Business Results for Full Fiscal Year Ended December 31, 2022
Analyst Briefing and Q&A Minutes

Business Overall

<u>Please share what you see as risks and as opportunities for fiscal 2023.</u>

The foremost risk will be demand. For regions and product categories short on inventory, the company will operate at full capacity in the first half of the fiscal year to get them back up to the right levels. If we are restocked but demand falls in the first half, the second half may end up being difficult for us, but at the moment, sales expectations from our dealerships are positive. Additionally, the semiconductor shortage remains ongoing and our production plans for the first half of the year don’t meet the sales volume needs of the market, but if the semiconductor procurement situation improves, we can raise production. We have factored in conservative assumptions for the surging costs for raw materials, energy, and labor, and likely foreign exchange rates.

<u>You announced a raise in dividend payments and the intention to reacquire treasury stock. As the company has already surpassed the financial indicators in the Medium-Term Management Plan, please explain the background leading to these decisions.</u>

Our shareholder returns policy is to emphasize making consistent and ongoing dividend payments while taking into consideration the outlook for business performance and investments for future growth. Our business performance in fiscal 2022 was excellent and we felt the company could maintain its solid financial footing again in fiscal 2023. This decision was made based on the total payout ratio target in the Medium-Term Management Plan.

<u>Why did SG&A expenses go up in 2022 and why you do expect them to go up again in 2023?</u>

We have made conservative estimates for our SG&A expenses in fiscal 2023, with the majority being personnel costs. On the other hand, these estimates also include expenses for growing our corporate presence in line with the characteristics particular to each region we operate in. For example, we have raised the promotions budget for the SPV business, which is aiming to grow its sales channels in Europe.

<u>How do you expect rising interest rates and economic fluctuations to impact your business?</u>

How interest rates will affect or slow down product demand is unclear. We have not seen any indications of this yet, but we will monitor the situation and respond appropriately. With the Financial Services business, we have already accounted for risks, such as the likelihood that interest rates will rise and put pressure on spreads, and that we will likely need to make further carryovers for allowances for doubtful accounts.

Land Mobility Business

How will you account for the semiconductor procurement situation in 2023? Have things not changed over the last three months?

The semiconductor shortage has slowly improved and production will be higher than in 2022, but still insufficient to meet market needs. For premium segment models, we are formulating a production plan based on the volume of semiconductors we have secured commitments for from our suppliers. We expect to have recovered enough over the latter half of 2023 to be able to meet market demand.

Has motorcycle demand itself gone up? Is there any pent-up demand left?

In emerging markets, demand in Indonesia and India has not returned to 2019 levels and we expect the recoveries there to be slow. However, our other markets have mostly recovered. We expect the market for premium segment models to grow in step with the growth of upper-middle class populations, but we are unable to supply enough product due to the semiconductor shortage. Demand in developed markets has begun to calm down after peaking in 2021, but remains robust since the value of motorcycles for outdoor recreation was reaffirmed during the pandemic. Furthermore, we are seeing more young purchasers of motorcycles and look to firmly capture this demand.

What is the course the company wants to take in the Chinese market?

We have been selling small-displacement motorcycles for daily mobility in China, but over the last few years, more young people have become interested in motorcycling as a hobby. So, in addition to the midsize scooters (155–300cc) that the company has focused on with its premium segment strategy, we will also aim to capture the demand for 300cc sportbikes as they are popular. The company is in the midst of building the market by focusing on dealership development and the like, and we expect growth here in the future.

You expect the RV business to record significantly higher profits in 2023, but what is the basis or level of certainty for this forecast?

In 2022, supply chain disruptions and accompanying inventory management mix ups at factories resulted in a worsening state of production in the U.S. and we ended up in the red. In response, we enacted supportive measures in Japan and began seeing improvements around the end of 2022 through the beginning of this year. Our plan for 2023 is largely the same as 2022 so that we do not overextend ourselves, and when the disruptions to factory operations end, it is an achievable plan that will increase profits.

Marine Products Business

Regarding the outboard motor market, the forecast for unit sales in 2023 is listed as 98%, but I'd like to know the situations for small to midrange models as well as your large models.

The demand for small and midrange outboard motors has peaked, but insufficient supply of large outboards remains ongoing. Since demand for large models will continue to grow going forward, we will respond by increasing production.

<u>With the expansion of production capacity, is this solely for large outboard motor models? Is the background to this move the continuing high demand or is it to reclaim market share? Can you tell us the scale of this expansion, the period for implementation, and what your production capacity will be like for the next fiscal year?</u>

The expansion is aimed at large outboards of 150 hp or more. This move is to respond to the higher demand from boats getting bigger and to raise our competitiveness with a fuller model lineup. Also, demand for switching from an inboard motor to an outboard motor—which existed prior to the COVID-19 pandemic—remains and the strong demand for large outboard motors will continue from here. We will start implementing the expansion from this year in stages and plan to have increased production capacity by 20% in 2024. What’s more, we will increase capacity again by a further 15% in 2025 and thereby catch up with the burgeoning demand.

<u>What is the basis for the massive swing in unrealized profits from 2022’s results to 2023’s forecast?</u>

Our outboards have been impacted the most by unrealized profits, influenced by the domestic transport issues present in the U.S. This ordinarily does not happen very often if sales, shipments, and inventories are all well-coordinated as usual. We are preparing for production and shipments expecting that the impact will lessen as we move forward with returning operations back to normal.

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