



YANMAR



Corporate Social Responsibility Report 2017

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
ISO26000

■ Period

This report details activities undertaken by Yanmar during fiscal 2016 (April 1, 2016 to March 31, 2017).
Part of the report relates to fiscal 2017.

■ 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 2017 (The next issue is tentatively scheduled for November 2018).



CONTENTS

Yanmar Group's Business Areas 02

Message from Yanmar's President 06

Our Mission

Mission Statement 08

Yanmar Group CSR 10

Feature Article

Achieving A Sustainable Future

The Future We Envision 12

01 Effective Use of Energy with
Efficiency-enhancing Technologies
Like Biomass 14

02 Transforming Agriculture into
a Food Value Chain with ICT
and Robotics 16

03 Realizing Sustainable Food
Production at the Bio Innovation
Center Kurashiki Laboratory 18

Education for the Next-Generation 20

Fostering Cultural Growth 21

CSR Activities Report

Organizational Governance 22

Labor and HR Practices 24

 Mission Based Activities 29

Environment 30

Fair Operating Practices 38

Consumer Issues 40

Community Involvement and
Development 42

Third Person Perspective 46

Yanmar Group Overview 47

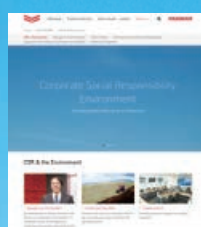
The Yanmar Group Network 48



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.

Yanmar Group's Business Areas

Land

Sea

City

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.

Engine Business

Compact 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.

Agriculture 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 Systems 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 Machines Business

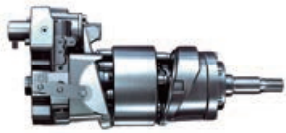
We supply a wide variety of high performance compact construction equipment and general-purpose machinery such as the VIO series of True Zero Tail Swing excavators, the Σ series of boom excavators, portable generators, light towers, etc.

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

Components Business

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

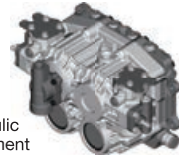
- Products include hydraulic equipment, gears, transmissions, marine gears and machine tools.



Transmissions



Compact Diesel Engines for Industrial Use



Hydraulic Equipment



Tractors



Rice Transplanters



Combines



Fruit Sorting Facility (tomatoes)



Mini Power Tillers



Unmanned Helicopters



Land

TRANSFORMING AGRICULTURE INTO A FOOD VALUE CHAIN

Through the supply of agricultural machinery, Yanmar has long supported food production, the foundation for life. And with the aim of making agriculture more sustainable in the future, Yanmar is transforming agriculture into a food value chain by utilizing ICT and offering new solutions.

Engine Business Compact Engines

Vertical Water-cooled Diesel Engines
TNV Series

Revolutionizing Clean Diesel Engines

This series combines elite-level cutting-edge combustion control and after treatment technology, to meet the world's emissions regulations.

This is a clean diesel engine installable in a variety of machines, providing users with superior fuel economy and reliability.



Agriculture Business

YH Series Combine

A series of Combine Harvesters That Allow Users to Work Faster, so They Look Forward to Tomorrow's Work

We designed this series of combines to reflect the comb-like blades of hair clippers, slicing effortlessly through golden fields of rice.

We've refined every function required for combines, from reaping to threshing, ejection, and motion; enabling customers to implement their plans with precision.

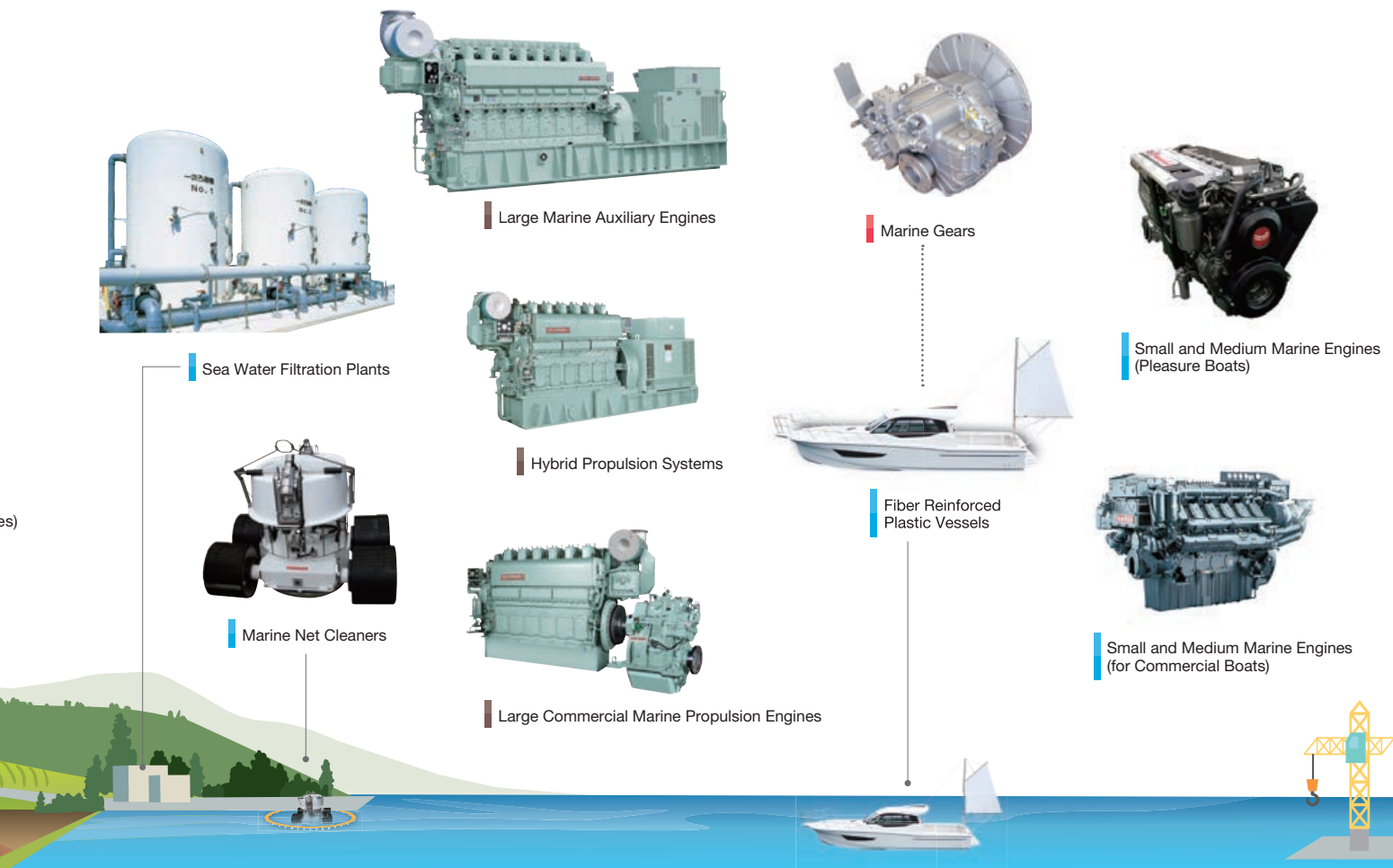
Agriculture Business

YT Series Tractor

Our Completely Revamped Tractor Range Brings Attention to Agriculture

With the YT Series, we began by rethinking basic performance to improve operability, comfort, versatility, and environmental performance, coming up with a completely new design. And with a lineup ranging from 22 to 113 horsepower, the series provides new value to customers.





Sea Water Filtration Plants

Large Marine Auxiliary Engines

Marine Gears

Small and Medium Marine Engines (Pleasure Boats)

Hybrid Propulsion Systems

Fiber Reinforced Plastic Vessels

Small and Medium Marine Engines (for Commercial Boats)

Marine Net Cleaners

Large Commercial Marine Propulsion Engines



HARMONY BETWEEN PEOPLE AND OUR MARINE ENVIRONMENT

Yanmar's developments in marine engines and propulsion systems combine environmental performance with enhanced safety for ocean voyages and luxurious comfort for boating enthusiasts. Through vitalization of the fishing industry and multifaceted developments in aquaculture technology Yanmar is striving to realize a harmonious balance between people and our marine environment.

Marine Business

LF26CZ II Fishing Cruiser

Yanmar's Fishing Boats Deliver Advanced Fishing Functions and Superior Cabin Comfort

Equipped with a powerful diesel engine increasing mobility while improved fishing functions adapt to reflect the way people fish. Also, a brand new cabin interior offers a much higher level of comfort.

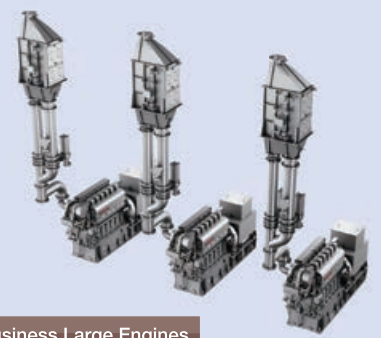


Marine Business

3JH40 Commercial Marine Propulsion Engine

Yanmar's New Electronically Controlled Engine is Making a Powerful Impact on the Global Sail Boat Scene

A new engine for the JH Series, Yanmar's leading brand in the sail boat industry, adding improved safety via electronic controls to deliver clean, quiet, fuel efficient engines.

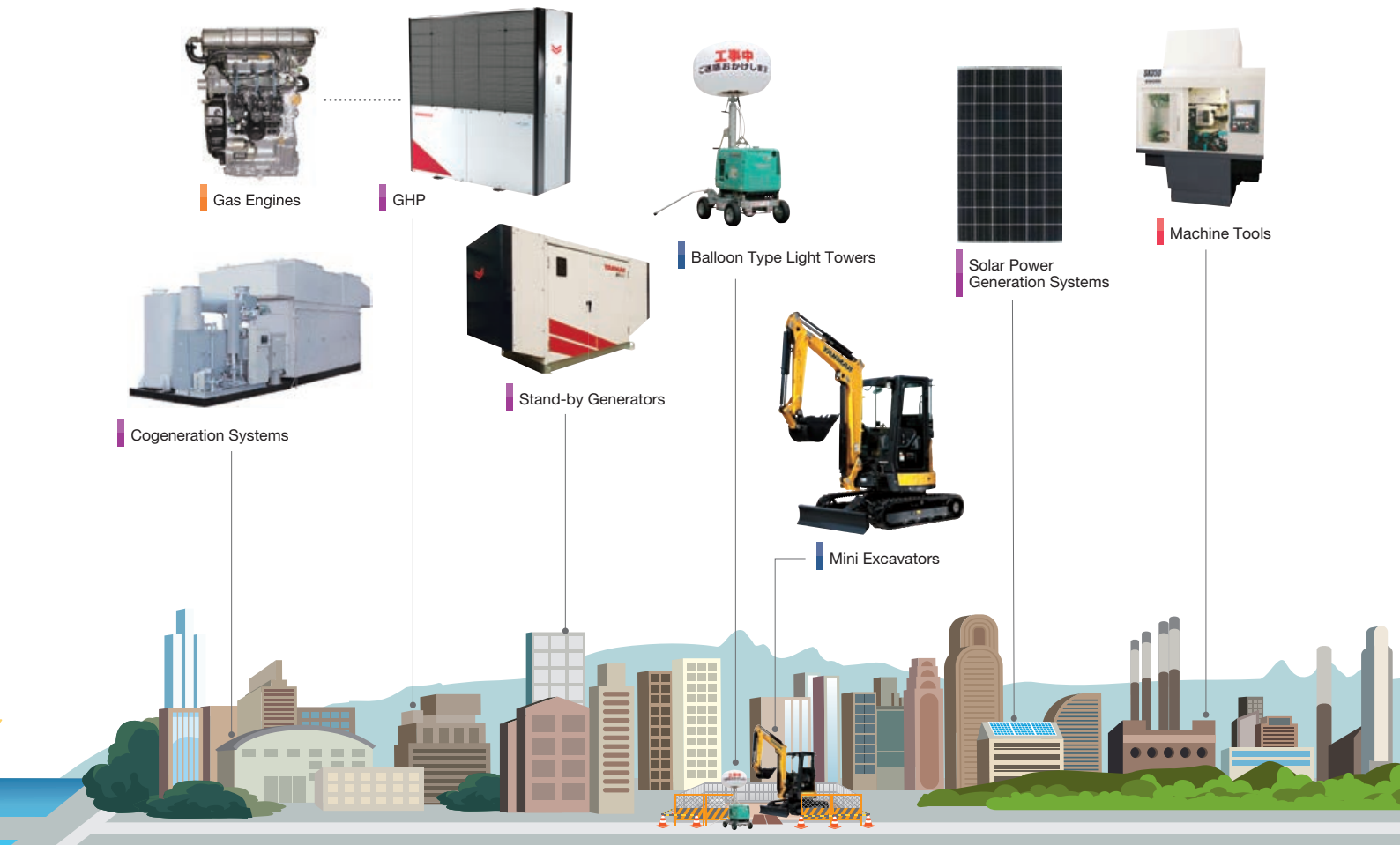


Engine Business Large Engines

Commercial Marine SCR System

Delivering Top Quality Solutions That are Both People and Environment Friendly

Our independently developed Selection Catalytic Reduction (SCR) System is an emissions aftertreatment device perfect for ships or boats, clearing NOx Tier III regulations, which require a massive reduction of 80% compared to Tier I. Utilizing our own technology and experience, we ensure the best matches with diesel engines and long-lasting catalysts.



