

Land Mobility Business Presentation for Investors

November 29th, 2021



Takuya Kinoshita
Chief General Manager of Land
Mobility Business Operations

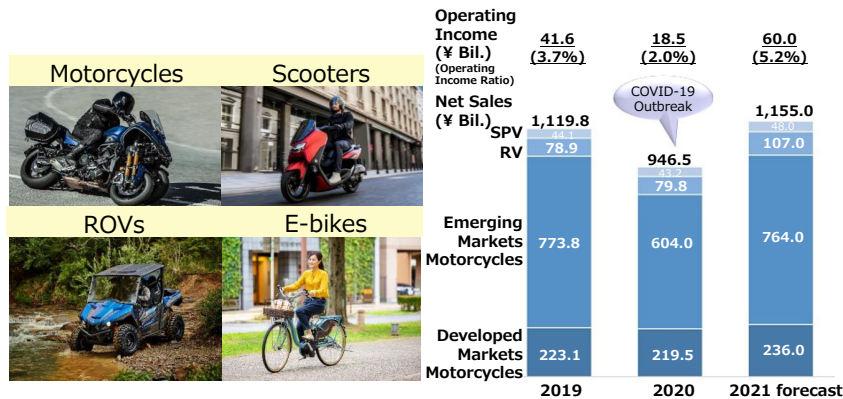
Land Mobility Business

Thank you for attending Yamaha Motor's Land Mobility Business Presentation today. My name is Takuya Kinoshita and I serve as the Chief General Manager of our Land Mobility Business Operations. I'm glad to be here to introduce our business, current developments, and more to you all today.

Land Mobility Business



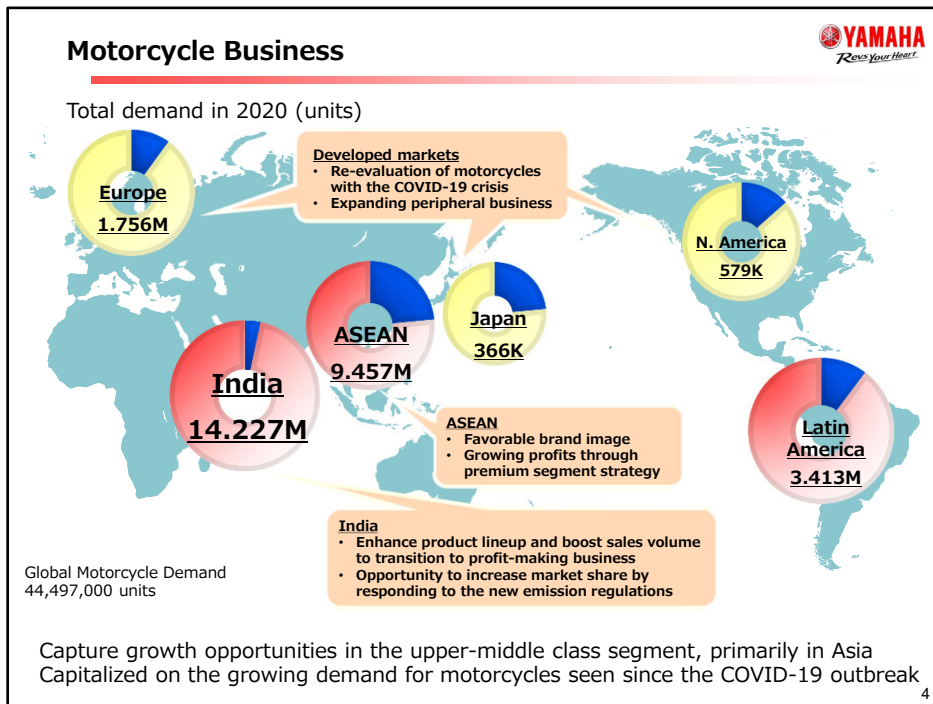
- Motorcycles have been a core business since our founding
- Raise management efficiency and product competitiveness to establish a stable profit structure



3

First, let me begin with an overview of the Land Mobility business. The products falling under this business are our motorcycles, scooters, ATVs and Recreational Off-highway Vehicles, electrically power-assisted bicycles—or e-bikes—and electric wheelchairs. Motorcycles have been a core business for us since our founding, and in recent years, the business has comprised about 60% of our overall net sales.

Going forward, we are aiming to create an even stabler profit structure with this core business serving as the foundation.



Let me briefly go over current motorcycle demand on a global level. There are several figures and pie charts shown here, but the parts in blue indicate Yamaha Motor's share in each market area.

