Overall
Have you analyzed why income increased in the first quarter, but results were flat in the second quarter?

There were two reasons for the slowdown in the second quarter which you have pointed out. Shipments fell of high value-added products made at headquarters factories, namely large motorcycles and outboard motors, and the marginal profit of Yamaha Motor on a unit basis decreased. The reasons for lower sales of motorcycles was the decision to reduce production in April to June, having seen unit sales below targets in March, typically the highest month for sales. For outboard motors, shipments were temporarily out of alignment with sales while adjustments were made in the ramp-up of large outboard motor production capacity overall.

We would like to check about the “profitability improvements” aspect of factors impacting operating income. It looks to us like profitability improvements have not made progress in the second quarter against the annual target. Please tell us about these factors impacting operating income, including the effect of sales increases.

The effect of sales increases was small, but the effect of decreased production in the developed markets motorcycle business in the second quarter is included in this figure. Secondly, profitability improvements this fiscal year may look like they have not moved forward compared to the progress made last year, but this is because the profitability improvements over the three years of the Medium-term Management Plan were heavily allocated to the first and second years. However, we plan to work together with our business partners and aim for a higher level of theoretical-value-based production to enable the next phase of cost reductions. In terms of cost reduction initiatives, we implemented new ideas and programs in the first half-year, but it will be in the second half-year that we reap the benefits of them. We anticipate clear results in emerging markets in particular.

The sharemarket has concerns regarding emerging-market economies. Are there any regions you are cautious about? Please also tell us about the effects of emerging market currencies.

The non-operating losses are mainly losses due to the mark-to-market valuation of foreign-currency denominated borrowing in Brazil and India etc. Our intention is to minimize foreign exchange effects by reducing foreign exchange exposure and building up income in our core business.

You say that the full-year targets are unchanged, but - given changes in the external environment and the circumstances of each business - is there no need to make revisions?

The major changes in the external environment have been foreign exchange effects. If we hypothesize that the trends of the dollar strengthening and emerging market currencies depreciating will continue, it is possible that developed market and emerging market effects will offset each other. In terms of business units, shipments of outboard motors in the first half-year did not keep up with demand, but we plan to recover the situation by ramping up production capacity in the second half-year, and so the full-year targets are unchanged.

Motorcycles
Although reform initiatives are being taken in the developed markets motorcycle business, it is still struggling for profitability. What are the issues, and how do you intend to increase profitability?

We are fully aware that the developed markets motorcycle business environment is a demanding one. After the Global Financial Crisis, we reduced our production capacity in Japan from 350-400,000 units to the 200,000 unit level. This 200,000 unit level was set based on the forecast that demand in Europe would recover to the 1.5 million unit level and in the U.S.A. to the 500,000 unit level, but in fact, demand has been almost flat, or has begun to decrease further. We perceive that further reductions in fixed costs are necessary in this area.
Please tell us about the underlying macro-economic situation in the emerging markets motorcycle business, such as in Indonesia, Vietnam, and the Philippines.

In Indonesia, total demand has bottomed out, increasing by at least 10% in the first half-year compared with the previous year. Yamaha Motor retail sales and shipments have grown by more than the market, with the NMAX selling ahead of targets. Both operating income and the income ratio are improving. In Vietnam, total demand is increasing by approximately 4% compared with the previous year, but unit sales in the moped field (in which we had more than 30% market share) decreased. Delays in launching new scooter models have also had an impact. In the Philippines, the shift to scooters is proceeding rapidly, and we are maintaining our market share at the 70% level. The market overall (and scooters in particular) is growing by more than 25% compared with the previous year, and within this trend we are increasing our market share even further. Markets in Latin America are tending toward recovery, with Brazil especially healthy, and we are growing our market share in scooters in particular. Unfortunately, we have suffered adverse foreign exchange effects in places, but on a local-currency basis the situation is extremely healthy, with increases in sales and income continuing. We believe that the healthy situation in Brazil will continue for a little longer.

Please tell us about the situation in the Indian motorcycle business, and your measures moving forward in response to the 2020 regulations.

It is anticipated that total demand will exceed the 20 million unit level this year, and the market did indeed grow in the first half-year by 20% compared with the previous year. On the other hand, we are struggling to grow our retail sales, only growing by 4% compared with the previous year. Sales in the motorcycle premium segment (where we are revamping our models) are growing, significantly contributing to profitability improvements in the Indian business. However, while market growth in the scooter segment has been high, our retail sales have only grown a little. We keenly understand that we need to work tirelessly to make many improvements to increase product competitiveness in this segment. We are preparing to release an all-new lineup of scooter models in anticipation of the introduction of BS6 (emission standards equivalent to Euro 5) in 2020.

Marine

Please tell us about the factors driving growth in water vehicles and boats.

Looking at the marine products business overall, while the supply of outboard motors did not keep up with demand, we managed to fill this gap with products primarily for the North American market such as water vehicles and sports boats. In addition to demand for water vehicles and boats being strong, the model year changeover went extremely well for us, and so shipments are progressing steadily.

When and how will the benefits from the ramp-up of outboard motor production capacity become apparent?

We began initiatives to ramp-up production capacity from the second half of last year, and the benefits have gradually become apparent from July-August. I am unable to disclose specific unit figures, but we are working on an approximate 10% annual increase in production capacity for large outboard motors.

Please tell us your thoughts about the future outlook in terms of the production capacity for outboard motors. Will capacity again be insufficient next year or later?

I explained that we have been implementing an approximate 10% annual ramp-up of production capacity for large outboard motors; this took time, given that it involved measures across all processes, including assembly and casting. Our learning was that we were unable to respond in a linear fashion to increased demand. We plan to take measures enabling flexible response to demand.

Robotics

Please confirm your forecasts for surface mounters. Are orders continuing to be steady?

Our strengths in surface mounters are mainly in devices and electrical components for automakers. As the trend to electronic control advances across many facets of society, home appliances are having chips added to them and growth is also anticipated related to automatic driving; we have plenty of orders in this second half-year as well. We have had issues with the procurement of some parts, including for robots, but we are gradually improving the situation.