Business Results for Full Fiscal Year Ended December 31, 2020 Analyst Briefing and Q&A Minutes

Business Overall

Please tell us about the risks and opportunities you see regarding the 110 billion yen in operating income in the 2021 performance plan.

Firstly, for leisure vehicles for developed markets and for land mobility products meant for certain ASEAN countries and India, the biggest bottleneck we have is production. Demand is high and we are getting an uptick of orders from dealers. The problem is that the entire supply chain cannot immediately respond to the rapid rise in demand. For some parts, we're already operating at full capacity. Second, there are not enough containers and ships from Asia heading to Europe and the United States. There are certainly upside opportunities, but demand in developed markets falls when it gets cold, so considering the lead time for loading the ships, how much we can ship by early April will be key.

Regarding the consolidation and relocation of domestic production sites, please give us an idea of the scale of expenses as well as the financial effect you expect to materialize when everything is complete.

The company plans to invest 14 billion yen by 2025 and this includes closing the Hamakita Factory, the consolidation of certain operations from the Nakaze Factory to the Iwata Main Factory, and the accompanying layout changes at our headquarters. Apart from this investment, we expect to incur just under 3 billion yen to cover relocation costs and other expenses in our spending plan. Regarding the financial effects of these measures, we would like to refrain from disclosing figures at this time.

As president, what do you think is the next driver of growth?

For future growth, we are working to increase added value by envisioning our outboard motors, sport boats, personal watercraft and other marine products with steering systems as part of complete boat packages. I believe there is still room here for growth. With robotics, we will grow our returns from the effects of M&A. Toward electrifying mobility, it is possible for us to launch and sell battery-based EVs, but there are risks in terms of their impact on profitability and whether or not they offer real value to customers. On the other hand, we are developing new forms of value like never before, such as the MW-VISION concept unveiled at the last Tokyo Motor Show. There are ample opportunities for personal mobility to grow in these areas. In addition, we have narrowed down our new business aims to four areas and are looking to make them full-on operations by 2030 to capitalize on these opportunities.

Please explain the thinking behind the dividend payout ratio. With a dividend of 90 yen this time, the payout ratio will be about 44%. This looks higher than previous standards to date, so what is the intent behind this?

Although our dividend payout ratio standard is about 30%, this is not just a numerical guideline. It emphasizes providing stable and continuous dividends. The payout ratio will be higher in 2021, but there is the desire to meet that target. Further, we include reviews of the payout ratio in our discussions for the new medium-term management plan. When the plan is announced, I will give a slightly more detailed explanation of our payout policy.

Land Mobility Business

The medium-term management plan was aimed at turning the motorcycle business in developed countries profitable by 2021, but the plan will raise the deficit. Please explain the background behind this gap.

The biggest reason is the increase in expenses. This is comprised of (1) an increase in promotional expenses to grow sales scale, (2) higher growth strategy expenses, (3) higher development costs to cover for the delays in 2020, and (4) the risk of soaring logistics costs due to container shortages. For the promotional expenses, some areas have returned to 2019 levels, so we will do whatever we can to bring these down and minimize spending. In comparison with the medium-term management plan, the cumulative target for structural reforms at the end of 2021 is 10 billion yen, and while some have been carried over to 2022, we still want to get as close as we can to our profit targets. I think achieving profitability early on in our next medium-term management plan is a realistic goal.

In India, the introduction of new BS6-compliant products has surpassed the market and wholesale sales are progressing. What are the next steps needed or issues to address for sustainable business expansion?

Coronavirus cases have dropped significantly and total demand has mostly returned. The market is continuing to mature, with premium segment sales increasing among other developments. We expect things to peak around 2027. Over the next 10 years, we anticipate the number of households with a disposable income equivalent to 1.5 to 3 million yen to grow by 250% compared to today, and for motorcycles to shift from essential items to recreational purchases. Our strength is premium-priced products for the upper-middle class and we believe opportunities to expand sales of our products will continue for the next 10 years.

I would like to hear more about your measures for electrifying motorcycles. Can you provide an update on whether or not you can come up with a profitable business model?

Since the Japanese government announced its commitment to achieve carbon neutrality by 2050, we believe it necessary to accelerate our electrification plans and are reexamining our targets. Regarding the batteries that will be crucial for electrification, we are participating in the exchangeable battery consortium and conducting field tests in Osaka. We would like to work on small swappable batteries for commuter models as a field for collaboration. For big-displacement models, we are proceeding with various studies for each displacement class.

Marine Products Business

Please tell us the factors that led to higher expenses in 2021. How are you handling the problems of container and semiconductor shortages?

The higher expenses came from sales promotion, PR, and advertising costs to expand our scale as well as development costs. We have some leeway to control our sales promotion spending and want to improve this. We expect development costs to be high for the electronic control systems needed to create our next set of mainline engines and to carry out our system supplier strategy. The shortage of semiconductors has had no effect on production so far, but we are struggling on the logistics front with the shortage of shipping containers.

Regarding the inventory levels for marine products, is it possible that inventory will run out in the upcoming high-demand season? Has this weakened your profitability plan?

Inventory has not piled up and our products are almost entirely sold out. Currently, we are operating at full capacity to bolster supply, but the container problem is a factor. We plan to build up inventory to an appropriate level, but if sales progress, our inventory will fall. We will decide whether or not to increase production in the second half of the year based on our sales situation in the first half.

Robotics Business

I think this is an unprecedented boom in semiconductor investment, so please tell us about the current situation, including the automotive sector.

Yes, the semiconductor market is experiencing an unprecedented period of demand, and we are pushing ourselves to see how many we can make. We want to move forward meeting the expectations of this boom in demand, including how we make shipments. Semiconductors are a large element and the automotive sector has seen each company begin to move on from their caution last year. With Yamaha Robotics Holdings, which we made a Yamaha Motor subsidiary in 2019, we aim to diligently perform PMI and achieve profitability. We also want to further automate our industrial robots.

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