

Business Results for First Quarter of Fiscal Year 2024

Analyst Briefing and Q&A Minutes

Business Overall

I would like to know the progress made by segment in the first quarter against your forecast for the full year.

We consider the Robotics business and Recreational Vehicles (RV) business as current challenges. The motorcycle business is doing well and the Marine Products business is moving as expected. In the motorcycle business, our premium segment strategy is paying off, with Indonesia, India, and Brazil leading the way. Our uniqueness in the market is being recognized and we were able to conduct sales while maintaining the same prices, which resulted in a dramatic improvement to our operating income ratio. In the Marine Products business, while dealer inventories are being slimmed as planned, our own stock of the new F350B outboard is building up. In terms of how this has impacted operating income, lowering production has lowered marginal profits, but if we can secure strong sales of the F350B, we believe we can end the year in line with expected figures. The Smart Power Vehicles (SPV) business is progressing as expected. We believe the RV business will continue to face a difficult environment due to intensifying competition. In the Robotics business, performance in Europe is behind what we had planned and the recovery in China has been slower. For foreign exchange rates, we expect things to fluctuate as we move toward the end of the fiscal year, but to compensate for where we are falling behind in sales, we will control our SG&A expenses in order to clear our targets for the full year.

Is your operating income in the first quarter still in line with your expectations when excluding the effects of foreign exchange rates?

The first quarter's results were largely in line with what we expected, including the impact of foreign exchange rates. The negative effects from sales were mitigated by controlling SG&A expenses. With motorcycles business, marginal profits improved thanks to customers accepting price raises for premium segment models. The Marine Products business is generally progressing as planned, while the RV business is behind. If the higher production of the new F350B outboard motor in the Marine Products business from the second quarter onward and Chinese market sales in the Robotics business progress from the third quarter onward as expected, we believe we can achieve our operating income target for the fiscal year even when excluding the effects of foreign exchange rates.

Please explain how you controlled your SG&A expenses.

We controlled spending on advertising and other promotional expenses. In the motorcycle business, inquiries for our premium models were strong and sales went up even without spending on promotions. Regarding labor costs, responding to requests for higher wages is what turned them into a factor bringing down profits.

Land Mobility Business

Is your stock of premium segment models in the motorcycle business still low? Also, please tell us the situation each region is facing.

Indonesia is approaching appropriate inventory levels. Although there is still a small gap to those levels in India and Brazil, we are not experiencing product shortages and sales are being made. The significant improvement to the operating profit ratio in the motorcycle business was driven by increased sales of premium segment models in India and Brazil. Indonesia is also doing well, but this is generally in line with expectations. Our profitability is good in developed markets as well thanks to foreign exchange effects and keeping SG&A expenses under control. On the other hand, financing regulations in Thailand have made it more difficult to obtain loans and this may have a prolonged impact on demand. The Philippines is facing a difficult situation due to the aggressive pushes from our competitors. Vietnam is adjusting its inventories, but demand has still not yet fully returned. It is unlikely that these three countries will all suddenly turn around in our favor. As long as the markets currently driving our results do not weaken, we expect to post a double-digit or higher operating income ratio.

I would like to hear more in detail about the market environment for the RV business. What is your outlook for the market and product sales in the coming year and beyond?

Last year, demand surged due to the boom in outdoor recreation, but demand settled down in the second half of fiscal 2023. On the other hand, production at our U.S. factory—which was impacted by the COVID-19 pandemic—has returned to normal, plus, the weak yen aided in recording higher sales and profits. This year, we were aiming to expand sales, but the competition has done the same and our sales-related expenses have been significant. The market environment is worse than we expected and we believe this year will continue to be a difficult one.

Marine Products Business

How are inventory adjustments proceeding in the Marine Products business?

Our inventory adjustments are generally on track, while unrealized profits are behind what we planned.

I would like to know the demand trends for outboard motors in the U.S. by horsepower segment.

Demand for small and midrange outboard models has been declining since the end of last year, but smaller models are starting to show signs of recovery and we have begun replenishing inventory. Midrange to low-horsepower large models will be key offerings going forward and we will make inventory adjustments accordingly. The 350-horsepower segment is stable and driving our large outboards as expected. We are working to increase production, but the effects of this will manifest in full from the second quarter onward.

Robotics Business

Regarding the surface mounter market in China, how certain are you of a recovery in the second half of the year?

Things are generally middle-of-the-road at the moment, but orders are starting to increase. If we can put up solid results in the second quarter, we can say we have a high level of confidence in a recovery.

Is production of molding equipment at full capacity for the generative AI-related business? Also, please explain the scale of sales, backlogged orders, and inquiries aimed at next fiscal year that you had in the first quarter.

We cannot provide any quantitative figures as these are confidential, but we are running at full production. Currently, if we are able to produce products, orders go up, so we are working to deliver the orders we have in a short period of time. We will be able to show some figures from the second half of the fiscal year. We expect orders and production to continue at a high level.

Regarding the business' production capacity expansion, will you be gradually upping production volume from here through the fourth quarter?

We are moving forward with expanding production capacity for generative AI applications. We want to accelerate the timeline for this, but we will not be able to provide a specific period for this until the second quarter onward. Currently, the situation is in line with our initial plan.

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