City Effective Utilization of Next-generation Energy

Yanmar is leveraging technologies in renewables, heat and power cogeneration systems, and highly efficient gas heat pump air conditioners (GHP) to deliver energy savings for private and public facilities in high density residential and commercial urban areas. Yanmar aims to deliver the best energy solution for next-generation town development.

Construction Machinery Business

ViO80-1B Hydraulic Excavator

Yanmar's Hydraulic Excavator Leads the Industry with the Latest in Hydraulic Systems and Top Class Fuel Efficiency

Equipped with the new ViPPS2i hydraulic drive system, the ViO80-1B is the first in the 8t class to feature two independently driven hydraulic pumps. Oil usage can be optimally controlled, maximizing energy efficiency.



Component Business

GB150 Gear Grinding Machine

Kanzaki's Gear Grinding Machine Contributes to the Manufacturing of Precision Gears for Automobile Transmissions.

Provides a high-precision finish for transmission gears to minimize gear noise over a wide range. This technology is also used by major automobile manufacturers to lower car noise.



Energy System Business

"Smart-Multi" GHP

Hybrid Climate Control System for Optimal Controls of Gas and Electricity

The industry's first all-in-one hybrid climate control system, incorporating both a gas and an electric motor driven compressor in one outdoor unit to deliver optimal operating control.



Message from Yanmar's President

**WE WILL REALIZE FOUR VISIONS OF SOCIETY
FULFILLING OUR MISSION STATEMENT
TO SOLVE THE CHALLENGES FACING
OUR CUSTOMERS AND SOCIETY**



Takehito Yamaoka

President
Yanmar Co., Ltd.

Aiming to be a Corporation for "Realizing the Maximum Prosperity with the Minimum Resources"

In recent years, the sustainable development goals (SDGs)* defined by the United Nations and the Paris Agreement decided at the 2015 United Nations Climate Change Conference (COP21)** have been adopted as an international framework for solving global social problems.

The global social problems deeply involved in the business of the Yanmar Group are multifaceted, including fears over food shortages caused by explosive population growth, and increasingly high demands for energy plus the climate change accompanied by such. Specific problems in Japan are labor shortages in agricultural and construction work due to the declining birth rate and aging population, the concentration of the population in urban areas and concomitant rural depopulation, and the abandonment of cultivated land.

We believe that we must find ways to deal with these problems through our business operations. Advancing in the areas of food production and harnessing power to build a sustainable society that enriches the lives of people across the world, as declared in our Mission Statement, our duty and corporate social responsibility here in the Yanmar Group.

Based on our brand statement, "A Sustainable Future" and incorporating the perspective of "realizing the maximum prosperity with the minimum resources," Yanmar is transforming into a corporation generating innovation after innovation to solve the problems of our customers and realize a sustainable society.

* Sustainable Development Goals (SDGs).

An action plan and goals for sustainable development by 2030 adopted at the UN Sustainable Development Summit held at UN headquarters in September 2015.

**The Paris Agreement

An international framework for action on global warming from 2020 onward, as agreed on at the December 2015 United Nations Climate Change Conference (COP21).

Realizing Four Visions of Society Through the Power of Technology

In 2017 Yanmar celebrated its 105th anniversary. Throughout these many years we have maintained a commitment to our founding spirit of being "grateful to serve for a better world" and that "to conserve fuel is to serve mankind." Using the technology we have built up and refined over more than a century, we are working to build a society where people and nature can live in plentiful abundance.

We aim to realize four visions of society: We envision "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." To achieve these

four visions of society, Yanmar is promoting many different initiatives, such as energy systems that make efficient use of energy, using ICT and robotics technology for sustainable agriculture, and the Bio Innovation Center Kurashiki Laboratory, which is engaged in open innovation to push research and development into new fields.

Gaining a Deeper Understanding of Our Customers is Essential

Essential to realizing these four visions of society will be finding solutions on how to better utilize technology. Solving customers' challenges and increasing the customer lifecycle value demands that we gain a deeper understanding about our customers. To provide value we shouldn't just rely on our existing framework and resources. In addition to teaming up with other businesses and units within the Group, we should also be leveraging external resources.

When we share the joys of our customers by working on solutions together with them, they will, I believe, come to recognize us as an essential partner for them.

With this in mind, we are constantly aware of and working on three key points to increase the level of value we provide and give our customers lifecycle value: (1) providing value based on a deeper level of understanding of our customers, (2) transforming our operations to bring higher customer value, and (3) creating an internal corporate culture that encourages an ownership mentality.

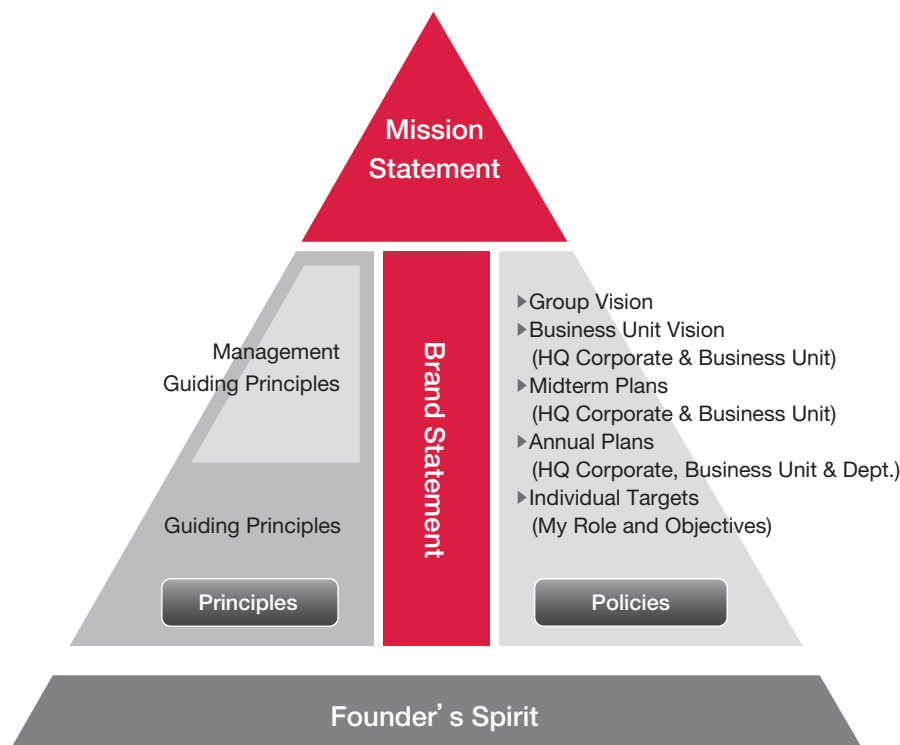
Ownership Mentality to Better Serve Our Customers

Above all, the same rule defined in "(3) creating an internal corporate culture that promotes an ownership mentality," also applies to the soccer played by Cerezo Osaka, the team Yanmar has supported for many years. Soccer is a creative sport. While every player's position and role is pretty much decided, each player has the freedom to move about on the field and, at every stage of the game, each player has to make their own decisions and play to the best of their ability. A team that works together productively can deliver strong performance, and strong performance will lead to a goal.

To achieve Yanmar's ambitious goal of creating the society that "A SUSTAINABLE FUTURE" outlines, we cannot just wait for instructions from the team coach; we all need to take ownership and to proactively think about where value lies for the customer. By doing this, we will all feel a sense of purpose in what we do at work. That is the reason why we always make sure our workplaces are ones where our employees feel empowered to work. We look forward to your advice and suggestions to help us achieve our goals.

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.

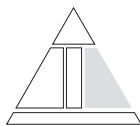


Brand Statement



A SUSTAINABLE FUTURE

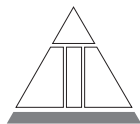
Group Vision



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

Our Mission Statement serves to interconnect the responsibilities and visions of each business unit and division, illustrating the vision of the Yanmar Group and our commitment to delivering higher value to our customers.

Founder's Spirit



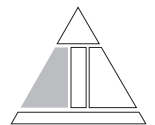
Grateful to Serve for a Better World

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.

Guiding Principles (YANMAR 11)

For All Yanmar Employees



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

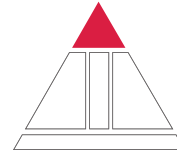
The Guiding Principles function as a guideline for the actions and decision making we use to achieve the Mission Statement.

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.

Our Mission

Yanmar Group CSR

THE IMPLEMENTATION OF OUR MISSION STATEMENT IS YANMAR'S CORPORATE SOCIAL RESPONSIBILITY



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. As illustrated in our Mission Statement, food production and the harnessing of energy are vital for human life. And it is through leveraging technology in these core areas that we are solving the issues faced by our customers and society. The Yanmar Group's CSR outlines the implementation of this Mission Statement, our commitment to enhancing value for a wide range of stakeholders and our contribution to the creation of a society that enriches people's lives for all our tomorrows.

Our Stakeholders

The Yanmar Group pursues its business activities while engaging in dialog and collaboration 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.

- Efforts to Contribute to Society
- Tours at Head Office and Business Unit Offices
- Organizing Community 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 talent.

- Mission Seminars
- YWK Global Convention
- Yanmar Global Cup
- Training
- Whistleblower Hotline (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
- Deliver Environmentally Orientated Products
- Green Procurement

Enriching People's Lives for All Our Tomorrows

Helping to Solve Issues Faced by Society

Our Business Domains

Meeting Needs which are Essential to Human Life



Food Production

With a focus on mechanization and labor reductions, 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

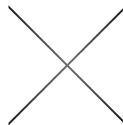
Enriching people's lives through the development of energy-efficient, eco-friendly hybrid propulsion systems and engines, and popularizing energy systems such as co-generation and GHP systems.

Yanmar's Strengths

Technology



Yanmar's spirit and legacy is one of pioneering solutions. Just as our founder developed the world's first commercial compact diesel engine, today we continue to pursue technological advancements and deliver products, services and know-how in order to solve issues faced by our customers.



Our Customers



Our Employees



Our Business Partners



Our Local Community



Our Environment

ENRICHING PEOPLE'S LIVES WITH FOOD PRODUCTION AND ENERGY IN THE NEXT 100 YEARS

Yanmar Group's brand statement is "A Sustainable Future." This statement encapsulates our commitment to achieving New Prosperity through Technology, to achieve at a higher level both a sustainable natural environment and sustainable prosperity for all.

Expressing our four 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" as a tangible expression of our future vision for "A Sustainable Future," Yanmar is promoting initiatives looking forward to the next 100 years.

As a result of the increasing population and the growth of economic activity, particularly in emerging countries, the world is faced with numerous social problems, including energy demand, food shortages, and increasing CO₂ emissions impacting on the environment, leading to climate change and so on. As a technology-oriented company "realizing the maximum prosperity using the minimum resources," Yanmar will progressively find solutions through its business operations, making effective use of energy, enhancing agricultural efficiency and saving labor, and realizing recycling-oriented food production.

Issues Faced Worldwide

Population Issues



The world's population is currently increasing rapidly. According to preliminary 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. That increase is expected to have various effects on the supply and demand of food, energy, and other environmental issues.

Energy Issues



57% of the world's population is concentrated in cities, and the inflow of people is expected to continue 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 Issues



As a result of the increasing population, the growth of the world's food supply 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 those farmers are senior citizens aged 65 or older. The abandonment of farms due to a shortage of successors, etc. has been highlighted as an issue that needs to be tackled.

Environmental Issues



Climate change resulting from increases in CO₂ emissions in recent years is causing frequent occurrences of unusual weather phenomena including heavy localized rainstorms and soaring temperatures in every part of the world. 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 CO₂ emissions.

