

New Medium-Term Management Plan (2025–2027)

Smart Power Vehicle Business | Analyst Briefing and Q&A Minutes

Date/time: March 13, 2025 (Thu.) from 15:58 to 16:20

Venue: Zoom (online meeting)

Presenter: Kenichi Muraki, Executive General Manager of Smart Power Vehicle Business Unit

You explained that going forward, you will allocate resources to your e-Kits and complete Yamaha-brand bicycles for the Japanese market, but where were your original projections for bringing complete eBikes to overseas markets off target? Besides the drop in demand that came with the end of the COVID-19 pandemic, were there any structural factors or changes in the competitive environment?

We have our sales channels for motorcycles overseas and made a bold decision to try selling eBikes through them, but the products we had on offer did not always match up with what customers visiting motorcycle dealerships were looking for, so we see this as the customer base simply being different. We also tried new approaches with multi-brand dealerships and other moves, but the spread of COVID-19 halted our efforts to grow our sales channels. Additionally, the pandemic caused demand to spike and after we upped production, the market saw a sudden drop in demand, and these dramatic fluctuations were particularly common in markets overseas.

At your business presentation in 2022, you mentioned that your PAS brand of eBikes makes up the majority of sales in the Japanese domestic market and that the scale of your more high-end YPJ brand of models was still relatively small. Going forward, how do you plan for Yamaha products to compete in the market?

With complete bicycles for the Japanese domestic market, high-end models are proving difficult to sell. It is a high hurdle to entice Japanese customers to suddenly buy a sporty and pricey eBike, but we believe that sales of models that offer a few more features, provide a sportier feel, and are a bit more expensive than the price range of our current PAS lineup will grow at a comparatively faster pace, so we are planning to focus more on this segment going forward.

Regarding your thoughts on market share, you mentioned the emergence of new manufacturers from China and other countries and major clients leaving the industry or changing brands as posing risks, and that the expanding customer base has also presented challenges. Are there share trends or causative factors for those trends over the last few years in the market you can share, and what are your projections for the future? Also, what risks do Chinese manufacturers and the customer base present?

We are positioned in the second tier of global e-Kit players in terms of market share. We have business with both major clients and several other companies, but our business structure has a slightly high degree of reliance on them. When a market shakeup like this occurs, a decrease in orders from the limited number of major clients in the industry has an incredibly heavy impact, and we see this situation as risky. Accordingly, we view gaining the ability to secure new clients, including smaller ones, and working to grow our customer base as being the most pressing and most crucial task we have in the new Medium-Term Management Plan. We expect up-and-coming Chinese brands to launch products that are competitive both in terms of price and performance, and consider this to be a risk we face as well. Our e-Kits have received very high praise from our OEM clients, with their high performance, reliability, and the peace of mind that comes with the Yamaha brand being points we can push. We will make solid steps to advance our Yamaha *Monozukuri* to answer

customer expectations, and effectively apply our knowledge and expertise as the manufacturer that brought the eBike and its drive unit to the world in order to open up new market segments.

Do major clients typically have multiple business partners or usually just one company they work with?

It varies. We supply nearly everything to some clients, while others use products from us and other companies in tandem. We believe we must be diligent in maintaining the relationships we have with clients that mainly use Yamaha, but also believe we need to broaden our client portfolio a little more as well.

I have a question about the electric motors in your drive units. Yamaha uses center-mounted systems, but I believe forecasts point to demand in emerging markets being primarily for slightly cheaper hub-mounted systems. What is the current situation of the market for both types? Also, will center-mounted systems remain the standard for Yamaha's eBikes?

Yamaha Motor manufactures and sells products using center-mounted systems. As for units on the market, we cannot provide any specifics due to the market not having a registration requirement. Hub-mounted motors position heavy parts in the center of the wheel, which is a disadvantage in terms of handling stability. They also require comparatively simpler electronic control, so they often tend to continue operating even after you stop pedaling. Center-mounted motors cluster the powertrain into one location and drive the chain, so the advantage they have is being capable of more precise electronic control than hub-mounted motors. We plan to continue advancing our technologies around center-mounted motors going forward.

A question about the profitability of e-Kits in Europe. I hear that there is quite a lot more competition coming from Chinese brands, electronics manufacturers, and other newcomers. It's expected that the price war is going to get more intense and I think that, structurally, it's going to be harder to turn a profit as well. Will you be able to secure the same high level of profits you have had before with e-Kits alone?

It is becoming tougher to secure profits in Europe with our e-Kits. What is behind this is the intensifying competition and the fading trend of selling components as a packaged set. In our case, we allow our e-Kits to be connected to batteries and display meters from third parties, and we conduct development and offer services to that end in order to grow sales of our drive units. We will make a stronger push to build relationships with third parties and create a product world around our new PW-LINK system, which has enhanced connectivity, and where all sorts of components can be linked together. We want to stand out from the competition with the proven quality and reliability of our drive units. With the performance of the drive unit itself, we also want to work closely with our clients to customize them to fit their needs, but we also want to bring high-performance products to the world, so we are preparing to develop the world's highest performing drive unit.

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