

Business Results for Full Fiscal Year Ended December 31, 2019 **Analyst Oriented Business Information Session Q&A Minutes**

Overall

Operating income forecast for 2019 was 125.0 billion yen, which was not achieved. What factors caused this in the fourth quarter alone?

Although the results showed around 10.0 billion yen below the forecast, I understand that there were four temporary factors. (1) The effect of Indonesia's purchase exchange rate. (2) Golf car quality related expenses. (3) Receivable purchase costs in the financial services business. (4) The elimination of unrealized income in the Philippines due to inventory remaining more than expected.

What are thoughts on the risks other than the novel-coronavirus, or other opportunities in the 2020 plan?

I think there are various downsides and upsides, but at the moment we consider our plans to be reasonable. While Vietnam's total demand in 2019 was only slightly down year-on-year, our sales were down about 20%, owing to mopeds which is an area we are strong in. The company expects that sales will recover to some extent in 2020 through the launching of new models.

India's total demand is expected to decline in 2020, but we expect company sales to remain flat or to increase year on year. With the timing of BS6 model introductions, the company launched 125cc scooters with Blue Core engines common to Southeast Asia, and the interest from dealers has been strong. Our market share may be able to be increased as FI models are also being launched by local Indian groups, and the price gap is narrowing.

In the marine products business, the company plans to reduce income in 2020, by taking into account the slowdown in demand for outboard motors of 150 horsepower or less. As cold weather in the Midwest was quite severe throughout March and April 2019, slow sales of outboard motors of less than 150 horsepower caused stocks to remain. However, I think we can expect a better situation if the weather improves in the early spring of 2020.

Growth strategy expenses have increased compared to previous growth factors. I'd like to ask if this situation is of a temporary or continuous nature.

It is true that growth strategy expenses in 2019 have increased. There will always be ups and downs as we collaborate with the outside world. In the past, our total development expenses have been about 100 billion yen, but in recent years, research and development expenses including growth strategy expenses have been closer 120 billion yen, an increase of 20 billion yen on normal levels.

We have taken the step of placing a cap on expenses to help control them so that they do not blow out any more for this year or the next.

Developed Markets Motorcycle Business

Income improvements stalled for the fourth quarter in this business. In 2020, the effect of new models will be significant, and therefore income will not be generated after this cycle finishes. There are plans to reduce the deficit of the operating loss in 2020, but is structural reform incorporated into this?

It is true that the effect of EU5 models will be significant in 2020. In a market environment in which the total demand for motorcycles in developed markets remains stagnant and has not returned to levels prior to the Global Financial Crisis, the focus now is on structural reforms to eliminate excess supply. Although these structural reforms are not factored into the current figures, I would like to explain about these further when the right time comes.

Emerging Markets Motorcycle Business

With India building a plant in Chennai, and the launch of 125cc scooter models coinciding with the move to BS6, this could be considered as a good opportunity to take advantage over the local players, but what do you think about it in terms of effects for the company?

We will launch BS6 models such as the *Fascino* and *RAY Z* with the intention of increasing sales within a shrinking market. On a local level, we are seeing the dealers becoming more positive and confident that they can aim for greater heights.

Marine Products Business

The forecast for 2020 looks conservative. Also, in terms of increased expenses, is this plan at a realistic level?

In terms of supply chain movements, market inventories have hardly changed. Boat builders are running out of stock. At this time last year, shortage in our supply led boat builders to secure inventory, but as supply capacity increased throughout 2019, boat builder inventory decreased, and our own inventory has now increased.

It is a conservative plan when taking into account the possibility that boat builders will place more importance on supply chains rather than on holding stock.

Therefore, we consider this a realistic plan when factoring the increase in expenses due to development of boat steering systems in the United States which require further labor costs and system development for securing high-level engineers.

Financial Services Business

What kind of effects can we expect to see from independent financial operations in the United States? Will there be any ripple effects occurring on other businesses?

The advantages of independent operations are that they not only include saving fees due to the partnering with external financial institutions to date, but also bring cost reductions by sharing credit screening methods, loan information, and sales activities. They also have the ability to help launch promotions more quickly and build systems in order to help not miss business opportunities.

The impact also affects all businesses, especially motorcycles, RVs (Recreational Vehicles,) and marine products. In the future marine products business - which has many prime customers - we expect effects that could not be achieved until now, such as the possibility of expansion into outboard motors etc..

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