The three yellow pie charts are for overall motorcycle demand in developed markets. This slide shows total demand for 2020, but in 2021, the numbers have grown some 10% compared to 2019, indicating a growth in demand from the bottom up. Further, the inherent advantages of motorcycles and scooters are being reevaluated by the buying public, and while this has contributed to our own growth, we are also launching new endeavors to expand our related businesses leveraging our digital transformation efforts.

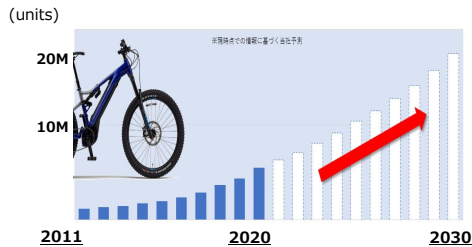
Next, the red pie charts represent emerging markets, and overall demand here has fallen about 25% compared to 2019's numbers. Yamaha has won high brand favorability primarily in ASEAN markets in recent years and we are securing greater profits with our premium segment strategy. If comparing demand during the COVID-19 pandemic with projections after its conclusion, we believe there is room for demand to grow back to the same level as 2019's numbers.

In India, we are also implementing a similar market and premium segment strategy, and we are starting to see our operation there transition into one that actively contributes to the company's profits.

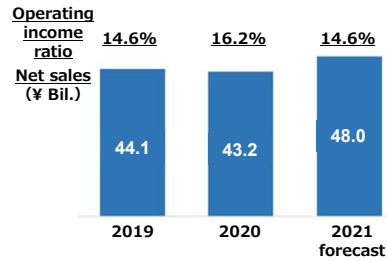
Smart Power Vehicles Business



Total demand trends for E-bikes in Japan, the United States, and Europe



Business performance

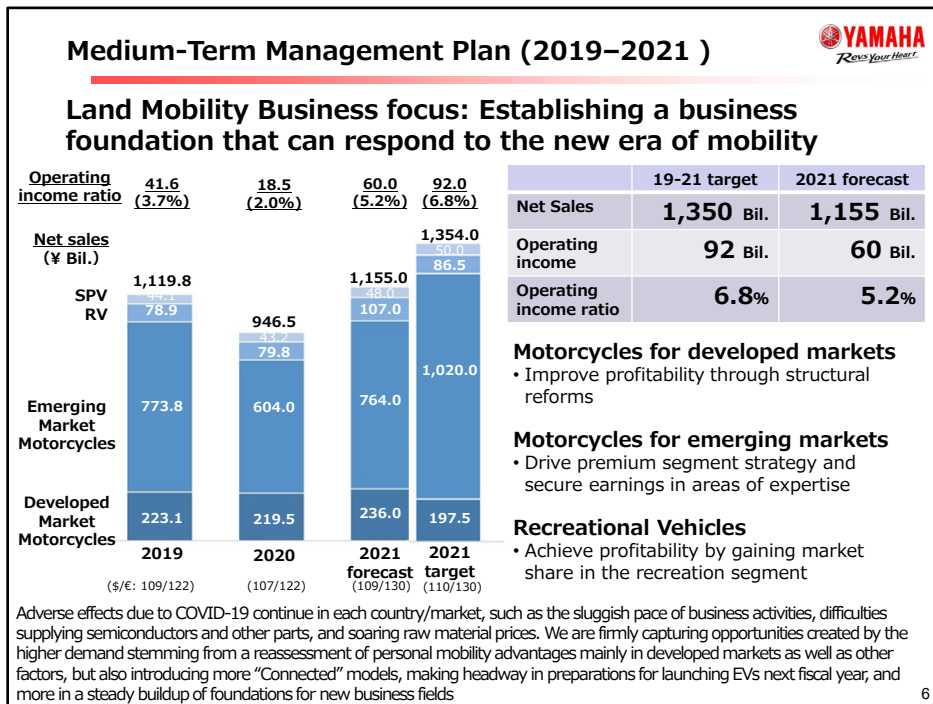


With drive units at the core, achieve business expansion of both OEM/CBU operations and transform mobility through vehicles that put top priority on human perceptions

5

Next, I'll explain our Smart Power Vehicles business, which is experiencing incredible growth. As you can see in the graph at the left, the market for electrically power-assisted bicycles is expected to nearly triple in size over the next decade, primarily in developed countries. As this trend begins to gain steam, the business has maintained a high operating income ratio while increasing sales.

In 1993, Yamaha launched the PAS as the world's first electrically power-assisted bicycle, an invention mounting an electric motor and battery on a bicycle to supplement its operation. Going forward, we will continue viewing e-bikes not as simple bicycles but as a standalone mobility category powered by electric motors and batteries in our quest to create new value.



