (Jan. 1, 2005— Dec. 31, 2005)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥118,054	¥102,319
Depreciation expenses	47,448	39,915
Amortization of goodwill	(22)	3,346
Increase (Decrease) in allowance for doubtful receivables	(2,745)	640
Increase in accrued employees' retirement benefits	1,203	279
Interest and dividend income	(12,283)	(7,606)
Interest expense	6,941	4,948
Foreign exchange loss	15	53
Equity in earnings of affiliates	(1,115)	(906)
Gain on sale of fixed assets	(986)	(440)
Loss on disposal of fixed assets	3,059	1,484
Gain (Loss) on sale of investment securities	147	(263)
Trade notes and accounts receivable	(2,369)	(57,169)
Inventories	(30,934)	(45,097)
Notes and accounts payable	(887)	27,732
Bonuses to Directors and Corporate Auditors	(215)	(157)
Other	11,463	27,448
Subtotal	<u>136,775</u>	<u>96,530</u>
Interest and dividends received	12,984	7,893
Interest paid	(7,116)	(5,179)
Income taxes paid	<u>(48,482)</u>	<u>(32,937)</u>
Net cash provided by operating activities	<u>94,160</u>	<u>66,307</u>
Cash flows from investing activities:		
Increase in time deposits	(22,240)	(268)
Decrease in time deposits	17,649	432
Payments for purchase of fixed assets	(80,884)	(72,182)
Proceeds from sales of fixed assets	9,977	6,256
Payments for purchase of investment securities	(1,235)	(2,836)
Proceeds from sales of investment securities	271	469
Payments for additional acquisition of consolidated subsidiaries	(2)	(2,732)
Payments for long-term loans receivable	(7,481)	(1,066)
Proceeds from collections of long-term loans receivable	4,817	153
Other	(539)	(300)
Net cash used in investing activities	<u>(79,668)</u>	<u>(72,074)</u>
Cash flows from financing activities:		
Increase in short-term bank loans	26,943	23,350
Proceeds from long-term loans payable	24,779	2,943
Repayment of long-term loans payable	(17,027)	(9,297)
Decrease in bonds	(5,000)	(10,000)
Proceeds from capital contribution from minority shareholders	452	—
Cash dividends paid	(9,859)	(6,365)
Cash dividends paid to minority shareholders	(1,884)	(962)
Purchase of treasury stock	(29)	(25)
Increases in common stock and capital surplus	347	326
Net cash provided by (used in) financing activities	<u>18,721</u>	<u>(31)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,013</u>	<u>3,820</u>
Net increase (decrease) in cash and cash equivalents	<u>34,227</u>	<u>(1,978)</u>
Cash and cash equivalents at beginning of the period	<u>38,657</u>	<u>38,921</u>
Increase due to inclusion of subsidiaries in consolidation	1,499	1,714
Cash and cash equivalents at end of the period	<u>¥ 74,384</u>	<u>¥ 38,657</u>

Note: Amounts less than ¥1 million are omitted.

Notes to Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries 108

Major subsidiaries: Yamaha Motor Marketing Japan Co. Ltd.; Yamaha Motor Corporation, U.S.A.; and Yamaha Motor Europe N.V.

(Number of newly added subsidiaries) 14

SOQI H·S Co., Ltd.; T.C. Co., Ltd.; E&S Co., Ltd.; Nishi Nippon Skytech Co., Ltd.; Yamaha Motor Assist Co., Ltd.; P&C Co., Ltd.; YMSJ Co., Ltd.; Yamaha Motor CZECH spol.s.r.o.; OOO Yamaha Motor CIS.; Yamaha Motor Parts Manufacturing Vietnam Co., Ltd.; TYMA Co., Ltd.; Zhuzhou Yamaha Shock Absorber Co., Ltd.; Yamaha Motor Commercial Trading (Shanghai) Co., Ltd.; Moric Suzhou Co., Ltd.

(Number of excluded subsidiaries) 4

Marinus Leisure Development, Inc.; Yamaha Motor Racing B.V.; Activa Technology Limited; International Precision Co., Ltd.

