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Official announcement data of Yamaha Motor.

August 01, 2003

Multi-Purpose Engine Manufacturing Joint Venture in Jiangsu Province, China Manufacturing Transferred from Japan to China

Yamaha Motor has reached a 3-way agreement with the Chinese motorcycle engine maker Jiangsu Linhai Power Machinery Group Corporation (representative: Lu Haimin; Taizhou City, Jiangsu Province, China) Yamaha Motor's motorcycle manufacturing joint venture Jiangsu Linhai Yamaha Motor Company Limited known as "LYM" (representative: Lu Haimin; Jiangsu Province), to establish a new company to produce multi-purpose engines. The agreement will be officially signed in Shanghai on August 1, 2003.

The new company, to be named "Yamaha Motor Taizhou O.P.E. Company Limited" (O.P.E. stands for "outdoor power equipment") will be established in Taizhou City, Jiangsu Province in August of 2003 to produce four-stroke multi-purpose engines. The new company will be capitalized at US\$3.3 million (approximately 400 million yen), 25% of which will be invested by Yamaha Motor Co., Ltd., 70% by LYM and the remaining 5% by Jiangsu Linhai Power Machinery Group Corporation. LYM, itself a joint venture between Yamaha Motor Co., Ltd. and Jiangsu Linhai Power Machinery Group Corporation, manufactures markets complete motorcycles and engines under the Yamaha brand name.

The new company will occupy facilities with a floor area of approximately 5,000 m², and is expected to operations in the autumn of 2004. It will produce six four-stroke multi-purpose engine models with a maximum rating of 12 hp. In its initial year, output will be about 30,000 units, and by five years (FY2008) total production is expected to reach about 400,000 units. The first-year sales for the new company are expected to be approximately 20 million yuan (approx. 300 million yen).

To meet these production plans, the new factory will be initially staffed by 50, and after five years, staff is expected to reach 130.

At present, Yamaha multipurpose engines are being manufactured at our group company SOQI, Inc. (representative: Katsuhiko Sakuramoto; Kakegawa City, Shizuoka Prefecture, Japan) at a rate of about 200,000 units annually. With the establishment of the new company, this multipurpose engine production will be completely transferred to China over the next three years or so with the aim of achieving substantially reduced costs while retaining Japanese levels of quality. Yamaha Motor also hopes this move will step up sales volumes, by shipping the engines to countries all over the world, and strengthen the international competitiveness of its multi-purpose engine business.

Total world demand for the type of multi-purpose engines produced by Yamaha, which are used to power various kinds of construction and agricultural equipment such as generators, high-pressure washers, air pumps, is around 4.5 million units a year. In recent years, China has become the next largest market for multi-purpose engines after North America and Europe. Chinese demand for four-stroke gasoline multi-purpose engines in particular is expected to grow dramatically in the future from the FY2002 level of around 250,000 units because of their good environmental characteristics and lightness.

Profile: Yamaha Motor Taizhou O.P.E. Company Limited

Company name : Yamaha Motor Taizhou O.P.E. Company Limited

(O.P.E. stands for "outdoor power equipment")

Located	:	Taizhou City, Jiangsu Province
Established	:	August 2003 (scheduled)
Representative	:	Osamu Arakawa
Capital	:	26.6 million yuan (approx. 400 million yen)
Funding apportionment	:	
		Jiangsu Linhai Yamaha Motor Co., Ltd. 70%
		Yamaha Motor Co., Ltd. 25%
		Jiangsu Linhai Power Machinery Group Corporation 5%
Employees	:	50 in initial year (planned)
Site area	:	40,000 m ² (floor area: 5,000 m ²)
Business	:	Manufacture of multi-purpose engines
Sales	:	Approximately 20 million yuan (target for initial year), or approx. 300 million yen

 Profile: Jiangsu Linhai Yamaha Motor Company Limited

Company name	:	Jiangsu Linhai Yamaha Motor Company Limited
Located	:	Taizhou City, Jiangsu Province
Established	:	December 1994
Representative	:	Lu Haimin
Capital	:	US\$14,248,000
Funding apportionment	:	
		Jiangsu Linhai Power Machinery Group Corporation 50%
		Yamaha Motor Co., Ltd. 50%
Employees	:	434 (as of March 31, 2003)
Business	:	Manufacture and sale of motorcycle engines
Sales	:	55.44 million yuan (approx. 830 million yen) (achieved 2002)

 Profile: Jiangsu Linhai Power Machinery Group Corporation

Company name	:	Jiangsu Linhai Power Machinery Group Corporation
Located	:	Taizhou City, Jiangsu Province
Established	:	1956
Representative	:	Lu Haimin
Capital	:	70 million yuan (approx. 1.05 billion yen)
Employees	:	1,500 (as of March 31, 2003)
Business	:	Manufacture and sale of motorcycle engines
Sales	:	710 million yuan (approx. 10,650 million yen) (achieved 2002)

*The conversion rates are: 1 yuan = 15 yen and US\$1 = 118 yen.