



**YANMAR**



# Corporate Social Responsibility Report 2016

[Brand Statement]

# A SUSTAINABLE FUTURE



## Editorial Notes

This report is published every year to inform our diverse stakeholders on our approaches and the current state of the Yanmar Group's CSR efforts, and to present company results for each fiscal year, with the aim of improving CSR activities through two-way communication. The information carried in this report was selected from the view of its importance to the Group and to society, in line with the core standards of ISO 26000\*. Numeric data and other details and descriptions of past activities are presented on our website.

\* ISO 26000 is a set of international standards on social responsibility published in November 2010 by the International Organization for Standardization (ISO). "ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way." (from the ISO website)

### ■ Reference Guidelines

1. "Environmental Report Guidelines (2012)" of the Japanese Ministry of Environment
2. "Sustainability Reporting Guidelines (G4)" of the Global Reporting Initiative
3. ISO 26000

### ■ Period

The activities and data disclosed in this report are for the period of fiscal year 2015 (April 1, 2015, to March 31, 2016). However, the Report also includes some items occurring in fiscal 2016.

### ■ Sites

In general, the information in this report applies to the Yanmar Group as a whole. Information specific to Yanmar Co., Ltd. or any particular area or related company is indicated as such in the text.

### ■ Date of Issue

Published in November 2016  
(The next issue is tentatively scheduled for November 2017).



## This booklet

### Paper version / PDF version (Japanese / English)

An annual report that introduces the CSR activities we have been implementing. (The English version is only available in PDF format)



## CSR Website

<https://www.yanmar.com/global/about/csr/>

More detailed CSR information is available on our website.

# CONTENTS

The Yanmar Group: Our Business Domains	02
Message from the President	06

## Our Mission

Mission Statement	08
The Yanmar Group's CSR	10
Brand Statement	12

## Feature Articles

Special Feature 1	Creating new value in society through technology	14
-------------------	--	----

Special Feature 2	Going beyond business boundaries to deliver a more abundant future	20
-------------------	--	----

Mission deployment activities	24
-------------------------------	----

## Yanmar Group CSR Activities

Organizational Governance	26
Human Rights and Labor Practices	28
The Environment	32
Fair Operating Practices	40
Consumer Issues	42
Community Involvement and Development	44

View from a third party	49
Corporate Profile	50

## Business Field

# The Yanmar Group: Our Business Domains

## On the Land

Yanmar provides solutions on the land, at sea, and in the city. Whether it is our versatile construction machinery business, our highly efficient energy generation business, our original component business, our agricultural business, which is aimed at ensuring that plenty of food can be produced globally, our engine business, which is the business with which we were founded and which prides itself on offering high quality and reliability, or our marine products business, which operates in harmony with the environment, Yanmar is hard at work, providing diverse solutions to serve customers on land, at sea, and in the city through these six businesses.

## At Sea

## In the City

### Engine Business

#### Industrial Engines

As a pioneer in producing compact diesel engines for industrial use, we develop, manufacture, sell, and provide after-sales servicing for our top-class products.

●Products: Compact diesel engines for industrial use, precision components for fuel injection systems.

#### Large Engines

Our development, production, sales, and services are unified, and our LCV (lifetime customer value) business model delivers increased customer value.

●Products include marine propulsion and auxiliary diesel engines for ocean-going vessels, land-use diesel engines, gas engines and gas turbines and products related to these systems.

### Agricultural Operations Business

We offer total solutions that not only include products that employ the latest technologies, such as ICT (information and communications technology), and services that minimize downtime, but also provide assistance for customers in farm management.

●Products include tractors, combines, rice transplanters, power tillers, cultivators, farm facilities, fruit sorting machinery, unmanned helicopters, products and materials related to agricultural use.

### Marine Business

We're providing the global market with commercial and pleasure boat engines that have powerful and stable performances and are highly economical and reliable.

●Products include small and medium marine diesel engines and related products, marine environment products, FRP pleasure boats, small fishing boats, aquaculture tanks and pontoons.

### Energy System Business

We offer optimum solutions through our GHPs, cogeneration systems, and emergency generators that contribute to BCP and reductions in energy and electricity. We are also focusing on renewable energies such as biomass power generation.

●Products include cogeneration systems, bio gas cogeneration systems, gas heat pumps, stand by generators, pump drive systems and solar power generation systems.

### Construction Machinery Business

We supply a wide variety of high performance compact construction equipment and general-purpose machinery such as the VIO series of True Zero Tail Swing excavators, the Σ series of boom excavators, portable generators, light towers, etc.

●Products include backhoes, wheel loaders, carriers, small generators and light towers.

### Component Business

Along with our proprietary hydraulic control and gear processing technologies, we supply distinctive products, such as continuously variable hydro - mechanical transmissions.

●Products include hydraulic equipment, gears, transmissions, marine gears and machine tools.



Hydraulic equipment

Compact diesel engines for industrial use

Transmissions

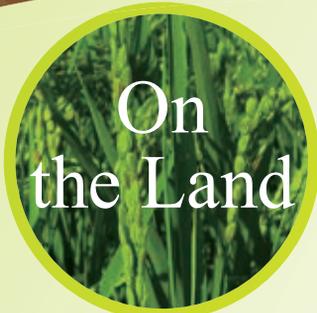
Tractors

Rice transplanters

Combines

Unmanned helicopters

Fruit sorting machinery (tomato)



# On the Land

## Transforming farming into comprehensive food production

As a supplier of agricultural machinery, Yanmar has long supported food production, which provides the foundation for life. And with the aim of making agriculture more sustainable in the future, Yanmar is transforming farming into comprehensive food production by utilizing ICT and offering new solutions.

### Engine Business/Industrial Engines

#### TNV Series Vertical Water-Cooled Diesel Engines

**Clean diesel engines satisfying a number of the world's toughest gas emissions standards**

Leveraging our unique control technology, these engines offer a common rail system, an exhaust gas after-treatment device, and EGR (exhaust gas recirculation) to make exhaust gas cleaner whatever the machine and whatever the environmental conditions. They also meet many of the world's toughest emissions standards. These clean diesel engines offer a superior level of environmental performance that is recognized by customers and certified worldwide.



### Agricultural Operations Business

#### YH Series Combines

**A series of combine harvesters that allow users to make faster progress with their work and makes them look forward to tomorrow's work**

We designed this series of combines to look like a set of hair clippers slicing through golden fields of rice. Every function, from reaping to threshing, ejection, and motion, has been refined, enabling customers to implement their plans with precision.



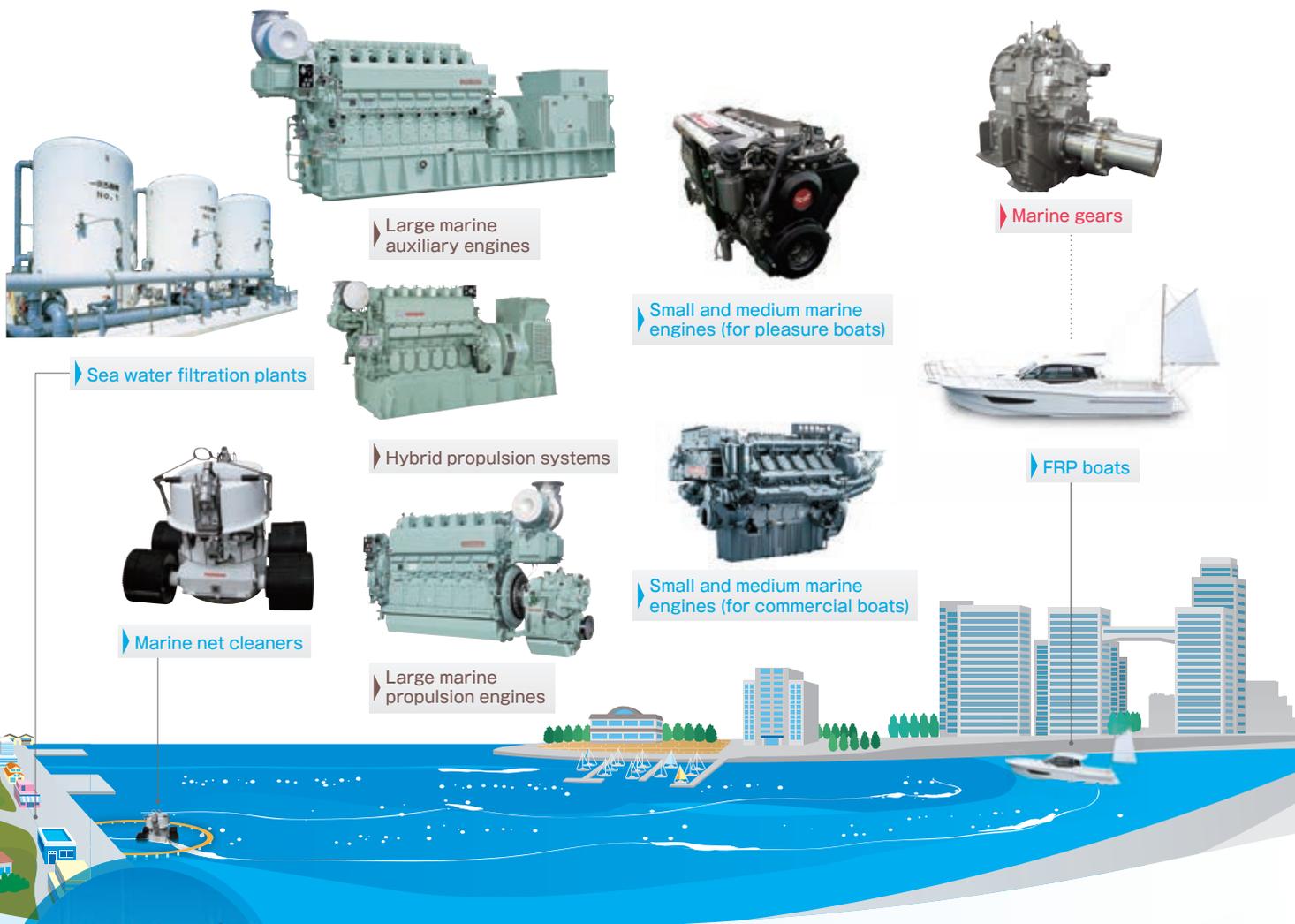
### Agricultural Operations Business

#### YT Series Tractors

**A completely revamped range of tractors that bring added appeal to agriculture**

With the YT Series, we began by rethinking basic performance to improve operability, comfort, and adaptability to different types of work. We also reduced environmental impact and came up with a completely new design. And with a lineup ranging from 22 to 113 horsepower, the series provides new value to customers.





## Coexistence between humans and the marine environment

From marine leisure to solutions for the largest working boats, Yanmar develops marine engines and propulsion systems for safe passage of the seas in harmony with the environment. Revitalizing the fishing industry, we are developing aquaculture technology towards our ultimate goal of coexistence between humans and the marine environment.

### Marine Business

#### LF26CZ II Fishing Cruiser

**A fishing boat offering advanced fishing functions and superior cabin comfort**

Fishing functions have been improved thanks to more power from a high-output diesel engine and changes made to reflect the way people fish. Meanwhile, a new cabin has transformed the image of fishing and raised comfort.



### Engine Business/Large Engines

#### 6EY33LW Auxiliary Engine for Ships

**A reliable solution that offers both economy and eco-friendliness**

This series offers better life cycle value as it offers easy maintenance and employs components that last longer. And with the aim of achieving "harmony with the earth," we have reduced emissions of air pollutants. As a result, this auxiliary engine will make voyages that offer more peace of mind and comfort through the long life of the ship.

### Marine Business

#### 6LY440 Propulsion Engine for Boats

**Yanmar's new electronically-controlled engine that makes pleasure boating more enjoyable everywhere in the world**

A new engine in the LY Series, which puts the Yanmar brand at the forefront in the pleasure boat market. This engine not only inherits the longstanding concept of the LY Series, namely, compactness, cleanliness, and power, but also offers enhanced safety functions through electronic control.





Gas engines



Air conditioning systems (GHPs)



Mini excavators



Solar power generation



Machine tools



Cogeneration systems



Standby generators



Light towers



Power tillers



## Effective energy usage

With technology ranging from renewables through to cogeneration systems that harness heat and electrical energy, Yanmar will deliver the best energy solution for the application, whether it is for business, public facilities, or residential use.

### Construction Machinery Business

V3-7, V4-7, and V5-7 Wheel Loaders

New wheel loaders developed from a customer perspective with a focus on comfort and ease of use

While maintaining the powerful work performance of previous models, this series also complies with the latest emissions regulations. Not only have we made getting on and off easier and the interior more comfortable, we've also improved the defrost function to broaden the field of view. Moreover, thanks to our noise-reduction technology, these loaders have been certified for low noise, a first for Yanmar's wheel loaders, which offer customers greater comfort and ease of use.



### Energy System Business

CP35D1 Micro Cogeneration System

A small gas cogeneration system offering compactness and high all-round efficiency

With this new system, we succeeded in making the engine one size smaller by increasing the output. We achieved this by changing the combustion method. As a result, the package is more compact, taking up 27% less space than the previous model. The system also offers overall efficiency of 88%, one of the highest figures in the market for small cogeneration systems.

### Energy System Business

GHP XAIR II K1 Series

A range of ultra-high-efficient and sleekly designed gas-heat-pump air conditioners

We developed the sleekly-designed GHP XAIR II K1 Series to consume less electricity and offer greater energy efficiency. Year-round operating efficiency has been vastly improved thanks to a more efficient engine and a more efficient heat-exchanger fan.



## Message from the President

By implementing our Mission Statement, which is aimed at creating new value, we will help customers and society to solve their problems.

### Creating new abundance through technology

---

We used the 100th anniversary of our foundation in 2012 as an opportunity to declare our Mission Statement, which states the business domains and values we should pursue in the future and our approach to contributing to society. We also declared our Guiding Principles (YANMAR11), which provide a direction for the actions and decisions required to fulfill the Mission Statement.

With the aim of instilling a corporate culture in which all officers and employees share common values and think and act on their feet, we have implemented a variety of activities to promote our mission, and I believe that these activities have also led to real action.

However, as I wrote in YF2112, a plan for developing technologies to safeguard our future over the next 100 years, the earth's resources are limited. And given that situation, we need to think about what we specifically have to do to utilize technology to ensure an abundance of nature—and for human beings an abundance of opportunity a century from now. With the goal of more clearly articulating a direction for tapping the value of the Yanmar brand, our brand statement has evolved from "Solutioneering Together" to "A Sustainable Future". We have also ensured that we can maintain a shared vision by crafting four separate visions for society: "an energy-saving society," "a society where people can work and live with peace of mind," "a society where people can enjoy safe and plentiful food," and "a society that offers an exciting life filled with rich and fulfilling experiences."

Yanmar's company founder, Magokichi Yamaoka, said that "to conserve fuel is to serve mankind," an attitude that resulted from the way that labor-saving diesel engines had made farming communities more prosperous. However this approach of creating more value for society while using less energy is further emphasized with the new brand statement. During the last 100 years, we have leveraged our technological capabilities to bring products to the world that serve customers and society, so with an eye on achieving the four visions for society, we will be utilizing technology to create new value.

### Helping to solve problems through technology that is ahead of the times

---

Our Mission Statement declares that in food production and harnessing power, we will create a sustainable society and make people all over the world more prosperous, and we regard the pursuit of activities to fulfill this mission as Yanmar's CSR.

The global issues that surround the Yanmar Group are diverse and numerous. They include fears of food shortages resulting from the population explosion, an increase in demand for energy, and the climate change problems accompanying that.

And in Japan, a decline in the number of farmers and a shortage of construction workers as a result of the low birthrate and aging population, the concentration of population in large cities and the depopulation of provincial regions, and the non-cultivation of agricultural land are examples of problems that I believe it is important for us to tackle through our business activities.

The value that we have to offer in addressing the problems of society lies in our technology and solutions. We have held that view ever since we were founded a century ago, and we continue to hold it today. Nevertheless, attitudes toward technology are changing as people rethink what constitutes value and the societal landscape shifts. When our company founder said that "to conserve fuel is to serve mankind," technology meant fuel-combustion technology. But if we are to achieve a sustainable future, technological capabilities that allow us to stay ahead of the times will be vital. Yanmar intends to change the face of technology to contribute to the solving of a multitude of problems. New technologies that we are advancing include robotics, farm technology that leverages our expertise and highly economical energy systems.

### A company that takes it to the next level

---

To respond to the issues faced by our customers and society more swiftly and more precisely, it's important that time for preparations and decisions is kept to a minimum, thereby transforming ourselves

into an organization that generates value faster than anyone else. To that end, we are moving forward with “transforming ways of working,” an initiative we have been pursuing since 2014. And in April 2016 we reorganized the Work Style Innovation Office, turning it into the Organization Development Office.

We will therefore be redoubling our efforts to revitalize our organization, with the promotion of diversity and the utilization of the Y-Square communication tool as the foundations of these efforts.

I also believe that a good organization generates

“excitement.” I think that the most important element for a company is a positive chain whereby everyone, working toward the realization of an ideal society, shares the excitement that they are giving full play to their individual capabilities and that as a result, they’re making customers happy.

With the goal of becoming a company like this, i.e. one that exudes excitement, we are engaging in business activities aimed at creating new value, and I hope we can count on your continued guidance and encouragement.



**Takehito Yamaoka**

President  
YANMAR CO., LTD.

# Implementation of Our Mission Statement

## Mission Statement

We strive to provide sustainable solutions  
for needs which are essential to human life.

We focus on the challenges our customers face  
in food production and harnessing power,  
thereby enriching people's lives for all our tomorrows.



## Brand Statement



# A SUSTAINABLE FUTURE

## Group Vision



### Maximize Lifecycle Value for the Customer to Win Their Lasting Trust

The Group Vision, which connects the Mission Statement and the Business Unit Vision, suggests the direction we should pursue and conveys our approach to providing value to our customers.

## Founder's Spirit



### Grateful to serve for a better world To conserve fuel is to serve mankind

The Founder's Spirit is the origin of Yanmar's corporate activities and, at the same time, Yanmar's DNA. These concepts have been handed down from our founder Magokichi Yamaoka for generations and must be passed onto future members of the Yanmar family.

## Guiding Principles (YANMAR11)

For all Yanmar employees



- Focus on the Customer**  
1. Ask yourself where customer value lies, and use the answer in delivering optimal solutions of superior quality.
- Grasp the Real Situation**  
2. Investigate what the actual situation is. Penetrate beyond pre-conceptions and check the actual place, the actual part and the actual condition to get to the truth.
- Success through Perseverance**  
3. Achieve excellent results through follow up and perseverance. Never give up.
- Initiative**  
4. Be proactive with minimal supervision and prompting. Start the ball rolling.
- Winning Speed**  
5. Act swiftly to capitalize on global opportunities.
- Imagine and Do**  
6. Be creative and question the accepted way of doing things. Don't only accept what worked yesterday.
- Teamwork**  
7. Work together and remove internal barriers for our common goals. Think globally and act locally.
- Open and Honest Communication**  
8. Encourage differing views to reach optimal solutions. Don't just follow the general consensus.
- Global Challenge**  
9. Strive for innovation and continuous improvement to be world class. Don't get too comfortable.
- Personal Development**  
10. Set goals and challenge yourself to improve.
- Social Responsibility**  
11. Always act with integrity. Serve and improve the community and the environment.