Number of non-consolidated subsidiaries 17

Total assets, net sales, net income and retained earnings of non-consolidated subsidiaries are not significant in the aggregate, in relation to the total figures for these items in the consolidated financial statements. Fourteen non-consolidated subsidiaries are accounted for by the equity method.

2. Scope of application of equity method

Number of non-consolidated subsidiaries and affiliates accounted for by the equity method 43

Major non-consolidated subsidiaries and affiliates:

Chongqing Jianshe Yamaha Motor Co., Ltd.; Zhuzhou Jianshe Yamaha Motor Co., Ltd.; Yamaha Motor Deutschland GmbH; and Yamaha Motor (UK) Limited.

(Number of newly added companies) 1

Ecole Toyohashi Co., Ltd.

(Number of excluded companies) 9

T.C. Co., Ltd.; E&S Co., Ltd.; Nishi Nippon Skytech Co., Ltd.; Yamaha Motor Assist Co., Ltd.; P&C Co., Ltd.; AD'EMS Co., Ltd.; Zhuzhou Yamaha Shock Absorber Co., Ltd.; Yamaha Motor Commercial Trading (Shanghai) Co., Ltd.; Hong Leong Yamaha Distributors Sdn. Bhd.

Three non-consolidated subsidiaries and five affiliates, which are not accounted for by the equity method, are each insignificant in the consolidated statements of income and the consolidated statements of retained earnings, and are not significant in the aggregate. As such, the Company's investments in these subsidiaries and affiliates are stated at cost, instead of being accounted for by the equity method.

3. Closing date for consolidated subsidiaries

The final date of the business year for all the Company's consolidated subsidiaries is established in accordance with the Company's annual closing date for its consolidated financial accounting.

4. Accounting standards

(1) Asset valuation

1) Securities

Other securities

Marketable securities classified as other securities with fair value are carried at fair value, based on market prices as of the balance sheet date.

(Any changes in unrealized holding gain or loss, net of the applicable income taxes, are included directly in net assets. The cost of securities sold is determined by the moving average method.)

Non-marketable securities classified as other securities are carried at cost, determined by the moving-average method.

2) Derivatives

Derivatives are carried at fair value.

3) Inventories

Inventories are stated at the lower of cost or market, cost being determined primarily by the average method.

(2) Depreciation and amortization of assets

1) Tangible fixed assets

Depreciation of tangible fixed assets is computed primarily by the declining-balance method.

2) Intangible assets

Amortization of intangible assets is computed by the straight-line method.

Capitalized software for internal use is amortized by the straight-line method over its estimated useful life (five years).

(3) Significant accruals

1) Allowance for doubtful receivables

In order to evaluate accounts receivable, and loans and their equivalents, an allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

2) Accrued bonuses

Accrued bonuses are stated at an estimated amount of the bonuses to be paid to employees and to personnel working concurrently as Directors, based on their services for the current fiscal period.

3) Accrued bonuses for Directors

Accrued bonuses are stated at an estimated amount of the bonuses to be paid to Directors and Corporate Auditors, based on their services for the current fiscal period.

4) *Accrued warranty costs*

Accrued warranty costs are provided to cover the amount of after-sales service expenses anticipated to be incurred during the warranty periods of sold products, as well as expenses associated with the quality of products sold, at a specifically estimated amount, plus an amount estimated based on actual costs in past years and sales during the warranty period.

5) *Accrued employees' retirement benefits*

Accrued employees' retirement benefits are provided mainly at an amount, considered generated on December 31, 2006, calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Prior service cost is being amortized as incurred by the straight-line method over periods, mainly 10 years, which are shorter than the average remaining years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, primarily by the straight-line method, over periods, mainly 10 years, which are shorter than the average remaining years of service of the employees.

6) *Accrued retirement benefits for Directors and Corporate Auditors*

Accrued retirement benefits for Directors and Corporate Auditors are provided based on the amount payable as of the balance sheet date, in accordance with bylaws of the Company.

7) *Accrual for product liabilities*

An accrual for product liabilities is provided, at an estimated amount of payments based on the actual results in past years, for liabilities that are not covered by product liability insurance.

