Business Results for First Half of Fiscal Year 2023
Analyst Briefing and Q&A Minutes

Business Overall

You had a solid landing for operating income in the second quarter. Have profits fallen under the original annual forecast when excluding the effects of foreign exchange rates? What are the risks and opportunities included with your revised outlook?

The tailwind we have enjoyed for outdoor recreation, primarily in developed markets, and the restocking of our inventory have both run their courses. We expect to return to pre-pandemic seasonality in the latter half of this fiscal year, and our current business forecast is a conservative one in terms of the risks present for the motorcycle and marine product businesses in developed markets. For opportunities, on the other hand, improved semiconductor procurement will allow us to increase our supply of products, particularly with premium segment scooters, as our stock levels for these have been tight in emerging markets. Additionally, raw material prices have not risen as much as we originally anticipated and ocean freight rates are also lower than we first expected, and these are aiding our profit numbers. Even if there are a few unanticipated factors here or there that end up working against us, we are confident that we can reach our operating income target of 250 billion yen for the full fiscal year.

I'd like to hear about the impact building up outboard motor and motorcycle inventory in the first half of the year had on profits. Also, if you build up inventory toward 2024 and demand disappears, what markets will be your drivers for profitability?

The outcome of the inventory buildup staged in the first half of the year is largely reflected in the increase in scale and its effects. For emerging markets still without sufficient product in stock, we will replenish them to an appropriate level within the year. From next fiscal year onward, wholesale shipments will be catering to actual demand, so the impacts of a scale increase will be smaller. We currently view Indonesia, India, and Brazil as growing markets, but we also cannot accurately predict the changes that come to such emerging markets. Rather, we need to strengthen our resilience as a company, so we will reinforce our supply chain in order to be able to swiftly adapt to these changes.

Will the inventory adjustments underway in your non-core businesses be finished this fiscal year or will they run into next fiscal year?

For the robotics business, this year will be a difficult one since China by far comprises the majority of orders received, but we expect the market to recover next year. We are receiving inquiries from clients specializing in AI and demand is growing in that space, so we will ensure we transform those inquiries into orders while we wait for the Chinese market to recover. For the e-Kits in our SPV business, we expect to continue production at a slower pace until around the first half of fiscal year 2024.

Land Mobility Business

You stated that sales of motorcycles in emerging markets are strong, but I hear that sales in Asia are low. What is your forecast for demand and backlogged orders in ASEAN nations excluding Vietnam?

Even if countries are categorized as emerging markets, each one differs from the other. After demand drastically fell in emerging markets during the pandemic, the slow but steady climb back to previous levels has been ongoing. In our case, with our liquid-cooled scooter models—especially with our headlining MAX Series—we were unable to meet market demands due to the semiconductor shortage. Things have gradually improved during the first half of the fiscal year, and since July, we have been able to secure enough semiconductors for production meeting market needs. Together with restocking our depleted market inventory, we will connect this accomplishment to securing retail sales.

What is the state of the motorcycle market in India, what do you expect to see in the medium to long term there, and what do you see in terms of profitability?

Macroeconomics views India as a market that will grow steadily from here and recover to its pre-pandemic demand scale of 20 million units. There are more and more electric scooters being sold there and we are closely watching to see whether or not the government's subsidies will carry on unchanged. However, the electric scooters growing in volume in India are mostly in the standard model segment, not the premium model segment Yamaha Motor is focusing on. As we raise our market share in that segment, we are conducting electric model development so that we are ready to launch them on the market at an early stage if deemed necessary.

Marine Products Business

If demand for outboards at or under 200 hp falls, what effect would that have on business performance? Is demand for small and midrange models declining only in the U.S.?

The situation remains unfavorable with our small and midrange outboard motors, but the impact on our operating income is not heavy since models of 150 hp or higher shoulder the majority of the business' operating income. Demand peaks in July and August, so we will carefully control inventory levels to prevent overstocking while monitoring seasonal product buildup by our boatbuilders and progress with retail sales. In Europe, we are seeing signs of post-pandemic demand beginning to slow, including for motorcycles, the brakes are being applied early on with large outboard demand as well.

Outboard motor demand itself is strong, but since distributed inventory has reached sufficient levels, production is no longer at the high levels we have seen over the last few years in the second half of the year. Is my understanding correct that developed markets are returning to pre-pandemic seasonality?

Precisely. We have built up inventory in the first half of the year and will make adjustments in the second half in order to prepare for next fiscal year.

Medium-Term Management Plan

What is your assessment of progress made so far at the halfway point of the current Medium-Term Management Plan? You have handily met or surpassed the targets for sales, operating income margin, and so on. What is your expectation for next fiscal year?

In our current Medium-Term Management Plan, we are aiming to steadily achieve our targets for net sales, ROS, ROIC, and other indicators, and we have been successful thus far. These results are from the yen's higher-than-expected currency depreciation helping to generate profits and from demand surging to levels higher than we anticipated. In 2024, as the tailwind we have enjoyed from outdoor recreation demand dissipates and as exchange rates remain uncertain, we will still strive to achieve at least 2,200 billion yen in net sales and an ROS and ROIC in the 9% range.

Regarding the company's portfolio management, what is the background that led to the sudden withdrawal announcements for unprofitable businesses that you had neglected to go through with until now? Are there any other businesses you are considering doing the same for?

Prior to putting our current Medium-Term Management Plan in motion, the Board of Directors held discussions about improving our corporate value by carrying out portfolio management with real commitment. In Japan in particular, it is becoming increasingly difficult each year to secure human resources, so the final decision made by the board was that the company should do what it can internally to stage a focused allocation of management resources to growth fields. The structural reform measures we considered with this Medium-Term Management Plan are moving forward as well. There are no other businesses that we feel require structural reforms at this time, but in keeping consistent with our portfolio management approach, shifting resources that we determine are necessary for raising corporate value is a need that remains going forward.

What progress has been made with the new businesses specified in the Medium-Term Management Plan? The target is 30 billion yen in net sales by 2024, so what is the outlook for the rest of 2023?

At the moment, we expect it will be difficult to reach our target. What will likely be contributing a large amount toward the target is the mobility services business, and with operations running in India, Nigeria, and other countries, our business portfolio is growing. Another is our eve autonomy joint venture with Tier IV. We expect the business of offering self-driven vehicles for factory grounds and other facilities instead of public roads to grow. We are also working on ventures into the agriculture and medical & healthcare fields, but these will not reach billions of yen in sales during the current Medium-Term Management Plan, and we will continue focusing on R&D for each respective pursuit.

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