

Business Results for Full Fiscal Year Ended December 31, 2024 and New Medium-Term Management Plan Analyst Briefing and Q&A Minutes

Business Overall

Within the entire new Medium-Term Management Plan, what KPI will you focus on the most?

In terms of businesses, we will focus and invest our resources in our core businesses, i.e., the motorcycle and Marine Product businesses. In particular, we want to grow the volume and returns of these core businesses, but also incorporate structural reform-like scenarios into the motorcycle business. We will not be changing the overarching strategy for the Marine Product business. As for financial indicators, we are looking at things from a stability and continuity perspective, and will work to maintain our current financial standing while making leverage work for us. We are on very solid financial footing right now, so we are currently looking for the right timing to put the company on a growth track.

Regarding the shareholder returns part of the new Medium-Term Management Plan, I don't believe it has changed significantly from the previous plan, but I do see that the wording has changed from "40% range" to "Over 40%." Also, you plan to conduct share buybacks over a relatively short period, but will you provide additional shareholder returns in a flexible manner?

In the new Medium-Term Management Plan, we purposely made the total payout ratio for shareholder returns "over 40%." While we are experiencing a dip in profits right now, over the medium term, we have steadily generated profits and would like to make returns to our shareholders. Going forward, we intend to maintain our ROE level while providing consistent returns in a flexible manner, carefully considering the balance between making investments for further growth and providing returns to our shareholders. Additional shareholder returns will be something we consider as we get a better view of our cash situation and profit levels in the future.

I feel a strong overall sense of stagnation. With New Businesses in particular, the target in the previous Medium-Term Management Plan was 30 billion yen, but the actual figure recorded fell significantly short of that at just 3 billion yen. M&As and other moves seem possible, but what are you going to do outside of your existing businesses?

Until now, we decided to take on various fields presenting challenges we felt were worth giving a shot. However, ordinarily, one should have a technological base established before considering M&As. We have changed approaches with the new Medium-Term Management Plan and defined new core competencies: Energy Management, Intelligent Systems, and Software Services. Within that framework, there is the potential for M&As with technologies and fields Yamaha Motor itself must hone as well as in new areas that we will take on for the first time. We will consider making investments once we have a clear picture of possible commercialization. However, there will also be times when we integrate already business-like entities like mobility services directly into our business.

Land Mobility Business

The target operating income margin for the motorcycle business is 10%, but couldn't it be higher? Please explain your reasoning for this, given the potential of the Indian market and the upfront investments toward electrification.

Regarding the operating income margin for the motorcycle business, analyses have shown that there are some areas where we have overinvested. The issue now is how to make allocations without negatively impacting the value we offer our customers. We are starting to see a timeline for profitability improvements, but this is still likely going to take time. For India, looking at our share in the premium segment as well as the country's demographic and disposable income trends, this area is going to continue being a good source of profit for Yamaha Motor. We are currently working on laying the foundations for building sales channels and launching connected vehicles. We have already acquired millions of Yamaha Motor IDs through these connected vehicles and by coordinating this data with social media platforms and the like, we will strengthen our digital-based business tools going forward. India is projected to be the first among emerging markets to fully embrace digitalization, and we will focus our efforts there as a region where we can take on new challenges, including electrification.

Please share the risks and opportunities you see for the motorcycle business in fiscal 2025.

In terms of opportunities, based on our premium segment strategy, we will secure profitability by expanding sales of models with high marginal profit ratios. We are also making conservative plans around exchange rate fluctuations. As for risks, we expect material and labor costs to spike upward, but are forecasting higher profits even with these risks in mind.

Looking at the results forecast for 2025, you expect motorcycle unit shipments to exceed the pace of total demand growth, so could you please explain the background to this?

In emerging markets, we are focusing on pushing premium models like the NMAX and AEROX. While we are experiencing a shortage of production parts in some areas, there is strong demand in Indonesia and the Philippines, so once we are able to properly supply product, we believe we can grow our market share. Besides launching attractive models, we are also building up our sales networks. In the Indian market, for example, we are focusing on opening more and more of our Blue Square premium dealerships and we currently have nearly 500 of them operating. It is crucial that we properly supply the Indonesian, Indian, and Philippine markets with the Yamaha models they find popular. We also expect supply issues for some parts to be resolved in the second half of the year.