Looking back on our current Medium-Term Management Plan, our focus was to establish a business foundation that can respond to the new era of mobility. When we first set the plan in motion, the world was proclaiming that the era of MaaS was upon us, hence this was the central theme we chose. But since then, with the growing movement to achieve carbon neutrality, the COVID-19 pandemic, and more, how we build new business foundations in the midst of these new and unprecedented changes has become a much bigger theme.

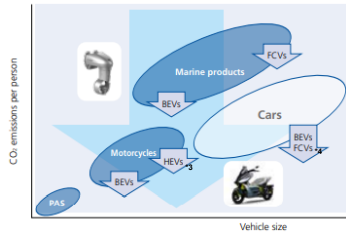
Our forecast for 2021 does not see us meeting the targets in our Medium-Term Management Plan, but despite the pandemic, each of our markets have faithfully executed the plan. The developed markets in particular have improved their profitability through structural reforms, while emerging markets have carried out our premium segment strategy and secured earnings in our areas of expertise as they strive to increase profitability.

With our recreational vehicles business, we are working to achieve profitability by securing more market share in the recreational model segment.

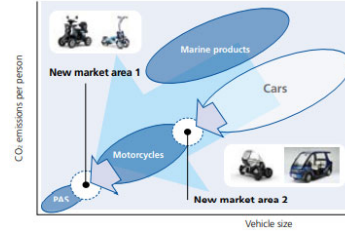
Carbon-Neutral Strategy in Line With the Unique Style of Yamaha Motor



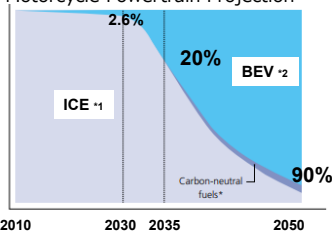
Reduction of CO2 Emissions through Optimal Streamlining



Utilization of Smaller Forms of Mobility



Motorcycle Powertrain Projection



- *1 Internal Combustion Engine: generates power by combusting fuel
- *2 Battery Electric Vehicle: uses electricity stored in an onboard rechargeable battery to power an electric motor
- *3 Hybrid Electric Vehicle: uses both an engine and electric motor for propulsion
- *4 Fuel Cell Vehicle: vehicle propelled by an electric motor using power generated by a fuel cell

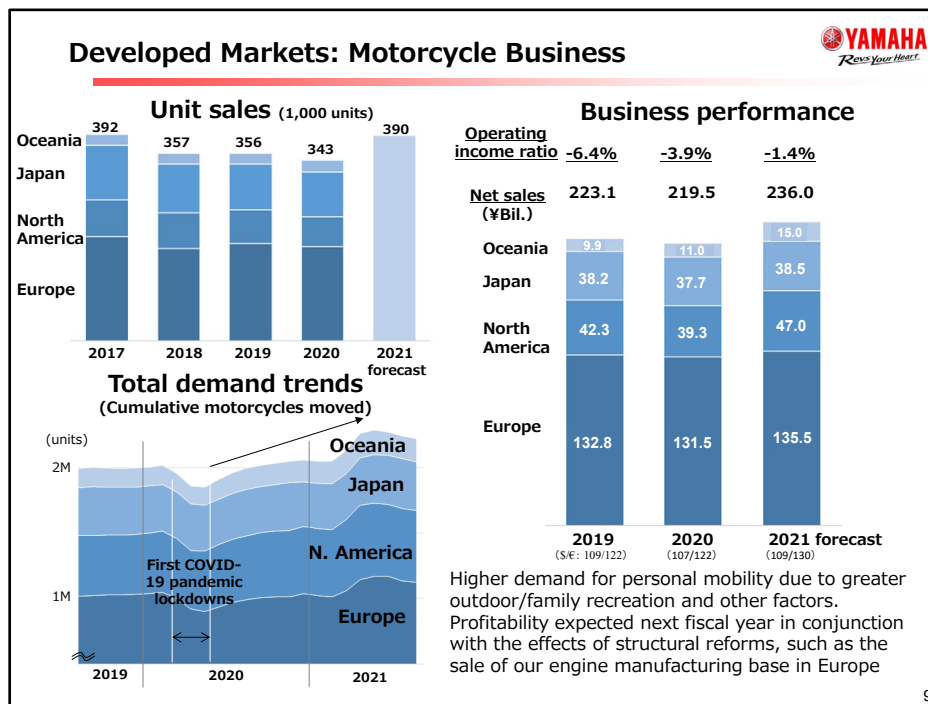


Employ ideal approaches such as fuel efficiency improvements and carbon-neutral fuels, to promote CO₂ emission reductions while developing new domains (electric products and new businesses) to function as the new pillars of the Land Mobility business in the long term

Here, I'll explain Yamaha's strategy for achieving carbon neutrality. As you can see at the top-left of the page, we are planning to do this with a variety of different methods and utilizing compact mobility. In other words, we will call on Yamaha's experience and track record of creating all-new categories to create new markets, and creating all-new value that envisions new future fields. We will do this while still carrying out our carbon-neutrality initiatives.

