

## **Land Mobility Business Presentation Q&A Minutes**

### **Business Overall**

What will be your approach for production in five to ten years? What can you do to raise the competitiveness of your production operations?

Until now, we engaged in local production for local consumption, but for the future, we need to change our view to our facilities functioning as a single massive factory catering to the globe. On the other hand, it is not simply about concentrating our production operations into one place, but rather to adopt a system that can react and respond as needed with our business continuity plan.

Please tell us the level of sales contribution from the spare parts business provides and what to expect in the future.

Spare part sales in both developed and emerging markets contribute a great deal to our profits. Since the pandemic has made it difficult for customers to buy new products, they have been purchasing and using spare parts to maintain and use the models they own already.

Motorcycles have been a major contributing factor in improving profitability over the past year. I'm sure cost reductions on the sales front played a part in this, but will you be able to establish a corporate structure that keeps these practices in order to take profitability even further in the future?

Limiting our expenses as well as switching our activities in the field to digital alternatives were significant factors. We also learned that implementing lead management helps raise our sales conversion rate. Yamaha Motor headquarters has also been able to cut business trip expenses by conducting online meetings instead and this has also led to more active communication. We do not intend to return our expenses to previous levels in line with the market recovery.

### **Developed Markets Motorcycle Business**

With the atypical demand trends from the COVID-19 pandemic and the depreciation of the yen, the presumptions we can make have grown to greatly differ from those in the past, but I'd like to hear the progress made and your own assessment of the work to make the motorcycle business in developed markets consistently profitable.

We are on the cusp of achieving profitability. Although the demand for outdoor recreation and personal mobility worked positively for us in some areas, we have faced skyrocketing raw material costs, part shortages, and other difficulties. On the other hand, the structural reforms, market strategies, sales network reforms, and other measures we have implemented are steadily yielding results.

Regarding how we disclose figures for next year and beyond, we will discontinue use of the "developed market" and "emerging market" classification, but continue disclosing unit numbers and the like by country. We are already manufacturing motorcycles destined for developed markets in ASEAN countries, thus the borderlines between the two are already disappearing. As the methods in which we will be allocating development and shared expenses internally are set to change, we will also alter our disclosure methods accordingly.

It was mentioned that immediate demand for motorcycles in developed markets has risen from the bottom up, but to what extent will that demand remain over the next two to three years?

It is difficult to forecast demand from a long-term perspective, but in the medium term, we expect it to grow due to higher personal mobility demand, B2B demand, and the societal trend to avoid using public transportation. In Europe, car parking lots are being replaced by motorcycle parking spaces, while in North America, as demand for family-based outdoor recreation is still growing, we expect this to continue.

## **Emerging Markets Motorcycle Business**

With the premium segment strategy for motorcycles in emerging markets, how will Yamaha win out against its competitors?

The first step is to enhance our brand power via our different model brands. We are preparing to do this with standout model brands such as our MAX Series, which consists of models like the TMAX, XMAX, and NMAX. The second step is to put such lineups to use and get an early start on engaging even higher income consumer segments.

In emerging markets, customers have long used motorcycles and scooters just as a means of travel, but uses will diversify going forward. In line with that, Yamaha is carefully preparing products that will offer new value to these customers. We will differentiate ourselves through new technologies and our Connected models.

I think there is pent-up demand in ASEAN markets and elsewhere. What kind of timing can we expect for seeing this demand manifest in the future?

We also think there is pent-up demand present. While circumstances differ for each country, Brazil is already growing and Indonesia is still growing. We see emerging markets as a whole potentially growing by some 25% from here on, but we do not think demand will lead to the level of overheating we are seeing in developed markets. As with emerging markets, forecasting demand is difficult for developed markets as well, so we will ascertain immediate demand first and form our projections based on that to a degree.

The Indian market presents a massive opportunity. Is there a growing customer segment for which the NMAX and Yamaha's other premium models, which communicate the company's brand and presence, can be sold? In what sort of situations do you see profits rising?

We have the second largest share in the premium segment of the Indian market and our YZF-R15 and MT-15 models have been well received. Yamaha brand recognition is extremely high and our Call of the Blue brand messaging and activities have raised awareness by communicating that Yamaha is the sport bike brand. While we hold just 4% of India's total share, we stand at 15% in this segment.