Please share your forecast for the motorcycle business in Brazil, Indonesia, and the Philippines.

Until now, Brazil has been a step ahead of the competition in terms of raising prices. We do not believe this year will be the same as last year, but it is a region where we can secure ample profitability. In Indonesia, demand has been somewhat sluggish since the end of 2024 due to the higher VAT rate that was implemented, but it is expected to remain robust over the medium to long term, and since we released new

NMAX and AEROX models last year, we are hoping to see more sales materialize. In the Philippines, we recorded some good results as we built our sales network, but our market share has been falling in recent years. This is a market where dealers are highly influential, so we will work to boost the appeal of our products in segments where we have a strong foothold.

Marine Products Business

I have a question regarding your strategy for the Marine Products business. In the new Medium-Term Management Plan, will sales and ROIC go up due to growth driven by improvements in the market or measures you expect to be effective? I don't see any major changes to the strategy from before, so what are the changes?

Our large outboard motors are not only falling behind the competition but are also trailing in terms of innovations. Accordingly, the first key point of our strategy is large outboard model development, and I think we will be able to show some results in the latter half of our new Medium-Term Management Plan. We expect an even larger segment of outboards is set to be added to the large outboard category, and for boatbuilders, these will become a new draw for customers. We are now investing our development resources to aim for one or two levels higher than before. The second key point is upping production capacity. The bottleneck when it comes to increasing large outboard production is the need for volume with the number and size of parts. We are increasing our capacity in ways that enable flexible production. We are pushing to accelerate the timelines for both these points. Also, we will continue driving our Marine CASE Strategy with M&As being on the table, similarly to how we acquired Torqeedo and invested in Skipperi during our last Medium-Term Management Plan.

Regarding the expansion of production capacity for large outboards, how much has it gone up over the past three years and how much more do you plan to raise it over the next three years?

Models with 150 or more hp are considered "large outboard motors." We plan to make investments in stages in order to increase production at the Fukuroi South Factory by 20% and then by 50%. However, the timing of these moves will be decided upon while closely watching the changes enacted by the new Trump administration.

Regarding the business' operating income for fiscal 2025, you mentioned that you believe the company can stage a self-driven recovery by completing inventory adjustments in North America, but at the same time, SG&A expenses are higher. Is this a temporary thing due to launching new products? When can you expect to see improvements?

Our investments for large outboard motors will start to show results in the second half of the new Medium-Term Management Plan, so right now is a period of preparation. Also, in shifting over to IFRS standards, we began recording R&D spending under SG&A expenses and this makes them appear high, but in actuality, we are exerting a healthy degree of control over our SG&A expenses, so they are not necessarily excessive. We also expect both sales promotion and R&D costs to peak out during the new Medium-Term Management Plan.

Regarding the current situation of customers being hesitant to purchase outboards, please explain the particulars of this by horsepower segment.

Last fiscal year, demand for small to midrange outboards recovered first, but demand for large models continues to be in a wait-and-see phase in light of the economic policies enacted by the Federal Reserve. In addition, this wait-and-see phase is also true for the policies and trends being established by the new Trump administration in the U.S. On the other hand, we have seen some movements among boat show visitors, so we expect demand to reverse at some point.

Outdoor Land Vehicle Business

You do not expect the ROS for the OLV business to surpass the hurdle rate in the new Medium-Term Management Plan, so it seems like there is some room for structural reforms. What kind of KPIs or criteria do you have for deciding whether to withdraw?

Within the OLV business, the main market for our recreational vehicles is the U.S., but we believe we can expand by linking them with our motorcycles, personal watercraft, and other products. With model development as well, until now, we have conducted product development projects individually but are now considering optimizations like adopting shared platforms for golf cars, recreational off-highway vehicles, and ATVs. Integrating the recreational vehicle and golf car businesses into one entity is how we will take on new fields as the OLV business. We believe the U.S. market will gain steam in the future and in order to showcase technologies unique to Yamaha Motor, we will sow the seeds of new challenges during this new Medium-Term Management Plan. Once these preparations are done, we believe that our ROS will recover.

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