

Business Results for Full Fiscal Year Ended December 31, 2021

Analyst Briefing and Q&A Minutes

Business Overall

It seems that 2021 was a year in which expenses were significantly lower and profits was more than usual. How much progress was made in curbing expenses in real terms? Please summarize the risks and the opportunities for FY2022 earnings forecast. To what extent is the impact of raw materials and logistics costs reflected in the plan? Please tell us the certainty of the forecasted 190 billion yen operating income.

Benchmarked against pre-Covid 2019 level, advertising/PR expenses and global travel expenses have been reduced significantly. Specifically, dealer meetings and product launch activities were switched to remote environment resulting in cost reduction. As these activities are considered variable cost, the ratio to sales improved by approximately 1%. Going forward, by combining using the fields events and the remote operations, we may be able to curb return of the cost by around half. Global travel expenses have also declined around 10 billion yen, and we do not expect all of this to return. We will make sure that we do not return to the pre-Covid cost level.

One of the risks to the 2022 earnings forecast is cost increases. Cost has risen so much that we believe it has plateaued. The other is the supply chain. Although there is limited demand side downside risk in the current fiscal year, our challenge is whether we can sell and ship as planned. In terms of the shortage of semiconductor parts, from April onwards, we have been able to work with most of our business partners to either change specification and designs to switch to available semiconductor parts or receive timely procurement. As a result, we believe that we will be able to resolve the risk of production cutbacks due to the shortage of semiconductors parts in the second quarter and recover from the first quarter production cutbacks. On the opportunity side, current cost assumption is built on an after-Covid base, which leaves room for possible expense reduction.

It says that the risk of production cutbacks due to the shortage of semiconductors has been reduced, but according to the comments from other automobile manufactures, there is still some uncertainty. Please tell us if the situation for motorcycles is different or if YMC's situation is different from that of other companies.

We are not able to comment on other companies because we do not know the circumstances in detail. However, we have been able to work with our business partners to almost resolve such cutback risks. The difference from automobile manufacturers is probably that the number of semiconductors used for electric control varies greatly. We have been able to set our sights on resolving the issue and plan to recover from the first quarter production cutbacks.

Land Mobility Business

Please tell us the risks and the opportunities in the motorcycle business in 2022.

Risks include soaring raw material and shipping costs. The sharp rise in the price of precious

metals, such as rhodium, has a particularly large impact. For opportunities, we are seeing strong demand. We aim to increase profits through both cost reductions and passing on price increases.

In the FY2022 earnings forecast, there is an impression that the level of volume increase in Indonesia, Vietnam, and the Philippines is smaller than expected. Is it the case that there is demand but production cannot keep up?

In terms of the situation of motorcycles in ASEAN, amidst the recent expansion of Omicron variant, governments have changed their direction to live with Covid and keep the economy running. Plan for Indonesia looks conservative so we see strong upside. Aside from the impact of semiconductors, we expect demand to recover gradually as opposed to an instantaneous recovery. However, if demand is strong, we will be able to respond without problems in terms of production.

Robotics Business

In the 2022 earnings forecast, Robotics business is planned to realize both sales and profits increase. Please tell us specifically which fields will grow.

One of the biggest drivers is the growing use of semiconductors in the automobile CASE field. Demand is strong in automobiles and related businesses. Another driver is in the field of information processing, such as 5G. In addition to base stations and handsets for 5G, we see data centers, and sensor equipment used in Camera as another source of driver. Other than this, demand is solid, especially because FA robots are being incorporated into the manufacturing automation of EV batteries.

Medium-Term Management Plan

Business Overall

Please tell us about the shareholder return policy under the new medium-term management plan and the balance between share buybacks and dividend payout ratios?

The company aims for a total return ratio of 40% in the cumulative period during the new medium-term management plan. We intend to provide stable and continuous dividends and implement flexible returns through share buybacks.

Please tell us what returns the growth strategy expenses are generating. It would deepen our understanding of your growth strategy efforts if you could disclose us periodic updates of the returns on past growth strategy expenses.

Returns on growth strategy expenses in the medium-term management plan have also been pointed out by the Management Committee and the Board of Directors. In reality, we are first conscious of creating value that meets market needs. Within the period of the current medium-term management plan, only existing businesses and the low-speed automated driving

vehicles/ mobility services business have measurable performance indicators such as sales and profits. Otherwise, we are focused on creating value. Going forward, we will consider ways to disclose this information, including the returns on past growth strategy expenses.

How will the break-even point of sales change under the new medium-term management plan? How resilient will you be during the time of deteriorating external environment?

We will increase the stability and profitability of existing businesses. On the other hand, customers' purchasing behavior will also change in response to Carbon Neutrality and Digital Transformation. We think that the younger the generation, the more e-commerce friendly purchasing behavior will be, and we must promote the creation of new value. We will increase profitability and generate cash in existing businesses to be used for future growth. More emphasis will be placed on growth over stability. We are asking each base to be aware of our break-even-point management and we are making steady improvement. On the other hand, for the purpose of external disclosure, growth strategy expenses used for company-wide perspective are allocated to each base, making it difficult to see the break-even point, so we will devise a way to show this.

Marine Products Business

How does the marine CASE strategy change from the system supplier strategy? Will it change from the conventional profitable business style of shifting to selling larger outboard motors and improving the product and volume mixes.

CASE strategy is an extension of the system supplier strategy centered on large outboard motors. C stands for Connected to become a part of the system and to provide a sense of security over the water. A stands for Autonomous to enjoy automated driving and comfortable marine leisure. Helm Master EX have already been introduced and achieve close to Level 3 in the autonomous driving. E pursues comfort. We are developing an engine/electric hybrid boat, which uses an engine when moving quickly and an electric motor when playing quietly. In other words, C, A, and E will be a single system, and this will be utilized in Shared world. We aim to increase the number of Shared customers and raise demand by utilizing C, A, and E for people unfamiliar with driving. The company is also looking to expand overseas in the future.

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