Our Four Future Visions for "A Sustainable Future"

VISION
01 An Energy-saving Society



Expanding the possibilities of energy. Using affordable and safe power, electricity, and heat, whenever necessary and only as much as necessary.

VISION
02 A Society Where People Can Work and Live with Peace of Mind



Transforming harsh labor into comfortable work. Everyone can work comfortably and earn a steady income while living a rich life in harmony with nature.

VISION
03 A Society Where People Can Enjoy Safe and Plentiful Food



Ensuring delicious, safe, and nutritious food, anywhere in the world, at any time. Everyone can live a healthier life.

VISION
04 A Society Filled with Rich and Fulfilling Experiences



Creating a world where work and leisure is enriching and enjoyable. We will continue to increase the quality of life for everyone.



Contributing Through Business

Feature Article Achieving A Sustainable Future

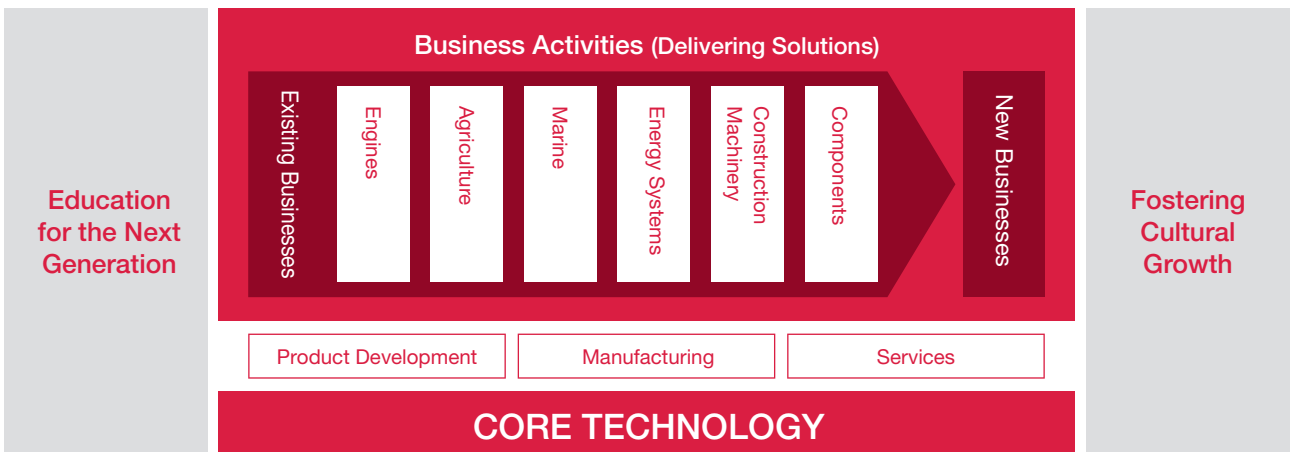
01 EFFECTIVE USE OF ENERGY WITH EFFICIENCY-ENHANCING TECHNOLOGIES LIKE BIOMASS
P.14-15



02 TRANSFORMING AGRICULTURE INTO A FOOD VALUE CHAIN WITH ICT AND ROBOTICS
P.16-17



03 REALIZING SUSTAINABLE FOOD PRODUCTION AT THE BIO INNOVATION CENTER KURASHIKI LABORATORY
P.18-19



01 EFFECTIVE USE OF ENERGY WITH EFFICIENCY-ENHANCING TECHNOLOGIES LIKE BIOMASS



4 Visions

VISION 01
An Energy-saving Society

Issues Faced Worldwide



Energy Issues



Environmental Issues

Value That Yanmar Can Provide

- Smart energy usage • Effective Utilization of Unused Energy
- Achieving a Low Carbon Society

The Yanmar Group's Approach to Energy

The Yanmar Group wants to help create a society where people in every region of the world can use energy without waste, consuming just the amount they need, when they need it.

Our efforts are aimed at realizing energy-conserving lifestyles

by pursuing highly efficient power generation, use of solar power and other sources of renewable energy, use of unused energy like waste heat and biomass from factories or power substations, and energy management to optimize energy consumption.

Pursuing Energy Conservation

The Yanmar Group is working on developing cogeneration systems that run on natural gas with low environmental impact or carbon-neutral biogas. These systems effectively use the heat generated by a gas engine when generating power for hot water supply and air conditioning or heating, achieving efficient use of energy.

Utilizing Unused Energy

Yanmar was quick to focus on the use of biogas obtained from methane fermentation, to make effective use of this biomass from such as sludge and food residue, which can be found in wastewater treatment plants, food/garbage disposal facilities, and manure handling facilities. We are working on the commercialization of biogas micro cogeneration systems using as fuel biogas generated from sludge and food residue, and proudly hold a top share in the 25kW class.

Energy Management

Yanmar aims to make optimal use of electric energy and heat energy by using ICT to network separately located cogeneration systems. Energy loss is minimized by sharing locally generated energy within the same region according to demand, for optimal distribution.

EP-G Series
370/ 400/ 700/ 800kW



CP Series
5/10/25/35kW





Rice Husk Biomass Power Generation Pilot Program in Myanmar

Background on Our Involvement in Myanmar

Myanmar is a leading agricultural country in Southeast Asia, where approximately 60% of the people are engaged in agriculture, which makes up 30% of the GDP. Its rice production in FY2013 was 28,770,000 tons, of which 1,300,000 tons was exported. Rice is an important export for Myanmar.

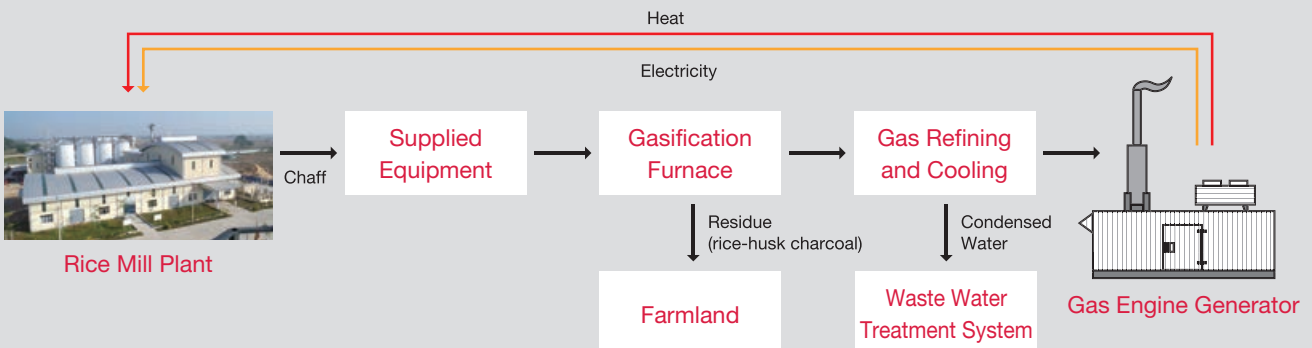
However, while electricity demand increases with the country's economic growth, approximately 70% of its power relies on hydroelectricity and the like, and the electrification rate, inclusive of rural areas, is limited to approximately 30%. The low electrification rate affects many types of manufacturing equipment. The gasification equipment used for rice is unstable due to the low technological level, resulting in cracked rice with lower quality. For major rice exporters like Myanmar, ensuring the stable supply of power and improving the quality of rice is vital.

Yanmar Group Initiatives

Myanmar generates huge amounts of chaff from locally cultivated and harvested rice each year. Seeing the potential to help improve Myanmar's electrification rate and contribute to high-quality rice production, the Yanmar Group is engaged in a pilot program to generate electricity from biomass-derived biogas.

Using the chaff as fuel for gasification power generation systems, the aim is to provide all the required electricity for running the rice mills, while using the waste heat via a cogeneration system to dry the chaff. The residues from rice husks left over from burning the chaff contain fertilizer components which can be returned to farmland to help recycling-oriented agriculture. The amount of CO₂ emissions is also expected to be much reduced compared to electricity from conventional power systems like power plants.² The pilot program is planned to last until March 2018, and in the future we hope to spread such systems to other Southeast Asian nations with unstable supplies of electricity.

Flow of the System in the Pilot Program for Biomass Power Generation





TRANSFORMING AGRICULTURE INTO A FOOD VALUE CHAIN WITH ICT AND ROBOTICS

4 Visions

VISION 03

A Society Where People Can Enjoy Safe and Plentiful Food

Issues Faced Worldwide



Population Issues



Food Issues

Value That Yanmar Can Provide

- Labor-savings and higher efficiency with unmanned operation
- Higher yield and higher quality
- Sustainable food production

The Yanmar Group's Approach to Sustainable Agriculture

The environment for agriculture is greatly changing, not only in Japan but all over the world. The global population is expected to reach 9 billion in 2050, meaning an ever-increasing demand for food. This increasing demand for more food must be met by a small number of growers, while securing more agricultural land is becoming difficult. In order for agriculture to remain a sustainable industry, we have started to take action to transform agriculture into a food value chain.

Up until now, the Yanmar Group has focused on increasing agricultural productivity, reducing labor and raising efficiency through machinery. We also focused on recycling. By making effective use of resources, we minimize the resources that we

use. We believe that in the future, in addition to these two paths, economic efficiency will be achieved through increased value in agriculture and agricultural produce.

This means providing food production with high productivity, producing and supplying safe, secure foods, meeting diversifying food needs, harmonizing with the global environment, and securing economic efficiency for the producers supporting all these. In order for us to achieve these, we need to support the entire food value chain, from farm management planning to soil improvements, raising seedlings, transplanting, harvesting, and securing sales routes; this is the shift to a food value chain with agriculture as an attractive industry.

Five Key Actions in the Food Value Chain



Eliminating or Minimizing Labor (mechanization and use of robots)

Full Use of Machinery, Minimal Machine Downtime

Improving Agricultural Production (environmental controls, remote sensing)

Improving Farm Management (providing information for management of revenues, production, man-hours, and movement)

Optimization of Food Production (contract cultivation, sales route matching, supporting sixth sector industrialization, guiding cultivation technology)

Data on these five activities is linked together for use in farm management





Farm Management Using Agricultural ICT Systems

Efficient production is a must in order to realize better economic efficiency in agriculture. To give an example, up until now farms were managed with the extensive experience and intuition of veteran farmers. But, with bigger farms and consequently more things requiring management, the complexity of the work involved was a problem.

Farm management utilizing information communications technology (ICT) is accordingly gaining increased attention. The Yanmar Group is supporting farm management with integrated control (automated recording) with personal computers and networks, based on sensor network information (e.g. remote sensing that visualizes the growth status in the fields), operating information from agricultural machinery equipped with SmartAssist, and field work records.

Greater production and management efficiency makes possible improved added value for agriculture and crops, such as expanded farm scale, better crop quality, and branding.