The Guiding Principles function as a guideline for the actions and decision making we use to achieve the Mission Statement. They place the principles in order, from activities related to our highly valued customers to the self-improvement and compliance activities necessary for business operations.



### The Yanmar Group's CSR

# The implementation of our Mission Statement is the Yanmar Group's CSR

With core technology that is always ahead of the times, Yanmar has pursued the effective use of energy in every situation — on land, on the sea, and in the cities.

And in the fields of “food production” and “harnessing power,” which our Mission Statement declares are essential to human life, we endeavor to solve customers’ problems using the world’s most advanced technology.

The Yanmar Group’s CSR represents the implementation of this Mission Statement, and we intend to enhance value for a wide range of stakeholders and contribute to the creation of a society that enriches people’s lives for all our tomorrows.

---

## Yanmar’s stakeholders

The Yanmar Group pursues its business activities while engaging in dialog and cooperation with its various stakeholders. The following are examples of opportunities we create for interacting with our stakeholders.

### Our Business Partners

We are deepening communication and building strong partnerships with our distributors, dealers and suppliers in Japan and overseas.

- Purchasing policy briefings
- New product briefings
- QCT improvement guidance
- Technology/service study sessions

### Our Customers

We endeavor to earn the trust of our customers by swiftly developing and supplying them with safe, high-quality products that address the challenges they face.

- Showrooms ●Exhibitions ●Sales events
- Product maintenance/inspection
- Yanmar Remote Support Center
- Websites ●Product/service catalogs

### Our Local Community

With the aim of moving in step with our local community, we are engaged in various activities with residents to address local challenges.

- Community service activities
- Tours of head office and other business sites
- Local events

### Our Employees

We cherish the individuality and diversity of our employees, and are working to create a safe and comfortable workplace and develop global human resources.

- Mission Seminars ●YWK Global Convention
- Yanmar Global Cup ●Training
- Internal Reporting System (Ethics Hotline)
- Intranet ●Company Magazine

### Our Environment

To create a sustainable society, we are working to halt global warming, use resources more effectively, reduce pollution, and safeguard biodiversity.

- Environmental education
  - Provision of eco-friendly products
  - Green procurement
-

# Enriching people's lives for all our tomorrows

## Helping to solve society's problems

### Our Business Domains

Meeting needs which are essential to human life



### Food production

With a focus on mechanization and labor saving, we are working to support food production and living by providing solutions that deliver low-cost and highly-efficient farming methods to various areas of agriculture, including rice farming, crop farming, and dairy farming.



### Harnessing power

By developing energy-efficient, eco-friendly hybrid propulsion systems and engines, and popularizing energy systems such as co-generation and GHP systems, we are working to enrich people's lives.

### Yanmar's Strengths

### Technology



Under our company founder's spirit, which has been passed down during the more than 80 years since he developed and commercialized the world's first small diesel engine, we intend to solve customers' problems by creating the most advanced technology in the world and offering customers products, services, and knowhow.



Our Customers



Our Employees



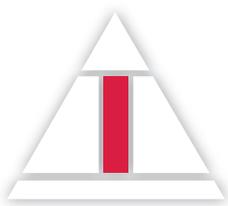
Our Business Partners



Our Local Community



Our Environment



### Brand statement

## Endeavoring to create new value in the next 100 years

In January 2016 the Yanmar Group established its new brand statement: “A Sustainable Future.”

This brand statement is an expression of the adaption of our Mission Statement to meet the times, and we use it to convey internally and externally the value that the Yanmar brand offers and the direction for our business activities.

Replacing “Solutioneering Together,” the new brand statement will serve as a symbol of our commitment to respond accurately to changes in the market environment and the needs of customers, in addition to embracing the challenges of the next 100 years.



# A SUSTAINABLE FUTURE

Since YANMAR’s founding more than 100 years ago, our company has been driven by a pioneering spirit for world-leading technology. Today, this technology continues to be a core focus, allowing us to utilize and transform all kinds of energy resources into power that can be harnessed for highly efficient human convenience.

Using our ever advancing technology, YANMAR continuously strives to exceed customer expectations and deliver exceptional lifetime value by integrating our products, services and knowledge into superior quality, comprehensive solutions.

Food and energy are two needs of increasing importance for which YANMAR is committed to providing optimal solutions to our customers. We gather knowledge and insights from a variety of resources, research institutes and corporations to develop innovations aimed at creating a global sustainable society.

Lasting prosperity for all.

Improving the Environment.

YANMAR will pursue these two “sustainables” to the next level,  
towards a new era of prosperity in the coming century.

## YANMAR'S FUTURE VISION

We at Yanmar will be endeavoring to make the following four visions for the future a reality.

VISION

### 01 An energy-saving society



Uses only affordable and safe power, electricity, and heat as needed whenever and wherever necessary without relying solely on fossil fuels.

VISION

### 02 A society where people can work and live with peace of mind



Change severe labor to comfortable work. Everyone can work comfortably, earn steady income, and live spiritually rich with nature.

VISION

### 03 A society where people can enjoy safe and plentiful food



Acquires only safe and delicious foods as needed whenever and wherever necessary.

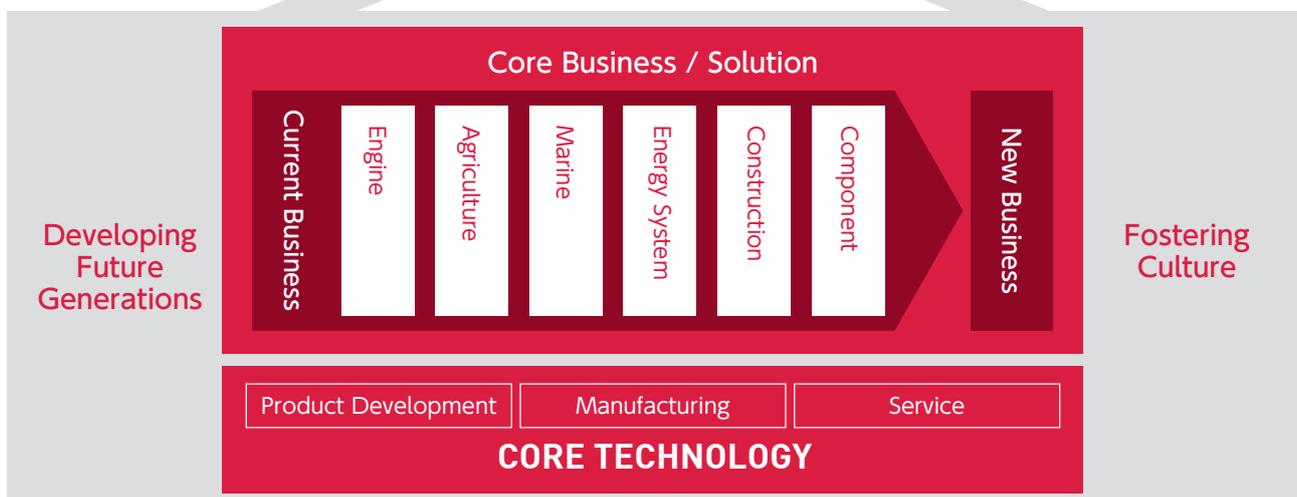
VISION

### 04 A society that offers an exciting life filled with rich and fulfilling experiences



Enriched lives are made possible by fully enjoying work and leisure. Lifestyle quality can be improved.

In order to realize a more prosperous future, we look beyond the bounds of our business, with activities to foster culture and nurture the next generation, all around the world.



# Sustainable prosperity for all and a sustainable natural environment

## Issues the World Faces

### Population



The world's population is currently increasing rapidly. According to estimates from organizations such as the United Nations, if the population continues to grow at the same pace, it will top nine billion people in 2050, and it is expected that this will have various effects on the supply and demand of food and energy and other environmental issues.

### Energy



57% of the world's population is concentrated in cities, and the inflow of people into urban areas is expected to accelerate in the future. Due to increasing demand for urban infrastructure construction and growth in economic activity, demand for forms of energy such as gas and electricity are on the rise, making energy efficiency essential.

### Food



As a result of the population increase, growth in the world's supply of food is not expected to keep pace with demand, and severe food shortages are predicted. In Japan, the number of farmers is declining year by year, and approximately 40% of farmers are senior citizens aged 65 or older, and the abandonment of farming due to factors such as a shortage of successors has been highlighted as an issue that needs to be tackled.

### Environment



In recent years climate change resulting from increases in atmospheric CO<sub>2</sub> levels has emerged as an issue as it is causing frequent incidences of unusual weather phenomena such as heavy localized rainstorms and soaring temperatures in various places around the world. And this climatic instability is beginning to affect agricultural output. Furthermore, environmental regulations governing corporate manufacturing and products are being tightened, which means that efforts need to be made to reduce energy usage and CO<sub>2</sub> emissions.

## TECHNOLOGY CONCEPT

**Y-Energy**

**Y-Robotics**

**Y-Cultivation**

**Y-Experience**

**Y-Quality**

In conjunction with our new brand statement, “A Sustainable Future: New Abundance through Technology,” the Yanmar Group has formulated four visions for the future: “an energy-saving society,” “a society where people can work and live with peace of mind,” “a society where people can enjoy safe and plentiful food,” and “a society that offers an exciting life filled with rich and fulfilling experiences.” And to realize these visions, we have launched a variety of initiatives.

As a result of the increase in population and the growth of economic activity, particularly in emerging countries, the world is faced with numerous problems including energy

and food issues and environmental impact. We intend to leverage our strengths, which lie in our technology, to ensure sustainable prosperity for all and a sustainable natural environment.

With a technology concept of “realizing the maximum prosperity using the minimum resources,” the Yanmar Group will be providing the world with new value that only we can deliver. For example, we will be promoting the effective use of energy, making agriculture more efficient and less labor intensive, sustainable agriculture, and ways to bring excitement into peoples’ lives.

## Realizing the maximum prosperity using the minimum resources

### Optimum energy supply with minimum environmental impact

- Effective use of diversified energy
- Clean energy production
- Higher efficiency & performance

### Maximum work with minimum manpower

- Labor-saving & high efficiency
- Safer work

### Minimum impact cultivation of the highest quality food

- Pioneering advances in agriculture & aquaculture
- High yield & high quality
- Environmentally sustainable food production

### Maximum excitement through advanced solutions

- Efficient high quality services
- Quality leisure time

### Maximum reliability and comfort with minimum bother

- Downtime-free
- Stress-free operation

## Yanmar's four visions for the future

VISION

01



An energy-saving society

VISION

02



A society where people can work and live with peace of mind

VISION

03



A society where people can enjoy safe and plentiful food

VISION

04



A society that offers an exciting life Filled with rich and fulfilling experiences

VISION

01

An energy-saving society

Uses only affordable and safe power, electricity, and heat as needed whenever and wherever necessary without relying solely on fossil fuels.



Yanmar's Approach

To bring about an energy-saving society, it will be essential to use forms of energy such as fuel and electricity more efficiently and to use renewable energy more effectively. At Yanmar, we develop and promote the use of industrial diesel engines that are highly efficient and consume less fuel. In recent years, we have developed small diesel engines that are compliant with Tier 4 emissions regulations, and these are being well received by industrial machinery manufacturers around the world. We have also been using natural gas and biogas as fuels to develop cogeneration systems that generate power and make effective use of the heat produced during power generation to provide hot water, air-conditioning, and heating. We are also working on energy management systems that employ ICT to network co-generation systems so as to minimize energy loss.

Case-study: Biogas micro cogeneration

Besides solar power and wind power, another form of renewable energy that is attracting attention is biogas obtained from methane fermentation. The generation of biogas requires biomass such as sludge and food residue, which can be found in sewage treatment works, food/garbage disposal facilities, and manure handling facilities. In most cases, however, the biomass is not put to effective use. Instead, it is just disposed of. Furthermore, although the Japanese government is also striving to promote the adoption and use of biogas as fuel through initiatives such as a fixed-price purchasing scheme\*, progress in biogas utilization has been slow.

Biogas first caught the attention of Yanmar in the 1980s, and in the 1990s we leveraged proprietary gas electricity generation technology to bring a biogas micro cogeneration system to market. Our latest models save energy by utilizing "a lean-burn Miller cycle gas engine." They emit less NOx, consume less fuel, are highly efficient, and offer an industry-leading maintenance cycle of 8,760 hours.

Due to fluctuations in how much gas is generated, we have also made it possible, by installing and operating a number of small 25kW units in parallel instead of one large one, to operate the optimal

number of units to burn the amount of biogas that is available. As of FY2015, 507 25kW units were in use in Japan, and we boast a 65% share of the market for this class of systems in terms of number of units sold.

\* A scheme whereby electricity generated from renewable energy is sold to local power companies at a fixed price. The purchase price of biogas produced from methane fermentation is set particularly high compared with other types of renewable energy.

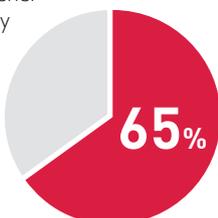
The system in use

Yamagata Purification Center  
Yamagata Constructional Engineering Center

This center, which is situated in the city of Tendo in Yamagata Prefecture, looked into the possibility of installing small power generators as a means of diversifying the risk of malfunctions, which led it to install 12 Yanmar CP Bio (25kW) units. These biogas micro cogeneration systems offer the highest level of performance in their class with overall energy efficiency of 84%.



Biogas micro cogeneration system CP Series (for biogas made from sewage)



► Biogas micro cogeneration  
Yanmar's market share (output under 100kW)  
(FY2015)

## VISION 02

A society where  
people can work  
and live with  
peace of mind

Change severe labor to comfortable work. Everyone can work comfortably, earn steady income, and live spiritually rich with nature.



### Yanmar's Approach

At 10-30 years, the lifecycle of our marine diesel engines is long, so we believe that increasing lifetime value for customers through our products and services will lead to the achievement of our vision. For example, by pursuing low-vibration, low-noise technology that makes customers' working environments more pleasant, and "laser cladding" technology for reusing components to reduce running costs, we are working to ease the burden on customers. We have also established a worldwide network of Global Service Centers that enable customers to enjoy the same quality of service wherever they are in the world. We also operate TT Schools for training people to be professional engine mechanics and offer Ships Supporter, an ICT-driven advanced engine diagnostics system. Through initiatives like these, we provide customers with various kinds of support after they have purchased our products.

### Case-study: TT Schools

Yanmar has established Yanmar Technical Training Schools (TT Schools) to develop professional engineers who can handle the operation, servicing, and maintenance of marine diesel engines. In Japan, there are TT Schools at our Amagasaki and Tsukaguchi factories, while overseas we have established them in the Philippines, Myanmar, India, China, and Brazil, meaning that we are training mechanics all over the world.

The TT Schools, which we launched for the purpose of developing excellent ship crew members, are educational facilities where enrollees can learn everything from the basics to practical techniques. The students include a wide range of people from beginners in the field of diesel engines to people already involved in maintaining engines. The curricula are designed to meet the needs of students of every level, and by, for example, providing hands-on training with actual large engines, we equip them with skills they can put to use in practice.

In recent years, from the standpoint of risk management aimed at preventing accidents before they occur, the importance of training personnel to perform practical tasks has been increasing, and the number of people enrolling has been rising year by year. The programs are taken by a wide range of technicians, including ship engineers on coastal and oceangoing vessels, people from the Japan Coast Guard, Japan International Cooperation Agency, the Maritime Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, the Nippon Kaiji Kyokai (Class NK), the Japanese Antarctic Research Expedition, and Yanmar sales agents, including sales agents who have come

from overseas. We hope that by equipping these people with the high-level specialist skills that we have accumulated over the years, they will feel more relaxed and comfortable when they perform their jobs.



Practical training (Amagasaki)



Practical training (India)



VISION  
**03**

**A society where people can enjoy safe and plentiful food**

Acquires only safe and delicious foods as needed whenever and wherever necessary.

### Yanmar's Approach

Creating a society in which everyone in the world can enjoy food that is safe, delicious, and nutritious is a key mission for Yanmar, which operates in the field of food production. We are providing the insights and knowhow we have accumulated over many years to support business development. Examples of this are the creation of a local brand of oysters, which are farmed using sustainable aquaculture technology, in the city of Kunisaki in Oita prefecture, Japan and garlic cultivation in former rice fields in the city of Yabu in Hyogo prefecture, Japan. Furthermore, in August 2016, the Bio Innovation Center Kurashiki Laboratory (Kurashiki City, Okayama prefecture, Japan) went into operation. Here, we are conducting research and development and creating solutions in greenhouse horticulture and genetics, plant breeding, and microbiology, in addition to other fields of research.

### Case-study: Project to create a garlic-growing region

In light of the need to realize a sustainable, resource-recycling based society and the growing need among consumers for safety and peace of mind when it comes to food, Yanmar is operating projects all around Japan to turn rice fields into land on which value-added crops can be cultivated.

For example, in the city of Yabu in Hyogo prefecture, Japan, which has been designated as a "national strategy special zone," we are implementing a project to create a Japanese region that produces garlic that is both safe and offers peace of mind in partnership with the local government and local companies and farmers.

This project is aimed at addressing issues faced by Yabu such as an increase in land that has been abandoned and is no longer cultivated and a decline in the population of farmers. Taking into account the local climate and geographical characteristics, and results of market research, we suggested to the city that rice fields be turned into fields for garlic cultivation. We assisted with this process by improving the soil quality of rice fields to prepare them for other crops. Furthermore, we deployed machinery to improve work efficiency and provided advice on cultivation in order to train new farmworkers and strengthen the local agricultural infrastructure. We also introduced traceability practices to ensure garlic that is safe, delicious, and offers peace of mind is provided to consumers.



Garlic cultivation

Products like these are being shipped

### Doctor Yabu Garlic

In 2015, Yanmar Farm's Yabu farm was growing and shipping garlic from a site covering approximately 4.6ha in collaboration with local companies, agricultural corporations, and individual farmers. Many years ago, when Yabu was in the former Tamba province (includes present-day Hyogo prefecture), there was a famous doctor who could cure any ailment. His reputation travelled far and wide, and it is said that many young doctors came to work as apprentices for him. Because Yabu was that famous doctor's hometown we decided to call the garlic "Doctor Yabu Garlic," as it is grown with everyone's health in mind, and Doctor Yabu Garlic is now on sale in supermarkets in the Kansai region.





VISION  
**04**

**A society that offers an exciting life filled with rich and fulfilling experiences**

Enriched lives are made possible by fully enjoying work and leisure. Lifestyle quality can be improved.

**Yanmar's Approach**

The vision that Yanmar is striving to achieve is that global environmental and societal issues will be resolved and that society will enable people, through work and leisure, to feel excitement and enjoy their daily lives. For example, our new tractors, the YT Series, and backhoe, the B7, offer more cabin space than previous models. The YT Series also features a wide, curved glass window for enhanced visibility, and the B7 is fitted with an air conditioner that can be used both inside and outside the cabin – making work pleasant to perform all year round. By offering features like these, users can work for long periods without getting tired, in addition to feeling relaxed and comfortable. And to enable people to enjoy marine leisure to the full, we are developing boats that offer excitement. One of these is the X39 Express Cruiser, a concept boat developed as the centerpiece of the Premium Brand Project.

