Business Results for First Quarter of Fiscal Year 2023
Analyst Briefing and Q&A Minutes

Business Overall

<u>Regarding your assessment of your first-quarter results, you closed out the period quite strong, but by how much did your performance exceed your internal forecasts?</u>

Demand in the motorcycle and Marine Product businesses remains strong and in line with our plans, but the recovery of the Robotics business is proceeding slower than we expected. The Smart Power Vehicles business posted strong sales. Implementing break-even-point management by higher unit sales and curbing SG&A expenses, and the tailwind of favorable foreign exchange rates led us to record-high results for net sales and operating income in a first quarter period. As for the factors affecting operating income, with the soaring raw material costs seen in the second and third quarters of last fiscal year in mind, we accounted for significant risks in our plans, but our results exceeded those plans. In terms of each business, the Robotics business posted a loss, but shipments of marine products progressed smoothly, so when excluding the effects of exchange rates, results companywide were mostly as we expected.

<u>I would like an update on demand trends. For some businesses, it sounded like the outlook for the future has taken a downturn. Please tell us if there have been any changes with outboard motors and motorcycles for emerging markets.</u>

Sales of motorcycles in emerging markets, excluding Vietnam, have exceeded our forecasts. However, the semiconductor shortage remains ongoing and we have not reached our targets for premium segment models. We were expecting the market's recovery to happen around October, but it seems that it will happen earlier, so this is a positive development. Restocking of outboard motor inventory is proceeding, and while sales of small to medium-sized models are somewhat sluggish in the United States, sales of large models are doing well. With electrically power-assisted bicycles, parts supply has steadied compared to fiscal 2022. On the other hand, looking at the market situation, inventories are overstocked due to the industry overestimating demand.

<u>What is the reasoning behind the decision to leave the full-year forecast unchanged despite such good first-quarter results?</u>

The delayed recovery of demand in the Robotics business and slower projected growth in the SPV business from the second quarter onward will bring figures down below targets across the full year. Rising U.S. interest rates are also a concern, and we are closely monitoring how this will impact foreign exchange rates through the second half of the fiscal year. Soaring labor costs are also a risk we have factored into our forecast. On the positive side, we expect exchange rates will keep working in our favor in the second quarter. The faster conclusion of the semiconductor shortage will lead to an increase in sales volume. In addition, we see the decline in logistics costs going beyond what we have budgeted, producing positives for us from the second quarter onward. After looking at the positive and negative factors as a whole, we did not revise our forecasts as we believe that we will be able to achieve almost all of the planned figures.

<u>Regarding the share buyback announced at the beginning of the fiscal year, are there any stock price target levels and what is your expected timing for carrying out this buyback?</u>

In February 2023, we announced a common stock buyback of up to 30 billion yen, but as of the end of April, we have yet to buy back any shares whatsoever. We also cannot provide specifics regarding stock price levels or the timing of acquisition. As indicated in the Medium-Term Management Plan in terms of the total payout ratio for shareholder returns, this share buyback is aimed at providing returns to our shareholders, so we will acquire treasury shares at the right time in order to reach the maximum 30 billion yen, rather than deciding on a specific stock price target.

In terms of structural reforms, there was an announcement of the transfer of the multi-purpose engine business, but what is the criteria for being deemed a business requiring structural reforms? When the business transfer is completed, how will contributions to the company's performance and the allocation of resources change?

Structural reforms fit in as one of the four quadrants of our business portfolio in our Medium-Term Management Plan, in which we examine CAGR and ROIC potential while dividing our enterprise into new businesses we will take on, businesses where we expect growth, and our core businesses that generate stable profits. Businesses with low ROIC and growth potential are considered targets for structural reforms and have been designated as key management issues. Considering the investments to achieve carbon neutrality and so on, we are looking at businesses in which it would be more efficient for the ideal partner or owner to take the reins rather than us. In doing that, we found the perfect candidate owner who can improve the investment efficiency of multi-purpose engines. Rather than Yamaha Motor continuing to make small investments hereafter, we will continue reviewing our businesses structurally and look for ventures where we can pair up with other companies and likely make more targeted investments.

Marine Products Business

Do we need to worry about future demand for large outboard motors?

The strong demand is continuing, but in more immediate terms, we are starting to see boatbuilder and dealer inventory starting to rise. We are currently assessing whether it is because boatbuilders are building up inventory beforehand in anticipation of the main season or if overstocking is occurring due to falling market demand, but because there have been no retail cancelations, we are confident that demand will remain strong for some time.

Robotics Business

The Robotics business has an ambitious plan for 10% annual growth, but I believe this is the first time it has been in the red. What is the situation with production and the outlook from here? Are there any changes to the annual plan?

In the first quarter, we expected to see a rapid economic recovery in the Chinese market after Chinese New Year and the National People's Congress, but the effects of the COVID-19 pandemic remain and global economic uncertainty has led to investment restraint, and this has hurt the Robotics business' profitability. However, we still expect a recovery in the Chinese market with 5G and other mobile devices and with the semiconductor business in the automotive sector. We believe that the timing was just off and that the business will get back on track to recovery over the second half of the fiscal year. Whether or not the impact of the first quarter will affect the full year is something we would like to predict in the second quarter.

Financial Services Business

In the Financial Services business, profits declined significantly due to the impact of the allowance for doubtful accounts, but is this temporary or does this require continued monitoring?

As U.S. interest rates rise, the cost of procuring receivables is rising as well. While this cost will be passed on to customers in the long term, there currently is a gap. In addition, changes to generally accepted accounting principles (GAAP) in the U.S. have expanded the scope of expected credit losses on receivables. In the previous loss model, expected credit losses were recorded up to 12 months into the future, but with this change, expected credit losses for the full period are now recorded, so past provisions were also recorded in the first quarter. From the second quarter onward, only new receivables will be covered, so the impact will be smaller.

<u>How much have delays and the cost of allowance for doubtful accounts increased compared to fiscal 2022? How will you control the current risks with receivables?</u>

The main operating region for the Financial Services business is North America, but the quality of receivables varies considerably depending on the product. We monitor each product, from the outboard motors and sport boats that command high prices to motorcycles, ATVs, and ROVs. Currently, there has been no significant increase in delinquency or loss ratio for outboard motors and sport boats. For motorcycles and other vehicles, things are returning to pre-pandemic 2019 levels. During the pandemic, subsidies significantly reduced loss ratio. Important indicators, such as the delinquency and loss ratio, are closely monitored monthly, and if the quality of receivables is on a deteriorating trend, we will steadily respond by narrowing down credit.

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