

SPV Business Presentation Q&A Minutes

Market Environment

What is the total demand in Japan, Europe, and the U.S.?

Our market surveys and research put demand at about 6 million units globally, the majority of which is concentrated in Japan, Europe, and the U.S., with Europe as the main market.

Which growth markets look particularly promising? What are your projections for the U.S. and Japanese markets in 2030?

Within Europe, our highest hopes are for markets in the southern regions. We also expect sales in the U.S. to triple or possibly rise even further over time. Japan is already a stable market as our PAS Series of electrically power-assisted bicycles are well established, but we expect further market expansion through the introduction of our YPJ Series of sportier eBike models.

What is the competitive situation like in the market as a whole and what is Yamaha's market share in Europe and the U.S.?

In Europe, our largest competitor is a European company and we have a strong 10% in estimated market share. In the U.S., our sales volume is not so large, but we have roughly the same market share as we do in Europe.

Product Strategy

What are Yamaha's strengths compared to others in the business?

Our major system kit competitors do not sell complete bicycles, only drive units, batteries, and other eBike components, which we package as our e-Kits. At Yamaha Motor, however, we have differentiated ourselves by manufacturing complete bicycles while also improving our technological precision and tailoring our products to fit each individual client. This fact has been praised by the market and our low number of product failures has earned Yamaha a high degree of trust.

The market for hub-mounted drive units is expected to grow in the future. Does this mean that you will alter your main products to match?

Hub-mounted systems are often used for more affordable eBike offerings, so we expect demand for them to rise in emerging markets in the future. While we still intend to respond to market trends and answer the requests for variations from our e-Kit clients, center-mounted drive units are likely to remain the mainstay of our business.

What are the engineering and ride quality differences with center-mounted drive units? Is there any difference in profitability?

Center-mounted drive units are mounted in the middle of the bicycle and this provides a well-balanced center of gravity. This gives a feeling closer to the natural feel of riding a bicycle and since the motor uses a transmission, it provides a powerful ride. In contrast, hub-mounted units are often built into the front wheel, and while this makes it easier to add a regenerative braking feature, this also makes the bicycle heavier at the handlebars. Center-mounted drive units also offer greater profitability for us.

Are there any problems in using conventional bicycle components on eBikes?

We do not limit ourselves to only using existing parts; we will employ whatever parts and components we deem to be of excellent quality. We are even examining manufacturing Yamaha-original bicycle parts and components, and considering developing them by applying our motorcycle technologies as one possible option. We expect the number of parts and components designed specifically for eBikes will also increase in the future. We believe that we can use the fact that we also manufacture motorcycles as a strength that will allow us to take on new approaches and solutions.

Medium-Term Strategy

What is the background on doubling net sales between 2021 and 2024? If sales double, will profit margins change?

While demand has not fallen in 2022, product supply across the entire industry—which includes us—likely became sluggish due to prolonged lockdowns aimed at containing the COVID-19 pandemic, among other developments. However, thankfully, we were able to raise sales compared to last year and aim to achieve steady growth from next year onward by boosting our supply capabilities. While e-Kits have primarily contributed to our sales growth to date, we aim to raise sales further by selling more complete bicycles, which have high standalone unit prices. We want to maintain our high profit margin, but believe there is a need to make up-front investments to augment our production facilities in order to ensure stable supply. Finally, as we look to begin production in Europe, we want to streamline operations throughout the entire supply chain to increase the value we offer.

What customer segments are you targeting for medium- to long-term growth?

The first is European eBike users. Europe has a well-established bicycling culture and eBikes have become a more approachable option for getting around. Cycling infrastructure is being developed and restrictions on cars entering urban areas are being put in place as a response to environmental issues. In addition to high gasoline prices and car parking fees, the automotive industry is in the middle of transitioning to EVs, and instead of owning several cars, we understand that some people are electing to get an eBike for the family to use.

Will there be any negative impacts on e-Kit clients caused by the sale of complete Yamaha-brand bicycles?

We will diligently communicate with our clients so that they will come to agree on our dual-pronged approach of offering both complete bicycles and e-Kits, thereby improving our products and services.

With the unit price and sales volume of complete Yamaha-brand bicycles, how do you see the before and after following your unit scale increase?

Next year will mark our 30th anniversary of selling complete eBikes in Japan. By contrast, we only started selling complete bicycles in the U.S. four years ago and the scale of our operation there is still small. In Japan, most of our sales come from our PAS-brand eBikes priced in the 100,000 yen range used for carrying small children or commuting to work or school. The scale of our more sporty YPJ-brand eBikes is still relatively small. In the future, we hope to sell tens of thousands of eBikes in the 300,000 to 600,000 yen range, first in Japan, the U.S., and Europe.

Will sales channels be expanded in line with the increase in scale?

Previously in Japan, standalone shops for motorcycles and bicycles were the norm, but now large shopping centers are mainstream. In addition to the U.S., we will begin working on our channels in Europe from here on and we plan to also make effective use of our existing motorcycle sales network. We plan to try using e-commerce platforms as well to offer our complete Yamaha-brand bicycles to customers overseas. We will also allow customers to choose to have their bicycles delivered to existing motorcycle dealers, making ordering simpler by not having to worry as much about times and location, and making delivery and any after-sales services a smoother affair.

END