8) *Accrual for motorcycle recycling costs*

An accrual for motorcycle recycling costs is provided at an estimated amount based on the sales results in past years.

(4) Lease transactions

Non-cancelable lease transactions are accounted for as operating leases, except those lease agreements that stipulate the transfer of ownership of the lease assets to the lessee, which are accounted for as finance leases.

(5) Hedge activities

1) *Accounting for hedging activities*

The Yamaha Motor Group adopts the deferred hedge accounting method. For foreign exchange forward contracts, unrealized gain or loss is deferred as an asset or liability when the criteria for deferral hedge accounting are met, while for interest rate swaps that meet certain conditions, the short-cut method is applied.

2) *Hedging instruments and hedged items*

To hedge the foreign exchange risks regarding foreign currency monetary assets and liabilities, foreign exchange forward contracts and currency options are employed as hedging instruments. To hedge the interest-rate risks present in the interest expense resulting from long-term loans, interest-rate swaps are employed as hedging instruments.

3) *Hedging policy*

In order to hedge certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates through business and financing operations, hedging transactions are implemented, in principle, within credits and debts. To reduce credit risks, hedging transactions are implemented with financial institutions globally recognized for excellence. Foreign exchange forward contracts and interest-rate swaps are employed in compliance with internal rules for forward exchange contracts.

4) *Assessment of hedge effectiveness*

In the hedging transactions employed by the Group, there are close economic interrelations between hedged items and hedging instruments. The effectiveness of hedging transactions is assessed periodically in accordance with a prearranged program.

(6) Consumption taxes

Transactions subject to national and/or local consumption tax are recorded at an amount exclusive of consumption taxes.

(7) Application of consolidated tax return system

Effective from the fiscal year ended December 31, 2006, the Company has applied the Consolidated Tax Return System.

5. Valuation of assets and liabilities of consolidated subsidiaries

All assets and liabilities of consolidated subsidiaries acquired through business consolidation are carried at fair value.

6. Amortization of goodwill

The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries (“goodwill”) is amortized as the entire amount as incurred.

7. Range of funds in the consolidated statements of cash flows

In the consolidated statements of cash flows, funds (cash and cash equivalents) include cash on hand, deposits that can be withdrawn when needed, and short-term investments with a maturity of less than three months from the date of acquisition that are marketable and subject to minimum fluctuation in value.

8. Change in financial accounting method

(Accounting standard for presentation of Net Assets in the Balance Sheet)

Effective from the fiscal year ended December 31, 2006, the Company has applied the *Accounting Standard for Presentation of Net Assets in the Balance Sheet* (The Accounting Standards Board of Japan (ASBJ) Statement No. 5; Dec. 9, 2005) and *Guidance on the Accounting Standard for Presentation of Net Assets in the Balance Sheet* (ASBJ Guidance No. 8; Dec. 9, 2005). There is no impact on the consolidated statements of income resulting from this change. The amount equivalent to shareholders' equity for the fiscal year ended December 31, 2006, which was computed by the conventional method, was ¥472,406 million.

(Accounting standard for Director's bonus)

Effective from the fiscal year ended December 31, 2006, the Company has applied the *Accounting Standard for Director's Bonus* (The Accounting Standards Board of Japan (ASBJ) Statement No. 4; Nov. 29, 2005). Accordingly, selling, general and administrative expenses for the fiscal year ended December 31, 2006 increased by ¥254 million, while operating income, recurring profit, and income before income taxes and minority interests decreased by ¥254 million, compared with the figures that would have been derived had the Company applied the conventional accounting method.

9. Notes

(Consolidated Balance Sheets)

	Millions of yen	
	<u>Fiscal year ended Dec. 31, 2006</u>	<u>Fiscal year ended Dec. 31, 2005</u>
(1) Accumulated depreciation of tangible fixed assets	¥475,965	¥443,455
(2) Pledged assets	28,602	21,055
Secured liabilities	18,863	19,887
(3) Contingent liabilities	701	307
(4) Discounts on trade notes receivable	2,117	1,748

Note: Amounts less than ¥1 million are omitted

(5) Pursuant to the "Law Concerning the Revaluation of Land" (No. 24, enacted on March 31, 1999), land used for the Company's business operations was revalued. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities on unrealized revaluation gain on land" and the remaining balance has been presented under net assets as "Unrealized revaluation gain on land" in the accompanying consolidated balance sheets.