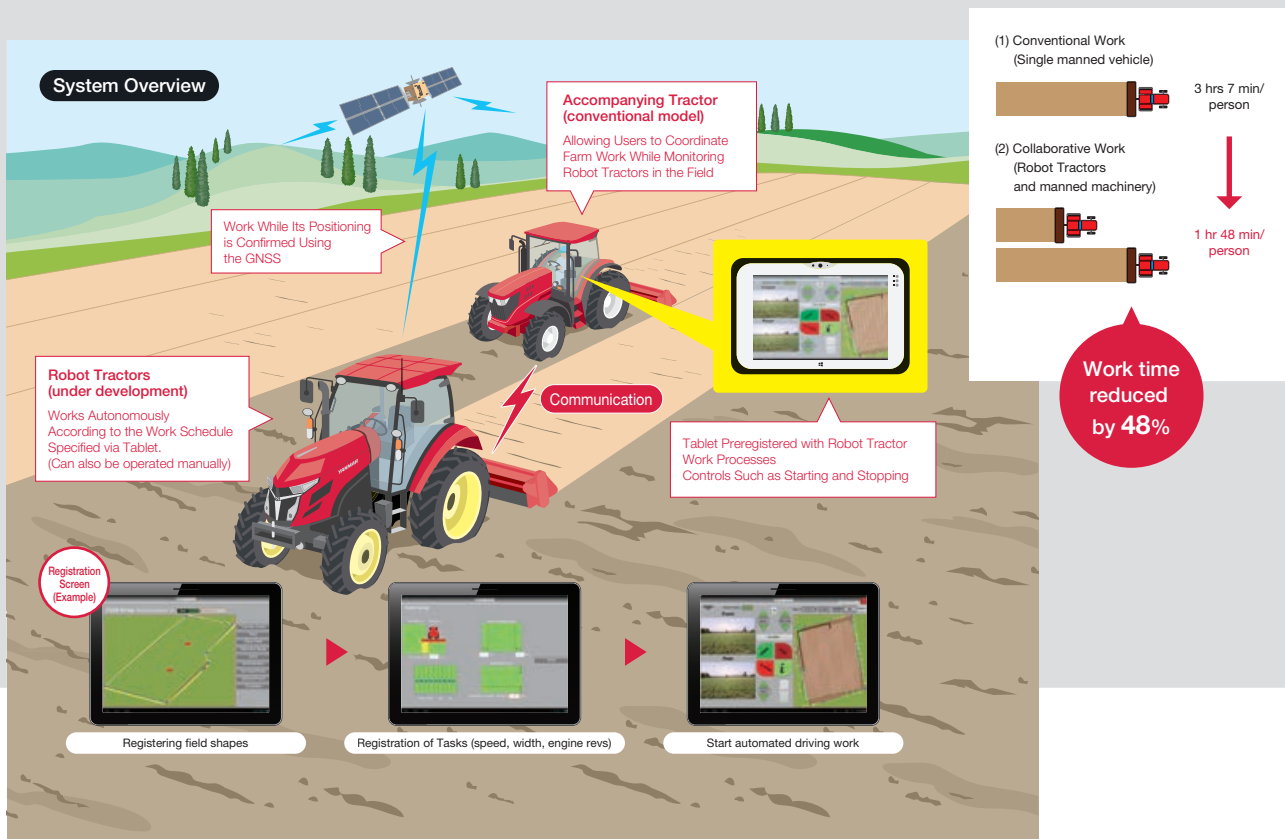
Research and Development of Robotic Agricultural Machinery

Japanese agriculture is beset by aging farmers and a decreasing pool of labor. The agricultural working population in 2015 was approximately 20 million, an approximately 37.5% reduction from just ten years ago.* This situation has spurred Yanmar to work on the research and development of Robot Tractors, able to produce bigger crops with less manpower, and making it possible for women, younger farmers and anyone in general to achieve the same work as veteran farmers.

There are three stages in the path from manned to unmanned in automated farming with robots. Yanmar is currently working on R&D and demonstration testing of accompanying Robot Tractors where a driverless tractor is operated while the user oversees it. Demonstration testing has shown that operating an accompanying Robot Tractor cuts 48% of the work of operating an ordinary human-driven tractor.

Yanmar continues to work on developing technology to detect people and obstacles to ensure safety, accelerating its effort to turn this into a commercially viable product.

Source: 2015 Agriculture and Forestry Census, Ministry of Agriculture, Forestry and Fisheries



REALIZING SUSTAINABLE FOOD PRODUCTION AT THE BIO INNOVATION CENTER KURASHIKI LABORATORY



Aims of the Bio Innovation Center

The Bio Innovation Center Kurashiki Laboratory was established in August 2016 in Kurashiki, Okayama prefecture. It is intended to accelerate the development of various solutions to achieve sustainable food production, by combining biotechnology with the technology and know-how that Yanmar has honed in tangible areas like agricultural machinery and energy equipment.

The laboratory actively works with other organizations outside the company to develop better solutions faster. Its activities are recognized as being highly valuable, leading to the laboratory to receive an encouragement award for development from the Japanese Society of Agricultural Informatics.

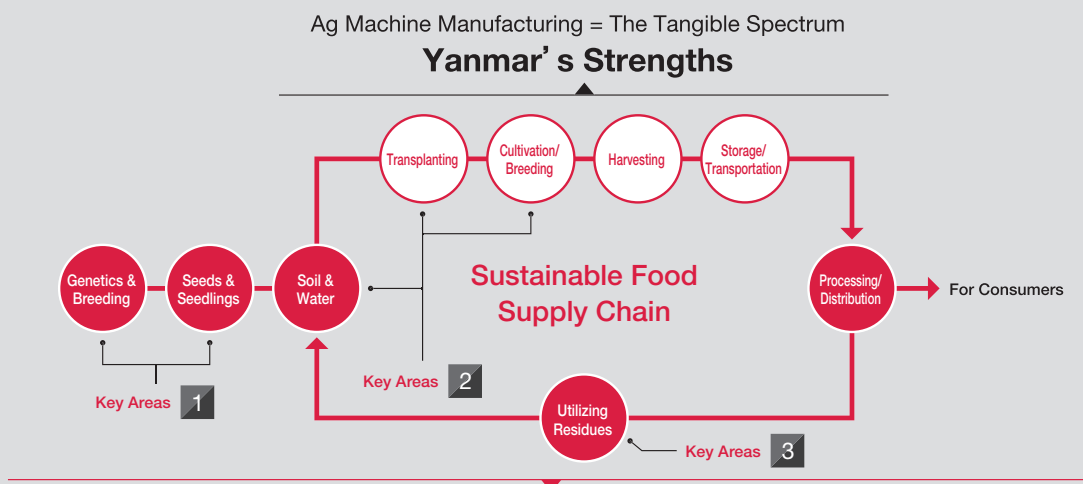
Three Key Areas of the Bio Innovation Center

Yanmar has a long history as a specialist in ag equipment and as a developer of tangibles the fields of transplanting, cultivation, breeding, harvesting, storage, and transportation. Yet, Yanmar’s aspirations for sustainable food practices, when considering the bigger picture, highlights the need for further developments in intangibles and soft technologies.

The Bio Innovation Center Kurashiki Laboratory is progressively developing the technology required to achieve these new challenges, working in the following three key areas.

Key Areas

<p>1 Genetics & Plant Breeding Research</p> <ul style="list-style-type: none"> • Matching cultivars, machines, systems • Tissue culturing 	<p>2 Cultivation & Environment Data Visualization</p> <ul style="list-style-type: none"> • Hothouse Environment Analytics • Track How Plants Respond to Their Environment 	<p>3 Effective Utilization of Microorganisms</p> <ul style="list-style-type: none"> • Residual treatment using soil microorganisms • Strengthening plant functions using symbiotic microorganisms
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Fusing Tangible and Intangible Advancements to Realize a Sustainable Food Supply Chain
Yanmar is Delivering New Value



Bio Innovation Center Kurashiki Laboratory Location: 2302-2 Yanaihara, Funao-cho, Kurashiki, Okayama prefecture. Land area: approx. 2.5 hectares

Research Center



At our research center we are applying artificial lighting and chemical analyses of hydroponics and soils within highly controlled environments to cultivate plants for the purpose of conducting research into plant life and their environments. Information gathered at our various centers is collated and used to optimize the advancements of our research.

Testing Center



At the testing center we are analyzing the environmental elements inside hothouses and utilizing the data to optimize cultivation environments. In this field we are able to fully exploit Yanmar's fluid dynamics and air control technologies, which we have refined throughout decades of engine development, and put it to use towards energy conversion technologies.

Verification Center

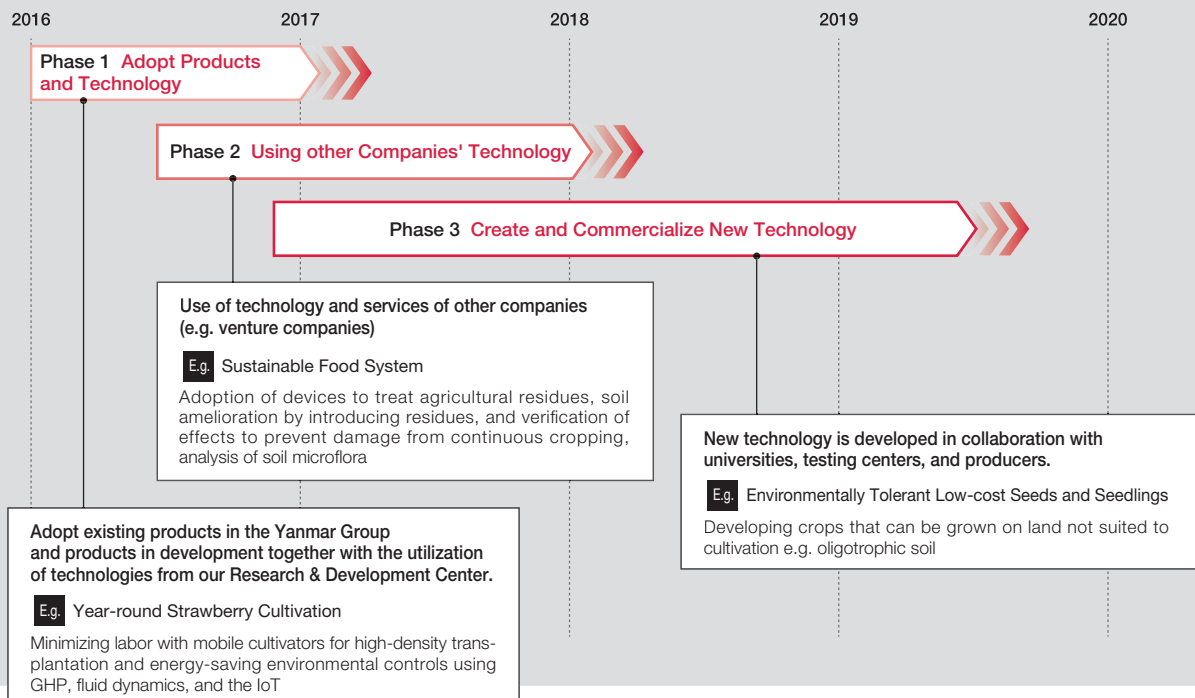


The focus of the center is to conduct empirical research in the hope of maximizing cultivation efficiency while minimizing the costs of cultivation based on detailed data obtained at our research and testing centers. Residues left over during cultivation and post harvest undergo microbial treatment for reuse as a soil modifier.

Promoting Open Innovation

The Bio Innovation Center Kurashiki Laboratory has adopted an open innovation structure for research and development in collaboration with outside venture companies, universities, and testing centers. It aims to realize the creation and commercialization of new technology by 2020.

● Research and Development through Open Innovation





BEYOND THE BOUNDARIES OF BUSINESS TOWARD A MORE PROSPEROUS FUTURE

In addition to pursuing a range of business activities to achieve A Sustainable Future, Yanmar is engaged in next-generation development activities and fostering cultural growth beyond the framework of our businesses both in Japan and internationally. In the area of next-generation development activities, we are providing children with hands-on experiences at the Yamaoka Scholarship Foundation, the Yanmar Museum and our pavilion at KidZania Koshien. Furthermore, alongside fostering cultural growth through our support of soccer and marine sports, Yanmar is also pursuing a new approach to agriculture through our Premium Marche events that bring producers and consumers together.

Education for the Next-Generation

Yamaoka Scholarship Foundation Activities

The Yamaoka Scholarship Foundation, established in 1950 by Yanmar's founder Magokichi Yamaoka, provides scholarships to aid in developing and leveraging talent in an effort to contribute to world peace and the improvement of prosperity and culture. 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 in society.

From 2013, in addition to its original focus on high school, university, graduate school and international students in Japan, the foundation expanded its scope with Southeast Asia junior high school scholarship programs in Thailand and Indonesia. Children who wish to receive scholarships can receive instruction from coaches who used to play in the J. League, Japan's professional football league, at football events called the Yanmar Football Clinics. Scholarship students are chosen through these events, looking at the individual's soccer skills, academic performance, and need for economic support. In FY2016, 49 new scholarship students were selected from Thailand and 30 from Indonesia. Scholarship award ceremonies were held in both countries. From July 2016, we built a student dormitory in a suburb of Bangkok, Thailand and increased scholarship funding to include senior high school students.



International students in the study tour

Registered Members(As of March 2017)

Graduate school students: 31	International students: 12	Domestic Total
University students: 0	High school students: 27	70
	Thailand: 79	International Total
	Indonesia: 77	156

Note: In order to foster devotion to learning and friendship among scholarship students, Yanmar also holds research presentation meetings for students of graduate schools of engineering, as well as study tours of Japanese world heritage sites for international students.

Yanmar Museum

The Yanmar Museum in Nagahama, Shiga prefecture, where Yanmar's founder, Magokichi Yamaoka was born and raised, was opened in March 2013 with the concept of enabling visitors to "enjoy wonders they can only experience here", and has attracted more than 400,000 visitors (as of the end of May 2017).