**Case-study: X39 Express Cruiser Concept Boat**

To celebrate the 100th anniversary of our foundation, Yanmar launched the Premium Brand Project as a means of conveying an image for Yanmar that matches this new era and enhancing our brand value through the precise and efficient communication of the activities we are pursuing to implement our Mission Statement.

As the centerpiece of the Premium Brand Project is the X39 Express Cruiser, a concept boat, the design was handled by Yanmar Holdings director and member of the board, Kiyoyuki Okuyama and the development was performed by Yanmar engineers, who employed Yanmar's most advanced technology.

The sporty design, which is reminiscent of a powerboat, exudes excitement. Another feature is the luxurious interior. Containing two bedrooms, it was designed to comfortably accommodate two couples.



The spacious interior



X39 Express Cruiser

In addition to pursuing a range of business activities, we at Yanmar are also endeavoring to create a more abundant future. To that end, we are engaged in “next-generation development activities” and “cultural promotion activities” both in Japan and overseas. In the area of next-generation development activities, we pursue activities through the Yamaoka Scholarship Foundation, and through the Yanmar Museum and our pavilion at Kidzania Koshien, we provide children with hands-on experience. And in the area of cultural promotion activities, our undertakings include supporting soccer and marine sports, and pursuing a new approach to agriculture through Premium Marche events that bring producers and consumers together.

## Next-Generation Development Activities

### Yamaoka Scholarship Foundation

Developing people capable of contributing to world peace and prosperity and cultural improvement.



Company founder Magokichi Yamaoka, the first director of the Yamaoka Scholarship Foundation

#### Background

The Yamaoka Scholarship Foundation is a foundation that provides scholarships that was established by Yanmar company founder Magokichi Yamaoka with his own funds in 1950, just as Japan had begun to recover from the turmoil that followed the war.

Company founder Magokichi Yamaoka, who served as the Foundation's first director, was born into a poor farming family in Shiga Prefecture. After overcoming numerous hardships, he founded Yanmar Co., Ltd. and developed it into a global engine manufacturer.

He made the expression “grateful to serve for a better world” his motto. He said that his success in business was down to collaboration and support from the people around him. This spirit of gratitude and a wish to serve society by giving something back led him to set up the foundation for the purpose of “developing people capable of contributing to world peace and prosperity and cultural improvement.”

#### History

Even after Director Magokichi Yamaoka's death, the size of the fund and the scale of the scholarship programs continued to increase, and the foundation now provides scholarships to graduate students, international students, and high school students who are engaged in agriculture-related research.

And in 2013, with the aim of helping support international exchange, scholarships began to be offered to junior high school students in Southeast Asia.

Thanks to the support provided by the foundation, 5,400 people have so far completed their studies and are now active in various different fields, not only in Japan but also around the world. We therefore believe that the contributions to society being made by former scholarship recipients constitute one of the intangible assets of the Yamaoka Scholarship Foundation.



Scholarship certificate award ceremony



International students on a study tour

#### TOPICS

#### Helping children in Thailand and Indonesia pursue both education and soccer

2016 is the third year of the Southeast Asia junior high school scholarship program, which is run in Thailand and Vietnam. Under the program, which is aimed at nurturing Asia's next generation, economically disadvantaged children can continue their studies while also pursuing the sport of soccer. Children who wish to receive scholarships can receive instruction from coaches who used to play soccer in the J.League, Japan's professional soccer league, at soccer events called Yanmar Football Clinics. Some of them are then chosen to receive scholarships. The selection process looks not only at their soccer skills, but also at their academic performance and their level of need for financial assistance.



A Yanmar Football Clinic in progress

# A museum where visitors can discover Yanmar's history and approach to manufacturing in a hands-on experience

### Background

The Yanmar Museum, the concept of which is to enable visitors "to experience things they can only experience here," opened in March 2013 in Nagahama in Shiga prefecture, Japan, the city where company founder Magokichi Yamaoka was born. Since then it has attracted more than 300,000 visitors (as of May 2016). It features a variety exhibits and offers a range of workshops relating to each of our three business domains, On Land, At Sea, and In the City. Visitors can learn hands on about Yanmar's history and approach to manufacturing. This makes it popular among local schools as a destination for excursions.



Yanmar Museum



Biotope observation (participants examine plankton under a microscope)

### History

Since it opened, the content of the facility has been expanded in phases. In March 2014 the R&D zone was opened, while in April 2015 the agriculture zone reopened after a refurbishment. Furthermore, a variety of workshops are run every month. These allow participants to "see, feel, and learn about" the importance of the environment, manufacturing, dietary education, and agriculture. The programs offered in FY2015 included assembling a wooden engine and biotope observation. Other events such as an autumn festival and rice-making competition are also held every year.

### TOPICS

Providing elementary and junior high school children, who will make up the next generation of adults, with opportunities for enhancing their understanding of the agriculture and fisheries sectors and learning about the achievements of Yanmar's company founder

The Yanmar Museum is engaged in next-generation educational activities through which local elementary school students and junior high school students from both inside and outside the prefecture are provided with a variety of learning opportunities. We don't just have them come and look at the exhibits on display. Instead, we work with school teachers on educational content and devise and deliver hands-on programs that are suitable for children.

For example, at a joint hands-on study program we conducted with the Shiga Prefectural Lake Biwa Floating School\*, the students completed an original quiz sheet as they walked around the museum. They also had the opportunity to touch actual agricultural machinery and boats, and through their conversations with staff, they were able to deepen their understanding of the fields of agriculture and fisheries.

We also had a local junior high school take up Yanmar's company founder as a topic for their general studies class. They listened to a lecture about Magokichi Yamaoka's life and toured the museum, which enabled them to learn about what sort of person he was, what he achieved, and the activities of Yanmar as a company. After their visit, the students produced a "Yanmar Newspaper" describing all the things they had learned. As a result, interest in Yanmar and their local area deepened and spread among the students, and the teachers told us that as a general studies topic it had been more beneficial than they had expected.

\* A prefectural organization that operates the Uminoko study ship and provides education to every fifth-grade elementary student in Shiga Prefecture, which includes taking a trip on the ship and attending a study camp. The project is run by the Shiga Prefectural Board of Education.



Students chat with a retired Yanmar employee working at the museum as a volunteer (Floating School)



A classroom question-and-answer session (junior high school students)

# Cultural Enrichment Activities

## Sports Sponsorships

### Feeling excitement through sports Toward the realization of a spiritually fulfilling society

#### Background

We hope that the nature that surrounds us will continue to exist forever, and that people will be able to enjoy healthy and happy lives for eternity. To that end, we are striving to create an exciting, spiritually fulfilling society through sports.

With the aims of making the lives of our customers around the world and the people in the regions in which we operate more enjoyable, and of becoming a company that is firmly rooted in the community, we endeavor to convey the Yanmar brand and message and build deep connections with the people of the world by sharing the joy and emotion that sports can deliver.



Supporting the national teams of Southeast Asian countries



#### History

Through partnerships with some of the world's top club teams and national teams, Yanmar aims to grow together with them on an international level. Yanmar focuses in particular on supporting soccer and marine sports.

For example, we support Manchester United of the English Premier League, the New York Red Bulls of U.S. Major League Soccer, and the national soccer teams of countries in Southeast Asia. We also sponsor international tournaments. And in Japan, we are the main sponsor for a U-12 tournament, through which we hope to assist with the sound mental and physical development of children who are aiming to become professional soccer players in the future.

In the area of marine sports, we are the Official Technical Partner of Oracle Team USA, two-time winners of the America's Cup, the world's most prestigious yacht race. This yacht race, which having begun in 1851 is even older than the Olympics, sees teams from the leading maritime nations of the world employing the latest technology as they battle for national pride. In this role, Yanmar and the team endeavor to be world number one, and with the best professional sailors in the world, we are promoting the beauty of the ocean.

Through sport, Yanmar will continue to share in the excitement with the people of the world, contributing to a society filled with exciting experiences.



Supporting Oracle Team USA as an Official Technical Partner



Supporting Manchester United as an Official Global Partner

## Cerezo Osaka

# The Yanmar soccer culture that has contributed to the growth of the Yanmar Group

### Background

In 1957, Yanmar established a company soccer club, which came to play a major role in embodying the notion of teams pulling together as they move toward their objectives and the importance of the various types of cooperation and communication that teamwork delivers. Back then, the unity felt by the players and the employees who shared in the joy of their victories and offered encouragement when they were defeated, helped inject vitality into the Yanmar Group and raised the company's profile.



Cerezo Osaka



### History

In 1993, with the launch of the J.League, the Yanmar Soccer Club was reborn as the professional soccer club Cerezo Osaka, and the club achieved promotion to the J.League the following year, in 1994. The club has produced numerous players, including Hiroaki Morishima and Shinji Kagawa, who have played for the Japanese national team and in overseas leagues. Yanmar has been supporting Shinji Kagawa, who used to play for Cerezo Osaka, since he became a professional player at the age of 17 and continues to do so to this day. Furthermore, in 2014 we acquired the naming rights to Cerezo Osaka's home stadiums, the Nagai First and Second Stadiums, and as a result they became Yanmar Stadium Nagai and Yanmar Field Nagai. Besides soccer games, these stadiums also host various sporting and other events, contributing to the development of a rich, cultural life.

Through Cerezo Osaka, which is deeply connected with Yanmar's history, we hope to convey to children, who will make up the next generation of adults, and as many other people as possible, the joy and emotion that soccer can provide and the importance of embracing challenges.



Yanmar Stadium Nagai

## Premium Marche

# Bringing producers and consumers together and promoting sustainable and prosperous living

Yanmar is implementing various initiatives aimed at creating a new style of agriculture that will make the agricultural sector stronger and more prosperous. One example is our Premium Marche open-air markets, which bring together producers who work to cultivate the high-quality crops and consumers who seek food that is safe, delicious, and offers peace of mind. So far these markets, which attract large numbers of customers, have been held in Tokyo, Osaka, Fukuoka, Sendai, and Iwate, Japan.

Our website, meanwhile, features stories about producers and food, recipes that contain seasonal ingredients and are devised by professional chefs. We also are engaging in other activities such as sponsoring television programs and connecting producers with restaurants.

Going forward, Yanmar will continue to promote sustainable and prosperous living through its involvement in the field of food production.



A Premium Marche market in Sendai, Japan

# To achieve “Mission-driven management,” we are continuously implementing Mission deployment activities throughout the world

With the aim of making sure that all our employees understand our Mission Statement and Guiding Principles (YANMAR11), which we formulated in 2012, and incorporate them into their daily work, we have been implementing a variety of Mission deployment activities on an ongoing basis. By running events such as Mission Seminars, which are held throughout the Yanmar Group, and the YWK Global Convention, where employees present the results of their kaizen continuous improvement activities, encourage each other to learn, and praise each other, we aim to change the attitudes and behaviors of employees, increase lifetime value for customers, and help to solve societal problems.

## Understanding

### “Mission Seminars” held worldwide

To ensure that the Yanmar Group’s Mission Statement and Guiding Principles are properly understood and translated into action by Group employees, in FY2015 126 of these sessions were held worldwide for a total of 2,585 participants. They also featured group discussions with different topics for each level of employee.



## Action

### Enhancing cross-functional problem-solving abilities

Kaizen activities by Group employees are vital for increasing the value we provide to customers and solving their problems. And to improve cross-functional problem-solving capabilities, we also endeavor to equip them with problem-solving techniques.



Mission Seminars  
for managers

**126** seminars, **2,585** employees

YWK  
Global  
Convention  
for Yanmar Group  
employees

**1,589** teams, **11,295** employees  
(total)

Sharing

Implementation

## The YWK Global Convention: An opportunity to promote a spirit of embracing challenge

YWK stands for "Yanmar Way by Kaizen," which is an initiative that involves pooling knowledge and working in teams to make improvements in order to strengthen the company and thereby achieve our Mission and Vision. By sharing information and praising improvement activities in the Yanmar Group, employees can educate each other globally. The goal is to foster a culture in which each and every employee makes improvements and takes on challenges independently. At the FY2015 convention, which was the third convention, 39 teams selected from a total of 1,589 entrants presented details and the results of their kaizen activities.



### From our employees

Questioning the obvious and taking on  
new challenges

Bringing excitement to customers

We are involved in the development of fishing boats, and inspired by the mantra, "Be creative and question the accepted way of doing things. Don't only accept what worked yesterday," which is one of our Guiding Principles, we adopted a completely different approach to the one we had been employing before. Under the slogan, "Bringing excitement to customers," our kaizen activities involved pulling together to come up with various ideas for improving product quality and easing workloads.

The kaizen activities were hard work, but as a result of working hard as a team comprising members from different departments, we received praise from a customer, who said, "That's an amazing boat you've made." So we feel that our efforts served to turn our Mission Statement into reality. They also led to us winning an award at the YWK Global Convention, so we feel grateful to everyone who supported us. We've also become more willing to take on new challenges.

Tsugio Inoue (top left)  
Manufacturing Department

Chihiro Matsuda (top middle)  
Product Department

Yukihiko Kimura (top right)  
Shinya Shina (bottom left)  
Akira Terasawa (bottom right)  
Product Department

YANMAR SHIPBUILDING  
& ENGINEERING CO., LTD.





# Improving management transparency and strengthening our management structure

## Corporate governance

### Our fundamental approach

Yanmar has implemented a corporate governance system complete with a sound transparent management structure and an internal control system for speedy decision-making and clear allocation of responsibility. These efforts are aimed at the ongoing improvement of corporate value.

YANMAR HOLDINGS CO., LTD. is to supervise the activities of the holding company's directors and work with the Supervisory and Audit Board and Corporate Audit Division of YANMAR CO., LTD. to audit the status of corporate management across the Group as a whole.

Furthermore, an external auditing firm audits our accounts and provides third-party verification of the suitability and legal compliance of our accounting practices and the internal controls that relate to them. At Yanmar there are four Audit and Supervisory Board Members including two from outside of the company.

No. of outside directors:

1

### Enhancing fairness, objectivity, and transparency in management through appointing independent outside directors

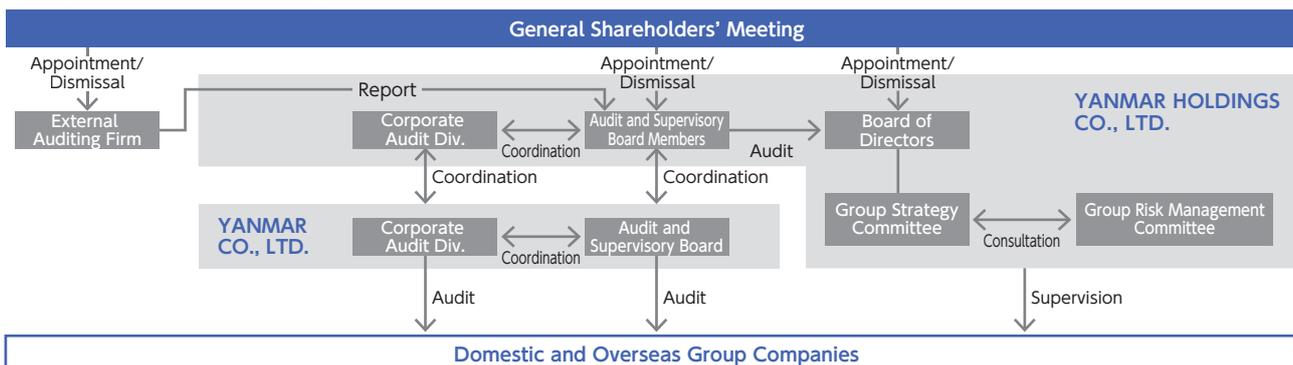
With the aim of separating Group management and business execution, in 2013 we adopted a holding company structure. The Board of Directors of the holding company, YANMAR HOLDINGS CO., LTD., currently (June 30, 2016), consists of nine directors, including one independent outside director, making our management fairer, more objective, and more transparent.

Under the supervision of the Board of Directors of YANMAR HOLDINGS CO., LTD., the Group Strategy Committee determines the direction of the Yanmar Group and addresses management issues, enabling the Group to be managed efficiently and effectively. Moreover, the Group Risk Management Committee, which was established to act as an advisory body to the Group Strategy Committee, manages key risks pertaining to the business activities of the Group. The role of the Supervisory and Audit Board Member of

### Basic Policies for Formation of the Internal Control System (outline)

- Basic policies for formation of the internal control system (outline)
- Ensures that all professional duties and activities undertaken by the board members and employees comply with the law and our Articles of Incorporation
- Ensures adequate storage and management of information related to the professional duties and activities of the board members
- Ensures adequate regulations and other systems are in place for managing the risk of losses
- Ensures that the professional duties and activities of the board members are performed efficiently
- Ensures the appropriate business operations for the entire corporate Group
- Ensures that the auditors' duties are being carried out effectively, in addition to maintaining the independence of the auditors' assistant

▼ Corporate Governance Organization Chart (As of June 30, 2016)





## The Kumamoto earthquakes made me aware of the importance of crisis management and disaster prevention

Koki Takeda

Kyushu Company  
YANMAR AGRI JAPAN CO., LTD.



When a series of earthquakes struck Kumamoto recently, my first priority was to utilize the safety confirmation system and mobile phones to confirm the safety of employees, their families and the damage to their homes. I also liaised with people in the disaster zone and investigated possible routes for delivering essential supplies, immediately sending supplies to employees who had been affected. These earthquakes reminded me of the importance of ensuring that we have the means to contact people as well as sufficient supplies in the event of disaster. I will continue improving our crisis management to enable faster and more accurate response in the event of another disaster.

## Risk management

### Basic approach

Yanmar has established a Group Risk Management Committee to manage and carry out measures to deal with the various risks associated with business operations. The committee studies the policies and direction for overall risk management efforts and holds conferences that cover the subject of risk management promotion and its countermeasures.

### Our Group Risk Management Committee for handling business activity associated risks

The Group Risk Management Committee, which was formed in conjunction with the establishment of YANMAR HOLDINGS CO., LTD. meets twice a year in relation to the handling of risks associated with business activities. The Group Risk Management Committee comprises of a further eight committees each specializing in managing risks in different functional areas. These committees devise measures for individual companies within the Group to prevent the occurrences and reoccurrences of risks relating to each function. The committee meetings are organized by the respective corporate departments in charge and are comprised of representatives from each business entity and company.

Eight expert committees manage risks:

8

### ●Using the risk case report database

If a risk case occurs within the Yanmar Group, the respective risk manager will enter regular updates on the progress of measures taken to rectify the situation, ensuring that information on the progress is always shared with the top management levels. In FY2015 six cases were reported.

### ●Establishing emergency response systems

We have devised emergency response protocols as part of our initial-response emergency systems. The system is set up to respond in accordance to the level of emergency, based on these protocols, in the event of a disaster, accident or incident which requires action. We have also set up an emergency communication network to enable adequate response during holidays or at night, in addition to a 24hr Yanmar Emergency Response Center which provides back-up responses in the case that the communication network system fails.

### ●Using the safety confirmation system

In the event of a natural disaster including earthquakes, excessive wind or rain, this system enables us to confirm the safety and make immediate contact with all employees and their families. During FY2015, messages were sent out on ten occasions following earthquakes with a seismic intensity of just under 5 or above, and the safety of Yanmar employees and their families was confirmed. Furthermore, in January and September each year all Group employees take part in disaster drills in order to prepare for an actual event. The system also allows messages to be sent to each business site, and each site uses it for emergency communication.