To that end, we expect to see a diverse range carbon-neutral mobility emerge from companies in the space in the coming future, such as products that fall in between bicycles and motorcycles or perhaps products positioned between motorcycles and cars. But even in these segments, we plan to leverage our wide-reaching brand presence as we create new markets.

Developed Markets Motorcycle Business

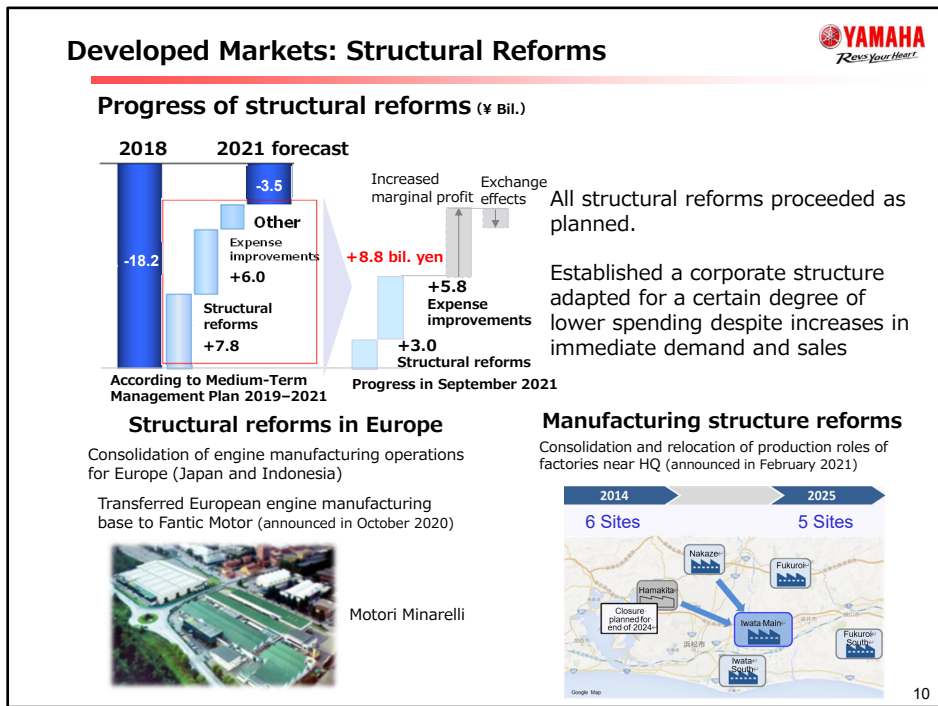


I'll now explain the business by market region, beginning with motorcycles for developed markets. Over the last few years, demand had been on a slight decline, but with the recent boom in outdoor recreation and shifts in personal mobility preferences, total demand has grown about 10% compared to 2019, representing a firm rise overall.

As this has occurred, the maneuverability, eco-friendliness, and other advantages of motorcycles and scooters for personal mobility have been reevaluated by consumers. Also, their place in recreation is also being revisited and capitalizing on this new demand is a central theme for us.

In that context, our business performance has shown steady improvements with net sales as well as operating income since our current Medium-Term Management Plan began in 2019. On the other hand, we have faced challenges like soaring costs for raw materials and logistics as well as part procurement difficulties. Achieving profitability was a goal for this fiscal year but we were unfortunately unable to accomplish this.


Still, our operating income ratio for 2021 is forecast at -1.4%, which is just one step short of the business being profitable, so we are confident we can achieve profitability next year.



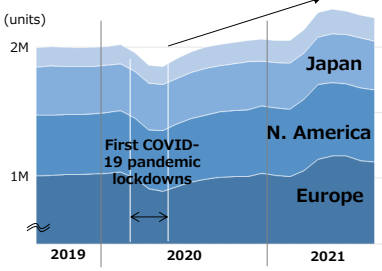
Next, I'll explain our structural reforms. First, when we were forecasting where we would be for the start of our current Medium-Term Management Plan, we expected -13.3 billion yen in operating income for 2018, but the actual figure was -18.2 billion yen due to currency exchange rates and other factors.

However, while we projected 9.8 billion yen in savings from our structural reforms back then, we were able to carry them out as planned despite all the trials presented and are expecting to see 8.8 billion yen in savings. This 8.8 billion is with the structural reforms in Europe and our global manufacturing structural reforms both only halfway complete, so from next year onward, we are looking to reap the real rewards of these reforms.