The museum features a variety of exhibits and offers a range of workshops relating to each of our three business domains; on the land, at sea, and in the city. Visitors can learn hands-on about Yanmar's history and approach to manufacturing. This approach has made it popular among local elementary schools as a destination for excursions, or for work experience for junior high school students.

In FY2016, the museum held workshops on building wooden engines, alongside a new nature experience class where participants stay overnight at the Yanmar Museum. The class featured a vast range of things to try, including biotope observation on the museum's roof, surveying wildlife around the banks of Lake Biwa, observing microscopic plankton, and astronomical observation. On the last day participants gave presentations about what they had learned.

Catching living creatures in the rivers flowing into Lake Biwa



TOPICS

Yanmar is providing elementary and junior high school children, the next generation of adults, with opportunities for enhancing their understanding of the agriculture and fisheries sectors and learning about the excitement of manufacturing

The Yanmar Museum is engaged in next-generation educational activities, providing local elementary school students and junior high school students from both inside and outside the prefecture with a variety of learning opportunities. We don't just have students 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.

The ways in which the museum contributes to children's learning include the Monozukuri Masters hands-on learning program, held in collaboration with the Shiga Vocational Ability Development Association. As part of the program, fifth grade students from Inaekita Elementary School (Hikone) came to the museum to participate in classes taught using hand-made giraffe models made by our retired manufacturing experts as teaching aids.



Hands-on learning of manufacturing with our Monozukuri Masters (retired manufacturing experts)

Sports Sponsorships

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

For soccer, 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 title 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 addition to financial support we also support teams with our technology, including the provision of Yanmar tractors and lawn care techniques employed at Cerezo Osaka.

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 began in 1851 is even older than the Olympics and sees teams from leading maritime nations of the world, employing the latest technology as they battle for national pride. Through working with the best professional sailors in the world we are promoting the beauty of the ocean. Yanmar also supports the holding of the Japanese yacht race "Yanmar Cup 2016 in Biwako," and the environmental campaigns run by the Japan Sailing Federation (JSFA).

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



Supporting Manchester United as an official global partner



Yanmar supports Oracle Team USA as its official technical partner



Cerezo Osaka returns to the J1 (first division) in FY2017



Cerezo Osaka

While the roots of Cerezo Osaka go back to the formation of Yanmar Football Club in 1957, its official start began with the formation of the J. League in 1993. 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 after acquiring the naming rights, Cerezo Osaka's two home stadiums in Nagai were renamed 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 the children who will make up the next generation of adults, and to as many other people as possible, the joy and emotion that soccer can provide and the importance of embracing challenges.

Premium Marché

Yanmar is undertaking many initiatives to empower and enrich agriculture, aiming to make sustainable agriculture viable. One example is our Premium Marché open-air markets, which bring together producers who work to cultivate 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, Miyagi, Iwate, Fukushima, and Kumamoto.

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



A Premium Marché Market at the Miyagi Venue



STRENGTHENING INTERNAL CONTROLS TO ENSURE BETTER MANAGERIAL TRANSPARENCY

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 accountability. These efforts are aimed at the ongoing improvement of corporate value.

key risks pertaining to the business activities of the Group.

The role of the Corporate Auditor of Yanmar Holdings Co., Ltd. is to supervise the activities of the holding company's directors and work with the Supervisory and Audit Board and the 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 related internal controls. Yanmar's Audit & Supervisory Board comprises of four auditors, including two external statutory auditors.

No. of External Directors
1

Appointed an Independent External Director to Enhance Fairness, Objectivity and Transparency of our Management

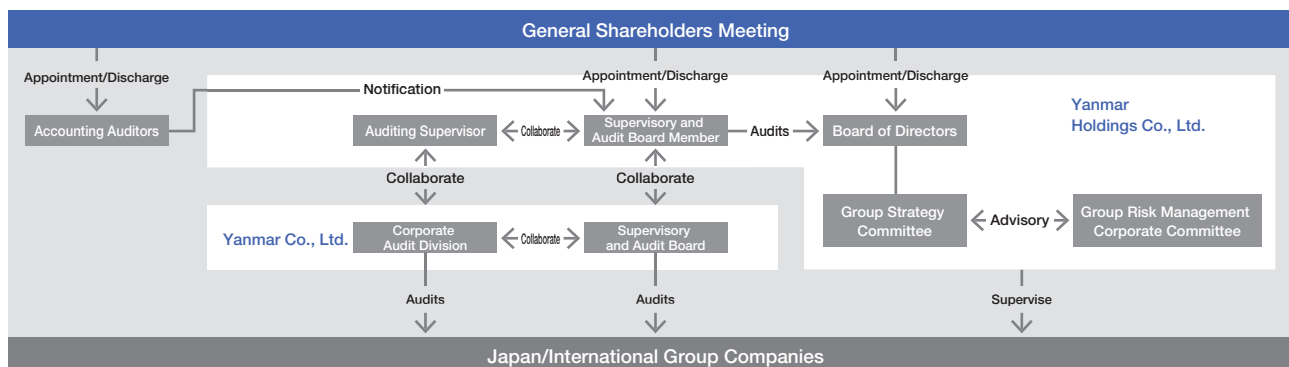
With the aim of separating Group management and business execution, in 2013 we adopted a holding company structure. The Board of Directors of the holding company, Yanmar Holdings Co., Ltd., as of June 30, 2016 consists of nine directors and two audit & supervisory board members, one of whom is an independent external director to raise the level of fairness, objectivity and transparency for our corporate management.

The Group Strategy Committee established under the Board of Directors of Yanmar Holdings Co., Ltd., 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

Basic Policy for Setting Up Internal Control Systems (key points)

- 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 board members
- Ensures adequate regulations and other systems are in place for managing losses
- Ensures that directors and board members are effectively performing their professional duties
- Ensures Group business operations are being conducted appropriately
- Ensures that the duties of the Audit & Supervisory Board Members are being carried out effectively, in addition to maintaining the independence of the auditors' assistant

Corporate Governance System Chart (as of June 30, 2016)



Risk Management

Our Fundamental 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 of overall risk management efforts and holds conferences that cover the subject of risk management and countermeasures.

Our Group Risk Management Committee for Handling Business 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. A further eight expert committees have been established under the Group Risk Management Committee to mitigate risks and implement preventative actions in different functional areas. These expert committees are organized by corporate departments and comprise of senior personnel from business units and business unit companies.

Risk Management Expert Committees

8

Organizational Structure for Risk Management Promotion (as of June 30, 2017)



Risk Reporting Database

If a risk occurs within the Yanmar Group, the respective risk manager enters regular updates on the progress of measures taken to rectify the situation, ensuring that information on the progress is always shared with top management. 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.

In 2016 all companies within and outside of Japan devised new risk management and business continuity plans for each of the eight functional areas.

Safety Confirmation System

In the event of a natural disaster including earthquakes, storm and floods, this system enables us to confirm the safety and make immediate contact with all employees and their families. During 2016, messages were sent out on twenty 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.

From Our Employees

Mitsuaki Yasunobu

General Manager
ITM Division
Yanmar Capital (Thailand)



Devised Risk Management Plan for Measures Relating to Accidents and Relaying Internal Information Risk Management Plan

Our company has devised counter measures, focusing on emergency response and communication channels for each risk. Recently we began investigating thorough crisis management methods, conducting comprehensive business environment risk assessments. This helped us to identify new risks and prioritize. It also made me aware of shortfalls of existing systems, as well as the importance of a data management system that extends beyond our immediate business. From here we plan to devise concrete countermeasures for each risk; reinforcing our crisis management system to ensure a faster and better response.



VALUING INDIVIDUALITY AND DIVERSITY TO PROMOTE A SAFE AND FUN WORK ENVIRONMENT

Human Resources Policy

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

Promoting Diversity

Embracing Diversity as a Part of our Global Strategy

Yanmar Group is hiring a variety of talent and promoting diversity in order to “secure professional talent that can be deployed worldwide regardless of their nationality, gender, or age.”

Diversity at Yanmar means embracing and respecting differences, including differences in lifestyle, culture, work, nationality and gender to harness the individual capabilities of each employee towards improving the performance of the company. We are committed to building an organization which effectively leverages the capabilities, traits and values of each individual, and invokes a sense of pride and motivation in each of our employees.

At Yanmar we run diversity training courses for new junior managers and recruits. For new recruits, interactive workshops centered on individual traits and values are utilized to provide practical understanding of diversity and how it can enrich us.

Furthermore, in response to growing diversity amongst Yanmar employees and global integration, in March 2016 we began offering meals that adhere to most halal practices at our head office cafeteria, the Premium Marché Café. Muslims make up a quarter of the world’s population with a large population in Southeast Asia and Europe where the Yanmar Group operates. To cater for Muslims, Yanmar established its own standards for halal cuisine and provides meals. Yanmar provides different meals everyday.

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 meals have also proven to be a popular lunchtime choice for our Japanese employees. Additionally we also provide a dedicated prayer space to accommodate for worship customs and practices. These initiatives have also been well received by employees and customers of all nationalities and faiths for the way they promote mutual understanding.



A meal prepared with halal cooking practices

Encouraging Active Female Participation

At the end of March 2017, women accounted for 510 (14.1%) of our 3,618 employees and 11% of the graduates who were offered jobs at Yanmar in FY2016.

Yanmar’s main business is machine related with a focus on engines. While there are not a lot of women that choose this field as a profession, there is a diverse range of positions available for both men and women.

We also actively appoint female recruiters, and organize meetings with female students seeking employment with the company.

Percentage of Females Amongst all New Recruits



■ Promoting Women to Managerial Positions

While the proportion of female managers at Yanmar is currently only 1.63%, more women are moving into managerial positions every year. Yanmar and Yanmar Holdings each have two female executive officers and two female divisional managers. Gender equality continues to be evaluated in our organizational policies and is valued in our work culture.

■ A Supportive Environment to Promote Female Participation in all Activities

At Yanmar, women are also active on the front line of production. Although the proportion of female production line workers is only 4.4% the average employment tenure is 12.4 years Working together to establish a more inclusive and supportive work environment has helped achieve this.

■ Action plan complying with the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace

Aim of the Plan

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

Key Initiatives in the Plan

Yanmar's action plan spans from April 2016 to March 2018 and the key initiatives 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 work-life balance and awareness.
- Foster a climate in which employees can stay healthy
Continue encouraging employees to use their annual paid holidays.

Promoting Employment of Persons with Disabilities

In April 2014, we established Yanmar Symbiosis (YSS) as a special subsidiary company*1 for boosting employment of persons with disabilities. As of June 2016, there were 37 persons with disabilities working enthusiastically.

Facilitating a balanced existence between nature, communities, cities, while at the same time utilizing the capabilities of disabled persons is a top priority.

Through business deployments in two key areas—ag solutions and office support alongside other various activities, YSS is ensuring that disabled persons can work with peace of mind.

YSS provides a variety of opportunities for all employees,

including social skills training (SST), as well as regular consultation sessions with a clinical psychologist. Last year with praise being the key theme, employees learned about being considerate and hospitality skills. This fiscal year, we introduced a support team to aid in further strengthening employee support systems.

YSS also contributes to community based initiatives, brightening up inner city areas with flower displays and cleaning up rubbish. The tours offered at YSS have attracted a range of visitors from special schools, organizations that help people with disabilities find work, and companies; enhancing awareness of efforts to improve employment for disabled persons.

The combined percentage of employees who have disabilities for the five applicable group companies*2 was 1.98% as of the end of March, 2017. While the legal requirement is 2%, the employment rate for the next fiscal year (April 2018) is projected to be 2.2%. As a result, our target was below 2.2% until FY2018.

Last year to expand the employment of disabled persons, we established a new office called the Kurashiki Center, in Okayama, Japan. We are also planning to establish a fourth Yanmar Symbiosis center in Nagahama, and we will also provide group companies with labor-management know-how, and develop and assess work opportunities for people with disabilities in manufacturing.

*1 A 'special subsidiary company' refers to the Japanese system which allows group companies that set up a subsidiary that gives special consideration to employing people with disabilities, to calculate their employment rates of people with disabilities in the group as a combined percentage.

*2 Yanmar Holdings Co., Ltd, Yanmar Co.,Ltd, Yanmar Agri Japan, Yanmar Agricultural Machinery Manufacturing, Yanmar Business Service and Yanmar Symbiosis.



Mail service team

Providing Opportunities for Seniors

With the number of children decreasing and the population aging 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. Employees who wish to be rehired after reaching mandatory retirement age can continue working until they are 65, and in FY2016 80% of employees had opted to continue employment.

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



Talent Development

Our Fundamental 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.

