

**Business Results for First Nine Months of Fiscal Year 2018**  
**Minutes for Analyst Briefing and Q&A**

**Overall**

**Regarding the revised business results for the full fiscal year, in your analysis of income increase and decrease you initially anticipated an effect of sales increase of +18.0 billion yen, but it has now been reduced to +9.6 billion yen. Looking at individual businesses, we can understand that the developed markets motorcycle business is not in good shape. Please tell us about the other causes.**

In the developed markets motorcycle business, we were working to recover from delayed launches in Europe, but we have not been able to fully do so yet. As the fourth quarter is the start of the off-season, the outlook is now that recovery will be problematic. With regard to the emerging markets motorcycle business, we are making steady progress in Indonesia, but Vietnam and India are significantly under budget. Given that the fourth quarter is the high season we are working to make as much recovery as possible, but as we now project that the original forecast cannot be reached, we have accordingly revised the forecast downwards. In the marine business, the effects of increased production are steadily becoming apparent.

**If the current situation for raw materials and foreign exchange were hypothetically to continue, what effect would there be on next year's business results?**

In terms of raw materials, we have made projections for the fourth quarter based on third quarter results, but commenting on forecasts for next year onwards is problematic. Similarly, for foreign exchange, while developed markets have largely stabilized, conditions for developing markets remain unclear. We will work on formulating measures to reduce the impact based on a certain level of forecasts.

**Should we understand that there has not been much progress to date regarding quality-related expenses?**

We have strengthened our internal structures based on our learnings from the significant recall expenses over the last few years, and have achieved reductions in recall expenses once products have reached the market. Quality improvement initiatives are now visible in management indicators.

**Developed Markets Motorcycle Business**

**You say that you have advanced reductions in fixed costs in the developed markets motorcycle business, but we would like specific details of what you are doing.**

Reducing fixed costs involves where to set the future base total demand, and what structures at headquarters manufacturing, marketing company etc. to have. We are advancing several plans internally, and we will let you know the details once these have been finally determined.

**You talked about how you were not able to fully recover in the developed markets motorcycle business, but the unit sales for only the third quarter were fewer than the same period the previous fiscal year. Please tell us about the state of this business from the perspective of your model competitiveness.**

The reality is that our models are past their peak sales period. In particular, some time has passed since the launch of the *MT Series*, which was leading sales in Europe. Sales in Europe were solid last year because production and sales of the new model *TMAX* were progressing well. In North America, off-road sales are healthy, but the high unit-price touring models are struggling. A major influence on this segment is depressed demand amongst the baby boomer demographic.

## **Emerging Markets Motorcycle Business**

**Please tell us about the situation in each market. Indonesia and the Philippines are healthy, but will this situation continue next year and beyond? And in Vietnam, where new model launches have been delayed and competitor attacks have intensified, will the situation improve with new models next year?**

In Indonesia, total demand has been growing since last year. For example, we have observed increasing total demand compared to the previous fiscal year in Java, a major market. In addition to the *NMAX*, sales of which have continued to be healthy, sales of our *LEXi* 125cc scooter launched this year have also been good. We anticipate that steady progress will continue in the fourth quarter and next year. In the Philippines, both total demand and Yamaha Motor sales are healthy. Competitor initiatives are intensifying, but we are projecting that growth similar to this year will likely continue next year. In Vietnam, the tough situation since last year is continuing, with sales this year again falling further than our initial forecasts. In the scooter segment, we are working to reverse this situation next year by planning new model launches along with active sales promotion and marketing. Finally, in India, sales of our specialty - motorcycle-type premium models - are healthy. In the scooter market, where total demand is growing, we are struggling due to competitors launching new 125cc models. We are already making preparations for the future by working on product development.

## **Marine**

**We understand that unit sales are increasing thanks to the ramp-up of outboard motor production capacity. Can you adequately cope with demand with this increased capacity? We also understand that there was insufficient supply to boat builders from the beginning of the year. When should we anticipate that this problem will be resolved by?**

The insufficient supply is already being resolved through the ramp-up of outboard motor production capacity. As the U.S. economy experiences positive trends, it is unclear to what extent demand will grow, but we will expand communication with local sales offices and boat builders to help create a structure to suit the forecasts we develop. We have prepared several plans and will proceed with an appropriate ramp-up of capacity to match demand. While we believe that the insufficient supply in North America has been addressed for the peak demand period next year, the trends to larger outboard motors and for outboards to replace inboard motors are spreading from North America to Europe. We will allocate capacity flexibly while monitoring demand trends as possible to resolve insufficient supply in Europe etc.

**In its recent third quarter business results, Brunswick Corporation reported extremely strong growth in outboard motor sales, and they will further increase production next year. We sense something of a difference in attitude from the explanation we just received from you. Do you have any concerns in your demand forecasts etc.?**

Our forecasts are along the same lines as Brunswick's. However, as the extent of growth is unclear, we will be working to expand sales while monitoring trends more closely than in the past. We believe that demand will strengthen not just in the U.S.A., but in all developed markets including Europe.

## **Robotics**

**Sales of surface mounters are healthy; please give us your comments about the underlying market environment.**

Given the issues which we have been facing such as parts supply, our initial forecasts anticipated results at almost the same level as the previous year. When we reported the business results for the first half-year, we suggested that supply problems may be resolved in the second half-year. While the issues have been solved for some components, overall resolution is yet to be achieved, so we project that unit sales will ultimately be in line with the original forecast.