

# Business Results for First Quarter of Fiscal Year 2021

## Analyst Briefing and Q&A Minutes

### Business Overall

The quarter ended quite well for Yamaha. How much did results for each business exceed the original outlook? Also, please tell us if there was a one-time loss of profit.

The recovery with the motorcycle business in emerging markets was greater than expected. Although Indonesia has not returned to pre-COVID-19 levels, it has recovered more than we expected and is the biggest factor behind our higher numbers. The other factor is cutting costs. Our initial forecast attributed a significant amount to SG&A expenses, but we believed we could reduce them in real terms and we will continue with this approach. For the one-time loss of profit, this is due to the temporary deferment of growth strategy expenses and development costs, and we expect it to occur from the second quarter onward.

How was the operating income of 20 billion yen listed in the year's earnings guidance used for each business? In addition, besides the higher profits in the first quarter, the company has also posted an additional 10 billion yen. Do these include cost aspects or do you expect a higher top line?

While we cannot provide a breakdown by business, we believe the contribution of motorcycles in emerging markets to be the largest. There is also strong demand in the Land Mobility and Marine Product businesses in developed markets, and our outlook for our businesses in these markets is bullish.

The increase in the first quarter was mainly due to strong sales of motorcycles in emerging markets and cost reductions. There are adverse factors that will remain in play for some time, such as slowed production due to part supply delays and the continuing strain on logistics and distribution, but backed by the recovering motorcycle business in emerging markets, we will improve our business structure by accelerating the shift to premium models and systematically reducing expenses.

You mentioned you expect the Robotics Business to perform well in semiconductor-related fields, but on the other hand, are there any risks present in procuring semiconductors as parts for the motorcycle and outboard businesses?

Production has not been suspended to the large scale extent seen with the automotive industry and the impact has remained limited to specific models, etc. Supply of both motorcycles and outboard motors still has not been able to catch up to demand, and even if a model affected by the semiconductor shortage emerges, we are able to keep factory utilization rates high as we switch to different models. We have avoided a major production halt thanks to the efforts of our procurement teams, but we will be closely monitoring the situation in the future.

Regarding the commissioned development of prototype electric motors for Hyper-EVs, I would like to ask about the possibilities for future business development. Will you again look at becoming an automaker or will you focus solely on developing motors?

Since the announcement, we have received both domestic and international inquiries and have accepted some commissions for development. With EVs becoming more common, our client base is expanding. In addition to existing automobile manufacturers, there are entries from electric-related manufacturers and completely different industries, so we would like to link these supply opportunities to our business.

## **Land Mobility Business**

In Indonesia, demand for automobiles is rapidly returning due to government backing. Have there been any positive effects with motorcycles as well thanks to changes in the government's policy? Also, how do you see demand recovering in the future?

Based on the president's statement, we expected the deferment of loan payments to continue until the end of March. Looking at the situation on the ground, the fact is that we are starting to see a return to normal after a very strict tightening of finance regulations. Although there is no substantial support like with cars, the situation has improved and has helped lead to the country's better-than-expected recovery.

It is difficult to predict future demand, but we do not expect it to recover all at once. I think it is reasonable to assume things will continue at the same pace as before.

Please explain the background to the strong sales of premium-priced models in the emerging market motorcycle business. Is this because of new products being launched or an increase in loan payment periods and amounts? Also, is my interpretation correct in that the premium segment is growing and Yamaha has secured ample market share?

More of our customers purchase with cash, so the effect of loans is small. Regarding the shift toward premium-priced models, this is from the greater purchasing power of the upper-middle class. In Indonesia, we pioneered the premium segment with our MAX Series models like the NMAX. As our competitors have also launched models in this field, this will be the market's main battleground. The models sold differ from country to country, but all are firmly resonating with the upper-middle class.

Regarding market share, we are seeing solid gains in the premium segment and have the strongest presence in the field. We intend to keep this in place and grow our sales volume as the segment expands.

## **Marine Product Business**

Please explain the reasons for the Marine Product Business' nearly 20% profit margin for the first quarter and the business' current situation, like the effects of the container shortage, low inventory levels, etc. Also, are there any changes in the demand outlook for the U.S. market compared to three months ago? In particular, I'd like to know if there have been any updates to your demand projections for the second half of the fiscal year.

Outboard motors have very high profit margins. Although the profit margins for our boats are not as high as outboards, they are rising. Cost reductions are also helping and we have built a structure that really helps us secure marginal profits. As a result, the Marine Product Business' overall profit margin has gone up. Further, cutting expenses has been highly effective and contributed to our profit margin.

Regarding the logistics situation, things have not yet returned to normal, but are moving in a good direction. Onsite inventory is still low and the situation is severe, but we are running at full production capacity to supply product as best we can. For the demand outlook in the U.S., three months ago, we said we could not know what will come in the second half, but we have changed our view and expect demand to remain strong.

## **Robotics Business**

Net sales for the Robotics Business are rising mainly in Asia and I'd like you to explain your outlook for the future. Also, Yamaha Robotics Holdings Co., Ltd. (YRH) has seen a considerable rebound in sales, but is still in the red. What is needed to turn a profit?

Demand recovered first in China with vigorous domestic demand and this movement reached Taiwan, South Korea, and other developed markets. The shortage of semiconductors is a tailwind for our Robotics Business and because demand will continue, it is a positive for the industry. YRH's deficit was a problem, but the original plan was to buy a loss-making company and link it to our strategy, and structural reforms are proceeding as promised. In addition, the booming demand for semiconductors has led to an increase in sales, making the business environment extremely favorable, and I think we will be able to achieve profitability this fiscal year. Demand for both surface mounters and YRH is strong and our factories are operating at full capacity.

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