Diverse Talent Development in Response to Globalization

Yanmar strategically and flexibly deploys and transfers human resources around the globe. In addition to standard personnel transfers, Yanmar introduced an internal transfer request system; sent directly to our HR Division, alongside our “Yanmar Dreams Come True Program” internal recruiting system for positions in new businesses (4 people took advantage of the program in FY2016). Our “Career Development Program,” focuses on skill training and strategic development of talent who demonstrate exceptional knowledge in their field.

In order to develop global talent skilled in communicating with local stakeholders in differing cultural settings, in FY2016 we provided yearlong training programs including management fundamentals for foreign subsidiaries, language skills (face-to-face and web-based) and preparatory courses for overseas postings (language and risk management) to 700 Yanmar employees.

In order to nurture corporate management who can lead Yanmar in the future, we are running a selected business management training course both in Japan and overseas. In

FY2016, around 40 people attended this course over nine days. At Yanmar we also provide support outside Japan for developing communication and leadership skills. All our training courses can be taken during regular working hours.

Promoting Work-Life Balance

A Range of Effective Systems to Help Employees Balance Their Work and Home Life

At Yanmar our child care and family leave program extends beyond legal requirements to incorporate more people and more situations. Yanmar is dedicated to creating a workplace where employees can continue to work with peace of mind and leverage their abilities both at work and at home, by providing childcare, nursing or carer’s leave, and accumulated paid leave benefits.

To ensure that females planning to take childcare leave can feel at ease and return to their jobs, we created a handbook detailing necessary preparations to make during pregnancy. To support a healthy work-life balance we also created handbooks for male employees who are caring for children, and for workers caring for sick or elderly relatives.

In FY2016 36 people took childcare leave, 73 people opted to work shorter hours, 22 people took pre/post-childbirth leave, and 100% of women who took childcare leave returned to their jobs.

To ensure that work-life balance is maintained and to improve efficiency at work, some sections of our R&D and staffing departments implemented a flextime system. Moreover, throughout the company, we have specified days when employees must leave work at specified times, as well as dimming the lights 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.

Yanmar Training Networks 2017

	By Level		Selection System	Yanmar Nominated		Request/Suggestion	Shared Training		
	Level Based Training	Function Based Training		Upper Management Education	Specialists Assignment	Global Talent Development	Pre-Assignment Executive Training	Language Studies/ Designated/ Private Lessons/ Web	Corporate Principles/Mission Training
Upper Managerial level	Leadership Brush-up Training			Leadership Training II					
Middle Managerial Level	Manager Training New Executive Training			Leadership Training I					
Senior Level	Pre-Management Training			Pre Management Training					
Staff Level	5th Year of Employment 3rd Year of Employment								
Entry Level	New Recruit Follow-up Training New Recruit Induction Training								

Usage Trends of Internal Systems to Promote a Healthy Work-Life Balance

(Employees)

	2012 Year	2013 Year	2014 Year	2015 Year	Fiscal 2016
No. ppl. who took childcare leave	36	43	39	47	36 (incl. one male)
No. ppl. who opted to work shorter hours	34	48	55	76	73
No. of ppl. who took pre/post-childbirth leave	24	27	20	27	22
No. of ppl. who took nursing-care leave	5	0	0	1	2

Seminars on Working and Care-Giving

Our seminars on how to balance work with care-giving for families that started in 2015 showed a positive attendance rate.

Suddenly having to care for a relative can happen to anyone, and without any preparation or knowledge, it can be a daunting task.

Using a range of case studies and examples, the seminar provides basic skills and information on public care-giving insurance and services, how to devise a plan for care-giving, advice on how to balance caring for a relative and work, and how to prepare for the unexpected.

From Our Employees

Azumi Iwai

Maibara Group
General Affairs Division
Yanmar Co., Ltd.



The Seminar Helped Me to Practically & Mentally Prepare for Care-Giving in the Future

"I attended the seminar on working caregivers at our Research & Development Center. While my parents, who I live apart from, care for my grandmother, not being able to see her condition and the ambiguity surrounding care-giving for relatives was unsettling. The seminar helped me to implement concrete actions and prepare myself for care-giving in the future. Rather than entering into care-giving blind, I now have prior knowledge and can practically and mentally prepare myself for the future."

Reforming Our Work Style

Activity Based Working to Suit the Task at Hand

Yanmar Group's move to its new head office, the Flying-Y-Building, was the start of a series of work style and work place reforms focused on delivering added value beyond customer expectations.

The introduction of Y-Square to the entire Group to enable the instant sharing of information on a global level, the expansion of our Wi-Fi access and a cafeteria that seconds as a work space in our head office, are some of the ways we are maximizing employee productivity, enhancing efficiency and transforming the way we do business.

In 2016 Yanmar adopted Activity Based Working (ABW); a flexible work style that encourages workers to select their work area based on their needs and duties. Unlike the 'free-address' work style, with ABW while work is focused around large desks spaces allocated for each department, employees can move between tailored concentration, interactive or planning zones in accordance with work needs.

ABW leverages the unique qualities of each employee and department, adds variety, and promotes communication and healthy and productive working habits. Furthermore, ABW offers flexibility to continuously adapt the office design, in response to changes in human resources. ABW promises future cost reductions.

We plan to take not only our head office reforms but also reforms made in our manufacturing businesses, and implement them globally across the entire Group.

Boasting a total of 10,290* visitors, our head office tours that started in 2015 offer visitors detailed insights into our ABW reforms, paperless systems and unique design features of the building.

*figures as of July 2017



Working in the concentration booths



Occupational Health and Safety

Working to Enhance Employee Health & Workplace Safety

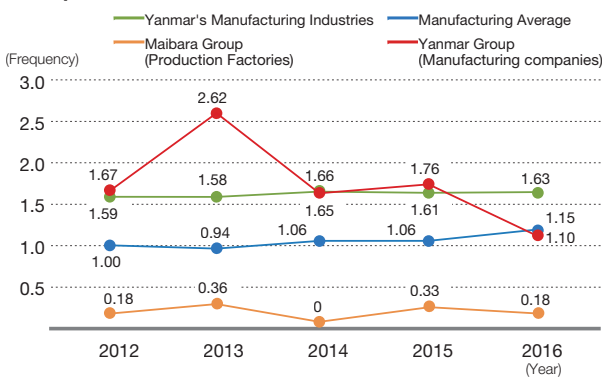
At Yanmar, each production facility has its own unique management system designed to match differing environments and needs. Our health and safety committee at each facility organizes patrols and other measures to strengthen the management of health and safety, alongside providing education and on-site training to enhance awareness and prevent occupational accidents.

From December 2015, we have been offering free stress checks to all employees including those stationed overseas. For employees wishing to receive counseling, services are offered to employees and families via various easy-to-access means, including face-to-face meetings, phone-calls, e-mail or Skype.

Our efforts to enhance health include health walk schemes and providing seminars on cancer and health care consultation services with an occupational physician.

Additionally, our Health Management and Promotion Committee comprising of health insurance union representatives, head office human resources and labor relations divisions, the general affairs division at each business unit, and labor union members, meets to discuss current health matters including periodical medical checks and measures to mitigate metabolic syndrome.

Occupational Hazard Statistics



*Fatalities or injuries per one million working hours
 *Annual period: January 1 - December 31

External Data Sources:
 Ministry of Health, Labor and Welfare, "Overview of the 2016 Survey of Industrial Accident Trends (Business Premises Survey for business Premises employing 100 persons or more and General Engineering Sector Survey)"

Talking with Employees

Maintaining Firm Labor-Management Relations with Unions

Yanmar maintains firm labor management relations (LMR) 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 state-of-affairs and labor-management round table discussions.

Enhancing Communication Between Employees and Managers

Working with a shared mindset as a team is vital to realizing Yanmar's 2016 vision for A Sustainable Future.

In order to share our current ventures, Yanmar streamed footage of the 4 round table discussions held between President Yamaoka and business unit employees and the additional 7 meetings held between business unit managers and their employees, via our intranet.

For employees, the intimate back-and-forth discussion with managerial levels created an arena to not only discuss ideas on what was necessary, in each business, for realizing our A Sustainable Future, but also to gain new insights and perspectives."



President Yamaoka (second from left) and employees at the round table

Mission Based Activities

To Realize Our Mission We are Shifting from the Awareness Phase to the Action Phase

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 Workshops, which are held throughout the Yanmar Group, and the YANMAR Group YWK Convention, where employees present the results of their Kaizen continuous improvement activities, employees 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 Workshops Around the World

To ensure that the Yanmar Group's Mission Statement and Guiding Principles are properly understood and translated into action by Group employees, in FY2016 104 sessions were held worldwide for a total of 2,137 participants. The focus was to facilitate group discussion and create opportunities for thinking about future reforms and transformations.



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.

Sharing

YANMAR Group YWK Convention is Instrumental in Building a Corporate Culture That Encourages People to Challenge Themselves in New Areas

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.

At the 4th convention held in 2016, 32 teams selected from a total of 2,357 entrants presented details and results of their Kaizen activities.



Implementation

From Our Employees

Continuing to Expand our Kaizen DNA

"The YWK Convention encouraged our employees to realize the Mission by participating in the global convention of Yanmar to share and learn from other colleagues and see how they contribute to improve their business challenges. We believed that the improvement activities by teams will create stronger teamwork and inspire individual improvement. Individual improvements will contribute to bigger improvements and finally, improve the whole Yanmar entity. Consequently, YCT set up "YCT YWK Committee" in 2015 to continuously promote and arrange the internal Kaizen activities not only for internal selection (YCT YWK Expo), but also to educate and develop our employees for Kaizen DNA.

Yanmar Capital Thailand (YCT) formed the YCT YWK committee in 2015 not only to support the YCT YWK Expo; an internal Kaizen presentation event, but also to encourage activities and employee development and training aimed at instilling the spirit of Kaizen into everyday attitudes and action. As the result of working hard, we received 2 Gold Awards and 1 Silver Award during 3 years of participation. We had opportunities to meet many colleagues from different countries, different cultures and different industries from all over the world.

In YCT, we always say that awards are an appreciation of contributions. However, the real challenge is how we strive to provide and develop new ideas for customer problem solving. Then, customer satisfaction, happiness and smiles will become our award. This is our Kaizen DNA!"

*Yanmar Capital (Thailand) Co., Ltd.'s abbreviation



YCT YWK Committee members of 2016

Thanakorn Chalernpakittinant (far left)
Yanmar Capital (Thailand)

The Yanmar Group has identified the protection of the global environment as one of its most important management policies, and 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

