

## **Business Results for Third Quarter of Fiscal Year 2017** **Minutes for Analyst Briefing and Q&A**

### **Overall**

#### **Please tell us about any items of concern you have for the fourth quarter.**

The consolidated business results have progressed smoothly until the third quarter, achieving outcomes surpassing even our own forecast values. However, based on careful consideration of the income forecast for the motorcycle business in emerging markets and developed markets businesses etc., we face a situation where sales of low-priced models in Indonesia, Vietnam, and India etc. will not progress much without incurring a certain degree of costs, and we are taking into account the risk of inventory adjustment. Given variable factors in developed markets such as shipment adjustment, principally in Europe and the U.S.A., and the high level of seasonal variation, we have developed our forecasts based on looking at the overall situation.

### **Motorcycles Overall**

#### **You have talked about inventory adjustments in the fourth quarter, but will you also reduce production of low-priced models for emerging markets and motorcycles for Europe and the U.S.A.?**

We believe that sales of low-priced models in Indonesia may decrease from the third quarter to the fourth quarter. We could conceivably maintain sales through discounting, but we will instead respond through adjusting production. While we are launching new models in developed markets, we would appreciate your understanding that we are currently adjusting production for next fiscal year's models.

### **Developed Markets Motorcycle Business**

#### **It is a business field in which we have a particular interest, what sort of issues is it currently facing?**

As you say, the developed markets motorcycle business has a very interesting structure. We will continue to pursue the unique style of Yamaha based on our concepts of Innovation, Excitement, and Confidence. Current initiatives include aiming to move the Japanese 50cc business into profitability, and working towards reducing sales promotion expenses and adjusting inventory in the U.S.A.

### **Emerging Markets Motorcycle Business**

#### **Profitability improvements in motorcycles in Indonesia have advanced significantly just in the third quarter. Please tell us about continued future improvements.**

In the third quarter, sales of higher-priced and platform models continued their growth from the first half-year, and profitability improvements are continuing. Conversely, total demand is still lower than last year, and we are facing issues regarding sales of low-priced models. We will continue with profitability improvements in the fourth quarter and beyond, as well as work on initiatives which will help to stimulate demand.

#### **How do you see the Indian motorcycle market changing in the next 2-3 years?**

Demand is increasing from last year, and is forecast to be around 18.5-18.7 million units this year. The Chennai Plant is now operating, and is working towards increasing its production scale. We will work to reduce costs while meeting customer expectations. 2017 has seen the introduction of the BS4 environmental regulations and the Goods and Services Tax (GST) system, and amidst these business conditions, it appears that our competitors have been offering significant rebates to stimulate the market. Our strategy is to focus less on pricing strategy and more on launching thoroughly-developed products onto the market. We expect that volume will expand further in the future.

## **Marine**

### **Please tell us about the North American market situation in the third quarter.**

Demand for outboard motors (particularly large outboard motors) in North America continues to be solid. We were initially concerned about the impact of hurricane damage, but the effect on large outboard motors was minimal, and demand for transition from inboard engine craft continues to grow. Our retail sales were 115% on the previous year for large outboard motors, and 105% on the previous year for outboard motors overall.

## **Power Products**

### **Regarding ROV production adjustment, please tell us whether or not inventory levels have been optimized, and what degree of profitability improvements are forecast in the next quarter?**

Inventory optimization is proceeding as planned, and U.S. ROV inventory - which was approximately 16,000 units at the end of last year - has been reduced to around 10,000 units. We launched the new Wolverine X4 this quarter, but we are continuing adjustment so that inventory will remain below the 10,000 units level even including the new model. Orders for the Wolverine X4 have been healthy, and it is conceivable that we could increase production and hold a certain level of inventory; however, we will promote sales while keeping a close eye on the retail situation, reduce inventory levels for now, and make preparations for next year.

## **Industrial Machinery and Robot Products**

### **You have talked about how moulder sales have been healthy thanks to product mix improvements, but please give us more details.**

In the Intelligent Machinery Business, the new factory is now operating, increasing the production volume. Previously, the situation was that we could not keep up with all orders, and production is now catching up with demand. Surface moulder production unit volume is at 160% on the previous year. This is thanks to healthy demand for smartphone production - both in China and Japan - as well as strong demand for production of vehicle-mounted devices in Japan. We plan to further increase effectiveness so that we can meet this production level again next year.

## **Other Products**

### **You exhibited your third concept model at the Tokyo Motor Show 2017. We would like an update about your automotive business.**

We had previously unveiled two concept automobiles, the MOTIV in 2013 and the Sports Ride Concept in 2015. The 2017 concept was conceived with the intention of exploring the possibilities in crossover models. It was very well received, and we will continue work on the optimal engine layout and the possible market for it. We are at the stage of evaluating whether it can be commercialized and if it meets customer expectations, as well as whether it is a model which pursues the unique style of Yamaha. We do not yet have any details we can share about product launch timing or model lineups.