1) *Date of revaluation* March 31, 2000

2) *Method of revaluation*

Under Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Article 119 of the 1998 Cabinet Order, promulgated on March 31, 1998), the land price for the revaluation was determined based on the official notice prices assessed and published by the Chief Officer of the National Tax Administration, as provided by Article 16 of the Law Concerning Public Notification of Land Prices. The appropriate adjustments were made to reflect these official notice prices.

3) *Fair value of the land used for business after revaluation*

The fair value of the land used for business after revaluation at the end of fiscal 2006 was below its book value by ¥22,353 million.

(Consolidated Statements of Changes in Net Assets)

Fiscal year ended December 31, 2006 (January 1, 2006 through December 31, 2006)

1. Type and number of outstanding shares

	Number of shares as of Dec. 31, 2005	Increase in the number of shares during the fiscal year under review	Decrease in the number of shares during the fiscal year under review	Number of shares as of Dec. 31, 2006
Common stock	285,738,148	522,173	0	286,260,321

Note: The reasons for the increase in the number of shares are as follows:

- Increase due to the conversion of convertible bonds: 280,173
- Increase due to the exercise of share warrants: 242,000

2. Type and number of treasury stocks

	Number of shares as of Dec. 31, 2005	Increase in the number of shares during the fiscal year under review	Decrease in the number of shares during the fiscal year under review	Number of shares as of Dec. 31, 2006
Common stock	112,174	9,900	572	121,502

Note: The reasons for the increase or decrease in the number of shares are as follows:

• Increase due to the purchase of less-than-one-unit shares from shareholders:	9,244
• Increase due to the acquisition of subsidiaries and affiliates accounted for by the equity method of accounting:	656
• Decrease due to requests for additional purchase of less-than-one-unit shares by shareholders:	572

3. Share warrants

Corporate bonds amounting to ¥63 million at December 31, 2006 are convertible bonds issued in accordance with the former Commercial Code of Japan. However, the number of shares to be issued by the conversion of these convertible bonds is insignificant in the aggregate against the number of outstanding shares at December 31, 2006. Therefore, information regarding share warrants is not presented.

4. Dividends

1) Amount of dividends paid

Resolution	Type of share	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders held on Mar. 28, 2006	Common stock	5,570	Regular dividend: 14.50 Commemorative dividend: 5.00 Annual cash dividends: 19.50	Dec. 31, 2005	Mar. 29, 2006
Board of Directors Meeting held on Aug. 1, 2006	Common stock	4,289	15.00	Jun. 30, 2006	Sept. 11, 2006

2) Dividends with an effective date after the fiscal year under review, but with a reference date during the period

Resolution	Type of share	Total amount of dividends (Millions of yen)	Source of dividend	Dividend per share (Yen)	Reference date	Effective date
Ordinary General Meeting of Shareholders held on Mar. 27, 2007	Common stock	6,009	Retained earnings	21.00	Dec. 31, 2006	Mar. 28, 2007

(Consolidated Statements of Cash Flows)

The reconciliation of “cash and cash equivalents” as of December 31, 2006 and 2005, to accounts and amounts in the accompanying consolidated balance sheets is as follows:

	Millions of yen	
	Fiscal year ended Dec. 31, 2006	Fiscal year ended Dec. 31, 2005
Cash and deposits in banks	¥79,299	¥38,809
Time deposits with maturity in excess of three months	(5,262)	(547)
Other current assets	347	395
Cash and cash equivalents	¥74,384	¥38,657

Note: Amounts less than ¥1 million are omitted

VI. Segment Information

1) Business Segment Information

Fiscal years ended December 31, 2006 and 2005

Fiscal year ended December 31, 2006 (Jan. 1, 2006—Dec. 31, 2006)