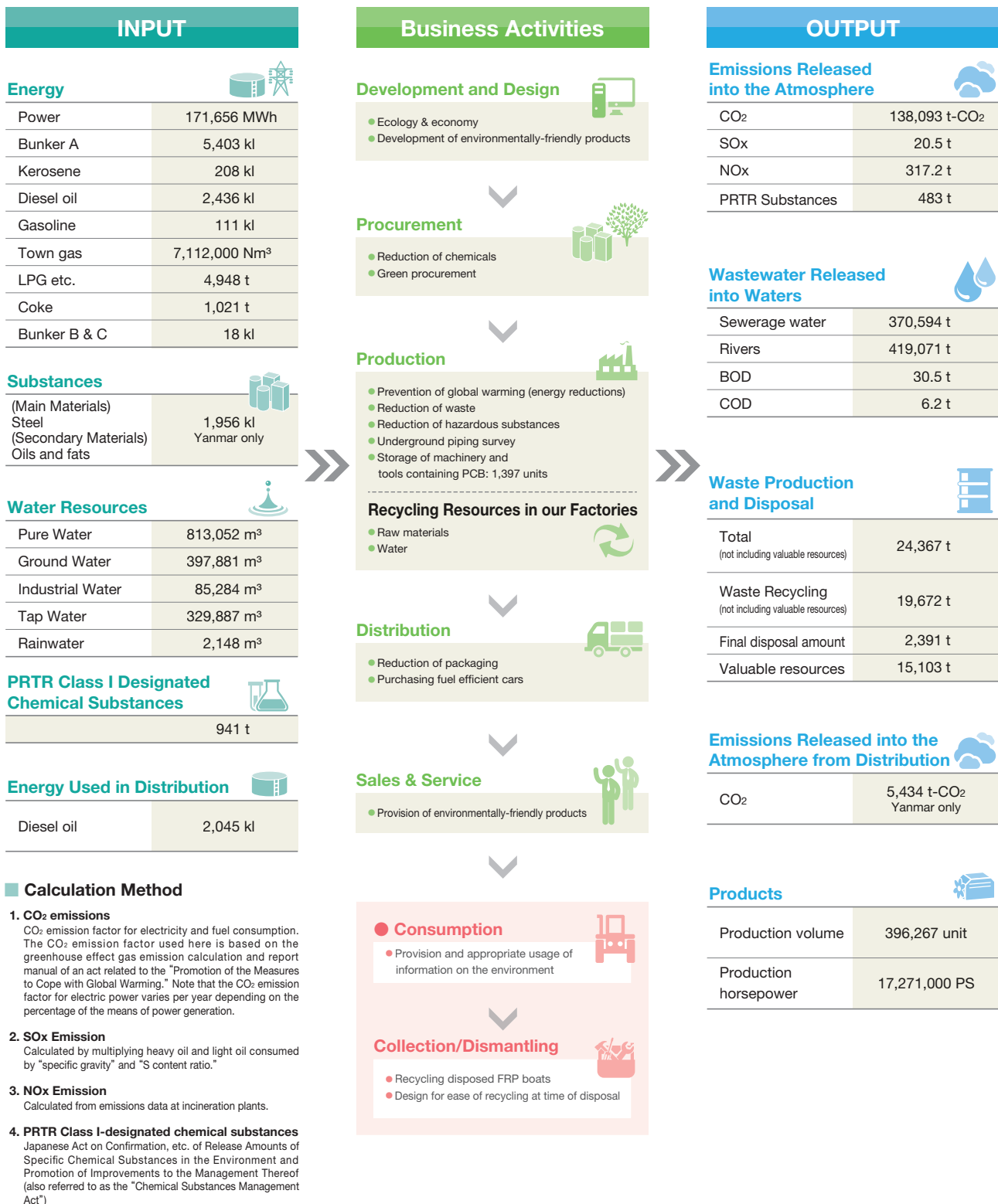
In 2011, the Yanmar Group drew up its Environmental Vision 2020, looking towards FY2020, the internationally agreed target year for reducing global-warming gases, and set the direction for the Group's environmental activities. We are currently working hard to meet the new international targets across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



Overall Environmental Impact

The Yanmar Group understands the need to measure, manage and reduce the environmental impact of all stages of its business activities from raw material procurement to production, transportation, distribution, application, and disposal.

Throughout 2016, we continued to measure data on the environmental impacts of all Yanmar company production facilities. We will continue to advance our environmental impact analysis at every stage of the product life cycle.



Performance Assessment of FY2016 Environmental Targets for the Yanmar Group

	Item	Group 4th Environmental Medium-term Plan	
Environmental Management System	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 that is understood and monitored (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 (2) Explore ways of reflecting third-party opinions in key management items in the Group's environmental conservation activities	
Measures to Counter Global Warming and Reduce Energy Usage	1. Reducing CO₂ emissions from products		
	Tracking and reducing the amount of greenhouse gas (CO ₂) emissions throughout the entire product life cycle	(1) Reduce intensity of CO ₂ emissions over the life cycle of the Group's products/services (2) Develop and promote the sales of products/services (fuel-efficient products, renewable energy, mixed energies, etc.) that contribute to reducing CO ₂ emissions	
	2. Reducing CO₂ emissions and energy usage in business activities		
	Reducing greenhouse gas emissions from domestic business activities	(1) Endeavor to reduce total or intensity of CO ₂ emissions by at least 15.6% (1.04% per year on average) by the final target year from the base 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)	
		(2) Improve facilities and processes that contribute to reducing CO ₂ emissions	
		(3) Promote the use of renewable energy	
	Reducing greenhouse gas emissions from overseas business activities	(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	
		(1) Endeavor to reduce total or intensity of CO ₂ 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)	
		(2) Improve facilities and processes that contribute to reducing CO ₂ emissions	
	Reducing the amount of electricity purchased at peak times (by all domestic businesses)	(3) Supply information on advanced Japanese technology/processes and provide assistance with its deployment	
(4) Explore ways of promoting activities for understanding data on international logistics (including transportation between Japan and overseas subsidiaries) and for reducing energy used in logistics			
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 (2) Promote initiatives to contribute to reducing the amount of electricity purchased at peak times		
	3. Exploring ways of reducing CO₂ emissions and energy usage in the supply chain		
Expanding the scope of supply chain management	(1) Explore the possibility of adopting Scope 3		
Contributions to an Environmentally Sustainable Society	1. Increase the input rate of recycled resources		
	Reduction in water resource consumption (domestic production departments)	(1) Endeavor to reduce water resource consumption intensity (tap water, industrial water, groundwater), by at least 10.0% (2.0% per year on average) by the final target year compared to the base year	
	Reducing water resource consumption (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	
		(2) Endeavor to reduce water resource consumption intensity, by at least 10%, or at least 2.0% per year (on average) from the year data tracking starts, by the final target year compared to the base year	
	Tracking inputs of new resources and exploring setting targets for recycled-resource input rates	(1) Explore the possibility of tracking/monitoring and setting numerical targets for environmental data relating to the manufacture/procurement of products	
		(2) Explore the possibility of setting numerical targets for recycled-resource inputs	
		(3) Explore possible initiatives for increasing recycled-resource input rates	
	Exploring possible initiatives relating to products/services	(1) Explore possibilities for achieving the three Rs with waste products and service materials	
	2. Improving green purchasing rates		
	Improving green purchasing rates	(1) Achieve a green purchasing rate of at least 80.0% in monetary terms for office supplies, fixtures, and furniture	
	3. Reducing waste and improving recycling rates		
	Reducing volume of waste and volume disposed of in landfills, promoting recycling (manufacturing departments in Japan)	(1) Endeavor to reduce total waste intensity (excluding valuables) 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 valuables)	
		(3) Endeavor to have a recycling rate of at least 90.0% of total waste by the final target year	
	Reducing the volume of waste and volume disposed of in landfills (other domestic operating divisions, overseas operating divisions)	(1) Endeavor to have all domestic Group companies and major overseas subsidiaries begin grasping data on and reducing waste	
(2) Endeavor to reduce total waste intensity (excluding valuables) by at least 10.0%, or at least 2.0% per year (on average) from the year data tracking starts, 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			
4. Adoption of designs that facilitate product recycling			
Introducing environmentally harmonious designs with the aim of improving recycling	(1) Introduce design techniques for recycling waste products and saving labor for separation/collection at the time of disposal		
	(2) Analyze environmental impacts through life cycle assessments		

Valuation Standards ○=Target achieved ▲=Partially unachieved (70% or more) ✕=Not achieved (less than 70%)

Group FY2016 Environmental Targets	FY2016 Performance	Plan Attainment Evaluation
<ul style="list-style-type: none"> Endeavor to formulate environmental targets and begin reduction management for international manufacturing subsidiaries Expansion of environmental conservation activities to Group companies that do not belong to the Yanmar Group Global Environment Committee, with support in collaboration with supervising business units 	<ul style="list-style-type: none"> Undertake environmental conservation activities under Kyoritsu Irrigate and Seirei Total Service 	▲
—	—	-
<ul style="list-style-type: none"> Collate primary environmental data (energy consumption, CO2 emissions) at domestic sales companies or international manufacturing subsidiaries, explore disclosure scope Explore external actions based on the requirements of ISO14001 Promote information sharing between Group secretariats 	<ul style="list-style-type: none"> Start disclosing primary environmental data of international manufacturing subsidiaries on the website Provide information on management systems and advanced technology inside and outside the Group (Group secretariats) 	▲
(Same as at left)	(Conduct LCA in each division)	(▲)
(Same as at left)	<ul style="list-style-type: none"> Continue to develop highly efficient machines via more fuel-efficient engines Contribute to energy savings in new fields e.g. SmartAssist, biomass 	(▲)
<ul style="list-style-type: none"> Aim to reduce total or intensity of CO2 emissions (energy consumption) by 11.4% (at least 1.04% per year on average) Track data on energy consumption for all domestic Group companies 	<ul style="list-style-type: none"> Manufacturing businesses: Down 10.9% from FY2005. Non-manufacturing businesses: Up 11.3% from FY2009 (total) (For businesses not tracking data/undertaking reduction) Track energy usage data for the baseline fiscal year, begin reduction activities 	▲
<ul style="list-style-type: none"> Promote the introduction of the latest fuel-efficient equipment Improve the control level of energy-using equipment 	<ul style="list-style-type: none"> Start tracking logistics data for Yanmar Agri Japan, undertake initiatives leading to energy savings Expand the adoption of LEDs, energy-saving air conditioners, cogeneration, etc. Start tracking logistics data for Yanmar Agri Japan 	▲
<ul style="list-style-type: none"> Explore the feasibility of adopting renewable energy power generation 	<ul style="list-style-type: none"> Start full-scale geothermal usage at the new head office building 	▲
<ul style="list-style-type: none"> (Act on CFC Emissions) Continue to manage and monitor particular equipment while in use, and explore the use of low-GWP refrigerants for Group products and products we handle 	<ul style="list-style-type: none"> Continue to manage special equipment being used, upgrade to high-performance GHP Group products 	○
<ul style="list-style-type: none"> Track CO2 reduction commitments (for each subsidiary location) and set reduction targets based on public commitments (For businesses not tracking data/undertaking reduction) Track energy usage data for the baseline fiscal year 	<ul style="list-style-type: none"> Track public commitments to CO2 reduction in each country Start tracking data on energy usage for Yanmar R&D Europe, Yanmar Engine (Shanghai), and Yanmar Capital (Thailand) 	▲
<ul style="list-style-type: none"> Share information on initiatives of domestic Group companies 	<ul style="list-style-type: none"> Introduce the energy-saving activities of domestic Group companies 	▲
(Introduce energy-efficient investments and initiatives to subsidiaries)	(Same as above)	▲
<ul style="list-style-type: none"> Track the situation in logistics between multiple countries Begin discussions between secretariats and relevant parties 	—	✕
<ul style="list-style-type: none"> Track data on peak electricity usage for all domestic Group companies (Special businesses) Explore setting reduction targets for peak electricity usage 	<ul style="list-style-type: none"> Add peak electricity usage to items subject to environmental data reports 	▲
<ul style="list-style-type: none"> Explore equipment investment leading to lower electricity usage Utilize visualization of electricity usage, strengthen demand management 	<ul style="list-style-type: none"> Expand private power generation using energy consumed in development and test runs, and cogeneration systems Expand the adoption of visualization devices focusing on factories 	○
<ul style="list-style-type: none"> Start verifying sectors that can be calculated Begin collaborating and exploring with related departments 	—	✕
<ul style="list-style-type: none"> Endeavor to reduce water resource consumption intensity (tap water, industrial water, groundwater), by at least 2.0% per year on average compared to the base year (For businesses not tracking data) Track environmental data at all sites (For businesses that track data) Establish a baseline year for reductions, formulate an initiative policy for reductions 	<ul style="list-style-type: none"> Up 2.8% from FY2015 (intensity) Track water usage data of sales and services companies 	✕
(Same as above)	Domestic non-manufacturing business: +0.4% vs. FY2015	✕
<ul style="list-style-type: none"> Explore building a data tracking system using group systems Explore environmental data to be tracked 	—	✕
<ul style="list-style-type: none"> Explore areas for targets to be set 	—	✕
<ul style="list-style-type: none"> Track the current usage status of recycling materials and parts 	—	✕
<ul style="list-style-type: none"> Track figures for resale products or trade-ins from customers (Distinguish trade-ins and trade-ups) 	—	✕
<ul style="list-style-type: none"> Recommend purchasing of relevant office supplies (Purchasing rate not tracked) Track figures by using the Group network 	<ul style="list-style-type: none"> Recommend purchase of environmental products using the Group network 	▲
<ul style="list-style-type: none"> Endeavor to reduce total waste intensity (excluding valuables) by at least 1.0% per year on average from the base year 	<ul style="list-style-type: none"> Down 13.9% from FY2015 (intensity) 	○
<ul style="list-style-type: none"> Explore other disposal methods e.g. landfill or incineration 	<ul style="list-style-type: none"> FY2016 Results 6.1% (0.0% YOY) Continue recycling of casting sand 	▲
<ul style="list-style-type: none"> Explore outsourcing to excellent disposal operators Explore the use of waste 	<ul style="list-style-type: none"> Explore the possibilities of turning waste into valuables by improving garbage separation consultants 	▲
<ul style="list-style-type: none"> Improve the aggregation level of waste-related data, centering on domestic sales companies Thoroughly sort for recycling, share information with waste contractors (International subsidiaries) Introduce advanced cases in Japan, improve the level of waste management 	<ul style="list-style-type: none"> Improve the aggregation level of waste-related data, centering on domestic sales companies Thoroughly sort for recycling, share information with waste contractors (International subsidiaries) Introduce advanced cases in Japan, improve the level of waste management 	▲
<ul style="list-style-type: none"> Track and decide data (to be used for baseline year) Expand scope of data collection required to manage and monitor targets 	<ul style="list-style-type: none"> FY2016 Results +3.2% Track the volume of industrial waste generated by all domestic Group companies 	▲
(Stated already)	FY2016 Results 77.3% (-4.2% YOY)	▲
<ul style="list-style-type: none"> Review design and procurement items, explore the feasibility of initiatives 	<ul style="list-style-type: none"> (Utilizing LCA) 	▲
<ul style="list-style-type: none"> (Continue life cycle assessments, explore points for improvement based on results) 	<ul style="list-style-type: none"> (Continue life cycle assessments, explore points for improvement based on results) 	▲