Also, we have managed to retain the benefits of curbing spending to a degree and are establishing these practices as part of our corporate structure.

Developed Markets: Efforts Aimed at the Post-COVID-19 World 

Higher demand from reassessing benefits of motorcycles for personal mobility




Further strengthen customer relationship and touchpoints

- Brand value-boosting activities
- Sales structure reforms in Japan/U.S./Europe

- Europe: Sales channel infrastructure adjustments
- Japan: New YSP dealer network
- U.S.: Sales channel reforms

Enhance marketing toward securing lifetime Yamaha customers
Integrate online (digital) and offline marketing, introduce more Connected motorcycles

- CRM sales channels: Introduce lead management
- Expand introduction of Connected models to the market
- Introduce/expand e-commerce (vehicles, parts, oil, etc.)



Capture opportunities from the higher demand for personal mobility due to greater outdoor/family recreation and other factors. Strive to further strengthen customer touchpoints via one of our structural reforms → sales channel/network reforms and bolstered digital transformation (DX) efforts¹¹

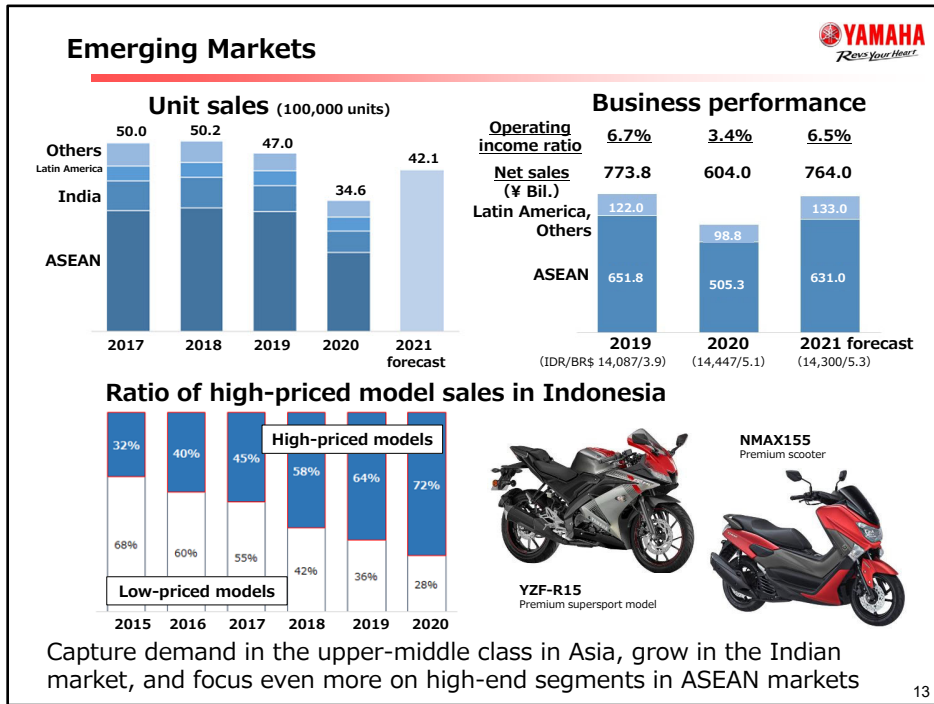
For our efforts aimed at the post-COVID-19 world, when looking at Europe in particular and other developed markets over the last couple years, the pandemic is likely going to continue, but I would like to explain how we will approach things with that in mind.

There is higher demand from consumers reassessing the benefits of motorcycles and scooters for personal mobility or for recreation, and we see this as an opportunity to firmly capture new demand. To do this, we have two general themes. The first is raising the value of our brand and the other is to create lifetime Yamaha customers. We plan to do these by conducting marketing that serves to strengthen our ties with our customers.

To that end, we will launch sales structure reforms for our real-world customer touchpoints but also further strengthen our relationship with the customers by introducing e-commerce platforms that leverage our digital transformation efforts, by launching Connected models, smartphone apps, and more.

The result we are aiming for is that this two-pronged approach for improving brand value as well as net sales accordingly prioritizes meaningful value creation and stronger relationships with customers. Thus, by viewing and treating them as “business partners,” we hope to contribute toward customers achieving their own personal goals.

