Business Results for First Half of Fiscal Year 2024
Analyst Briefing and Q&A Minutes

Business Overall

<u>I would like to know the progress made with regard to your original targets. Also, what were the reasons for not revising your forecast for the year?</u>

Our results for the first half were slightly above what we had targeted originally, but if you exclude the effects foreign exchange rates had, our situation is a bit more severe. The motorcycle business is doing well even when excluding those effects, but our assumptions of demand in our other businesses were too optimistic. Our original targets expected the increase in SG&A expenses to be covered by an increase in sales scale, but the reality is that it was shielded by the foreign exchange situation. In the second half, we expect the motorcycle and Financial Services businesses will do better than we have planned, while for our other businesses, we will adjust their respective inventories to appropriate levels by the end of the fiscal year. As for not making any revisions to our forecast, this decision was made due to the many uncertainties present, such as foreign exchange rates and trends being seen with interest rates in the U.S.

<u>Regarding your unrealized profits, you have fallen slightly behind your targets for the full fiscal year in the first half. Please share your expectations for the second half, which is the off-season.</u>

Our progress in the first half of the year compared to our targets for the full fiscal year is roughly halfway there for the outboard motor and motorcycle businesses, but this is still slightly behind our targets for the period. The Marine Products business accounts for most of this, but our dealers and boatbuilders are currently in a phase of restocking their inventory towards fiscal 2025, so we are working to achieve our full fiscal year targets.

Land Mobility Business

<u>What is a sustainable operating income ratio range for the motorcycle business?</u>

We are looking to achieve a stable operating income ratio of 10% or more. Because large-displacement motorcycles for developed markets are produced in Japan, the impact foreign exchange rates have is heavy. On the other hand, we are focusing on our premium segment strategy in emerging markets and believe we can successfully achieve an operating income ratio in the 10.5% range.

<u>I would like to hear about the current situations and opportunities in each region with the motorcycle business.</u>

In India, we believe that demand remains firm, despite the effects of scorching summer heatwaves and the nation's general election. The country's domestic GDP continues to grow, as does the population's upper-middle class. As a result of that, the customer base purchasing premium models is growing and keeps blowing wind into our sails. In Indonesia, we launched a new NMAX premium scooter model and are expecting it to swing business results there upward. In developed markets, motorcycle demand in North America is strong, with higher shipments than last year and our market share increasing as well.

What measures are you taking to improve performance in the Recreational Vehicles (RV) and Smart Power Vehicle (SPV) businesses?

In the RV business, companies in the space have restored their supply operations and market inventories have gone up, making the price war more intense. The critical theme for this year is bringing inventory back to appropriate levels. We will present our measures for the business for the next fiscal year and beyond when we announce our next Medium-Term Management Plan. The SPV business is in a similar state with high market inventory. Our goal here is to bring things back to appropriate levels by the end of this fiscal year. A major undertaking in our next Medium-Term Management Plan will be carefully assessing production capacity and business fields. For the SPV business, we are aiming to conduct as many required measures as we can this fiscal year in order to stage a comeback next fiscal year, but for the RV business, we expect things will take time.

I would like to know if there have been any unanticipated one-time expenses or revenues in the first half of the year.

We have recorded an additional 2 billion yen or so in quality-related expenses in the SPV business. This was a necessary addition for the quality countermeasures concerning vehicle batteries that we have been engaged in for some time.

Marine Products Business

With the April–June season over, please explain what the current demand trends are for outboard motors by horsepower segment.

The market was weaker than we anticipated. High interest rates deterred consumption and that effect on small and midrange outboard models was significant. It was the same for bigger models in the 200 hp range, with demand falling here too. We believe that dealers and boatbuilders are holding off on purchases in anticipation of sales incentives, and we intend to carefully replenish our inventory while watching how they respond as we approach the next fiscal year.

Regarding outboard motor demand, you mentioned that demand is weak around the 200 hp segment, but is there any risk that this trend spreads to models of 300 hp or higher?

Demand for outboard motors around 200 hp is low, but is stable for models of 300 hp and up, due in part to our launch of the new F350B model this year. The F350B is an extremely well-balanced engine and has been highly praised by boatbuilders. For those reasons, we believe Yamaha Motor will lead the market in the 350 hp segment for some time. As for demand for the rest of this fiscal year, while we expect things to remain difficult for some time, we don’t think things are looking that negative for next year when considering the current situation surrounding boating and store visits by customers.

When do you believe outboard motor demand will recover?

Certain Marine Product business categories are being affected by rising interest rates while others are not. Large outboard motors in the 200 hp and up segment are not being significantly impacted by rising interest rates. However, small and midrange outboards are being hit by them and this is lowering demand. We believe it will be some time before U.S. interest rate policy moves toward lowering rates and credit financing becomes easier to obtain.

Robotics Business

The Robotics business managed to shrink its losses in the second quarter, but how much of a recovery do you expect to see in the second half of this fiscal year and next fiscal year?

Inquiries for manufacturing equipment for semiconductor back-end processes aimed at generative AI applications have been strong and we are responding by upping production. We see this as a promising space not just for the remaining half of this fiscal year but also next fiscal year.

With surface mounters, the recovery of demand in our principal markets of China, Taiwan, and South Korea has been weaker than expected. On top of that, demand for capital investment in Japan and Europe for automotive applications—a field we have considered one of our strengths—has also been weak. If these markets do not recover, a swift improvement in results is hard to see.

In terms of costs, we have completed our factory expansion aimed at growing the business and depreciation expenses have been incurred. We are also aggressively investing in the development of new models and costs are continuing to rise.

Regarding surface mounters, a recovery this fiscal year is difficult to see, and a recovery next fiscal year will depend on how fast demand itself recovers.

With industrial robots, the price war is severe depending on the category, so we believe we need to invest in our linear motor conveyors and other areas where we hold a real competitive advantage and manage the business in a measured and balanced manner.

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