### ▼Diagram of the Risk Management Promotion System (As of June 30, 2016)





## Respecting individuality and diversity, and working to create safe and comfortable working environments



### Our basic policy toward personnel

To ensure that the Yanmar Group can overcome challenges and barriers, be trusted by customers, and achieve significant growth, we are nurturing the growth of world-leading talent, and providing an enriched working life for all Yanmar Group employees.

## Promoting diversity

### Taking action to increase diversity as part of our global strategy

With the aim of “securing globally orientated professional human resources regardless of their nationality, gender, or age,” the Yanmar Group is endeavoring to hire a variety of talent and promote diversity.

Diversity at Yanmar refers to accepting and respecting differences including differences in lifestyles, cultures, careers, nationality and gender, to harness the individual capabilities of each employee towards improving the performance of the company.

With our sights set on becoming an organization which effectively leverages the capabilities, traits and values of each individual to their full capacity, so that all Group employees can work with pride and enthusiasm, in April 2015, we established a dedicated section to promote diversity.

With the establishment of this organization, steps are being taken to make our corporate climate “more visible” and “easier to understand.” In FY2015, we obtained the “Kurunin” certification from the Ministry of Health, Labour and Welfare in recognition of our efforts to support childrearing. We have also set up an internal portal site called “Iki Iki Plaza,” which provides information on diversity, in addition to running seminars on how to balance work with caring for elderly relatives. These activities are designed to establish a more mutually tolerant climate.

Furthermore, in response to growing diversity amongst Yanmar employees and global integration, in March 2016 we began offering Muslim-friendly meals at our head office cafeteria, the Premium Marche Café. Muslims (the term for followers of the Islamic faith) make up a quarter of the world’s population with a large population in Southeast Asia and Europe where the Yanmar Group has operations. In responding to

these needs, Yanmar established its own standards for “Muslim-friendly” cuisine, providing a meal that complies with these standards. The meal served changes every day.

As a company that has declared food production to be part of its mission, we have ensured that Muslim employees and visitors can enjoy delicious meals with peace of mind. We have done this by paying attention to ingredients and flavors and using only meat and ingredients that are suitable for Muslims. Our Muslim friendly meals have also proven popular with our Japanese employees as another tasty option available on the lunch menu. We have also provided a dedicated prayer space in recognition of their custom of worship. These initiatives have also been well received by employees and customers of all nationalities and faiths for the way they promote mutual understanding.



A Muslim-friendly meal

### Providing opportunities for female employees

As of the end of March 2016 women accounted for 456 (13.1%) of our 3,470 employees and 24% of the graduates who were offered jobs at Yanmar in FY2015. Yanmar’s mainstay business is the manufacturing of machines and engines and while there are still a limited number of women who choose to specialize in this area, we are employing women in a range of roles within the company.

We also actively appoint female recruiters, and organize informal meetings between women employees for female students searching for employment in the company.

\* In FY2014 female students only accounted for 11.7% of the students enrolled in four-year engineering degree programs. (from the Ministry of Education, Culture, Sports, Science and Technology’s School Basic Survey)

Women accounted for 24.0% of the new graduates we made job offers to.

**24.0%**

### Promoting women to managerial positions

While the proportion of female managers at Yanmar is currently only 1.44%, the number is increasing year by year. Yanmar and Yanmar Holdings each have two female executive officers and two female general managers, indicative of the importance that Yanmar is placing on gender equality in organizational policy and culture.

### ● Enabling women to succeed in various workplaces and creating an inclusive and supportive work environment

At Yanmar, women are also active on the frontline of production. Although women as a proportion of production line workers in our factories is low, at 3.1%, the length of employment averages 17.1 years for women, compared to 16.7 years for men.

At Yanmar, working together to establish a more inclusive and supportive work environment has prompted more women to rise to the challenge in response to the work expectations of Yanmar.

In recognition of the connection between changes in the work environment and productivity levels of female employees, from FY2015 Yanmar began encouraging men to play a larger role in childrearing. Not only has this initiative encouraged men to be more active in childrearing related activities, it has also led to a shift in the ways of thinking and working within the workplace, fostering a climate that is receptive to new values.

### ● Action plan under the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act of Promotion of Women's Participation and Advancement in the Workplace

#### Aims of the plan

We are endeavoring to establish an employment environment in which all employees, including women, can demonstrate their full capabilities and work with sound health and peace of mind. In order to push forward with these initiatives, at Yanmar we have also devised a concrete self-regulated action plan, and are proactively working to put the plan into full effect.

#### Period of the plan

Under the law, the self-regulated action plan must be enacted for a period of 2-5 years. At Yanmar, we have decided to devise a new plan every two years, the shortest possible timeframe, in order to respond swiftly to changes in societal conditions.

#### Main initiatives contained in the plan

The period of Yanmar's self-regulated action plan will be from April 2016 to March 2018, and the main initiatives contained in it are as follows:

#### Foster a climate in which a diverse variety of employees can work productively

- Produce a handbook for helping employees achieve a better life balance and awareness.

#### Foster a climate in which employees can stay healthy

- Continue encouraging employees to use their annual paid holidays

At Yanmar, we will be monitoring the progress of the initiatives by conducting workplace questionnaires, from which we will use the results to make further improvements. The results will also be shared with all employees.

### Promoting employment of persons with disabilities

In April 2014, we established YANMAR SYMBIOSIS Co., Ltd., as a special subsidiary company\*1 for boosting employment of persons with disabilities. As of June 2016, there were 21 persons with disabilities working enthusiastically at the special subsidiary company.\*1

At YANMAR SYMBIOSIS, we endeavor to pursue a distinctive Yanmar approach, engaging in two areas of business: the agricultural solutions business, and the office support business, which assists with the establishment of environments that are easy for employees to work in.

While the combined percentage of employees who have disabilities for the five applicable group companies\*2 was only 1.72% as of March 1, 2016, we aim to bring this figure above the legally-required rate of 2.0% by 2017. To expand the range of employment of persons with disabilities, we are planning to establish YANMAR SYMBIOSIS's third business facility, in the town of Kohoku in Japan. Additionally we will be providing group companies with labor management know-how to develop further work opportunities in the production industry based on practices already being implemented at other companies.

\*1 A "special subsidiary company" is a company recognized by the Japanese national government as a subsidiary that gives special consideration to employing persons with disabilities. As this subsidiary is part of the corporate group, the percentage of the group's employees who have disabilities will increase.

\*2 YANMAR HOLDINGS CO., LTD., YANMAR CO., LTD. YANMAR AGRI JAPAN CO., LTD., YANMAR BUSINESS SERVICE CO., LTD., YANMAR SYMBIOSIS CO., LTD.



Working in the Office Support Group

### Providing opportunities for senior employees

With a declining birthrate and an aging population in Japan, Yanmar recognizes that to ensure diversity in our human resources, it is necessary to enable senior citizens to continue working by expanding employment opportunities. Any employee who wishes to be rehired after reaching mandatory retirement age can continue working until they are 65, and in FY2015 80.0% of employees had opted to continue employment.

At Yanmar we endeavor to employ these persons in appropriate posts that reflect their skillset and their wishes.



## Global talent development

### Basic approach

Yanmar is leveraging the capabilities of the entire Group to train suitable talent for expanding global business. In order to bolster the productivity at our manufacturing sites, we are encouraging technical skills and workplace knowledge training to foster personal development in a wide range of areas.

### Developing diverse human resources to adapt to globalization

We deploy and exchange our human resources flexibly and systematically. Apart from regular personnel transfers, Yanmar has also introduced a system by which employees can directly send a request to the Human Resource Division via the internal recruitment system for a transfer, and the “Yanmar Dreams Come True Program” where employees can apply for positions in new businesses (six people took advantage of the program in FY2015). Additionally, Yanmar also introduced the “Career Development Program,” a skills-development program for systematically fostering talent who demonstrate a wide range of exceptional knowledge in their field. In addition to developing global talent who have knowledge of local cultures and can communicate from local perspectives, in FY2015 a total of 700 people engaged in yearlong training programs including management fundamentals for overseas subsidiaries, language (for selected personnel, one-on-one and web) and preparatory courses for postings outside of their home country (language and risk management). Furthermore, in order to nurture able corporate management talent who can lead Yanmar in the future, we are running selected training courses on improving the capabilities of management

both in Japan and overseas. In FY2015, around 40 people attended this course over nine days. At Yanmar we also provide support outside Japan for developing communication and leadership skills.

## Work-life balance

### A range of effective systems to help employees balance their work and home life

Yanmar is striving to create a workplace where employees can continue to work with peace of mind and where they can make the most of their abilities both at work and at home, by improving our policies for childcare, nursing or carer’s leave, and accumulated paid leave benefits.

Furthermore, in order to maintain a better work-life balance and to improve efficiency at work, some sections of our research and development and staffing departments have implemented a flextime system and a discretionary labor system.

Moreover, throughout the company, we have specified days when employees have to leave work at the end of their regular working hours, as well as days when we turn off the lights so as to encourage employees to go home on time. Initiatives like these are aimed at enabling employees to better enjoy their private lives with their families and their children.

Since FY2015 we have been encouraging male employees to get more involved in childrearing\*, and have been undertaking measures aimed at improving the workplace environment and climate to support these changes. For example, we have been actively making male employees aware that they can take time off for childrearing. According to the results of a questionnaire survey we conducted of eligible male employees and their superiors, 100% of superiors were informed of the policy of promoting male participation in childrearing, 78% were providing support for taking leave for childrearing. In addition, around 70% of eligible employees had taken at least one day off for childrearing in the first year after the birth.

\* We encourage employees with a new baby to take five days off for childrearing in the first year.

## TOPICS

### Came fifth for three-year employee attrition rates in the 2017 edition of the *Job Hunting Quarterly*

Yanmar ranked fifth out of the top 200 companies for three-year employee attrition rates\* in the 2017 edition of the *Job Hunting Quarterly*, which is published by Toyo Keizai, Inc.

At Yanmar, just 5.7% of employees hired in the five year period from 2008 to 2012 left the company within the next three years, a much lower figure than the average for all companies. The main contributing factors for our strong retention rate and employee satisfaction includes the provision of detailed guidance to employees from when they are offered jobs to when they actually enter the company, our extensive training programs for new recruits, and the provision of support to enable employees to continuously enhance their skills.

\* The data was based on 875 companies that hired 10 new graduates or more in 2012. These companies were drawn from 948 that responded to a questionnaire sent to 1,260 companies. The results were included in the 2017 edition of the *Job Hunting Quarterly*, which was published on January 22, 2016 by Toyo Keizai, Inc.

### ▼ Attrition rates after three years from joining the company

Year of joining the company	(People)					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 (Latest)
No. of people joining the company	68	68	41	45	54	56
No. of people still on payroll after three years	64	61	38	44	54	52
Attrition rate	5.9%	10.3%	7.3%	2.2%	0.0%	7.1%



## The experience of caring for my child brought home the importance of family and renewed my motivation for my work

### Naoyuki Motoka

Industrial Engine Sales and Marketing Division  
Power Solution Business  
YANMAR CO., LTD.



I decided to take five days leave in order to get more involved in childrearing. I did this under a program that offers paid childcare leave for male employees that was introduced in September 2015. Before taking the leave, I did the best I could to enable my colleagues to take over my duties smoothly and I shared information with them so as not to inconvenience my colleagues, customers and suppliers. The childrearing experience made me realize how hard it is to look after a child every day. It also reminded me of the importance of family and renewed my motivation at work.

### ▼ Use of Company Schemes Aimed Improving the Work-life Balance

	FY2012	FY2013	FY2014	FY2015
No. of employees who took childcare leave	36	43	39	47
No. of employees who opted to work shorter hours	34	48	55	76
No. of employees who took pre/post-childbirth leave	24	27	20	27
No. of employees who took nursing-care leave	5	0	0	1

\* 100% of women who took childcare leave returned to their jobs.

## Occupational health and safety

Working to ensure the safety and improve the health of each and every employee

### TOPICS

#### Obtained the "Kurumin" mark in recognition of our efforts to support childrearing

Yanmar has been certified by the Ministry of Health, Labour and Welfare as a business operator that actively supports childrearing under the Act on Advancement of Measures to Support Raising Next-Generation Children\*, enabling us to display the "Kurumin" mark.

Not only do our various schemes related to childrearing go beyond legal requirements, we are also highly regarded for initiatives such as encouraging men with children to take five days childcare leave, having no-overtime days and low-light days. It was factors like these that led us to receive the certification.

We intend to build an environment that further enhances workplace comfort and motivation for not only those raising children, but for all employees.

\* The Act on Advancement of Measures to Support Raising Next-Generation Children is a law that came into effect in 2005. Its goal is to promote efforts by companies and other employers to make it easier for people to continue to work as they raise children, so as to create an environment in which children, who will make up the next generation of adults, can be born and raised in a healthy way. The name "Kurumin" is a combination of Japanese words that conjure up an image of supporting childrearing.

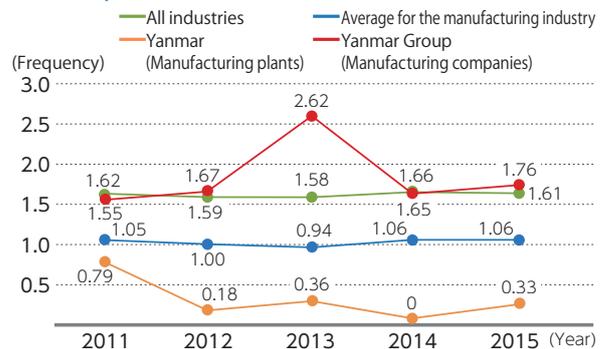


"Kurumin" mark

Each plant at Yanmar utilizes its own management system in accordance with different working environments. Each plant has a health and safety committee for reinforcing health and safety management through the organization of health and safety patrols as well as education and training seminars and workplace-based training to improve accident and damage prevention.

The Health Management and Promotion Committee at Yanmar which comprises of representatives from the health insurance union, the human resources and labor relations divisions at the head office, the General Affairs Division at each business unit, and labor union members meets to discuss health matters including periodic medical checks and measure to mitigate metabolic syndrome.

### ▼ Occupational Hazard Statistics



\* Frequency: Fatalities or injuries per one million working hours

\* Subject period: January 1, 2015 - December 31, 2015

External data sources: Ministry of Health, Labour and Welfare, "Overview of the 2015 Survey of Industrial Accident Trends (Business Premises Survey (business Premises employing 100 persons or more) and General Engineering Sector Survey)

## Talking with employees

### Maintaining stable relationships with the Labor Union and Employee Union

Yanmar maintains a stable relationship with the Yanmar Labor Union and the Yanmar Employee Union, and engages in periodic negotiations and discussions on the workplace environment and employee working conditions. We also ensure adequate opportunity to discuss the Group's business state-of-affairs by holding presentations on the business state-of-affairs and labor-management round table discussions.



The Yanmar Group has identified the protection of the global environment as one of its most important management policies, and as a result the company is promoting environmental management and sensitivity towards the environment as a fundamental part of its business activities.

### Establishment of the Yanmar Group Environmental Vision 2020

In 2011, the Yanmar Group drew up its Environmental Vision 2020, looking towards FY2020, the internationally agreed target year for reducing global-warming gases, and set the direction for the Group's environmental activities. We are currently working hard to meet the new international targets across the Group.

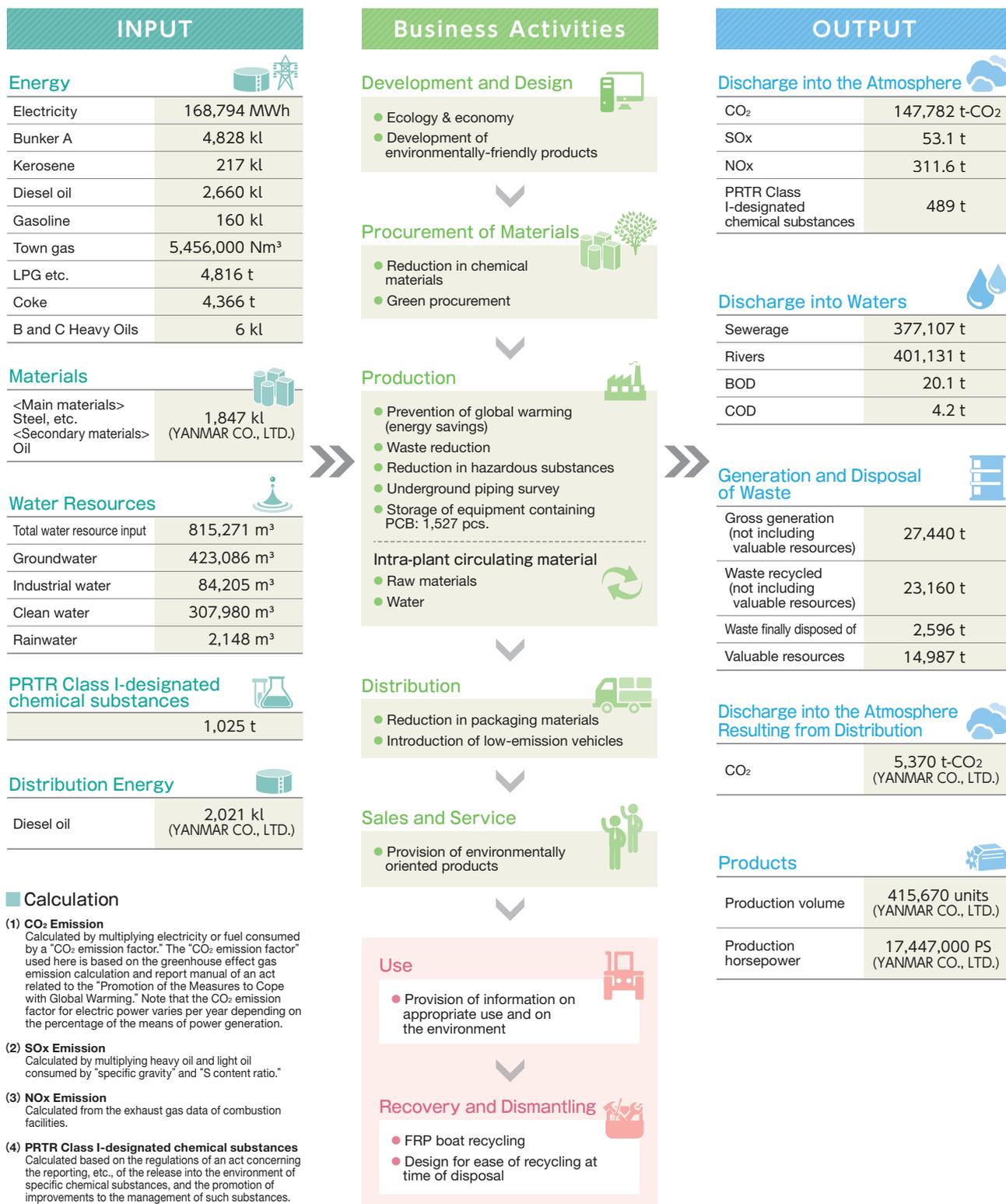


## Overview of environmental load

The Yanmar Group understands the need to quantitatively measure and ascertain the environmental loads created at all stages of its business activities, namely from raw material procurement to production, transportation, distribution, use, and disposal. It is also essential that we strive as required to

reduce these loads.

