Overall
You talked about how the overall results were in line with your targets, but could you tell us if any results by business exceeded or fell short of targets? Please also tell us if there were any one-off costs in the first quarter.

The Marine Business exceeded expectations. We expected the market to grow gradually in this first quarter, but large outboard motors grew more than we expected. Our shipments increased in North America and Europe. The Robotics Business fell short of expectations. We had forecast some impact from the economic slowdown in China, but the economy was a little better than our expectations. Our orders received have therefore recovered a little, and we anticipate seeing a further rebound from the third quarter onwards. Even looking at the events of the past few days, it is unclear if and when the U.S.-China trade war will end, so continued careful attention will be required. Our understanding is that there were no one-off costs in the first quarter.

You say that the overall results were in line with your targets, but for the effect of sales increases in the chart of factors impacting operating income, the actual figure in the first quarter was 2.6 billion yen compared to an annual target of 26.4 billion yen. We do not see how the target will be achieved. Large outboard motors seem to make a significant positive contribution to the effect of sales increase. As you increased production of them last summer, we imagine that the first half will tend to show that sales increase effect more. Please tell us how you intend to achieve the 26.4 billion yen moving forward.

You are correct that the Marine Business accounts for the majority of the effect of sales increase. While we mentioned that the net effect of sales increase is 2.6 billion yen, the gross sales increase impact was 9.1 billion yen, over half of which was scale effects of increased sales and production in the Marine Business. This was pulled down by Robotics, Taiwan, Argentina, and Vietnam, and in developed markets, Japan and North America decreased slightly. In addition, as the marginal profit for the Head Office Factory decreased, the Marine Business scale effects were not directly reflected in the results. Moving forward, we will pay careful attention to the Robotics Business as the external environment is more difficult to forecast. In terms of other businesses, we plan to catch up by such means as sales increases in Europe.

It looks like the effect of raw materials in the first quarter was better than you anticipated. Do you anticipate an even better annual figure than your forecasts? On the other hand, though output in the first quarter is always lower, are cost reductions making steady progress toward their annual forecasts?

In the first quarter, there were effects from price reductions (particularly aluminum), leading to an even better impact than forecast. In terms of the market conditions looking ahead, the current aluminum prices may hold, but we have heard that - affected by the supply and demand balance - iron is on an upward trend. We will therefore continue to pay careful attention to raw materials pricing. In terms of cost reductions, we are working to our typical annual pattern, in which the effects of the initiatives taken in the first half become apparent in the second half of the year.

Land Mobility
The operating income ratio in the Developed Markets Motorcycle Business was low; the target was for -5%, but the actual result was -10%. Including structural reform, what plans do you have looking forward?

Operating income in the Developed Markets Motorcycle Business deteriorated by approximately 2.5 billion yen compared to the previous fiscal year. Of that, approximately 1.0 billion yen was foreign exchange effects from the euro. In addition, new model launches in Europe last year were delayed because head office production did not incorporate the local market sales situation and timing, leading to a negative impact on factory profitability compared to the previous fiscal year. These impacts compared to the previous fiscal year were higher in Europe. From the second quarter onwards, we aim to catch up with healthier sales and new model launches in Europe. In terms of structural reforms, we are steadily taking initiatives to reduce fixed costs in order to reach the break-even point in head office production as per the Medium-Term Management Plan announced last year.
Please tell us about the Emerging Markets Motorcycle Business. Operating income in the Emerging Markets Motorcycle Business deteriorated by approximately 3.5 billion yen; we would like a breakdown of this figure. Particularly in Vietnam, where your results deteriorated compared to the first quarter the previous fiscal year due to competitor attacks, we believe that your plan this year was to regain lost ground with the Nozza Grande. We would like to hear about this and the background to the decreased income.

In Indonesia, sales of premium models continue to be more solid than forecast. Vietnam, Taiwan, and Argentina etc. decreased compared to the previous fiscal year. Sales of the Nozza Grande have not progressed as the market launch has taken some time since its announcement at the end of last year. We are actively taking sales promotion initiatives. We plan to launch new models in the future, aiming for the next step in sales expansion using those models as leverage. We have begun our rollout, which includes development of new sales channels.

Please tell us about the market environment and sales situation for motorcycles in India. Should we understand that sales and income are in line with targets?

With the slowdown in GDP growth and braking regulations, total demand fell 9% compared to the previous fiscal year. Our sales are growing in the premium segment, particularly in sports models, but we have not achieved growth in the scooter segment due to this being the product transitional period before the 2020 emission standards take effect. We are continuing with development of models compliant with the new emission regulations. With strong sales in the high-priced range, sales and income exceeded targets. On the other hand, the target for scooters was a small increase in unit sales, which was not met. As a result, yes, we would like you to know that we met budget.

Marine
What is your reading of the business climate on the ground in the U.S.A. from retail and boat shows etc.? In addition, we believe that there were distribution inventories remaining as at the end of last year. Please tell us if this situation was a one-off, or will it typically occur again in April-June, and how inventories affect income in the Marine Business.

The Miami International Boat Show encapsulates the state of the marine business, and this year it was again a hive of activity. It is extremely difficult to make predictions, but local Marine Business managers tell us that demand for large outboard motors is high. In addition, major boat builders are making investments, so we believe that the market for large outboard motors is on a healthy trend. Demand in Europe also continues to be healthy, so we believe that the effects of increased production will not be limited to North America, but also spread to Europe. Most of the inventories as at the end of the year were small and medium outboard motors. As demand in North America continues to be solid, we have also been aiming for growth in the small and medium outboard motor markets, so in some cases, units which could be produced before the increased production of large models were shipped to market early. While demand for large outboard motors has grown considerably, demand for small and medium outboard motors has not, leading to inventories remaining. We are making production adjustments for small and medium models, and distribution inventories are being relocated to Europe. However, we have no concerns as from a global perspective inventories are at an extremely healthy level.

Robotics
You have said that the integration with Apic Yamada and Shinkawa is planned to be completed in July. Are there any schedule changes at the current time?

All agenda items were approved at the Shinkawa Extraordinary Meeting of Shareholders on April 26, so the integration is proceeding according to our plan.

In terms of the impact of the economic slowdown in China on the Robotics business, profitability was more than 20% higher last year despite the situation being the same. We believe that profitability has been falling since the fourth quarter of last year. Please give us details about what sort of dramatic changes have occurred.

Demand continued to be healthy in the first quarter of last year, but due to component supply problems we could not make shipments. The major change since last year has been the significant decrease in demand. In terms of the impact of the economic slowdown in China from the second half of last year, we set our targets for industrial robots anticipating a certain degree of slowdown, but there was an impact on surface mounters, one of our mainstay products. We are not simply waiting for the economy to recover; as orders have recovered in some regions, we are reworking our sales staff structure and begun rolling out wide-ranging sales initiatives to reach areas we have not yet touched.