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NEW YEAR'S ROUNDTABLE DISCUSSION

-Popularity of 125cc Class Means New Models to Be Released to Pump Up the Market-



Panelists

(Clockwise from the left)

Yamaha Motor Co., Ltd.	Toru Watabiki	Representative Director and Managing Executive Officer Chief General Manager for Motorcycle Business Operations
Honda Motor Co., Ltd.	Tatsuhiko Ohyama	Managing Director Chief Operating Officer for Motorcycle Operations
Moderator	Akira Nakayama	Vice President and Director General Traffic Affairs Department
Kawasaki Heavy Industries, Ltd.	Yoshio Kawamura	Executive Officer and General Manager Marketing & Sales Division Consumer Products & Machinery Company
Suzuki Motor Corporation	Akira Tsugihiro	Managing Executive Officer and General Manager Domestic Motorcycle, Marine & Power Products Marketing

Moderator: Happy New Year and welcome to all. I'd like to have your comments on the state of Japan's motorcycle market, with a focus, first, on the idea that motorcycles are helping to promote a "culture of better living." Specifically, although the market has been tough for 50cc models in the commuter 125cc-and-under segment, the 125cc-class models are highly regarded for their economy of use and have seen rising demand. Leisure-type motorcycles have also been performing strongly. How then do you view the situation for domestic motorcycles, and what are the market's salient characteristics?

Motorcycle use: A "plus" in people's lives

Ohyama: The Japanese motorcycle market is overregulated. As a result, the market has shrunk. For several years, the industry as a whole tackled this issue from various perspectives resulting in some moves towards deregulation and a more rider-friendly environment. In addition, Japanese society is rapidly aging. An increasing number of the middle-aged and elderly have more free time on their hands. The number of people incorporating motorcycles into their daily lives for fun is also growing—they are not necessarily focused on speed or power, but rather are interested in the various ways in which motorcycles can be enjoyed. In this sense, things are moving in the direction of a "motorcycle culture" such as exists in Europe. I think this is an extremely good direction.



Tatsuhiro Ohyama

Tsugihiro: When a person of a certain age decides to ride a motorcycle, he feels its important to consult with his wife or with his friends about the purchase. A key issue is safety. Recently, we have been tackling this aggressively—ABS (antilock braking system) technology, for example, has made huge strides. It's our job to inform the public about the advances achieved in such safety technology. We should also encourage more motorcycle-riding by women, whether solo, on the passenger seat, or in tandem. "Touring with partners" is another practice I would like to promote.



Akira Tsugihiro

Watabiki: Women riders seem to be increasing in number yearly. We held a touring event last year in the Fujimi Highlands of Nagano Prefecture and despite the rain that day, about 750 people attended. It was clear that the median age of participants had risen and that there were more female riders present—an increase of about 10% compared with the previous year.



Toru Watabiki



More women riders

Moderator: Can we therefore expect further increases in the numbers of women and young riders?



Akira Nakayama

Ohyama: Motorcycles have gone through various “boom” periods in the past. Right now, however, I think that we’re not so much in a boom as seeing a trend in which motorcycles are gradually taking firmer root in our culture. An increasing number of people, including women and the middle-aged and elderly, are getting involved with motorcycles. This is a very good direction.

Kawamura: What I saw when I was stationed in the U.S. was that many people were learning about motorcycles through off-road motor sports activities. Little kids were being put on children’s bikes and taught how to ride with their fathers and mothers at their side—at motocross sites no license is required, so the base is huge. In contrast, kids in Japan regularly ride bicycles but can only operate motorcycles when they reach 16, which is late. If we could establish off-road sports areas where parents could take their 5- to 10-year-olds and let them ride motorized bikes, then kids here would actually be able to learn about motorcycle riding early on.



Yoshio Kawamura

“Optimal” means of urban transport embodied in 125cc-class models

Ohyama: In Europe, on the other hand, motorcycles are positioned relatively high in the urban traffic mix. This is because they are perceived to have both social and environmental benefits. The licensing and other systems as well as parking availability and other infrastructure are well

established. Italy and Spain have recently allowed passenger car driver's license holders to ride motorcycles of up to 125cc—in recognition, I assume, of their usefulness and efficiency. From the viewpoint of power, 125cc or so is optimal. In Asia and just about everywhere else, 100 to 125cc models are being used for daily tasks. There aren't many countries like Japan where mostly 50cc models are in use. What are the obstacles to getting more people in Japan to use such a convenient means of transport? First, there's the lack of adequate parking space. Also, the licensing system, which has remained unchanged for a long time, has to be amended to make it easier to obtain a license. It's my view that we should put forth such arguments a bit more aggressively.



Wide use of motorcycles in European cities

Watabiki: In terms of practical mobility in urban transport, I believe the 125cc class has promise. Japan in recent years has been clamping down very heavily on motorcycle parking violators. In Europe, the authorities tend to address this problem in a flexible, case-by-case way—for example, on days when soccer games are held, they allow parking on designated sidewalks during certain specific hours, and of course the police are there to supervise the situation.

Tsugihiro: It is true that motorcycles are treated preferentially in terms of insurance and taxes. And they can be maintained at not much cost. To encourage more motorcycle purchases, I believe we should stress their use as a car-alternative, in good weather—that sort of selective usage. If licenses become easier to obtain, I think that such selective use will become more common, particularly in view of the energy saved during commuting and so on. And if legal parking availability is expanded, motorcycle use will become more convenient. I think that a considerable number of people would therefore benefit economically.