In FY2015, environmental loads continued to be measured at production plants of Group companies to gather the necessary data. We will be striving to analyze and determine the environmental loads created at each stage of the product life cycle.





## Achievement Status of the 3rd Environmental Medium-Term Plan Targets (FY2011–2015)

### ① Environmental conservation framework

Item	FY2015 targets	Performance	Evaluation
Expansion of the Yanmar Group Global Environment Committee's scope	① Introduce environment conservation initiatives into overseas companies and office-related companies	Overseas: North America:2 companies, Europe: 3 companies, Southeast Asia: 6 companies Domestic office-related: YTSK, YS	○
	② Hold Yanmar Group Global Environment Committee meetings	Appointed environmental management representatives at RHQ (YA, YASC, YEU, YADIN, YSP) and overseas manufacturing companies, (TTC, YI, YCEE, YAMINDO, YID, YKT) but have yet to hold a global meeting	×
	③ Establish separate overseas environmental committees for each region where Yanmar has subsidiaries	Held environmental meetings in North America, Europe, and Southeast Asia but have not yet established environmental committees	×

### ② Environmental management

Item	FY2015 targets	Performance	Evaluation
Mutual support between group companies	① Mutually implement environmental educational programs to be run by personnel in charge of environmental activities	Explored possibilities for sharing information globally but have yet to take concrete action	×
	② Implement collaborative environmental conservation initiatives across all business units.	Shared information on measures to prevent dust dispersion, took joint action to reduce dioxin emissions, etc.	△
	③ Implement of joint environmental compliance audits by personnel in charge of environmental conservation.	Only provided feedback in the form of results of audits conducted by the CSR department	×
Strengthening of environmental conservation capacity at non-manufacturing business units and overseas business units	① Expand the number of indicators for aggregating environmental performance and expand the scope to cover a wider range of business areas.	Japan: Kyoritsu, Bunmei, YS, YTSK, etc. Outside Japan: North America, Europe, Southeast Asia	○

### ③ Measures to mitigate greenhouse gas emissions

Item	FY2015 targets	Performance	Evaluation
<b>1. Reducing emissions from products</b>			
Determining and reducing the amount of greenhouse gas emissions throughout the entire product lifecycle	① Establish methods to determine greenhouse gas emission volumes over the product lifecycle by FY2012	Determined GHG emission volumes using the lifecycle assessment method	○
	② Reduce the energy consumption and greenhouse gas emission volumes over the product lifecycle by 15% in FY2015 compared with the base year	Currently assessing reductions through unit requirements	△
Introduction of new methods for reducing greenhouse gas emissions	① Develop carbon-neutral products (use of renewable energy etc.)	Developed biogas technology and applied it to newly developed/launched products	△
	② Conduct investigations into the introduction of carbon footprints	Continuing to investigate regulations, standards, and industry trends	△
Acquisition of environment-related certifications for products	① Compliance with regulations governing engine exhaust emissions	Continuing to adapt our technology to comply with the emission-gas regulations in each country	△
	② Acquire certifications related to energy saving and environmental-impact reduction for farming equipment	Commenced conducting product assessments from FY2013	△
	③ Develop and commercialize environmentally-friendly products	Same as above	△
<b>2. Reduction of emissions from business activities <sup>*2</sup></b>			
Reduction of greenhouse gas emissions from production sites	① Reduce energy consumption and greenhouse-gas emissions, measured in units, from Japanese production sites by 13% compared to FY2005 (1.3% each year) [Converted to total volume: 15% reduction from FY2005 (1.5% each year)]	Unit: CO <sub>2</sub> : 13.9% reduction vs. FY2005 Energy: 24.2% reduction vs. FY2005 (by outsourcing/-consolidating production and promoting energy conservation)	○
Reduction of greenhouse gas emissions generated at logistics stage	① Expand the scope for aggregating data on logistics	Commenced aggregating data on YCE and started preparations for collating data from YAJ	○
	② Reduce energy consumption and greenhouse gas emissions, measured in units, by 36% compared to FY2009 (6.0% each year) [Converted to total volume: 6.6% reduction from FY2009 (1.1% each year)]	Total: CO <sub>2</sub> : 6.6% increase vs. base year Energy: 7.2% reduction vs. base year (the volume of goods transported by truck increased in the Construction Business)	×
Reduction of greenhouse gas emissions from overseas companies and domestic offices	① Expand the scope for aggregating data on sales company sites and overseas sites	Outside of Japan: North America, Europe, Southeast Asia Japan sites: YCE, YS, YTSK, etc.	○
	② Reduce energy consumption and greenhouse-gas emissions, measured in units, at domestic offices by 36% compared to FY2009 (6.0% each year) [Converted to total volume: 24% reduction from FY2009 (4.0% each year)]	Total CO <sub>2</sub> : 14.5% increase vs. FY2009 Energy: 2.1% reduction vs. FY2009 (CO <sub>2</sub> emissions from electricity usage increased due to the suspension of nuclear power plants)	×

Evaluation key: ○= Target achieved △= Partly achieved (70% or more) ✕= Not achieved (less than 70%)

#### ④ Contributing to an environmentally sustainable society

Item	FY2015 targets	Evaluation	Evaluation
Improvements in input rates of recycled resources	① Expand the scope for determining the amount of new resource inputs	Unable to expand the scope	✕
	② Reduce the amount of water-supply resource inputs, measured in units, by 40% compared to FY2005 levels (4% each year)	55.5% reduction vs. FY2005 (conserved water and reduced use of groundwater)	○
	③ Reduce the amount of paper resource inputs, measured in units, by 20% from FY2005 levels(2% each year)	3.6% increase vs. FY2005	✕
	④ Determine the volume of total resource inputs and recycled-resource utilization rates by FY2014	Began determining recycled-resource utilization rates at YZ	△
	⑤ Set targets for reductions in the new resource input rates	Did not set targets due to not obtaining data to serve as a basis for target setting	✕
Improvements in green purchasing rates	① Green purchasing rate of office supplies, equipment, and furniture to reach 70% or more in terms of both quantity purchased and amount spent	53.9% green purchasing rate (used Benrinet results)	✕
Reduction in the volume of waste and volume disposed of in landfills	① Reduce the total volume of waste (excluding sellable waste) measured in units by 20% compared to FY2005 levels (2% each year)	14.7% reduction vs. FY2005 (production sites)	△
	② Achieve a landfill disposal volume of under 5% of all waste and other items produced (under 1% for each of Yanmar's business units)	Group: 6.1% Yanmar: 1.4%	✕
	③ Achieve a recycling rate of waste of at least 70% of total waste (paper/general waste in case of offices)	Recycling rate: 89.9% (production sites)	○
Introduction of designs that promote harmony with the environment by increasing recycling	① Introduce design techniques that facilitate the reuse of products and labor-savings for waste separation and collection for disposal	Introduced recycling-oriented designs in accordance with product assessment rules	△
	② Conduct environmental impact analysis through lifecycle assessments	Assessed reductions in CO <sub>2</sub> emissions from products through lifecycle assessments	○

#### ⑤ Reducing/managing environmentally hazardous substances

Item	FY2015 targets	Performance	Evaluation
Reductions in the use of environmentally hazardous substances at production sites	① Reduce the volume of PRTR Class-I designated chemical substances handled, measured in units, by 8% compared to FY2011 levels (2% each year)	19.7% reduction from FY2011	○
	② Complete disposal of PCBs (by 2025)	Each business site is currently in the process of disposing PCBs	△
Implementation of data management for hazardous substances contained in products	① Establish a data-management system for substances which burden the environment	Completed the creation of an data-management system	○
	② Devise a framework for managing data including supply chain data	Completed the creation of data-management system that includes the supply chain data	○
Reduction of environmentally hazardous substances used in business activities	① Establish a legal compliance framework for regulating the use of environmentally hazardous substances	Utilized the data-management system to confirm legal compliance	○
	② Switchover to be completed for company regulated hazardous substances except for those not subject to the application of the RoHS and ELV directives	Each business site is continuing to make progress with the switchover	△

#### ⑥ Action on biodiversity

Item	FY2015 targets	Performance	Evaluation
Improving harmony between business activities and the environment	① Decide, maintain and manage company standards concerning the environmental impacts to air and water quality	Set and managed self-regulated standards at each plant	△
	② Implement planting and riverside/beach-cleaning activities at business sites and in their vicinities	14 business units currently performing cleanup activities All factories currently planting trees	○
	③ Expand operations aimed at creating new energies to replace fossil fuels	Researching/developing biomass products	△
Provision of new products and services that contribute to eco-system conservation	① Develop new businesses linked to eco-system conservation	Established the agrisolutions business etc.	○
	② Cooperate with communities to provide new environments where life can flourish.	Installed a biotope at the Yanmar Museum	○

#### ⑦ Social contribution

Item	FY2015 targets	Performance	Evaluation
Ongoing contributions to residents in the vicinity of company sites	① Joint volunteer activities with nearby residents	13 business units currently performing cleanup activities, preserving greenery in the local area, etc.	○
	② Activities for promoting friendship with users and nearby residents	6 business units organizing fireworks displays, site tours, friendship events, etc.	○

\*1 YTSK (YANMAR TECHNICAL SERVICE CO., LTD.), YS (YANMAR SANGYO CO., LTD.) , YA (YANMAR AMERICA CORPORATION), YASC (YANMAR ASIA[SINGAPORE] CORPORATION PTE. LTD.), YEU (YANMAR EUROPE B.V.), YADIN (PT. YANMAR DIESEL INDONESIA), YSP (YANMAR S.P. CO., LTD.), TTC (TUFF TORQ CORPORATION), YI (YANMAR ITALY S.p.A.), YCEE (YANMAR CONSTRUCTION EQUIPMENT EUROPE S.A.S.), YAMINDO (P.T. YANMAR AGRICULTURAL MACHINERY MANUFACTURING INDONESIA), YID (PT.YANMAR INDONESIA), YKT (P.T. YKT GEAR INDONESIA), KYOURITSU (KYOURITSU IRRIGATE CO., LTD.), BUNMEI (BUNMEI NOKI CO., LTD.), YCE (YANMAR CONSTRUCTION EQUIPMENT CO., LTD.), YAJ (YANMAR AGRI JAPAN CO., LTD.), YZ (YANMAR SHIPBUILDING & ENGINEERING CO., LTD.)

\*2 Will be assessed in terms of totals from the 4th Environmental Midterm Plan (FY2016-2020)



## The Yanmar Group 4th Environmental Medium-term Plan (FY2016-2020)

### Formulation of the Yanmar Group 4th Environmental Medium-term Plan (FY2016-2020)

The Yanmar Group has devised a new plan, the 4th Environmental Medium-Term Plan, providing specific objectives for our environmental conservation activities over the five-year period from FY2016.

We have positioned this plan as the final step toward achieving the Group Environmental Vision 2020, specifying the actions we will be taking to meet the current governmental and societal needs.

#### ① Environmental management system

Item	Medium-term targets
Expanding the scope of the environmental conservation framework	① Complete the introduction of an environmental management system at all domestic Group companies as well as all overseas RHQs and manufacturing subsidiaries and complete the expansion of the environmental data gathered and monitored ・ Have the Group Secretariat, supervising business units, and Group companies in the same industry provide business support ② Explore the possibility of globalizing the Yanmar Group Global Environmental Committee
Managing environmental conservation activities	① Expand the scope of environmental data that is made public ・ Energy usage, CO <sub>2</sub> emissions, waste, water usage: endeavor to publish data from all domestic Group companies and all overseas manufacturing companies ② Explore ways of reflecting third-party opinions in key management items in the Group's environmental conservation activities

#### ② Measures to counter global warming and reduce energy usage

Item	Medium-term targets
<b>1. Reducing CO<sub>2</sub> emissions from products</b>	
Determining and reducing the amount of greenhouse gas (CO <sub>2</sub> ) emissions throughout the entire product life cycle	① Reduce per-unit CO <sub>2</sub> emissions over the lifecycle of the Group's products/services ② Develop and sell products/services (fuel-efficient products, renewable energy, mixed energies, etc.) that contribute to reducing CO <sub>2</sub> emissions
<b>2. Reducing CO<sub>2</sub> emissions and energy usage in business activities</b>	
Reducing greenhouse gas emissions from domestic business activities	① Endeavor to reduce total or per-unit CO <sub>2</sub> emissions by at least 15.6% (1.04% per year on average) by the final target year (in accordance with international laws and commitments agreed to by the Japanese government) (revise this target in the event of changes in agreed reductions, measured in units reduction) Businesses covered: Group plants (manufacturing), research, sales, and service sites other than plants (offices), logistics related to business activities (logistics) ② Improve equipment/processes to contribute to reducing CO <sub>2</sub> emissions ・ Replace energy-consuming equipment (production lines, facilities [climate control, lighting, energy-supply equipment]) with the latest energy-saving versions ・ Establish initiatives for reducing energy usage, including systems for data visualization of energy consumption, to raise awareness among employees of the importance of conserving energy ・ Share information inside and outside the Group on the latest technology and process management methods ・ Explore and implement ways of increasing the usage rate of low-energy logistics (use ships, railways, and energy-efficient vehicles) and work with companies inside and outside the Group to increase logistics efficiency ③ Promote the use of renewable energy ・ Set targets for the usage of electricity generated from renewable energy ・ Explore ways of using biomass and green electric power ④ Comply with applicable laws/regulations such as the Act on the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures, and Act on CFC Emissions ・ Strengthen the structure for managing products subject to restrictions on CFC emissions
Reducing greenhouse gas emissions from domestic business activities	① Endeavor to reduce total or per-unit CO <sub>2</sub> emissions, in accordance with laws/regulations and targets in each country, by the final target year from the base year (determine these targets after the commitments have been determined) Businesses covered: Group plants (manufacturing), research, sales, and service sites other than plants (offices), logistics related to business activities (logistics) ② Improve equipment and processes to contribute to reducing CO <sub>2</sub> emissions ③ Supply information on advanced Japanese technology/processes and provide assistance with its deployment ④ Explore ways of promoting activities to gather data on international logistics (include transportation between Japan and overseas subsidiaries) and reducing energy used in logistics ・ Consider working together with related departments (logistics, procurement, production, etc.) to devise joint plans for determining and reducing energy usage
Reducing the amount of electricity purchased at peak times (by all domestic businesses)	① Monitor peak electricity usage by all Group companies in Japan and look into setting numerical targets for peak electricity usage ・ Add peak electricity usage to the environmental data management items ・ Establish a data management system within the group (sales/functional companies) ② Promote initiatives to contribute to reducing the amount of electricity purchased at peak times ・ Install power generators (including ones that run on renewable energy) and set targets for their usage ・ Implement a plan to make the new head office building a ZEB (zero emissions building)
<b>3. Exploring ways of reducing CO<sub>2</sub> emissions and energy usage in the supply chain</b>	
Expanding the scope of supply chain management	① Explore the possibility of adopting Scope 3 ・ Determine/examine categories for which estimates can be made ・ Begin consulting/cooperating with relevant departments and Group companies ・ Explore the possibility of establishing a preparation committee comprising Group personnel

\*1 Base years and reduction rates are determined for each product group.

\*2 The base year is 2005 (if data for 2005 has not been obtained, the base year will be the year in which data began to be collected).

Each business unit performs assessments using one or both of (1) CO<sub>2</sub> emissions and (2) energy consumption as assessment indicators.

\*3 Base years are the official base years used by each national government (if data for a base year has not been obtained, the base year will be the year in which data began to be collected).

Each overseas subsidiary performs assessments using one or both of (1) CO<sub>2</sub> emissions and (2) energy consumption as assessment indicators.

\*4 Business units that have not obtained environmental data for the base year will use the year in which they started performing measurements as the base year.

### ③ Contributing to the establishment of a recycling-based society

Item	Medium-term targets
<b>1. Improving input rates of recycled resources</b>	
Reduce use of water resources (domestic manufacturing)	① Endeavor to reduce water resource (tap water, industrial water, groundwater) use, measured in units, by at least 10.0% (2.0% per year on average) by the final target year compared to the base year <ul style="list-style-type: none"> <li>Promote and set/monitor targets for the use of circulating water, rainwater, and reclaimed wastewater</li> </ul>
Reduce use of water resources (other domestic operating divisions, overseas operating divisions)	① Endeavor to have all domestic Group companies and major overseas subsidiaries begin monitoring and reducing their use of water resources <ul style="list-style-type: none"> <li>Establish a structure for compiling data through the effective use of existing systems (accounting systems and environmental management systems) in the Group (domestic)</li> </ul>
Monitoring of inputs of new resources and setting of targets for recycled-resource input rates	② Endeavor to reduce water resource usage, measured in units, by at least 10% (or 2.0% per year on average from the year in which data begins to be gathered) by the final target year compared to the base year ③ Explore the possibility of gathering/monitoring and setting numerical targets for environmental data relating to the manufacture/procurement of products Resources covered: total inputs of raw materials and supplementary materials (oils/fats, organic solvents, packaging materials, etc.), weight of components and procured goods, amounts of recycled materials purchased <ul style="list-style-type: none"> <li>Establish a new structure for compiling data that makes use of existing systems in the Group (component purchasing systems, hazardous chemical management systems)</li> </ul>
Exploring possible initiatives relating to products/services	④ Explore the possibility of setting numerical targets for recycled-resource inputs ⑤ Explore possible initiatives for increasing recycled-resource input rates <ul style="list-style-type: none"> <li>Explore designs and manufacturing processes that facilitate switching to recycled materials/components</li> <li>Explore the possibility of establishing a network for the reuse of waste materials/components generated from Group production activities</li> </ul>
<b>2. Improving green purchasing rates</b>	
Increasing the green purchasing rate	① Achieve a green purchasing rate of at least 80.0% in monetary terms for office supplies, equipment, and furniture
<b>3. Reducing waste and improving recycling rates</b>	
Reduction in volume of waste and volume disposed of in landfills, promotion of recycling (manufacturing depts. In Japan)	① Endeavor to reduce total waste (excluding sellable waste) by at least 5.0% (1.0% per year on average) by the final target year from the base year ② Keep the amount of waste disposed of in landfills to less than 1.0% of total waste (including sellable waste) ③ Endeavor to have at least 90.0% of total waste recycled by the final target year <ul style="list-style-type: none"> <li>Recommend subcontracting to reputable waste disposal companies and recommended recycling companies</li> <li>Hire waste consultants to help reform the management system</li> <li>Increase the amount of waste sold by improving garbage separation and finding companies that will purchase waste</li> <li>Share information on disposal and management with other Group companies</li> </ul>
Reduction in volume of waste and volume disposed of in landfills, promotion of recycling (other domestic operating divisions, overseas operating divisions)	① Endeavor to have all Group companies within Japan and major overseas subsidiaries begin gathering data on and reducing waste ② Endeavor to reduce total waste (excluding sellable waste), measured in units, by at least 10.0% (or 2.0% per year on average from the year in which data begins to be gathered) by the final target year compared to the base year ③ Endeavor to have at least 80% of total waste recycled by the final target year <ul style="list-style-type: none"> <li>Introduce electronic manifest systems and increase the number of data management facilities (Japan)</li> <li>Hire outside consultants and employ a management system for waste data visualization (Japan)</li> <li>Share and disseminate information on advanced methods employed by domestic manufacturing departments</li> </ul>
<b>4. Adoption of designs that facilitate product recycling</b>	
Introduction of environmentally harmonious designs with the aim of increasing recycling	① Introduce design techniques for recycling waste products and saving labor at the time of disposal/collection ② Analyze environmental impacts through lifecycle assessments

