

# Business Results for First Nine Months of Fiscal Year 2023

## Analyst Briefing and Q&A Minutes

### Business Overall

How do you evaluate the company's profits over the three-month period of the third quarter (July–September) from a standalone perspective?

If comparing our results to the same period in 2022, they were weaker, but that is something we expected with our original forecast. In 2022, we made progress with replenishing product inventory and had a strong second half of the fiscal year, but this year has been more of the typical weight on the first half.

What is the reasoning for leaving the full-year forecast unchanged? Also, if there are any risks and opportunities, please share them.

Opportunities include increased production of premium segment motorcycles and scooters for emerging markets; strong net sales in India, Indonesia, and Brazil; lower logistics costs; a lull in soaring material costs; and a weaker yen. On the other hand, inflation is on the rise in Thailand and the Philippines; production in Brazil has stalled due to logistics issues brought on by the Amazon River drought; and outboard motor shipments aren't progressing in Europe. We have factored these risks into our plans as much as possible to present our full-year forecast with relative confidence.

What assumptions do you have with the profitability outlook for next fiscal year? Also, please explain which businesses you expect to do well and ones you believe will struggle in 2024.

Improved semiconductor supply is having a positive effect on the motorcycle business and we will focus our efforts on supplying premium segment models. The Marine Products business is strengthening its product lineup and moving forward with investments, and we will implement supply chain improvements and other measures to create an environment conducive to preventing missed sales opportunities. We are receiving fewer orders in the SPV business and expect adjustments to deal with overinflated inventories will continue into next fiscal year. The Robotics business will likely begin recovering from the second half of 2024. The general picture we expect to see is the motorcycle business and Marine Products business covering for the SPV business and thereby supporting things overall.

What is the aim of the 3-for-1 stock split of the company's common stock?

In anticipation of the new Nippon Individual Savings Account (NISA) system rolling out in 2024, we aim to increase our ratio of individual shareholders. Since our stock price has been increasing, we would like to reduce the price per share and increase liquidity.

## Land Mobility Business

What is your assessment of product inventory levels in the third quarter? Is it possible that the start of full-scale shipments of premium segment models in emerging markets will become a performance driver next year?

Things vary from good to bad depending on the region. The Philippines has long experienced inventory shortages in the past, but in addition to the confusion from the new retail registration system, the country is now also being hit by inflation. Thailand too is being affected by inflation. The situation in Vietnam still remains unfavorable, but demand is starting to return in the north. In Indonesia and India, increased production of premium segment models in the second half of the year is proving effective, but the need to replenish inventory will continue into next year. Brazil was doing well, but the supply network has stalled due to the drought that has hit the Amazon River. Water levels are expected to return to normal within the year, but it will likely take until next year for us to meet the need for premium models.

It looks like Indonesia's macroeconomy is struggling, so why do you expect the market to continue being strong in 2024?

Even within our premium segment strategy, there is a particular focus on connected models. These are not simply products placed in higher price brackets, but rather part of pushing the uniqueness of Yamaha Motor. We have made it possible for customers themselves to acquire information like ride records and maintenance needs. Since we have directed efforts here ahead of our competitors, we have been able to differentiate ourselves from them. We plan to increase production of the NMAX and XMAX models, our main offerings in this space.

What is the situation with semiconductor procurement for premium segment motorcycle and scooter models?

The supply of semiconductors itself is in good shape. On the other hand, we need to bolster our handling of components for peripheral devices, so now the challenge is to increase supply of those as well.

## Marine Products Business

Were there any changes in demand trends for large outboard motors compared to the second quarter?

The overstocking of small and midrange outboard models continues and we are conducting inventory adjustments for larger models in the 150–200 hp range. 200+ hp models are performing well and progress is being made with sales as well as restocking inventory. U.S. dealers and boatbuilders have entered the off-season and are beginning their preparations for 2024. We expect demand for large outboard motors to remain robust.

The Marine Products business posted lower earnings when looking at the third quarter alone. Has the impact of inventory adjustments with small to midrange outboard models been significant?

We are augmenting inventory adjustments by tightening shipments of small outboard motors. Inventory adjustments are also making headway at our dealers and boatbuilders, but product stocks at our major subsidiaries continue to rise.

Instead of pushing product into the market by ramping up sales promotions, we will conduct adjustments with an eye on the business in 2024. Unrealized profits are also having a negative impact on the business.

The market is concerned about the deteriorating demand for large outboard motors, so what are the factors you believe will equip the business for growth among such circumstances?

We are in the middle of addressing bottlenecks in our processes in order to improve our production efficiency with large outboard motors. We are also planning investment decisions and the expansion of our product lineup, which is falling behind. As in the past, barring a major economic recession, outboard motor sales are stable. This is due to demand for switching from inboard-powered boats to outboards and this trend remains unchanged. We are making preparations to firmly capture the opportunities this presents.

## **Robotics Business**

What sectors of the market have bottomed out? How certain are you of a recovery happening next fiscal year?

By product, surface mounters have been affected by the declining demand in core industries, such as cell phones and PCs. On the other hand, we are capturing stable demand from the automotive sector, such as EVs and CASE-related products. In addition, demand for semiconductor manufacturing equipment meant for generative AI applications is on the rise. The Chinese market accounts for the majority of the Robotics business' sales overall and is expected to moderately recover from the second half of fiscal 2024. Under these circumstances, we are making progress with our factory expansion, while at the same time striving to reduce costs and transitioning to using shared platforms in order to improve our marginal profit ratio and overall profitability.

## **Medium-Term Management Plan**

It looks like you are on track to exceed both the net sales and profit targets in the Medium-Term Management Plan in 2024. What kind of discussions are underway for the next Medium-Term Management Plan?

We look to achieve all the KPIs laid down in our current Medium-Term Management Plan (2022–2024). The SPV and Robotics businesses are two growth businesses that have currently stalled, but their respective markets will recover going forward. Overstocking has put the SPV business into a prolonged adjustment phase, but with the rising importance of carbon neutrality, demand is sure to return. The Robotics business is experiencing a stagnant Chinese economy, but demand for AI-related products is strong and while it may come at a different period, we expect the business to get back on its growth trajectory. As for new businesses, we are continuing to sow seeds, including the biotechnology company introduced on the slide.

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