

# Business Results for First Nine Months of Fiscal Year 2021

## Analyst Briefing and Q&A Minutes

### Business Overall

Regarding your evaluation of the results in the third quarter, were there any areas that were far off from the company's original outlook for the July to September period? If so, please tell us the factors involved and to what scale.

In the third quarter, we had favorable exchange rates and strong performance across all products and market regions. Despite production constraints, we worked hard to adjust product allocations to supply high-profit offerings to high-profit markets, and we were able to end the period with considerably higher figures than we originally expected. Thanks to continuing strong demand, we were also able to greatly curb sales-related expenses.

Please tell us the factors behind the large drop in profits expected between the third and fourth quarter.

Due to seasonal factors, the level of operating income in the fourth quarter has always been lower. For this fourth quarter, we still face challenges with parts procurement and expect production at the originally predicted level to be difficult. In addition to the impact of rising raw material costs, labor costs are also soaring. However, we do not believe things are particularly bad compared to an ordinary fourth quarter.

Please tell us what was accomplished in the current Medium-Term Management Plan and what is yet unfinished. If there is something the company wants to ramp up in the next MTP, please share it with us. A general sense of the direction you have in mind is good enough.

We were able to carry out our break-even-point management style. We worked to increase marginal income, curb expenses, and raise profits. We also examined ways to absorb rising raw material prices as much as possible, worked to improve the model mix with measures such as the Land Mobility business' premium segment strategy, and engaged in other activities to raise marginal income.

On the other hand, we strove to cast off past business practices to reduce sales promotion expenses, made real-world sales promotions more efficient by using remote access and the like, all to curb costs. This has had a major impact on improving ROS at all our subsidiaries. If inventory levels normalize from the next fiscal year onward and real-world activities become possible again, there is the possibility that these expenses will rise to some extent, but we believe that they will drive scale increases, model mix improvements, and other factors even further. The Company intends to maintain a high level of profitability as well as an ROS close to 10%.

What we have yet to finish is returning to profitability with motorcycles for developed markets. We were able to maintain profitability through the third quarter of this year, but have reduced production significantly for the fourth quarter. We have not met market demands due to the ongoing shortage of semiconductors and if the situation remains unchanged, we expect to record a slight loss in the fourth quarter. We can ramp up production next year more than we have this year and assuming the current exchange rates continue, I think we will be able to achieve profitability.

Please explain the background to the acquisition of treasury stock. The company seems to be more confident about earnings, but I would like to hear what KPIs are in place for the next Medium-Term Management Plan.

We sold shares we had in Yamaha Corporation in August. This was an extraordinary occurrence that was not originally part of our capital policy or cash flow strategy at the beginning of this year, so we decided to provide returns to shareholders through this acquisition of treasury stock. We are in the middle of considering the direction of shareholder returns in the future, but we intend to flexibly implement such share buybacks.

The impacts of COVID-19, the shortage of semiconductors, and the like have been ever-present factors but is there a possibility that the payment of rebates will become unnecessary across the industry as a whole?

For the past several years now, the company has adopted a policy to stop offering discounts on all products as much as possible and we have made progress in developing a production system that can flexibly replenish inventories to the right levels.

## **Land Mobility Business**

With sales, in considering profitability for the next fiscal year and onward, recovery of the motorcycle business in emerging markets is pivotal. Please tell us the situation with motorcycle retail sales in emerging markets and of the constraints on the supply end. Has there been any change to premium segment models selling well? What is the projected time for settling the parts procurement shortage?

A major factor will be how the resurgence of COVID-19 cases in emerging markets develops. If we assume there is little to no impact from the resurgence, demand remains strong in Indonesia, India, the Philippines, and Thailand. In Indonesia and Thailand, inventory levels are low, so production facilities are running at full capacity to replenish inventory. Inventory levels in the Philippines are normal, so production depends on demand. In India, inventory levels for our scooters is normal and sales are relatively good, but we have an insufficient number of motorcycles in stock. Further, India is allocated only small percentage of our total semiconductor distribution and that is also a factor. We must quickly replenish inventories of popular products such as the YZF-R15 and MT-15. On the other hand, demand in Vietnam will take a little more time to recover. The ratio of premium model sales in emerging markets as a whole has been gradually rising, but these models require a large number of semiconductors, thus they have been acutely affected by the components shortage. Although we do not have a concrete timeline for settling the parts procurement shortage, we believe we are currently facing the worst stage of the situation.

## **Marine Product Business**

Regarding outboard motors, it was mentioned that product supply was on the track toward recovery despite logistics issues mainly in the U.S. We're currently in the off-season, but I'd like to know what fluctuations you expect with purchase inquiries and how you expect unit sales to grow next fiscal year.

As we entered the third quarter, we were able to increase production to respond. The shortage of semiconductors and other parts is affecting the production of all our products but we somehow managing to supply the market with the necessary unit volume.

However, inventory levels at local boatbuilders and dealers remains very tight, and we expect it to take around another year or so for inventory levels to normalize. During that time, we want to maintain high levels of production in order to supply our products. Predictions from the ground are that demand levels will not decline once again in the next fiscal year.

## **Robotics**

The robotics business is doing very well, but I'd like you to describe the business environment and future outlook for the surface mounters already in use and Yamaha Robotics Holdings (YRH).

At the moment, we are selling surface mounters as fast as we can produce them but there is the problem of procuring semiconductors and other parts. However, we are starting to get a better picture on semiconductor supply in the next fiscal year and onward, so we want to take sales up another notch. The sharing of parts between the Robotics business and YRH is moving forward and we will be releasing new products in the future that we believe will lead to improved profitability. The demand environment is strong for both surface mounters and YRH, so we expect to see the business expand with the effects of launching these new products.

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