### ④ Reduction/management of environmentally hazardous substances

Item	Medium-term targets
Reduction of environmentally hazardous substances at production sites	① Manage "designated chemical substances" in accordance with PRTR regulations in each country <ul style="list-style-type: none"> <li>Set company reduction targets for the substances concerned and monitor performance in achieving them</li> <li>Continue taking action to reduce the amount handled and released from business sites</li> </ul>
Expansion of scope of supply chain management	② Endeavor to complete the disposal of all products containing PCBs within the Group by '25 ③ Prevent harm to the health of workers and related parties inside and outside the company as well as damage to the surrounding environment resulting from the handling of hazardous chemical substances and facilities that use hazardous chemical substances ④ Strengthen the management of owned/leased land in accordance with the Soil Contamination Countermeasures Act
Reduce the amount of environmentally hazardous substances used in business activities and comply with various laws/regulations	① Expand the scope of the systems deployed for the management of information on environmentally hazardous substances ② Make systems for the management of environmental information more sophisticated throughout the supply chain ① Maintain a legal compliance structure for company regulations and regulations concerning environmentally hazardous substances based on the Green Procurement Guidelines ② Explore possible initiatives for enhancing green procurement to make it CSR procurement <ul style="list-style-type: none"> <li>Explore the possibility of formulating and publishing CSR procurement guidelines</li> <li>Conduct a survey of the supply chain and investigate whether it is necessary and would be possible to have companies in the supply chain adopt Group policies</li> </ul>

### ⑤ Action on biodiversity

Item	Medium-term targets
<b>1. Enabling business activities to achieve harmony with nature</b>	
Protecting eco-systems in the vicinity of business sites	① Promote the expansion of green areas and environmental facilities at and around business sites ② Set and obey company standards concerning environmental impacts on air and water quality
Reducing the impact of business activities on eco-systems	③ Mitigate the impact of dangerous materials and hazardous substances on the environment in the vicinity of business sites <ul style="list-style-type: none"> <li>Ensure that steps are taken to prevent the leakage/release of dangerous materials and hazardous substances</li> <li>Periodically monitor quantities stored and ensure that the quantities are within legal limits</li> </ul>
Ensuring the safety of water resources in the vicinity of business sites	① Prevent the contamination of nearby water sources due to the release of industrial wastewater, raw materials, etc. ② Prevent damage to water sources due to excessive use or contamination with hazardous substances (users of groundwater, companies in the vicinity of water sources)
Reducing the impact of products/services on eco-systems	① Comply with environmental laws/regulations (air and water quality regulations etc.) when using products/services ② Investigate the possibility of measuring the impact of procurement, i.e. raw materials, components, etc. on biodiversity <ul style="list-style-type: none"> <li>Explore the possibility of formulating/publishing biodiversity guidelines</li> <li>Investigate whether it is necessary to assess impacts on biodiversity</li> </ul>
<b>2. Conservation of eco-systems through the provision of new products and services</b>	
Initiatives that take advantage of business characteristics	① Provide products/services that take advantage of the characteristics of major markets/technologies <ul style="list-style-type: none"> <li>Develop and expand sales of products/services that can lead to the regeneration of the agriculture and fisheries sectors</li> <li>Leverage our engine and energy technology to develop and expand sales of products that are energy efficient or run on renewable energy</li> </ul>
	② Conduct activities that result in the conservation of ecosystems <ul style="list-style-type: none"> <li>Advance plans for initiatives that utilize company assets such as the Yanmar Museum, the new head office building, and Cerezo Osaka</li> </ul>

### ⑥ Social contribution

Item	Medium-term targets
Ongoing contributions to residents in the vicinity of company sites	① Conduct joint volunteer activities with nearby residents ② Conduct activities for promoting friendship with users and nearby residents



## Efforts to prevent global warming

We are contributing to global warming prevention by determining and reducing our CO<sub>2</sub> emissions

### ●Determining and reducing CO<sub>2</sub> emissions in product life cycles

Utilizing LCA (Life Cycle Assessment), the Yanmar Group is working to quantitatively monitor and assess greenhouse gas (CO<sub>2</sub>) emissions in each stage of a product's life cycle from material procurement, production, distribution, use and consumption through to final disposal. Through these means, we are working to reduce greenhouse gas emissions (per unit) from the Group's products.

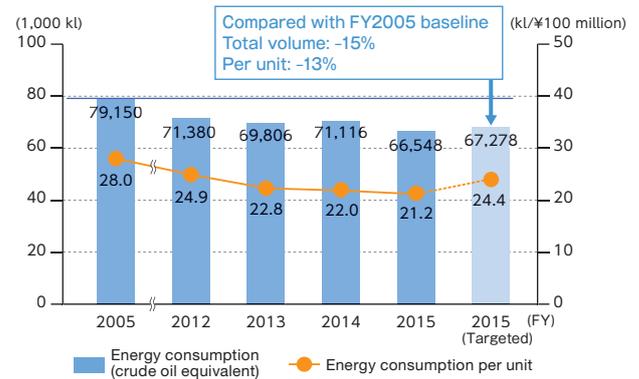
### ●Reducing CO<sub>2</sub> emissions and using energy efficiently

The Yanmar Group has established a structure to efficiently utilize any type of energy, including power and fuel, across all business units throughout Japan. We strive to reduce CO<sub>2</sub> emissions through upgrading facilities with

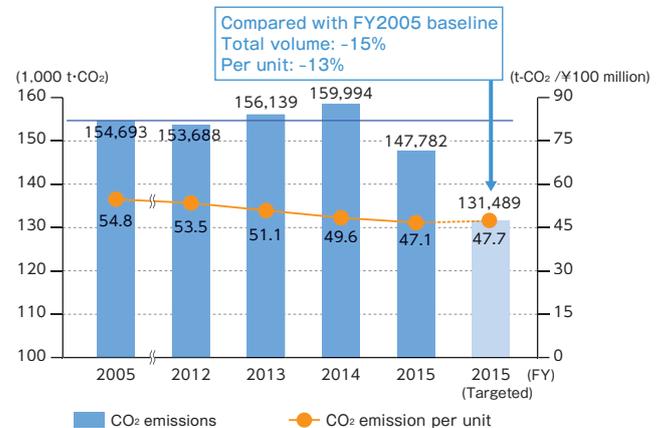
energy-saving equipment, improving the efficiency of testing, energy recycling, and other similar efforts.

The Yanmar Group's energy conservation targets for FY2015 are a 13% reduction in both total energy consumption on a per unit basis, with 2005 as the baseline year, in addition to pursuing the same reductions in CO<sub>2</sub> emissions. In FY2015, as a result of switching to forms of energy that emit less CO<sub>2</sub> and encouraging energy saving, we succeeded in reducing energy consumption by approx. 4,500kl and CO<sub>2</sub> emissions by approx. 12,000t, compared with the previous year, enabling us to meet our per-unit targets.

### ▼Total Energy Consumption and Consumption per Unit



### ▼Total CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions per Unit



## TOPICS

### Our head office building was awarded Osaka Mayor's Award for an environmentally friendly building in FY2015

Completed in 2014, Yanmar's new head office building, the Yanmar Flying-Y Building, was awarded Osaka Mayor's Award for an environmentally friendly building in FY2015.

This award is administered by Osaka City and Osaka Prefecture to buildings that have obtained the CASBEE Osaka Mirai\* certification through demonstrating excellent environmental consideration and energy-conservation performance.

Yanmar, having recently celebrated 100 years since its foundation, is aiming to contribute to building a sustainable society over the next century. Our new head office building utilizes Yanmar produced solar power and gas co-generation systems to optimize heating efficiency, alongside gas heat pumps and energy-saving climate control systems to deliver high energy conservation performance. The building was designed with the goal of eventually becoming a zero emission building (ZEB). Care has been taken not to block sunlight and to make full use of nature's resources such as natural light, natural air for ventilation, and rainwater. Even now, the building is capable of achieving over 55% fewer emissions than other buildings of a comparable size.

\* Stands for "Comprehensive Assessment System for Built Environment Efficiency." It is a system for comprehensively evaluating the environmental performance of buildings. In addition to assessing the environmental aspects such as energy conservation, resource conservation, and recycling performance. The system also evaluates design factors including comfort, the building's lifetime length, and how much consideration has been given to the scenery. The building is graded according to 5 different defined classes based on the results, with S being the highest and C the lowest. The Yanmar head office building has received an S grade.

## Reducing and controlling environmentally hazardous substances

Yanmar is working to reduce and manage chemical substances which have a hazardous or negative impact on the environment

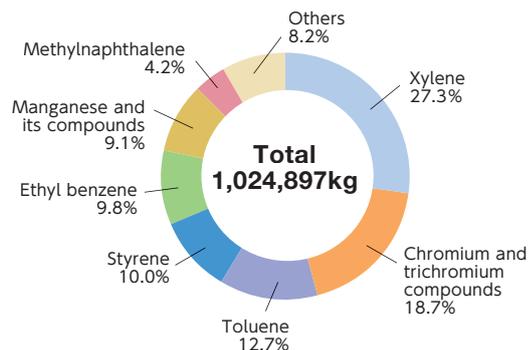
### ●Reduction in chemical substance emissions

In order to develop environmentally-friendly products while reducing environmental risks, we are managing the usage quantities of PRTR Class-I designated chemical substances and reducing related emissions. Our usage of PRTR

Class-I designated chemical substances in FY2015 was reduced by 19.6% in unit requirements from the FY2011 baseline.

In our next environmental medium-term plan, we will have business sites in Japan and overseas implement the management of substances subject to PRTR regulations in the countries in which they operate, taking our system for managing such substances to the next level.

#### ▼ Use of PRTR Class-I Designated Chemical Substances



\* See our official website for details about PCB possession status and handling of PRTR Class-I designated chemical substances.

#### ● Managing hazardous substances across the entire supply chain

In accordance with our Green Procurement Guidelines, since FY2008 we have been investigating the quantities of environmentally harming substances contained in materials and components supplied to us by third parties.

We manage this information centrally and share it with Group companies using our "In-Product Environmentally Harmful Substance Management System," and intend to continue investigating and managing the environmentally hazardous substances contained in Yanmar products to reduce the amounts that the products contain.

We have set internal compliance standards and are reducing our use of these self-regulated substances in a planned fashion.

#### ▼ Self-regulated Substances

##### Substances regulated by Yanmar

Lead and its compounds, mercury and its compounds, cadmium and its compounds, and hexachromium and its compounds

## Contributions to an environmentally sustainable society

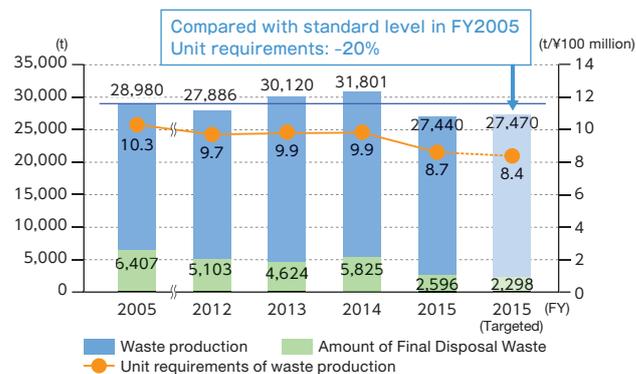
### Giving priority to conserving limited resources through efficient usage

#### ● Reducing waste and promoting recycling

In the Yanmar Group, to ensure thorough separation of waste at each plant, a list of waste separation rules is

displayed at necessary locations, including waste disposal areas in plants, worksites, and offices. Employee-education programs are being implemented and further recycling efforts, including the introduction of returnable pallets, are underway. We also prevent waste oil produced by plants from being contaminated with foreign bodies during upstream processes. This allows the oil to be sold for reuse as a resource. Furthermore, in FY2015 we stepped up efforts to recycle scrap from casting, which accounts for the bulk of the Group's waste, and succeeded in significantly reducing the proportion that ends up being thrown away. However, while we had been aiming for a reduction in the total amount of waste production in FY2015 of at least 20% compared with FY2005, the Group as a whole only managed to achieve a 15.2% decrease. Although this marked a big improvement over last year, we nevertheless fell short of our target.

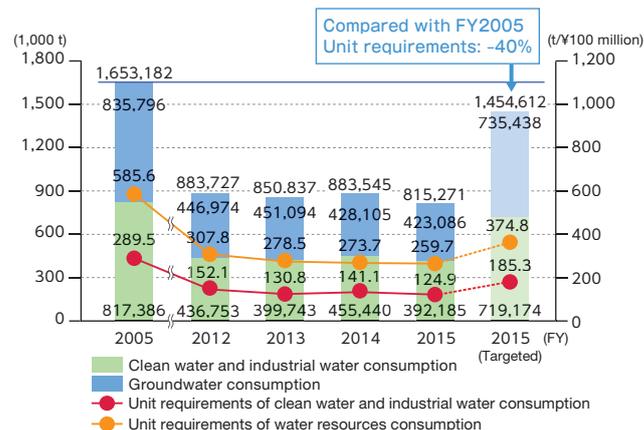
#### ▼ Waste Production and Unit Requirement of Waste Production



#### ● Reduction in water resource consumption

The Yanmar Group is promoting the recycling of factory water in an effort to conserve resources. In terms of water usage, we set a target of a greater than 40% reduction in unit requirements for FY2015 compared with 2005. The Yanmar Group achieved an overall reduction of 55.5%, reaching our target.

#### ▼ Water Consumption and Unit Requirements for Water Consumption





# Promoting high-standing corporate ethics and establishing strong partnerships

## Compliance

### Our fundamental approach

The Yanmar Group recognizes that instilling a firm awareness of the importance of corporate ethics and legal compliance among Group employees and top management is the basis for building a company that is trusted by society.

### Establishing a Legal Compliance Committee for ongoing action to mitigate risks

In April 2013, we established the Legal Compliance Committee as a specialist subcommittee within the Yanmar Group Risk Management Committee. We also established an administration within the CSR Division, for the purpose of implementing a compliance program which includes the formulation of standards of conduct, an internal reporting system, and compliance training to further mitigate risks concerning legal compliance.

#### ● Formulation of standards of conduct

In 2015 we replaced our previous code of conduct with our new YANMAR Global Code of Conduct. This code is designed to serve as a new worldwide set of standards for Yanmar Group employees and executives. In FY2015, the YANMAR Global Code of Conduct was adopted by 27 companies within Japan and 27 overseas Group companies. We are also taking action to increase awareness of these standards by organizing presentations at each site.

While the head office in Japan is providing leadership in promoting the YANMAR Global Code of Conduct, our aim is to leverage our overseas subsidiaries to enable them to promote them independently so as to ensure that the various cultures and legislative requirements of each respective location is adequately taken into account and respected.

#### ● Managing the internal reporting system 'Ethics Hotline'

In 2003 the Yanmar Group launched an internal reporting system known as the "Ethics Hotline." This system is available for use not only by full-time employees but also by advisors, part-time and contract employees, employees on

fixed-term contracts, temporary employees, and employees contracted via temp agencies, who work for Group companies on an ongoing basis. To make the system convenient to use, contact can be made via a designated toll-free phone number and e-mail address.

In FY2015 the system was used 25 times. Furthermore, separate Ethics Hotlines have also been introduced at our larger Group organizations, and these were used on 13 occasions, totaling usage of 38 times in FY2015.

Internal reports are investigated, with the utmost care being taken to protect the identity of the informant, and a decision is made on whether the incident constitutes a compliance violation. In the case where the incident is deemed to be in violation, the employees in question are strictly punished and action is taken to prevent reoccurrences.



#### ● Compliance training and public awareness activities

Compliance training is carried out for employees who have recently joined the company, employees who recently entered into a management position, and managers at sales offices. The training is provided to groups at each facility. In FY2014 we also launched a Web-based e-learning course on compliance with our standards for conduct. In FY2015 the course was taken by 6,548 employees in non-career-track positions (97% of all such employees). In 2015 and 2016 incidents arose causing companies within the Group to be issued with cease and desist orders and surcharge payment orders. As a result, we are providing training aimed at preventing occurrences or reoccurrences of violations of the Antitrust Law and Subcontract Law. The internal intranet is also used for educational purposes, such as legal case studies, with the aim of raising corporate ethical awareness.





## I learned how important it is to minimize factors that can lead to scandals and wrongdoings

### Norito Nema

Agriculture Division  
YANMAR OKINAWA CO., LTD.



Companies today are becoming stricter about legal compliance each year, and as a Yanmar Group employee, compliance issues are a concern. I recently took the company's second compliance course for managers for the first time, which gave me further knowledge and skills for preventing compliance violations. The experience highlighted various points that I wasn't aware of previously, alerting me to the importance of mitigating risk factors that can lead to scandals and violations.

## Procurement initiatives

### Engaging with suppliers to deepen mutual understanding

#### ●Communicating with suppliers

The Yanmar Group is undertaking various measures to enhance communication and deepen mutual understanding with suppliers. We hold a procurement policy presentation meeting at the beginning of the year, explaining our annual and medium-term procurement policy to key domestic and overseas suppliers.

The Procurement Division conducts a fair evaluation of the actions that the suppliers in attendance have taken in the past year in the areas of Q (quality), C (cost), and T (time).

The results of these evaluations are presented at the procurement policy presentation. Suppliers who excelled are presented with a letter of appreciation, increasing motivation and mutual sharpening of skills and operations amongst suppliers.

The "Seiei-kai," an association comprising of 70 supplier companies of the Yanmar Group, holds a meeting twice a year to discuss general business activities.

Yanmar utilizes these meetings to provide information on the production activities and business matters of the Yanmar Group in order to encourage suppliers to engage in smooth production to secure stable procurement.



Scene from the FY2016 Yanmar purchase policy briefing

#### ●Supply chain management

The Procurement Division selects several domestic and overseas suppliers each year on the basis of Q (quality), C (cost), and T (time) and provides instructions for improvement. Furthermore, since FY2007 we have been promoting YWKS activities to reinforce suppliers' networks and partnerships to improve product quality, enhance productivity and reduce inventory. We also conduct periodic checks for sup-

pliers to find where they source their supplies, alongside conducting checks to ensure that they are not using conflict minerals. For the export of products and spare parts, we undertake trade control measures in accordance with various domestic and overseas laws and regulations.

#### ●The Yanmar Group's action with regard to conflict minerals

The Yanmar Group regards conflict minerals as a key CSR issue. Their purchase can give rise to social problems including human rights and environmental issues. We have devised a policy of non-use of conflict minerals, and asked that our suppliers also agree to the non-use of conflict minerals and cooperate with us in our investigations of our supply chain.

While the Yanmar Group is not obligated to submit a report concerning the use of conflict minerals to the U.S. Securities & Exchange Commission under the adopted rules enacted under Section 1502 of the Dodd-Frank Act, we have previously received inquiries from our U.S. and Japanese business partners that are obligated to do so, and in the second half of 2015 we conducted an investigation on our tier-one suppliers.

We carried out the investigations using the CFSI \* template, and reported the results to the companies that had made inquiries. From 2016 onwards, the Yanmar Group will continue to work with our suppliers to eliminate conflict minerals in Yanmar's products.