Emerging Markets Motorcycle Business

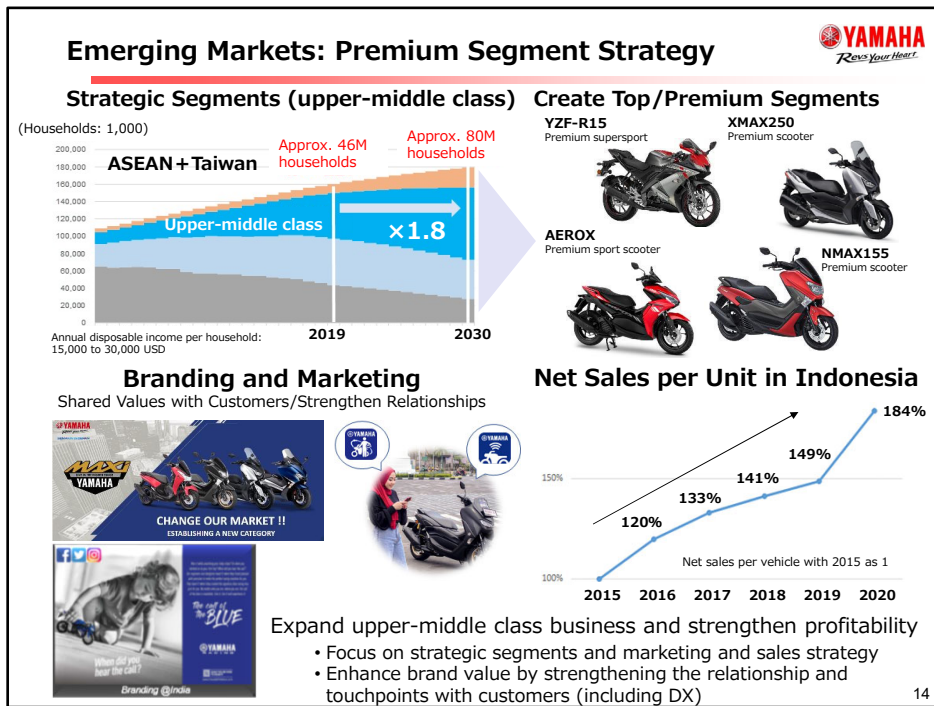


Next, I'll explain our motorcycle and scooter business in emerging markets. In 2020, wholesale shipments to emerging countries fell due to the impacts brought by the COVID-19 pandemic. At present, both total demand and unit shipments are trending toward recovery, but situations differ greatly by country. Still, we have not yet returned to the previous levels seen in 2019 and 2017.

It's difficult to read the pace of the recovery from here onward, but we believe total demand will return to around 2017's levels and we are planning our strategies with this demand movement in mind.

Regarding our business performance, wholesale shipments have fallen in 2021 but we are expecting net sales and operating income to be on par with what we recorded in 2019. The ratio of high-priced model sales in particular has been on the rise.

The chart at the bottom left is an example from Indonesia, but across most of Asia, we are seeing more and more customers in the upper-middle class and this is contributing toward the higher ratio of premium-priced model sales. The upper-middle class in Asia is now a specialty segment for us and we plan to bolster our marketing efforts from here onward to make it a stable source of earnings.



Here, I'll go over our premium segment strategy. The graph at the top left of the page shows how the upper-middle class of ASEAN nations and Taiwan is expected to nearly double in number over the next decade. It's around 2.5 for India and if looking at global markets, it's about 1.3 times today's number. This segment is undoubtedly going to be a growth area in the coming future.

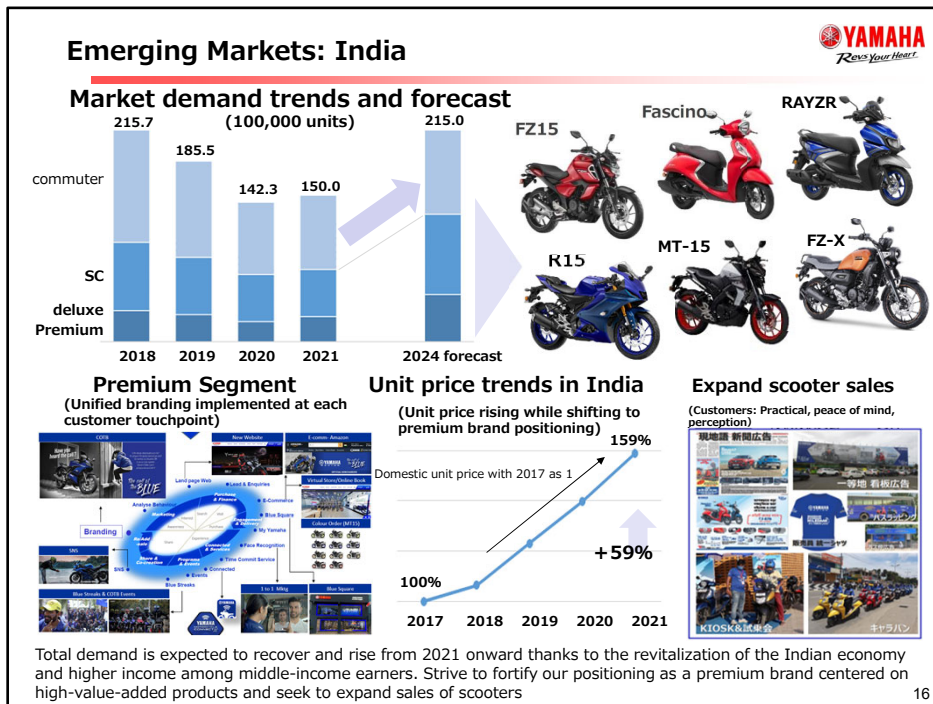
Also, we were pioneers in creating new markets for customers that view motorcycles and scooters not just as useful tools but also as holding value as a means for self-expression and self-actualization. This is another specialty area for us and we will continue launching new premium segment models that target these customers. To carry this out, we will create new premium model segments not just through the products themselves but also through brand marketing as we aim for further market expansion.