	Millions of yen						
	Motorcycles	Marine products	Power products	Other products	Total	Eliminations	Consolidated
Net sales:							
Outside customers	¥914,810	¥266,529	¥250,418	¥150,288	¥1,582,046	¥ —	¥1,582,046
Intersegment	0	0	0	121,411	121,411	(121,411)	—
Total	914,810	266,529	250,418	271,700	1,703,458	(121,411)	1,582,046
Operating expenses:	860,206	243,336	222,829	253,551	1,579,923	(121,411)	1,458,511
Operating income:	54,603	23,193	27,588	18,149	123,534	0	123,534
Assets:	637,700	205,168	173,352	112,467	1,128,688	—	1,128,688
Depreciation:	29,038	7,436	4,804	6,169	47,448	—	47,448
Capital expenditures:	47,386	18,011	7,025	10,589	83,014	—	83,014

Notes:

1. Business segments correspond to categories of similarity classified primarily by products and market.

2. Major products in each business segment:

Business segment	Major products
Motorcycles	Motorcycles and knockdown parts for overseas production
Marine products	Outboard motors, personal watercraft, boats, FRP pools, fishing boats, utility boats and diesel engines
Power products	All-terrain vehicles, side-by-side vehicles, snowmobiles, golf cars, generators, small-sized snow throwers and multi-purpose engines
Other products	Surface mounters, industrial robots, automotive engines, automotive components, electro-hybrid bicycles, unmanned industrial helicopters, electrically powered wheelchairs, and the intermediate parts for products in all business segments

3. All operating expenses are assigned to individual segments, and there was no operating expense that could not be assigned.

4. Amounts less than ¥1 million are omitted.

Fiscal year ended December 31, 2005 (Jan. 1, 2005—Dec. 31, 2005)

	Millions of yen						
	Motorcycles	Marine products	Power products	Other products	Total	Eliminations	Consolidated
Net sales:							
Outside customers	¥759,775	¥249,844	¥227,159	¥138,469	¥1,375,249	¥ —	¥1,375,249
Intersegment	0	0	0	108,697	108,697	(108,697)	—
Total	759,775	249,844	227,159	247,167	1,483,946	(108,697)	1,375,249
Operating expenses:	726,594	225,115	200,287	228,608	1,380,605	(108,697)	1,271,907
Operating income:	33,181	24,729	26,871	18,559	103,341	0	103,341
Assets:	534,697	169,938	146,269	107,571	958,476	—	958,476
Depreciation:	22,617	6,776	4,578	5,942	39,915	—	39,915
Capital expenditures:	49,457	10,365	5,728	11,222	76,774	—	76,774

Notes:

1. Business segments correspond to categories of similarity classified primarily by products and market.
2. Major products in each business segment: Refer to Note 2. above for the fiscal year ended December 31, 2006.
3. All operating expenses are assigned to individual segments, and there was no operating expense that could not be assigned.
4. Amounts less than ¥1 million are omitted.

2) Geographical Segment Information

Fiscal years ended December 31, 2006 and 2005

Fiscal year ended December 31, 2006 (Jan. 1, 2006—Dec. 31, 2006)

	Millions of yen							
	Japan	North America	Europe	Asia	Other areas	Total	Eliminations	Consolidated
Net sales:								
Outside customers	¥297,020	¥457,731	¥321,760	¥386,086	¥119,446	¥1,582,046	¥ —	¥1,582,046
Intersegment	551,406	23,746	4,485	51,121	5,798	636,557	(636,557)	—
Total	848,427	481,478	326,245	437,207	125,244	2,218,603	(636,557)	1,582,046
Operating expenses:	806,376	459,114	302,241	410,054	112,633	2,090,419	(631,908)	1,458,511
Operating income:	¥ 42,050	¥ 22,363	¥ 24,004	¥ 27,153	¥ 12,611	¥ 128,184	¥ (4,649)	¥ 123,534
Assets:	591,849	267,855	182,855	206,335	104,334	1,353,230	(224,541)	1,128,688

Notes:

1. Geographic segments correspond to categories of geographical similarity, classified primarily by nations and regions.
2. Each segment outside Japan includes the following nations and regions:
 - (1) North America: U.S.A. and Canada
 - (2) Europe: The Netherlands, France, Italy and Spain
 - (3) Asia: Indonesia, Taiwan, Thailand, Singapore, Vietnam, China and India
 - (4) Other areas: Brazil, Australia, Colombia and Mexico
3. All operating expenses are assigned to individual segments, and there was no operating expense that could not be assigned.
4. Amounts less than ¥1 million are omitted.