\* The Conflict-Free Sourcing Initiative was established by EICC and GeSI: non-profit organizations aimed at accelerating social and environmental responsibility and efficiently sharing information. The initiative is aimed at addressing conflict mineral issues in the supply chain.

#### ●Education and awareness raising concerning purchasing

Yanmar's Procurement Division provides planned training for new and young employees concerning the Subcontractors Law and procurement regulations. Training on the actual procurement activities (Q, C, T) for all division members is conducted to improve the skills of persons in charge of specified areas and prompt the sharing of information and knowledge to ensure that our procurement activities are conducted fairly.



# Providing safe, high-quality products that deliver high levels of satisfaction

## Our fundamental approach

The first priority of the Yanmar Group is aiming to find ways to address the needs and resolve the challenges faced by our customers around the world by considering issues together and offering tailor-made solutions with a level of quality that only Yanmar can deliver. Each employee strives to earn the full trust and satisfaction of our customers on a daily basis by responding to the needs of society as well as providing prompt and suitable products and services that solve issues faced by our customers. In line with our TQM (total quality management) program, all our employees endeavor to continuously improve quality through initiatives such as QC circles.

At each stage of product planning, development, manufacturing, sales and after-sales service, Yanmar has implemented systematic activities aimed at confirming product safety and quality.

In particular, the issue of safety, both at home and abroad, is not merely about adhering to laws and regulations. In response to this issue we have introduced our own internal safety standards. Yanmar has also established strict checks on both product quality and safety at each stage of new product development as a form of risk assessment that looks to evaluate hazards before they occur, as well as design reviews that examine product design from a variety of perspectives.

## Efforts to improve quality

### An integrated structure designed to ensure quality and safety

Yanmar is engaged in the integration of quality assurance activities in all stages of business activities, ranging from the planning and development of products to production, sales and service, with the quality assurance department of each business unit serving as the general contact center.

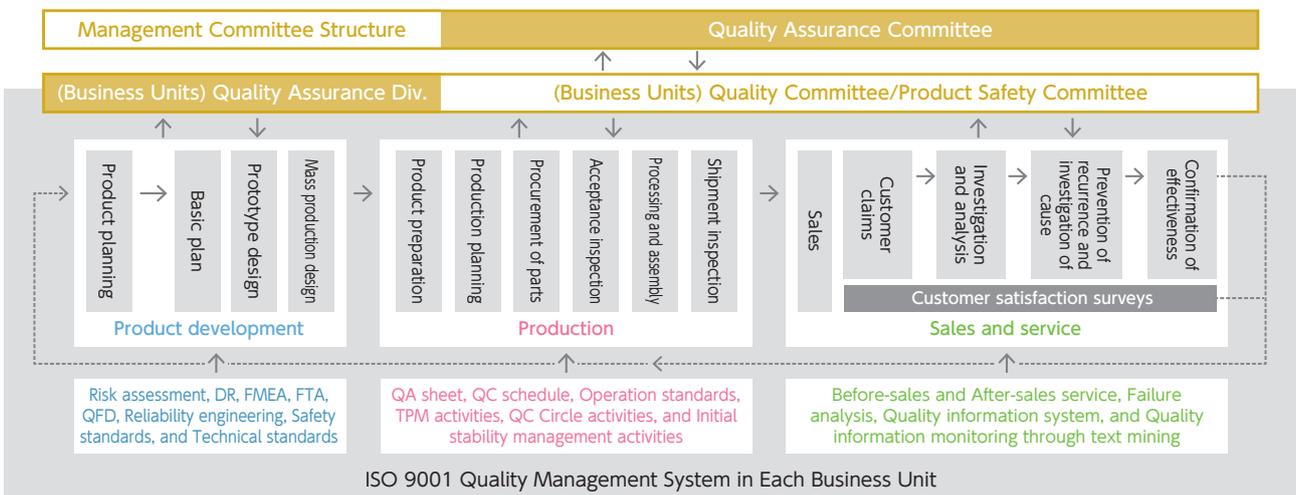
Established in FY2014, our quality analysis center serves as a center for strengthening the functions for the standardization (certification) of electrical components, and the reinforcement of Yanmar Group's functions for evaluating electrical components on their own.

Furthermore, we established a Product Safety Committee for each business division to ensure product safety. The entire Group is being monitored for quality assurance by the Group-wide Quality Assurance Committee.

In addition, we established a Quality Recurrence Prevention Committee. If an issue is found with quality, the committee looks at whether the actual cause in the problematic process has been found and takes steps to prevent recurrences of causative factors. The committee conducts checks and tests at a corporate department level, from a business perspective that is independent to that of the facility involved.

In FY2015 we implemented a number of reforms, including reforms to the product quality training system, as well as our systems for ensuring the quality of purchased goods and for verifying quality compliance. We also ran seminars aimed at improving design quality. We have also obtained ISO 9001 certification at 30 of our business units within Japan and overseas.

### ▼Yanmar's Quality Assurance System





## I'm working to prevent the occurrences and recurrences of quality issues by sharing complaint analysis data

**Ikuo Sumiya**

Industrial Power Products Management Division  
Power Solution Business  
YANMAR CO., LTD.



In the Industrial Power Products Management Division we share the results of our complaints analysis in the QR reports which are prepared for the monthly quality meetings and when a new product is launched. This ensures that the departments responsible for issues take action to prevent recurrences and occurrences of issues.

As a result, we succeeded in reducing the number of quality related reports received from customers by about 25% compared to FY2013. We intend to continue to persevere with these activities and attain our quality goal of becoming "world number one for quality."

### Monitoring and analyzing quality related information to detect serious problems at an early stage

In order to detect problems related to quality at an early stage, Yanmar has created a quality information monitoring and analysis system both in Japan (YTIS) and for overseas markets (e-Claim, Warranty-pro, OEM information). This system makes the process of collecting information and identifying important problem areas quicker and more efficient.

Once the quality issue is clearly identified, a detailed analysis of all of the information related to this issue is conducted and the respective business department in charge receives feedback concerning the relevant information.

We are employing this system to facilitate the stable management of new products from the outset, preventing the recurrences and escalations of quality problems.

## TOPICS

### Yanmar's first QA forum to further improve quality

For two days, November 30 and December 1, 2015, Yanmar personnel responsible for ensuring the quality of Yanmar products, came together for the 1st QA Forum. The forum was attended by 79 participants whose job fields relate to product quality in the areas of development, production, quality assurance and control at our various businesses in Japan. The participants engaged in lively discussions on what the "premium quality" that Yanmar aims to deliver involves. The forum served as a useful opportunity for all the participants to not only confirm the direction they should take in their efforts to further improve quality, but also to enhance their abilities by sharing their knowledge with each other.



The QA Forum

### Response to recalls

In the case where an issue arises with our products and action is deemed necessary, Yanmar will swiftly implement the appropriate actions, including the recovery, repair, inspection or replacement of the products, giving top priority to customer safety and damage prevention. In case of a recall, we will

notify the relevant organizations\*1 and disclose this information on our website, and if necessary place recall notices in the newspapers. In this way we are continuing to make improvements to our compliance with recall regulations. In addition, with the goal of reducing the incidence of recalls, we are implementing three key measures for improving quality.

- ① We have established a new quality management system aimed at swiftly identifying and addressing serious quality issues, and we will begin deploying the system in FY2017, starting with Southeast Asia.
- ② We are strengthening quality assurance functions at all overseas subsidiaries, starting with YANMAR AGRICULTURAL EQUIPMENT (CHINA) CO., LTD.
- ③ With the aim of providing practical quality-related education in line with Group and business policies, we have reformed our quality education curricula, and are planning and running internal training programs on quality assurance, design quality improvement seminars, QC Exam study sessions, QC circle training sessions.

### ▼Number of recalls in Japan\*2

FY	2011	2012	2013	2014	2015
Number of recalls	5	8	6	7	3

### ▼Important Product Information (Japanese Only)

<https://www.yanmar.com/jp/important/index.html>

\*1 Ministry of Land, Infrastructure, Transport, and Tourism, Ministry of Economy, Trade and Industry, Ministry of Agriculture, Forestry and Fisheries, the Japan Boating Industry Association, etc.

\*2 Number of reported cases of product recalls based on L and Ministry recalls, improvement measures and the Consumer Product Safety Act.

## Customer satisfaction

### Expanding and improving sales and service by listening carefully to what customers are saying

Each year, Yanmar strives to improve the level of its after-sales services by conducting an annual questionnaire to find out our customers' thoughts on our business, services and products as well as issuing certificates for free inspections of products and service records.

In addition to reflecting the opinions and needs, expressed by our customers, in the planning and development of new products, Yanmar is also using customer feedback to further optimize and bolster its services and sales. By gaining an accurate understanding of its customers, Yanmar is implementing measures that serve to maximize customer profit.



# A unique approach to community service based on moving forward and living together with the local community



## Disaster recovery and support efforts

### New recruits helped with recovery efforts in Rikuzentakata city as volunteers

As part of their induction, since FY2014, YANMAR AGRICULTURE JAPAN CO., LTD. has been sending new recruits to take part in volunteer recovery efforts in Rikuzentakata city in Iwate Prefecture, which was badly affected by the Great East Japan Earthquake and Tsunami of 2011.

In FY2016, 14 new recruits took part in activities at Hirota Peninsula Agricultural Association in addition to Sun Farm Otomo, who Yanmar is continuing to support. Sun Farm Otomo cultivates rice and garlic, while the Hirota Peninsula Agricultural Association produces food products made from rice, rice flour, and local seafood.

The experience provided participants with valuable training, undertaking a range of tasks including cleaning up ditches and removing stones that were making weeding difficult at Sun Farm Otomo. They also planted rice and washed seedling pots under the supervision of the Hirota Peninsula Agricultural Association.

60% of farmland in coastal areas of Iwate prefecture was inundated by the tsunami, and 90ha of farmland in the Otomo district of Rikuzentakata city suffered damage. The Yanmar Group intends to continue working to restore the area through this new-recruit induction program and various other support activities.

No. of disaster reconstruction support volunteers

14



Removing stones



Planting rice

### Implementing the "Tatton" project to support a group of full-time farmers in Sendai, Japan

The Yanmar Group supports the principles of the "Tatton," project which are aimed at aiding the regeneration of areas affected by the Great East Japan Earthquake through the cultivation of raw cotton. Yanmar gave support from 2012 to 2016 by lending tractors and other machines. In 2015, we began assisting with the initiatives of Butai Farm Co., LTD.; an agricultural corporation that had begun conducting activities as part of the Tatton project, and its group company Michisaki Co., LTD. in the city of Sendai in Miyagi Prefecture. And in February 2016 the first cotton wool was harvested.

The Tatton project involves the cultivation of raw cotton in order to absorb salt from farmland that suffered salt damage due to being inundated by the tsunami. Through this process, it is hoped that the soil will be restored to a good enough condition for the planting of ordinary crops in three years.

Since 2011, the project has targeted farmland in Fukushima, Miyagi, and Iwate prefectures. However nowadays it involves more than just desalination. The project is also aiming to establish the cotton farming industry in the Tohoku region and to leverage this industry to revitalize the region.

The Yanmar Group has supported the Tatton project in various ways; leasing a tractor for three years free of charge, providing the machines required for ditch digging and tilling, and providing one of our latest YT tractors for use in agricultural work.

In the future, the Yanmar Group will continue to support producers in Tohoku through various activities.



Harvesting cotton

### Provided assistance and donated money to farmers affected by the Kumamoto earthquakes

In April 2016 in Kumamoto Prefecture, several major earthquakes struck, causing suffering to a large number of people.

The damage to the agriculture, forestry, and fisheries sectors was immense, and has been valued at 148.7 billion yen\*. In the worst-affected areas, there were approximately 13,000 farming households who do business with the KYUSHU COMPANY of YANMAR AGRI JAPAN CO., LTD., to whom we have been providing various forms of assistance to help them get back on their feet.

In the area of sales support, we handed out 1,000 200ml cartons of milk from Abe Ranch (Aso, Kumamoto Prefecture) as free samples at a soccer event to encourage people to purchase the milk. We also intend to continue providing assistance to the ranch through efforts including mowing the pasture (approx. 70ha).

The Yanmar Group has also been providing assistance through monetary donations to Kumamoto prefecture to help the affected people and areas recover. We hope that the disaster-hit areas recover as soon as possible.

\* Ministry of Agriculture, Forestry and Fisheries, "4th Report on Estimated Damage to Agriculture, Forestry and Fisheries from the Kumamoto Earthquakes"



Distributing free milk at a company event

## Contributing to education and culture

Supporting education in various ways to help nurture the next generation

### ● Call for participants: Yanmar student essay contest

Since 1990, Yanmar has been requesting thesis and essay submissions for the Yanmar Student Essay Contest. The contest is aimed at promoting free thinking amongst the younger generations who will lead our future in regards to the future of farming and farming communities. The theme for 2015, the 26th year that the contest has been held, was the same as last year's: "Creating a New Agriculture".

Submissions were sent in from all over Japan, with a total of 72 theses and 790 essays received. Both these numbers were up at least 30% on last year. The winning entry in the

thesis section was submitted by Kyoko Endo, a student in the second year of her studies in the Animal Husbandry Program at Aomori Prefectural College of Vocational Agriculture. Her thesis was titled: "A History of the Development of Dairy Farming in Japan - Establishing a Business Filled with Hope." The winning essay was submitted by Narumi Ishii, a student in the first year of her studies in the Agriculture Course at the Department of Agriculture and Forestry Business in the Faculty of Agriculture and Forestry at the Gunma Prefectural Institute of Agriculture and Forestry. Her essay was titled: "Keeping Local Agriculture Attractive in the Future."



Commemorative photograph from the Yanmar Student Thesis Contest award ceremony

### ● Children's painting exhibition

Yanmar wants to help children discover the wonders of rural life, while also encouraging greater interest in the land and the sea. The National Federation of Land Improvement Associations (and the prefectural land improvement associations that are its members) holds an annual painting contest for children based on the theme of "Rural Life: Rice Paddies and Streams" and Yanmar is an enthusiastic supporter of the contest.

In 2015 (the 16th time that the contest has been held) there were 7,163 entries of which 23 were awarded prizes such as Minister of Agriculture, Forestry and Fisheries Awards and 111 were officially selected. The Yanmar Prize went to Motohisa Aishima (a first-grade student at Kawama Elementary School, Noda City, Chiba Prefecture) for his entry, titled "The Fruits of Funakata"



Motohisa Aishima's (a first-grade student at Kawama Elementary School, Noda City, Chiba Prefecture) work "The Fruits of Funakata"



## Revitalizing agriculture

Revitalizing agriculture to solve the problems faced by farmers

### ● Yanmar Yuyu Farm Toyono has evolved into a farm that works with the local community to revitalize the area's agriculture

Since 2012, we have been directly operating a members-only farming society called the Yanmar Yuyu Farm, where members can experience hands-on farming in the surrounding hillside areas of the town of Toyono in Osaka prefecture. We have recently stepped up cooperation with the local community to strengthen the farm's administration; implementing a new structure from FY2016. The Yanmar Yuyu Farm Toyono initiative involved borrowing farm land, located in the Takayama District of Toyono, that was in danger of being left idle, and utilizing it to revitalize the agricultural industry in semi mountainous regions. These regions are faced with numerous issues including an aging population of farmers, shortages of farm workers, and increases in the amount of farm land that is being left idle. We have been operating since 2012, with the aim of making a model farm where city folk can come and experience agriculture.

The farm covers an area of approximately 60a, of which around 30a is for rice crops and around 20a is for vegetables. There are two courses offered – the "Rice Paddy Experience" course for rice cultivation, and the "Allotment Experience" course for vegetable farming. Additionally, there are a range of events held throughout the year, alongside agricultural equipment workshops offered by Yanmar and other workshops which are collaboratively organized by Osaka prefecture and people in the local community. The workshops are designed to ensure that novices can also enjoy these workshops.

In FY2016 we handed over the "Rice Paddy Experience" to the Takayama community center, which is called "Ukon no Sato," in an effort to more firmly root its administration in the local community. Yanmar has also donated a tiller to provide assistance for events which made use of abandoned terrace rice fields.

Members of the "Allotment Experience," put the experience they had gained over the past three years to use and set up a "Yuyu Farm Club," through which they can grow their own vegetables and organize events. Yanmar employees have also been participating in the activities of the Yuyu Farm Club. They teach the members how to operate machines, for example, with the aim of training new producers in order to promote the utilization of abandoned fields in the Takayama district.



Experiencing farm work in the woodlands

### ● Training for new recruits conducted at Yanmar Yuyu Farm

Yanmar chose Yanmar Yuyu Farm as the location for its training of FY2016 new recruits. Before they were assigned to our various departments, we wanted them to understand the environment surrounding agricultural producers, who are our customers, and experience hands on how hard farm work is and how important agricultural machinery is for making it easier.

75 of the 94 new recruits were divided into four groups, which went to the Farm for two days each in May-June 2015. Under the supervision of local producers, they carried out agricultural tasks in the field, such as erecting electric fences around rice fields that had been abandoned in order to protect them from damage by animals and birds in addition to weeding. They also tried their hands at operating Yanmar tractors and rice planters to perform tasks such as tilling and rice planting.

At social gatherings that were held with local farmers, they heard first-hand about the crisis facing agriculture in semi-mountainous areas; an experience which is sure to prove useful in their future jobs.

Yanmar intends to continue providing this training in the future, as it gives all new recruits the opportunity to handle Yanmar products and contributes to the community in Toyono, where the Farm is located.



Tilling the earth under the guidance of local farmers

## Regional activities

Providing support and engaging in activities that are rooted in local communities

### ● Supporting the Incorporated NPO Osaka Honey Bee Project

Yanmar provides support to the Osaka Honey Bee Project; an urban bee-keeping initiative that began in 2011 following a proposal from employees.

Bees pollinate urban trees and flowers, helping them to produce fruit. Wild birds eat the fruit and take the seeds they have eaten away to other places, where new trees and plants can grow. This project helps communicate the essential role that bees play in the ecosystem, and promotes the expansion of green spaces in the area. This resonates with the business of Yanmar, which involves promoting continuous development in harmony with nature. Yanmar has also tied the project in with its other CSR activities in the area.

Beehives are installed in the garden located in the center of the Premium Marche cafeteria on the 12th floor of the head office building. Not only do we take care of the bees, but we also invite children in from nearby elementary schools to provide them with environmental education on the ecology of honey bees. We also provide education to

From our employees

**We are working with the local community to make the environment in the area around the site more beautiful.**

**Masahiko Kojima**

General Affairs Division  
YANMAR CASTING TECHNOLOGY CO., LTD.



Organizational Governance

Human Rights and Labour Practices

The Environment

Fair Operating Practices

Consumer Issues

Community Involvement and Development

At YANMAR CASTING TECHNOLOGY CO., LTD.'s Koga site, we are supporting the aims of the environmental association, which is to raise awareness of the importance of environmental conservation. We are now in our eighth year of participating in two local annual cleanup days: Lake Biwa Day and the Environmental Beautification Day. On Lake Biwa Day this year, we picked up empty cans and cigarette butts along National Route 1 and prefectural Route 13 in the Iwane area of the city of Konan, Japan. As the event is administered jointly by prefectural citizens, companies, and government-related organizations, it not only gives one a feeling of contributing to the local community, but also serves as an opportunity for reaffirming the importance of environmental conservation. We therefore intend to continue taking part in the future.

senior citizens as part of our commitment to lifelong learning.