Moderator: What else should be done to encourage a wider use of motorcycles?

The need for globally harmonized technical regulations

Kawamura: In addition to what's been said with respect to the 125cc class, I think we should also include the 400cc segment in our efforts to encourage greater motorcycle use in Japan. This will take some time, but if we are able to streamline both development and production by combining our overseas and domestic 500 to 650cc-class models, then I think we can make motorcycles tailored to users' needs at more suitable prices.

Ohyama: The UN's international harmonization activities are crucially important in this regard, and reflect the growing global recognition of the need for common technical standards. When, as in our case, manufacturers are making products in countries around the world and when individual countries have different standards, then product specifications have to be modified so as to ensure regulatory compliance in each country. This is extremely inefficient. If standardization can be

achieved at the UN to the greatest possible degree and if countries comply accordingly, this will lead to increased efficiency in production and cost reduction.

Kawamura: Exhaust emissions have the same effect on human health and the environment whether one is riding in China or Europe or Japan, so we believe that instead of each country having its own set of standards, it would be far more rational to establish global standards.

Ohyama: Japan also has its own noise-level requirements, as do many other countries, so there's a double standard in effect in relation to domestic and import models. We hope that in the future, the international community will also move towards uniform noise requirements.

Moderator: Let me change the direction of our discussion here and ask you to explain how your companies will be dealing with Japan's extremely tough motorcycle market in the future.

Stimulating demand for the longer term

Tsugihiro: I was born in [the motorcycle-manufacturing hub of] Hamamatsu. When I was young, every family had a motorcycle and used it regularly for practical purposes. Motorcycles were in use in huge numbers and, although we shouldn't compare those days with the present, even today there are considerable numbers of motorcycle license holders. We want to look into developing that potential market in order to drum up further demand.

Kawamura: Right now we are in the process of reevaluating our lineup in terms of meeting new requirements. For example, many customers have complained to us that when thinking of buying a replacement vehicle, they found that suitable products were not available in Japan, and so refrained from making a replacement purchase. We believe there is in reality considerable potential demand out there.

Watabiki: My long experience working in Europe convinced me that the motorcycle culture there is deeply rooted, compared with Japan. Motorcycles are much valued in Europe, and demand now stands at well over 2 million units a year—somewhat of a contrast with the situation here.

Ohyama: The motorcycle shows held in Tokyo, Osaka, and elsewhere appear to be very popular. Not only motorcycle manufacturers but also parts makers and other related businesses exhibit at those shows, and I too am convinced that there is significant potential growth in the motorcycle "world" in the future. We see even in the shows in Europe—in Milan, for example—how much the whole motorcycle culture has grown, including the parts makers. It would be great if things went that way here, and I think we are in fact headed in that direction.



Enthusiasm at the Tokyo Motorcycle Show

Moderator: Finally, I'd like to ask each of you about the directions your company's motorcycle division will take in 2009.

Market measures for 2009

Kawamura: My company is targeting roughly the same sales levels for the mini (126 to 250cc) and small (over 250cc) segments as in [fiscal] 2008. We will have to put out new products to increase replacement purchases, as explained earlier. We'll also increase the opportunities for test-riding and hope for sales on the level of 2008 in the small-sized motorcycle segment. Sales surveys for our Ninja 250R model showed that there were many first-time purchasers and also a greater number of women buyers in the mini-sized motorcycle segment. We will work to increase this demand.

Tsugihiro: The need to comply with emissions requirements has resulted in a smaller product lineup and higher prices. Because of this double blow, we will have to keep our target figures for 2009 quite modest. We also have to upgrade our sales network—we are behind other industries with respect to dedicated outlets for higher-priced products. I think customers are not fully satisfied in part because of this. We therefore have to provide the necessary support in order to get our sales outlets to raise their level of service, such as through better showrooms, cleaner maintenance shops, and a higher level of technical expertise.

Watabiki: As we've discussed, the 50cc class has risen in price, so new sales in that segment will very likely be more challenging. We would especially like to focus on small-sized motorcycles (over 250cc), and will be sponsoring as many touring events and test rides as possible to give users more opportunities to come in contact with our products.

Ohyama: For motorcycles and cars alike, the challenges are becoming greater with every passing day. The situation is sharply different from just one month ago—the changes are that fast. In 2008 as well, starting from the first half, the European and U.S. markets were severe. Then Asia followed suit. For this reason, we believe that this year it will be necessary to proceed on the basis of what to do *not* in year units, but for considerably longer time frames. We expect sales figures to fall, so basically we intend to focus not on the number of vehicles sold, but on the value of our business activities—including, in particular, those of our dealers. On the other hand, we don't intend to become lax in coming up with new-concept models, either. This means releasing new, attractive products not only in Japan but, crucially, in all the major markets including the U.S. and Europe. In addition, for the 50cc and 51 to 125cc categories, which are less specifically Japan-targeted than Asia-oriented, we should harness the massive production capacity and cost structure in Asia as much as possible and provide our Japanese customers once again with products of greater inherent value, including price. There is still much we should do, and we will continue taking up the challenges involved.

Moderator: Let me close our discussion with my thanks to all of you for your contributions, and in the hope that 2009 will be a good year for us all.

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