As we do this, I'd like to share what we're doing in Indonesia, a market spearheading our premium segment strategy. Unit sales are at the top left and you can see that we have not fully returned to the levels we had in 2018 and 2019.

However, we expect to return to that level in the next three years and the segment driving this return will undoubtedly be Indonesia's upper-middle class as shown in the bar graph at the top right.

This compares 2015 with 2020 and you can see that the number of upper-middle class households has gone up by 37%. Indonesia is a priority market for us and we will continue to target this customer base. We will strive to strengthen our relationship with customers in Indonesia by launching new products and Connected models, introducing lead management, and other initiatives leveraging our digital transformation. At the same time, we will engage in efforts aimed at creating and securing more lifetime Yamaha customers.

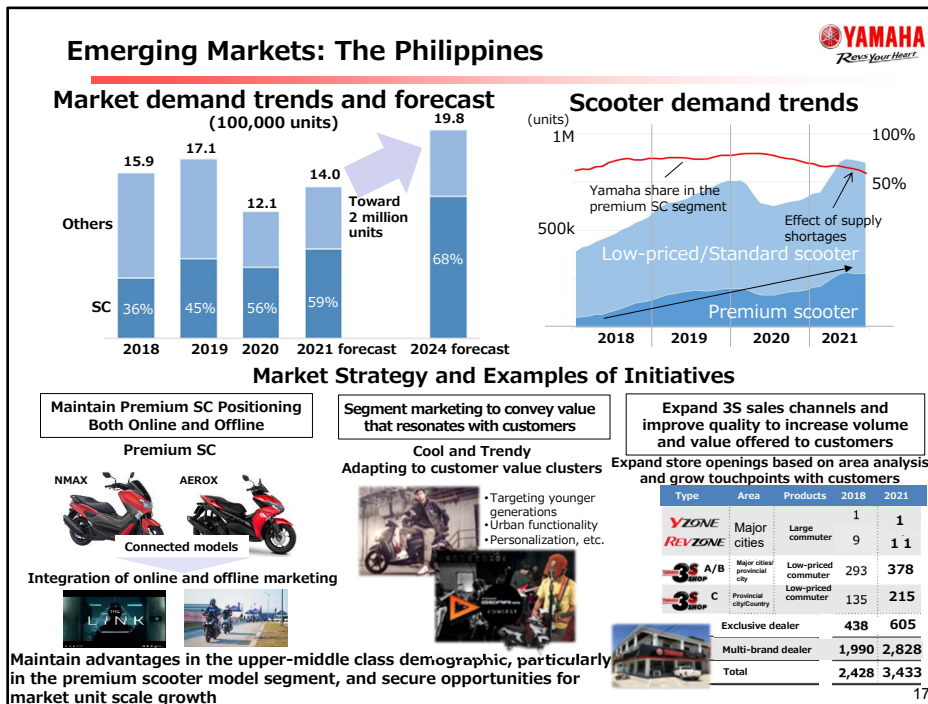


Next, I'll talk about the massive market that is India. Looking at total demand market trends for the country, the figures recorded for 2021 have not yet returned to the level of those in 2018, but we expect the numbers to return to similar levels over the next three years.

Looking at the market by individual segment at the top left, the Deluxe and Premium segments are growing and unit prices there are rising in turn. Accordingly, our strategy is not to compete in the low-end affordable commuter model segment but to instead pick and focus on our fortes as we carry out our premium segment strategy.

As shown at the bottom left, we want to strengthen our relationship with the customers from the pre-purchase stage through to the post-purchase stage, either through digital transformation or the real world with our sales network, and thereby also increase unit prices in India. We will also aim to raise net sales using this as an overall business model not only for our products but also our related businesses.