Local elementary school students are invited in to learn about honey bees



Children observing the honey bees through the glass

ed between the young players. As part of our efforts to contribute to the local community, we have been continually involved in the tournament for the past four years, with the grounds of our headquarters being used for the opening ceremony and the matches. We will continue to support sporting activities by young people in the area.



The winning team in the "Yanmar Construction Equipment Cup: Yabegawa Junior High School Exchange Softball Tournament"

● **Organized an expo with the aim of increasing recognition of the Yanmar Brand**  
—HOKKAIDO COMPANY,  
**YANMAR AGRI JAPAN CO., LTD.—**

YANMAR AGRI JAPAN CO., LTD. held the 2015 Yanmar midsummer expo at the Agri Solutions Center on August 29 and 30, 2015. Until now this event has targeted farmers, but this time, with the aim of making more people aware of the Yanmar Brand, we opened it up to the general public. On the days it was held, the venue was bustling with families, and the visitors enjoyed navigating a huge maze made of dent corn, riding on one of our new tractors, and other fun activities.



A huge maze situated in the demonstration field

● **Sponsored a softball tournament for local junior high schools**  
— **YANMAR CONSTRUCTION EQUIPMENT CO., LTD.—**

YANMAR CONSTRUCTION EQUIPMENT participated, as a special co-sponsor, in the "Yanmar Construction Equipment Cup: Yabegawa Junior High School Exchange Softball Tournament," an event held in the local area in the town of Chikugo in Fukuoka Prefecture. 27 teams from Chikugo and seven nearby municipalities participated in the tournament, which took place between April 9 and 16, 2016. Yanmar provided support to the head-to-head matches that unfolded

● **Cleanup activities performed at our various sites**  
— **YANMAR CASTING TECHNOLOGY CO., LTD. Koga site** —  
— **NEW DELTA INDUSTRIAL CO., LTD.** —

The Yanmar group takes part in clean-up campaigns as part of the environmental beautification activities performed in the vicinity of our business sites all over Japan, and also as a means of raising environmental awareness among employees. At YANMAR CASTING TECHNOLOGY CO., LTD.'s Koga site each year we clean up the areas around the factory as well as national roads, prefectural roads, and nearby rivers in the surrounding area on Lake Biwa Day in July and Environmental Beautification Day in December.

Furthermore, in November 2015 at NEW DELTA INDUSTRIAL CO., LTD., around 100 employees took part in the cleanup of approx. 1km of roads in the area around the company's factory. In February 2016, as part of a clean campaign organized by Shizuoka Prefecture, they cleaned the Mishima Taisha shrine and the surrounding roads. The Yanmar Group intends to continue working to protect local environments through such cleanup activities in the future.



Cleanup activities in progress (YANMAR CASTING TECHNOLOGY Koga site (left), NEW DELTA INDUSTRIAL)



## Contributing to society in various parts of the world

### ● Employees made donations to charities and provided gifts to local organizations

#### —TRANSAXLE MANUFACTURING OF AMERICA CORPORATION—

In 2015, TRANSAXLE MANUFACTURING OF AMERICA and its employees made donations totaling \$5,447.42 to ten organizations, which included charities and community action groups. They also provided support to a bus that raises awareness for breast cancer and offers on-board examinations, in addition to supporting a local campaign which encourages people to give blood. They also teamed up with the local Salvation Army, which provides assistance to poor families, to collect Christmas presents and toys to give to children.



Breast cancer awareness/examination bus

### ● Provided vocational training to PRO Almere students

#### — YANMAR EUROPE B.V. —

Since 2010, YANMAR EUROPE has been running a program that provides vocational training to PRO Almere students. PRO Almere is a school that offers junior-high-school-level education, and the program focuses on equipping the students with technical and social skills to prepare them for work after graduation.

In 2016, the components department played the central role, giving 20 students the task of repackaging parts specially ordered from OEM companies over the course of five week days. Yanmar aims to instill the students with a sense of responsibility towards their work, as well as basic work skills including learning to be punctual and improving work precision, in order to help them when they take their first step out into the professional world.



Students receiving vocational training

### ● Visited a local retirement home to express gratitude for the residents' service and to interact with them

#### — YANMAR AGRICULTURAL EQUIPMENT (CHINA) CO., LTD. —

In March 2016, 13 people from YANMAR AGRICULTURAL EQUIPMENT (CHINA), including party members and labor

union committee members, visited a local retirement home to express gratitude for the residents' service during their lives. Not only did they distribute gifts of daily goods and foods, they also joined the 32 residents in playing games and other activities, which helped them get to know each other. The company intends to continue to regularly organize exchanges like these in the future in order to contribute to the local community.



Interacting with residents of the retirement home

### ● Repaired and painted desks and chairs at a local school

#### — YANMAR S.P. CO., LTD. —

YANMAR S.P. actively provides assistance to schools in various parts of Thailand in the form of donations and visits. In October 2015, employees visited a school for the blind in Samut Prakan province, where they helped repair and paint desks to create a better learning environment for the students.



Repairing and painting desks

### ● Interns gained work experience

#### — P.T. YKT GEAR INDONESIA —

Every year, P.T. YKT GEAR INDONESIA, accepts students from nearby high schools and universities as interns. In 2016, Yanmar accepted two students, from the accounting and auditing department at Mulia Pratama University in the city of Bekasi, to gain work experience in logistics and purchasing.



The students who came on internships

### ● Internships provided to students of Universiti Malaysia Sabah

#### — YANMAR KOTA KINABALU R&D CENTER SDN. BHD. —

Each year, the YANMAR KOTA KINABALU R&D CENTER accepts students who are in their final year at Malaysia Sabah University as interns. In July 2015, interns investigated aquaculture with the aim of demonstrating the viability of aquaponics in tropical regions.



Interns working at a Barbados nut farm

## View from a third party



### Mr. Keisuke Takegahara

General Manager  
Head of Economic &  
Industrial Research Department  
Development Bank of Japan Inc.

#### ■PROFILE

After graduating from the Faculty of Law at Hitotsubashi University, Mr. Takegahara joined Japan Development Bank (present Development Bank of Japan Inc.). He took up his current post after serving for a period in Frankfurt and becoming the Bank's environment/CSR chief. He is also joint chairman of the steering committee for Japan's Ministry of the Environment's "Principles for Financial Action towards a Sustainable Society," a member of the Ministry of the Environment's study group on investments that takes account of issues relating to sustainability, and a member of the Cabinet Secretariat's environmental model city working group. He has also written numerous books, such as "How to Tackle Climate Change Risk" (in Japanese only, coauthored with the Kinzai Institute for Financial Affairs, Inc., 2014).

### Impressions from Reading the Yanmar CSR Report 2016

What impressed me most about the CSR Report 2016 was that in conjunction with devising a new brand statement, "A Sustainable Future," Yanmar has presented targets for the realization of its four ideal visions for society. Yanmar has clearly articulated a consistent set of principles from the founder's spirit, to the Brand Statement through to the Mission Statement. Additionally, Yanmar has made crystal clear the meaning and goals of the declaration, contained in the Executive Message, that "the implementation of the Mission Statement is the Yanmar Group's CSR."

In Special Feature 1, you describe in concrete terms your approach to achieving the four future visions, defined as Yanmar's CSR objectives, through your business activities. The section which discusses the various innovations which support your technology concept—"Realizing the maximum prosperity using the minimum resources,"—is structured to frame the key societal issues for Yanmar; providing a value creation story of how you are addressing these issues through your business.

As you did last year, you have allocated a great deal of space to the efforts you are making to promote among as many employees as possible, the value creation stories behind your mission statement, and I feel that this is another distinctive feature of your company. The accurate identification of customers' problems and needs that relate to societal issues and the translation of them into value creation, as well as the strengthening of your company that comes from day-to-day improvements in such activities, are both down to "people." Therefore, Yanmar's stance of promoting your mission globally through the steps of comprehension, implementation, sharing, and expansion, offers a glimpse into the source of your competitiveness. Another element of this year's edition, that left an impression, was the way you use consumer issues as the starting point for turning the spotlight towards providing solutions for quality issues. I think that the descriptions of the systems you have established to further improve your analysis of complaints, and of the efforts of the Industrial Power Products Management Division, which have produced tangible results, demonstrate the high level of your team at Yanmar, which has become stronger as a result of the mission promotion process.

On the environmental conservation front, which is positioned as your highest-priority in your management policy, there are many major changes taking place. The transition to Yanmar's 4th Environmental Mid-Term Plan (2016-2020) is one example of these changes. Your acceleration of the overseas deployment of your environmental management system, your investigation into the possibility of adopting Scope-3, and your formulation of CSR procurement guidelines, demonstrates how you are striving to take environmental management to the next level with globalization and apply more sophisticated supply chain management. This stance is clearly conveyed in the report.

In this edition, you have presented an impressive framework for contributing to the creation of new value over the next 100 years, with the framework comprising of four future visions underpinned by a technology concept for realizing them. I hope that you will come up with ways of illustrating how the value creation stories are being actualized year by year in line with this framework. I would also like you to continue to present multiple aspects of the various types of human resource value that emerge through this process.

### Our response to the third-party opinion

This year, as we did last year, we received a third-party opinion concerning our CSR Report from Keisuke Takegahara of the Development Bank of Japan. We would like to express our gratitude to him for giving us his opinion.

This report has focused on describing the four future visions for society that we are aiming to realize and how Yanmar will contribute to the creation of a sustainable society and new abundance through technology and solutions aimed at addressing societal issues. Mr. Takegahara has praised it for more clearly articulating the set of principles we operate under and conveying our social value creation stories in an easier-to-understand fashion. He also gave high marks to the way

we are strengthening quality management and environmental management to support value creation, and also to our efforts in the area of human resources development

We will continue to describe in depth the initiatives that we are implementing in each business domain and each region to realize these four future visions. We will accept the opinions we have received graciously and contribute to addressing social issues through the promotion of CSR activities.

**Risk Management Group  
Corporate Social Responsibility Division  
YANMAR CO., LTD.**

## Corporate Profile

Trade name .....YANMAR CO., LTD.  
 Head Office .....YANMAR FLYING-Y BUILDING  
 1-32 Chayamachi, Kita-ku, Osaka, 530-8311, Japan  
 Tokyo Office.....2-1-1 Yaesu, Chuo-ku, Tokyo, 104-8486, Japan  
 Founded .....March 22, 1912  
 Capital.....¥6.3 billion  
 President .....Takehito Yamaoka  
 Net Sales (FY2015)..... ¥703.8 billion (consolidated base)  
 ¥341 billion (company base)  
 Employees (as of March 31, 2016) ... 17,974 (consolidated base)  
 3,470 (company base)



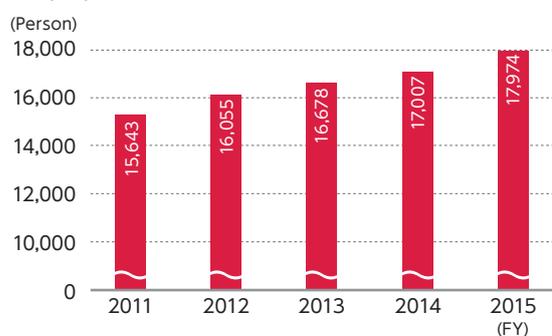
YANMAR FLYING-Y BUILDING

## Major Indicators

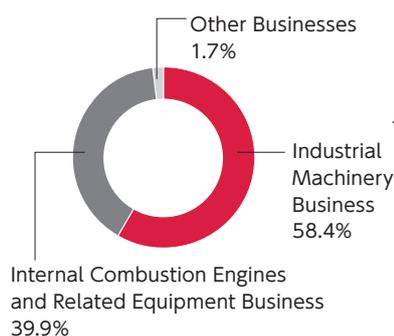
Consolidated Net Sales and Ordinary Profit



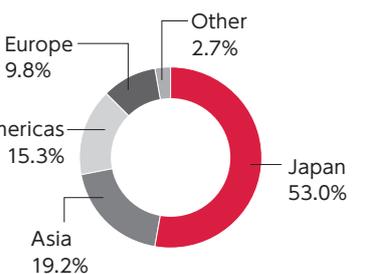
Employees (Consolidated)



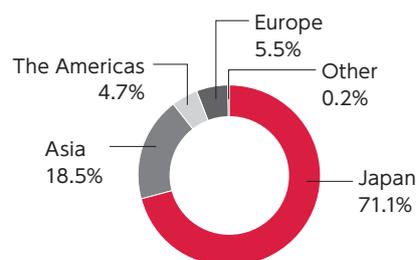
Consolidated Sales Rate by Segment (FY2015)



Consolidated Sales Rate by Region (FY2015)



Employees by Region (as of March 31, 2016)



# The Yanmar Group Network

Head offices, branches,  
group companies, centers, etc.

**YANMAR HOLDINGS CO., LTD.**

**YANMAR CO., LTD.**

Head Office

Tokyo Office

Research & Development Center

## ■ Engine businesses

- Power Solution Business

## ■ Agricultural businesses

- Agricultural Operations Business

## ■ Marine businesses

- Marine Business

## ■ Factories

- Biwa Factory
- Kinomoto Factory
- Kinomoto Factory (Omori Site)
- Ibuki Factory
- Nagahama Site
- Amagasaki Factory
- Tsukaguchi Factory

## ■ Overseas representative offices

- YANMAR CO., LTD. - MOSCOW REPRESENTATIVE OFFICE
- YANMAR HOLDINGS CO., LTD. IZMIR, TURKEY LIAISON OFFICE
- THE REPRESENTATIVE OFFICE OF YANMAR CO., LTD. IN CAN THO CITY
- YANMAR AGRICULTURAL RESEARCH INSTITUTE - IPB

## ■ Training facilities

- Global Human Resources Development Institute

## ■ Others

- Yanmar Museum

## Group Companies

### Group Companies (Japan)

#### Agricultural Business

- YANMAR AGRICULTURAL MACHINERY MANUFACTURING CO., LTD
- NEW DELTA INDUSTRIAL CO., LTD.
- KYOURITSU IRRIGATE CO., LTD.
- YANMAR AGRI JAPAN CO., LTD.
- YANMAR GREEN SYSTEM CO., LTD.
- YANMAR HELI & AGRI CO., LTD.
- YANMAR AGRICULTURAL INNOVATIONCO., LTD.
- BUNMEI NOKI CO., LTD.

#### Construction Business

- YANMAR CONSTRUCTION EQUIPMENT CO., LTD.

#### Energy System Business

- YANMAR ENERGY SYSTEM CO., LTD.
- YANMAR ENERGY SYSTEM MFG. CO., LTD.
- KOHRIN ENGINEERING CO., LTD.

#### Engine Business

- YANMAR CASTING TECHNOLOGY CO., LTD.
- YANMAR ENGINEERING CO., LTD.

#### Marine Business

- YANMAR MARINE SYSTEM CO., LTD.
- GENKAI YANMAR CO., LTD.
- YANMAR SHIPBUILDING & ENGINEERING CO., LTD.

#### Component Business

- KANZAKI KOKYUKOKI MFG. CO., LTD.

#### Others

- YANMAR OKINAWA CO., LTD.
- YANMAR SANGYO CO., LTD.
- YANMAR CREDIT SERVICE CO., LTD.
- YANMAR PRODUCTION SUPPORT CO., LTD.
- YANMAR INFORMATION SYSTEM SERVICE CO., LTD.
- YANMAR BUSINESS SERVICE CO., LTD
- YANMAR TECHNICAL SERVICE CO., LTD.
- SEIREI TOTAL SERVICE CO., LTD.
- KOWA COMPANY, LTD.
- YAESU SHOPPING MALL CO., LTD.
- SEIREI KOSAN CO., LTD.
- OSAKA FOOTBALL CLUB CO., LTD.
- YANMAR ENVIRONMENTAL SUSTAINABILITY SUPPORT ASSOCIATION
- YAMAOKA SCHOLARSHIP FOUNDATION
- YANMAR HEALTH INSURANCE SOCIETY
- YANMAR CORPORATE PENSION FUND
- YANMAR AGRI JAPAN CORPORATE PENSION FUND
- YANMAR SYMBIOSIS CO., LTD.
- E-STIR CO., LTD.

### Group Companies (Worldwide)

#### The Americas

- YANMAR AMERICA CORPORATION
- TUFF TORQ CORPORATION
- TRANSAXLE MANUFACTURING OF AMERICA CORPORATION
- MASTRY ENGINE CENTER LLC, A YANMAR COMPANY
- YANMAR SOUTH AMERICA INDUSTRIA DE MAQUINAS LTDA.
- TICARLY S.A.

#### Europe

- YANMAR EUROPE B.V.
- YANMAR MARINE INTERNATIONAL B.V.
- YANMAR INTERNATIONAL EUROPE B.V.
- YANMAR BENELUX B.V.
- VETUS B.V.
- YANMAR NORGE A.S.
- YANMAR SVERIGE A.B.
- YANMAR CONSTRUCTION EQUIPMENT EUROPE S.A.S.
- YANMAR ITALY S.p.A.
- YANMAR R&D EUROPE S.R.L.
- YANMAR EQUIPMENT IBERICA, S.L.
- HIMOINSA
- RMB AG
- Terex Compact Germany GmbH
- YANMAR RUS LLC

#### Asia

- YANMAR ENGINE (SHANGHAI) CO., LTD.
- YANMAR ENGINE (SHANDONG) CO., LTD.
- YANMAR AGRICULTURAL EQUIPMENT (CHINA) CO., LTD.
- HARBIN YANMAR AGRICULTURAL EQUIPMENT CO., LTD.
- YANMAR ENGINEERING (HK) CO., LTD.
- YANMAR AGRICULTURAL MACHINERY (KOREA) CO., LTD.
- YANMAR INTERNATIONAL SINGAPORE PTE.LTD.
- YANMAR ASIA (SINGAPORE) CORPORATION PTE. LTD.
- YANMAR S.P. CO., LTD.
- YANMAR CAPITAL (THAILAND) CO., LTD.
- YANMAR AGRICULTURAL MACHINERY VIETNAM CO., LTD.
- YANMAR BOAT MANUFACTURING VIETNAM CO., LTD.
- YANMAR PHILIPPINES CORPORATION
- PT. YANMAR DIESEL INDONESIA
- P.T. YANMAR AGRICULTURAL MACHINERY MANUFACTURING INDONESIA
- PT. YANMAR INDONESIA
- P.T. YKT GEAR INDONESIA
- PT. KANZAKI TJOKRO MACHINE TOOLS INDONESIA
- YANMAR INDIA PRIVATE LIMITED
- YANMAR COROMANDEL AGRISOLUTIONS PRIVATE LIMITED
- YANMAR KOTA KINABALU R&D CENTER SDN. BHD.
- YANMAR ENERGY AUSTRALIA PTY. LTD.

**YANMAR**

Inquiries

Risk Management Group, Corporate Social Responsibility Div.,  
Human Resources, General Affairs & Legal Unit

**YANMAR CO., LTD.**

YANMAR FLYING-Y BUILDING  
1-32 Chayamachi, Kita-ku, Osaka 530-8311  
Japan

Tel: +81-6-6376-6258 Fax: +81-6-6376-9272  
[yanmar.com](http://yanmar.com)