Fiscal year ended December 31, 2005 (Jan. 1, 2005—Dec. 31, 2005)

	Millions of yen							
	Japan	North America	Europe	Asia	Other areas	Total	Eliminations	Consolidated
Net sales:								
Outside customers	¥293,203	¥420,552	¥281,104	¥290,887	¥89,500	¥1,375,249	¥ —	¥1,375,249
Intersegment	514,087	23,081	5,539	35,394	6,333	584,435	(584,435)	—
Total	807,290	443,634	286,644	326,282	95,833	1,959,684	(584,435)	1,375,249
Operating expenses:	773,821	419,551	268,933	301,087	89,437	1,852,830	(580,923)	1,271,907
Operating income:	¥ 33,469	¥ 24,082	¥ 17,710	¥ 25,195	¥ 6,395	¥ 106,854	¥ (3,512)	¥ 103,341
Assets:	522,077	211,650	165,506	166,560	84,911	1,150,706	(192,229)	958,476

Notes:

1. Geographic segments correspond to categories of geographical similarity, classified primarily by nations and regions.
2. Each segment outside Japan includes the nations and regions listed in Note 2. above for the fiscal year ended December 31, 2006.
3. All operating expenses are assigned to individual segments, and there was no operating expense that could not be assigned.
4. Amounts less than ¥1 million are omitted.

3) Overseas Sales

Fiscal years ended December 31, 2006 and 2005

Fiscal year ended December 31, 2006 (Jan. 1, 2006—Dec. 31, 2006)

	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥468,093	¥333,446	¥423,493	¥168,361	¥1,393,395
Consolidated sales					1,582,046
Overseas sales to net sales	29.6%	21.1%	26.8%	10.6%	88.1%

Notes:

- Overseas segments correspond to categories of geographical similarity, classified primarily by nations and regions.
- Each segment outside Japan includes the following nations and regions:
 - North America: U.S.A. and Canada
 - Europe: Italy, France, Spain and Germany
 - Asia: Indonesia, Taiwan, Thailand, Vietnam, China and India
 - Other areas: Brazil, Australia and South Africa
- Overseas sales consist of export sales of Yamaha Motor and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.
- Amounts less than ¥1 million are omitted.

Fiscal year ended December 31, 2005 (Jan. 1, 2005—Dec. 31, 2005)

	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥436,177	¥298,076	¥328,989	¥128,127	¥1,191,371
Consolidated sales					1,375,249
Overseas sales to net sales	31.7%	21.7%	23.9%	9.3%	86.6%

Notes:

- Overseas segments correspond to categories of geographical similarity, classified primarily by nations and regions.
- Each segment outside Japan includes the nations and regions listed in Note 2. above for the fiscal year ended December 31, 2006.
- Overseas sales consist of export sales of Yamaha Motor and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.
- Amounts less than ¥1 million are omitted.

VII. Lease Transactions

Details concerning lease transactions are omitted herefrom, since the Company is disclosing “Lease Transactions” information via EDINET (Electronic Disclosure for Investors’ Network).

VIII. Related Party Transactions

No applicable item.

IX. Deferred Tax Accounting

The Company plans to release details concerning deferred tax accounting as a supplementary document to its “Consolidated Business Results for the Fiscal Year Ended December 31, 2006,” in early March.

