

Business Results for Third Quarter of Fiscal Year 2024

Analyst Briefing and Q&A Minutes

Business Overall

Your original forecast for the full year has been revised downward. What has changed since your previous earnings announcement?

With our third quarter results, while the motorcycle business performed well, it wasn't enough to make up for the adverse results recorded by the Marine Product, Recreational Vehicle (RV), and Smart Power Vehicle (SPV) businesses, and the results for the period were below our original forecast. As for changes from the first half of the year, the North American market has been slower than we expected, and this heavily impacted the SPV and RV businesses. We had anticipated that there would be a certain degree of inventory buildup in both businesses and had taken measures to deal with this, but we are struggling, due in part to the aggressive moves made by our competitors. In the RV business, we had been working to reduce inventory by selling products with rebates, but we believe now that a review of the business' structure is necessary.

I would like to know if the change in company management will have any impact on the approach to running the company or the formulation of the next Medium-Term Management Plan.

The change in management will not affect anything. We are currently preparing, as scheduled, to announce our new Medium-Term Management Plan for the next fiscal year.

Land Mobility Business

I would like to know the reasons for the decline in operating income in the motorcycle business in the third quarter not just compared to the same period as last year but also from the second quarter of this year.

In our case, business performance each quarter fluctuates with the seasons, the timing of new model introductions, and other factors, so we track and manage performance on a cumulative basis, comparing it against the previous year and targets. For this third quarter, the motorcycle business recorded both higher revenue and profits year on year and against our targets, even when excluding the effects of foreign exchange rates. We expect Brazil, India, and Indonesia to continue driving the business' performance going forward. Further, in the same period last year, solving our semiconductor shortage issues brought a recovery to supply operations and revenue increased more than usual. The effects of that are partly why profits this fiscal year appear to be smaller than last year's.

There are some countries like Thailand and China where their market in general is declining, but on the other hand, Vietnam and other countries with markets that had been stagnant for some time are now starting to turn positive. Overall, there have been no major changes in the trends seen thus far in the motorcycle business as a whole.

The losses in the RV and SPV businesses were larger than expected, but are there any one-off factors? I would also like to know why you decided to start structural reforms at this time.

We made a downward revision to our operating income forecast for this fiscal year from 260 billion yen to 235 billion yen, but the chief reason for this is the impact of one-off expenses aimed at next fiscal year. In the third quarter, the SPV business conducted inventory write-downs of inventory and parts as part of its structural reforms. These are forward-looking costs for the next fiscal year, and we plan to record them as much as possible during the current fiscal year. The reason for this timing is that we are taking the current market situation, with demand being stagnant, into account. We decided to begin this review of the businesses at this time so that we can make good sales when the market gains speed.

Marine Products Business

I would like to hear about the progress made with optimizing your outboard motor inventory.

Inventory adjustments are progressing mostly as planned and we believe that we can recover unrealized profits by the end of the fiscal year. Currently, market conditions are slower than expected, but we believe that if interest rates fall in the U.S., demand for outboard motors will gradually recover. When that happens, we will be able to conduct business in the usual fashion with production, shipping, and retail sales.

The results of the U.S. presidential election are likely to have an impact on the outboard motor business. I would like to know about the risk of increased tariffs and your countermeasures.

At present, most of our outboard motors are produced in Japan and are praised particularly for their quality, namely reliability and durability. For this reason, we have no plans to move our production base overseas to counteract tariff risks. We will respond dynamically to changes by enhancing our capabilities to respond to risks through measures such as strategic adjustments to production, export, and inventory management.

END