Long-Term Vision - New Medium-Term Management Plan (2019-2021)
Minutes of Analyst Briefing

Overall

Please tell us about the reasons and background behind the formulation of the New Medium-Term Management Plan.

The fact that we could not achieve our net sales target of 2 trillion yen with an operating income of 180 billion yen in the current Medium-Term Management Plan has fed into the new Medium-Term Management Plan. We plan to take up the challenge once more to deliver the top line improvements we previously have not achieved. We have of course determined that aiming for such goals is feasible after calculating the contributions from each business, such as developing markets including India and Indonesia, developed markets, marine, and robotics.

You have set your 2021 operating income target as 180 billion yen. How do you see income growing in each year until then?

In terms of land mobility, as we are conducting new model development for the new emission standards planned for Europe, India, etc. in 2020, we anticipate that our models will again be past their peak sales period in 2019. On the other hand, we forecast continued growth in marine and robotics.

About how much capital expenditure and depreciation have you budgeted for in the New Medium-Term Management Plan?

The financial strategy graph shows actual figures. The capital expenditure indicates the amount for existing businesses, which is currently a total of 150 billion yen over three years. The depreciation amount is also a total of 150 billion yen over three years. Moving forward, we intend to purposefully use up the growth investment which was unused in the current Medium-Term Management Plan.

Total operating income across the three businesses of land mobility, marine, and robotics exceeds 180 billion yen. Should we understand that this figure excludes growth strategy expenses?

The income figures for each business do not include growth strategy expenses. We arrive at the operating income figure of 180 billion yen by incorporating growth strategy expenses.

With regard to the growth of automatic operation, while we imagine that there are various technological challenges and differing competitive environments across land, sea, and sky, what extent of contribution to income do you anticipate across your product portfolio in 2030?

As far as about 2030, our intention is for automatic operation to become an integral income generator in our land and sky businesses, though we do not currently have any specific figures. In the last-mile field, we are broadly rolling out low-speed and low-cost golf cars both domestically and overseas, and services utilizing this platform could well become a significant business if embraced by local governments and customers. In agriculture, we are beginning with the fruit and vegetable growing market, focusing on applying our drone and robotics technologies. In the marine business, we are following a two-stage process regarding automatic operation. The first stage involves the added value of freeing up the operator, which we are aiming to commercialize as an extension of current boat systems. The next stage involves completely automatic operation solutions, such as for fishing and unmanned transportation, and we are yet to envisage by when these could be commercialized.

Land Mobility

In developing markets, income is not forecast to increase much as a percentage of net sales from 2018 to 2021. In the ASEAN region, while sales in Indonesia are forecast to be flat, where do you intend to drive growth?

Developing markets includes the ASEAN region and India etc. In the ASEAN region, the income ratio is forecast to increase slightly, but in India, given the budgeted costs for compliance with emission standards, the income ratio will not be high. These income ratios are forecast as we have not currently incorporated much price pass-through into the new Medium-Term Management Plan. On the other hand, we expect growth of some 1.4 times in the Philippines market overall. We anticipate that Yamaha Motor unit sales will grow even more, and we are therefore aiming to further increase our market share. Scooter sales in the Philippines are currently healthy, and we want to build on the high prices and income ratio we are achieving. We particularly want to focus on the emerging middle class, a segment which we are strong in. We anticipate growth of 1.4 times in the ASEAN region emerging middle class (households with an income level of USD 5,000 to 35,000). This class numbers 90 million households, and how to grow our sales to them is a major topic for us to address.

The developed markets motorcycle business has delivered losses for more than ten years, and it is still forecast to be in deficit in 2021, at the end of the New Medium-Term Management Plan. When will this business achieve profitability?

We have made a commitment this time to reduce losses in developed markets by 9.8 billion yen. In order to close the remaining 3.5 billion-yen gap, we plan initiatives such as developing the LMW market and expanding sales of large motorcycles in developing markets, but we believe that a little more time will be required. We want to continue with the developed markets motorcycle business. It is an important business to us because it leads the development of new technology, it promotes the Yamaha brand carried by flagship models, and it has ripple effects such as facilitating sales of entry-level models in developing markets.

Please tell us a few more details about the structural reform in the developed markets motorcycle business.

After the Global Financial Crisis, we worked to generate income by changing the break-even point for the domestic production structure from 400,000 units to 200,000 units, but demand did not recover as much as we anticipated. Under the New Medium-Term Management Plan, we will operate the domestic production structure with an even more severe projected break-even point of 160,000 units. We are considering increasing efficiency in the U.S. by aggregating sales functions and moving to slimmer manufacturing functions in Europe. We will continue to decrease expenses by working on further improvements in efficiency.

Marine

You are projecting that net sales of outboard motors will increase by 30% from 2018 to 2021, but that sales of water vehicles and other marine products will be flat. As the basis for this projection, what are your forecasts for total outboard demand? Furthermore, where are net sales as a system supplier included in the above?

System supplier net sales relate to propulsion units, and so are included in outboard motors. We anticipate that total demand for outboards will continue to grow, particularly in North America. Not just in North America but globally, we anticipate that demand for large outboard motors will grow by 10%-15%. Accordingly, we plan to ramp-up outboard motor production capacity by another 10%-15% or so in the future.

Why will the outboard motor business operating income ratio deteriorate from 2018 to 2021?

The main reasons are increased product development expenses aimed at sustained growth and increased expenses related to the ramp-up in large outboard motor production capacity. We have estimated a certain level of expenses because development costs include those for next-generation propulsion systems, electric propulsion units, etc. The production capacity ramp-up aims to increase production levels by around 10-15%, and the expenses for this are incurred in advance of actual production. In both cases, the return on investment will be generated in 2022 or later.

Robotics

We are aware that overall demand in this business fluctuates wildly for products such as mounters and industrial robots. Is there anything else you would like to tell us about areas where a response is already perceptible, or areas you are looking to build up such as with future new products?

A feature of the robotics business is its broad customer base, but growth in the automotive field in recent years has been remarkable. Electrical components have increased thanks to AIDAS, and battery demand has also increased due to the shift to electric drive. Another area we plan to focus on is data-capturing sensors, demand for which is growing as part of the trend to IoT and the “data economy.”

Other

Please tell us about your automotive business.

We have given consideration to the automotive business from two perspectives. The first is the mass production of automobiles in the unique style of Yamaha with technology our competitors cannot match while also exceeding safety standards. The second is what types of products to launch into what markets. When analyzed from both perspectives, we arrived at the conclusion that recouping our investment would not be simple. We are therefore putting the commercialization of regular passenger vehicles on hold for now.