In terms of moving our scooters to the premium segment, sales of the Aerox, which is built on the same platform as the NMAX, are trending favorably, though it is still primarily for daily use. Going forward, we believe scooters will also shift to premium status like motorcycles are as incomes rise. If we can introduce such models ahead of others and create demand, we will be in an advantageous position.

Our earnings scale in India is still falling short and we are examining possible factory consolidations or closures as well as reviewing our fixed costs. Since the business structure itself is improving, if we can raise sales volume, our profitability will rise as well.

### How will Yamaha increase its share in India's volume zone?

It is difficult to increase sales simply by introducing new models and running advertisements. Consistently running regional campaigns and the like were extremely important in India previously, but we cannot do these like before due to the pandemic. We have, however, resumed conducting small-scale activities in limited areas.

## **Recreational Vehicle Business**

### Your market share in the recreational model segment is up, but are there any strategies in place for securing further gains?

We were able to turn a profit by launching products mainly targeting the recreational segment. Our strengths in the space lie in the outstanding off-road performance of our products and the unquestioned reliability underpinning that, and the key to our success was launching such products with designs well received by the North American market. We are already working on our next move. Going forward, we will capitalize on our strengths while expanding our efforts to other segments while keeping our focus still centered on the recreational segment. We will also maintain our brand policy and image building for ROVs of “fun for the kids and the whole family” and being “your partner in the outdoors.” However, we do need to address the problems presented by the continuing shortage of parts and the labor shortage in the U.S.

## **Carbon-Neutral Strategy**

### Please tell us the company's moves regarding electrification and competitiveness in the space.

First, we will create new markets by bringing electrification to our broad range of products. We consider creating new markets through our product development capabilities to be one of our strengths. Yamaha invented the PAS e-bike by mounting an electric motor and battery on a bicycle and launched it back in 1993. In this sense, we already have a history of creating a large market through electrification. Further, we will develop our businesses perceiving the changing of business models as an opportunity. With electric models well matched with IT features, we want to connect them to the development of new business models. It is easy to focus on electrification as a measure for achieving carbon neutrality, but it is necessary to first examine what kind of battery is good for which product segment and what kind of batteries are likely to be standardized by each region. We will move forward with solutions not limited just to electrification but also ones that cater to a wide range of mobility formats.

### Plans are for electrification efforts to expand rapidly from 2030 onward. What is needed to accelerate this move?

The technology vs. cost equation is not currently where we can actively replace our internal combustion engines. We think we will be able to strike the right balance by 2030. We also estimate that the standards, regulations, etc., for charging infrastructure, such as charging stations and battery ecosystems, will be established around 2030. To accelerate things, collaborating with other companies—including manufacturers specializing in electric products—is one solution. Both the Smart Power Vehicles business and the motorcycle business are collaborating with other companies to up the pace by ensuring compatibility for the products of both companies, and working together on product development and setting industry standards, for example. We will invest in this effort while carrying on our existing business with internal combustion engines, which is generating cash for us.

As electrification progresses in the future, what will happen to the operating income ratio if the model mix deteriorates? Is your strategy to increase profit margins before the shift to electrification speeds up?

If we look at the operating income ratio while accounting for electric models, if we were to simply replace everything with electrics, the ratio would fall. However, if you look at our Smart Power Vehicle business, it is already in the EV business and we have successfully created a high-profit business model with it, so we cannot make sweeping declarations that electric vehicle businesses will lead to lower profitability. It will depend on what kind of business models we can create in the future.

Regarding swappable battery systems, please share the lessons learned so far through the collaboration with Gogoro and the consortium.

With swappable battery systems, we believe the key will be how well we can prepare the charging infrastructure as a cooperative effort. If this task is tackled not only by motorcycle manufacturers but also by electricity and energy companies, we believe there is plenty of potential for swappable battery systems to grow in popularity in urban areas. As for how we move to electric models, we will tailor our development of such products to fit the diverse types of use and needs in different regions and customers, and not only through swappable battery systems.

How do you view the potential of hybrid vehicles?

Besides hybrids, there are alternatives such as electrification, hydrogen fuel cells, and synthetic fuels, and we do not think that narrowing our choices down to a single one is a good strategy because each has potential. We have a very diverse product portfolio that ranges from ATVs to e-bikes, and for the latter, batteries happened to present the best solution for bicycles. As we also have large-displacement motorcycles, we believe there is potential for applying each technology where it will work best.

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