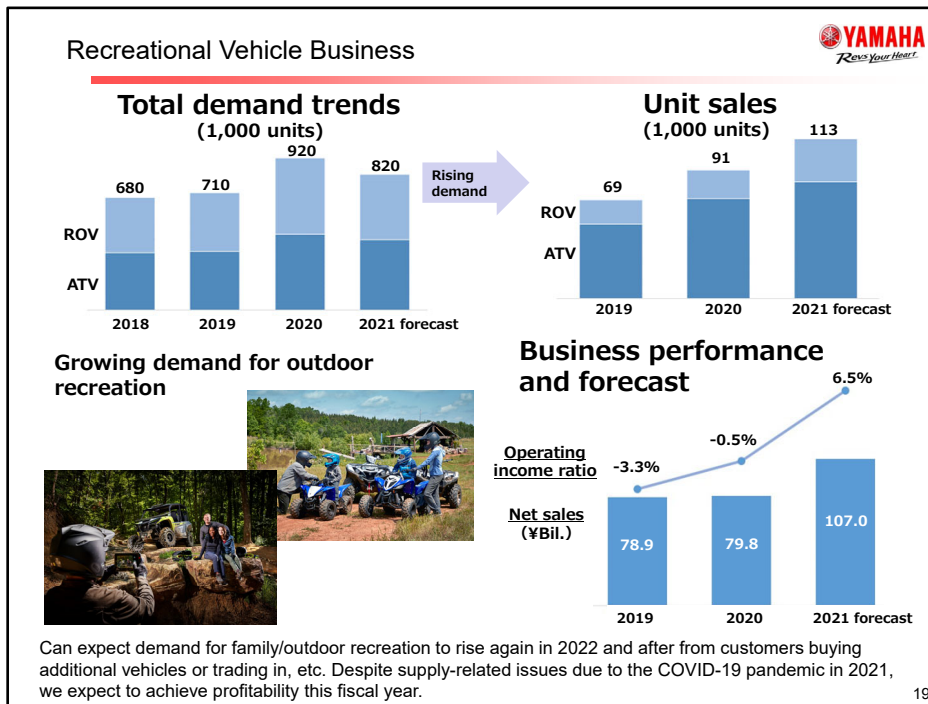
One other issue we face is helping grow sales of our scooters. Instead of through a simple price war, we want to develop ourselves into a premium brand while communicating our message from a customer perspective in order to fortify our brand positioning and thereby aim for greater scooter sales.



Like other emerging markets, total demand in the Philippines fell in 2020 and is still recovering in 2021. But Yamaha's key strength here is with our scooters and we believe the segment will continue to grow from here onward. The graph at the upper right indicates an increase in demand for high-priced premium scooters in recent years, and this trend is expected to continue in the future.

As the premium scooter segment is where we excel, we will aim to bolster customers' affinity or connection with our brand and then drive our premium segment strategy to not only grow the number of units in circulation but also raise unit prices.

Recreational Vehicle Business



With the Recreational Vehicle business, demand has actually not declined compared to 2019 even with the ongoing COVID-19 pandemic. As shown in the graph at the upper left, 2020 is when total demand peaked and while our target for 2021 has slightly fallen compared to that, the business' higher overall demand has remained constant.

Our unit sales have steadily risen in turn, which you can see in the graph at the upper right. The budding demand seen in the outdoor recreation space is the outcome of customers being unable to travel and instead turning to holding events with family and friends using our products.

It's also of note that while the RV business has been in the red for the last couple years now, we expect to be in the black in 2021 as you can see in the graph at the bottom right, and we are aiming for further growth in the future to keep the business as a generator of profits.

Recreational Vehicle Business

North American ROV market
https://www.youtube.com/watch?v=ISLNh_JvZY4

Introduce new platform models and acquire greater market share

Destination Yamaha digital communication strategy

Enhancing the Experience
 Demo tours/Events/Demo vehicle displays

- Introduction of new platform model group to meet customer demand
- Bring platform cost reductions to the recreational segment
- Recreational segment share 5% → **19%** (Goal of 14%)

20

The RV business caters primarily to customers in the United States and the following video can help you get a better idea of the kind of customers they are.

Yamaha has branded itself as a partner for customers embarking on real-world adventures and experiences while keeping in mind factors like families often taking their children along, active user communities, and methods for capturing new, enduring value.

We brought this branding together with a new lineup of platform-based models tailored to our customers' needs. As a result, the launch of the RMAX2 and RMAX4 models has taken Yamaha's share in the recreational segment to 19%, exceeding the 14% goal in the Medium-Term Management Plan.

Going forward, we plan to continue developing this customer-focused platform model group and better secure our position in this market segment.

This concludes my presentation. Thank you for your attention.

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