X. Marketable Securities

December 31, 2006

1) Other securities with fair value (as of December 31, 2006)

		Millions of yen		
Type		Acquisition cost	Carrying value	Unrealized gain
	(1) Equity securities	¥5,149	¥16,297	¥11,148
	(2) Bonds			
Securities whose carrying value exceeds their acquisition cost	1) National and local government bonds	0	0	0
	2) Corporate bonds	0	0	0
	3) Other bonds	0	0	0
	(3) Other	0	0	0
	Sub-total	5,149	16,297	11,148
	(1) Equity securities	53	50	(3)
	(2) Bonds			
Securities whose acquisition cost exceeds their carrying value	1) National and local government bonds	0	0	0
	2) Corporate bonds	0	0	0
	3) Other bonds	0	0	0
	(3) Other	0	0	0
	Sub-total	53	50	(3)
	Total	¥5,202	¥16,347	¥11,145

Note:

The Company posted an impairment loss totaling ¥8 million for other securities without fair value (¥1 million for other securities without market value, and ¥6 million for securities of subsidiaries and affiliates) in the fiscal year ended December 31, 2006.

The Company generally posts the entire amount of impairment loss on all securities whose fair value at the end of the fiscal year is less than 50 percent of the acquisition cost. For securities whose fair value at the end of the fiscal year decreases by 30 to 50 percent from their acquisition cost, the Company posts an impairment loss when it is judged necessary, by examining the importance and recoverability of the amount in question.

2) Other marketable securities sold during the fiscal year (January 1, 2006 through December 31, 2006)

Millions of yen		
Amount sold	Total gains	Total losses
¥328	¥154	¥302

3) Securities without fair value (as of December 31, 2006)

Millions of yen	
Carrying value at the consolidated balance sheet date	
Other securities	
Unlisted equity securities (excluding over-the-counter securities)	¥2,577
Other	0

December 31, 2005

1) Other securities with fair value (as of December 31, 2005)

Millions of yen				
Type		Acquisition cost	Carrying value	Unrealized gain
	(1) Equity securities	¥4,808	¥14,680	¥9,872
	(2) Bonds			
Securities whose carrying value exceeds their acquisition cost	1) National and local government bonds	0	0	0
	2) Corporate bonds	0	0	0
	3) Other bonds	0	0	0
	(3) Other	0	0	0
	Sub-total	4,808	14,680	9,872
	(1) Equity securities	0	0	0
	(2) Bonds			
Securities whose acquisition cost exceeds their carrying value	1) National and local government bonds	0	0	0
	2) Corporate bonds	0	0	0
	3) Other bonds	0	0	0
	(3) Other	0	0	0
	Sub-total	0	0	0
	Total	¥4,808	¥14,680	¥9,872

Note:

The Company posted an impairment loss totaling ¥19 million for other securities without fair value in the fiscal year ended December 31, 2005.

The Company generally posts the entire amount of impairment loss on all securities whose market value at the end of the fiscal year is less than 50 percent of the acquisition cost. For securities whose fair value at the end of the fiscal year decreases by 30 to 50 percent from their acquisition cost, the Company posts an impairment loss when it is judged necessary, by examining the importance and recoverability of the amount in question.

2) Other marketable securities sold during the fiscal year (January 1, 2005 through December 31, 2005)

Millions of yen		
Amount sold	Total gains	Total losses
¥15	¥3	0

3) Securities without fair value (as of December 31, 2005)

	Millions of yen
	<u>Carrying value at the consolidated balance sheet date</u>
Other securities	
Unlisted equity securities (excluding over-the-counter securities)	¥1,909
Other	0

XI. Contract Amounts, Fair Values, and Unrealized Gains/Losses on Derivative Transactions

Details on derivative transactions are omitted herefrom, since the Company is disclosing “Derivative Transactions” information via EDINET (Electronic Disclosure for Investors’ Network).

XII. Employees’ Retirement Benefits

The Company plans to release details concerning employees’ retirement benefits as a supplementary document to its “Consolidated Business Results for the Fiscal Year Ended December 31, 2006,” in early March.

XIII. Stock Options

Details on stock options are omitted herefrom, since the Company is disclosing “Derivative Transactions” information via EDINET (Electronic Disclosure for Investors’ Network).