Performance Assessment of FY2016 Environmental Targets for the Yanmar Group

	Item	Group 4th Environmental Medium-term Plan	
Reducing and Controlling Environmentally Hazardous Substances	At production sites, we implement cuts in hazardous substances.	(1) Manage "designated chemical substances" in accordance with PRTR regulations in each country	
		(2) Endeavor to complete the disposal of all products containing PCBs within the Group by 2025	
		(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 under control	
		(4) Strengthen the management of owned/leased land in accordance with the Soil Contamination Countermeasures Act	
	Expanding the scope of supply chain management	(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	
	Promote reduction of the amount of environmentally hazardous substances used in business activities and comply with various laws/regulations	(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			
Working on Biodiversity	1. We strive toward business activities that are capable of co-existing with nature.		
	Protecting ecosystems in the vicinity of business sites	(1) Promote the expansion of green areas and environmental facilities at and around business sites	
	Minimize impact of business activities on ecosystems	(1) Set and comply with independent standards concerning environmental impacts on air and water quality	
		(2) Mitigate the impact of dangerous materials and hazardous substances on the environment in the vicinity of business sites	
	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) Explore possibility of tracking the impact of procurement. i.e. raw materials, components, etc. on biodiversity	
	2. We contribute to preserving the eco-system through offering new products and services.		
	Promote initiatives that take advantage of business characteristics	(1) Provide products/services that take advantage of the characteristics of major markets/technologies	
(2) Conduct activities that result in the conservation of ecosystems			
Social Contribution	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	

Valuation Standards ○=Target achieved △=Partially unachieved (70% or more) ✕=Not achieved (less than 70%)

Group FY2016 Environmental Targets	FY2016 Performance	Plan Attainment Evaluation
<ul style="list-style-type: none"> (Inside Japan) Manage relevant substances handled and continue activities for reducing usages (International) Promote tracking of systems and relevant substances for each country, begin initiatives to reduce them in collaboration with related businesses in Japan 	FY2016 -28.3% (vs. FY2011) <ul style="list-style-type: none"> Reduce amount of organic solvents used in the coating process 	○
<ul style="list-style-type: none"> Promote initiatives to realize swift disposal of products with high PCB concentrations Explore method of disposing low concentration PCB waste Track PCB products, prevent notification omission 	<ul style="list-style-type: none"> Reduce PCB waste by 52 from the amount possessed last fiscal year Survey unreported PCB products, submit new report 	△
<ul style="list-style-type: none"> Conduct risk management for chemical substances handled Reinforce task training for employees and other interested parties 	<ul style="list-style-type: none"> Conduct risk management for chemical substances handled Reinforce work education and training for employees and other interested parties 	△
<ul style="list-style-type: none"> Conduct regular water quality inspections on land at risk for soil pollution Ensure soil pollution surveys every time land is bought or sold or lease contracts signed 	<ul style="list-style-type: none"> Conduct voluntary groundwater inspections at Group business sites (No relevant land deals) 	○
—	—	
<ul style="list-style-type: none"> Explore widening the scope of acquisition of environmental data from suppliers 	<ul style="list-style-type: none"> Explore responses to water resource risks and supplier environmental data 	△
(Same as at left)	(Continuing the survey on use of chemical substances in the supply chain)	△
<ul style="list-style-type: none"> Examine the scope CSR procurement should be adopted Call on related departments in the Group 	—	✕
(Same as the Medium-term Plan)	Planting trees inside business sites	△
<ul style="list-style-type: none"> Explore the feasibility of adopting independent standards and the standard values 	<ul style="list-style-type: none"> Implement management of environmental impacts according to independent base values 	○
<ul style="list-style-type: none"> Ensure that steps are taken to prevent the leakage/release of dangerous materials and hazardous substances Periodically monitor quantities stored and ensure that the quantities are within legal limits Strengthen employee training 	(Same as at left)	△
(Same as above)	Zero environmental contamination accidents caused by Group business sites in FY2016	○
(Same as the Group Medium-term Plan)	(Same as above)	○
<ul style="list-style-type: none"> Comply with regulations on in-house products, consider formulating voluntary restrictions Explore the original draft of the biodiversity guidelines 	<ul style="list-style-type: none"> Develop products compliant with environmental regulations 	△
	—	✕
<ul style="list-style-type: none"> Provide Group products and services for awareness-raising activities to preserve nature by NPOs and local citizens Develop products and services helping to preserve the natural environments involved in markets related to the Group 	<ul style="list-style-type: none"> Promote awareness-raising activities for consumers through head office employees' canteen, continue to promote Umeda Honey Bee Project Verify chaff biomass, begin full-scale operation of the Bio Innovation Center, Yanmar Co., Ltd. 	○
<ul style="list-style-type: none"> Plan and conduct cleaning and tree planting activities in the vicinity of business sites Plan and conduct awareness-raising activities using Group contents 	<ul style="list-style-type: none"> Conduct cleaning activities around in the vicinity of business sites Conduct awareness-raising activities using the Yanmar Museum and head office building 	△
<ul style="list-style-type: none"> Implement one volunteer activity per business site at least once a year 	<ul style="list-style-type: none"> Conduct volunteer activities at factories and business sites 	△
<ul style="list-style-type: none"> Accept factory tours, explore and hold events organized by business sites 	<ul style="list-style-type: none"> Expand the acceptance of factory tours, organize baseball tournaments, sports events, fireworks, etc., make the head office canteen open to members of the ordinary public 	○

Efforts to Prevent Global Warming

Contributing to the Prevention of Global Warming by Assessing & Mitigating CO₂ Emissions

Assessing & Mitigating CO₂ Emissions in Product Life Cycles

Utilizing the Life Cycle Assessment (LCA), the Yanmar Group monitors and assesses greenhouse gas (CO₂) emissions at each stage of a product's life cycle from procurement, production, distribution, use and consumption through to final disposal as a means to further reduce greenhouse gas emissions from our products.

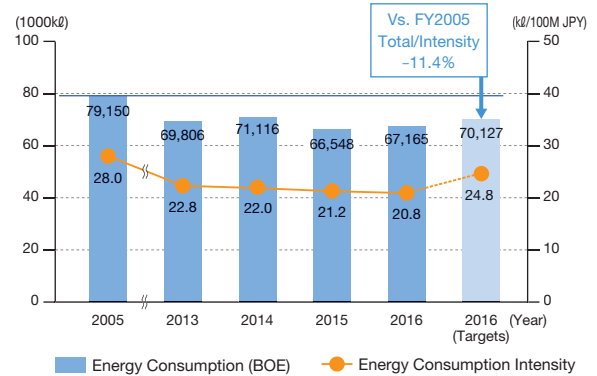
Optimizing Energy Efficiency to Reduce CO₂ Emissions

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 CO₂ emissions through upgrading facilities with energy-saving equipment, improving the efficiency of testing, energy recycling, and other similar efforts.

The Yanmar Group set its reduction targets for total energy consumption and energy intensity in FY2016 at 11.4%, with 2005 as the base year, in addition to pursuing the same reductions in CO₂ emissions.

At Yanmar Casting Technology's Koka Division, we advanced a series of energy efficient operations including changing the energy source for a melting furnace from coke to electricity due to electricity's lower CO₂ emissions, in addition to reusing energy produced during engine testing. While we did have a 500kl increase in overall energy consumption compared to the previous fiscal year, CO₂ emissions fell by approx. 10,000 t, with our target for reductions in energy consumption intensity being met.

Energy Consumption/ Energy Consumption Intensity



TOPICS

Yanmar Products Making Renewable Energy the Norm

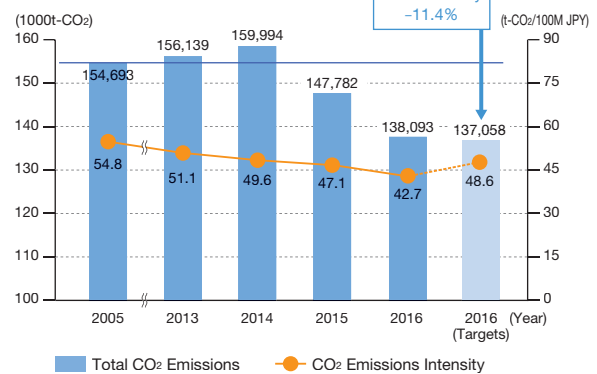
In August 2016 Yanmar Energy System (YES) installed 30, 25kW biogas micro-cogeneration systems in Osaka's Ono wastewater treatment plant and 28 at the Ebie wastewater treatment plant, delivering renewable energy that minimizes CO₂ emissions.

At both wastewater treatment plants, sewage sludge is broken down by a process of anaerobic digestion. With the introduction of YES's biogas micro-CHP systems, the biogas emitted during treatment processes is utilized as an energy source.

The Ono plant currently boasts the largest number of micro-CHP units installed in one facility in Japan, and with a 750kW capacity they can supply 5.4 million kWh annually, which is enough electricity for 1,500 households.

Through these products YES is endeavoring to make renewable energy a norm for customers across the globe.

Total CO₂ Emissions and CO₂ Emissions Intensity



Reducing & Managing 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

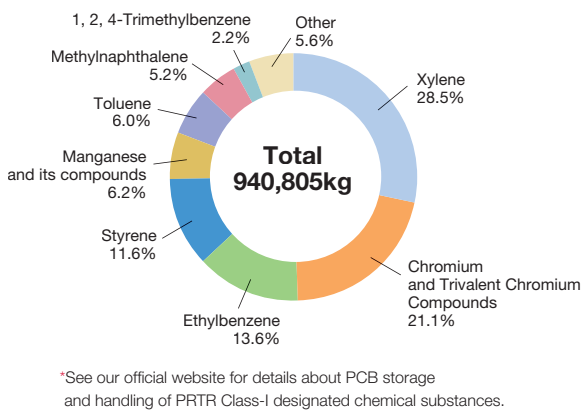
In order to develop environmentally-friendly products and mitigate environmental risks, we are managing usage quan-

titles of designated chemical substances and reducing emissions, in accordance with the Pollutant Release and Transfer Register (PRTR) system.

Our FY2016 PRTR Class-I designated chemical substances intensity was reduced by 28.3% from the base year, FY2011.

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

Situation on Handling of Class I Designated Chemical Substances Prescribed in the Laws Concerning PRTR



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 harmful substances contained in materials and components supplied 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 investigations to better manage and minimize the amount of environmentally hazardous substances found in Yanmar products.

We have also devised internal compliance standards and are systematically reducing the use of other substances designated under Yanmar's standards.

List of Substances Regulated by Yanmar

Substances Regulated by Yanmar

Lead, mercury, hexavalent chromium and their compounds.

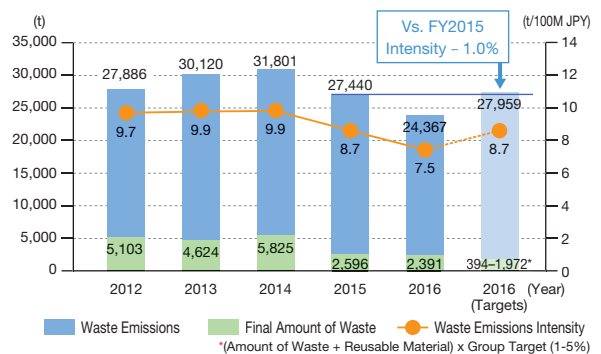
CONTRIBUTING TO A SUSTAINABLE SOCIETY

Efficient Use of Limited Resources

Reducing Waste And Promoting Recycling

In an effort to promote the recycling of valuable resources, the Yanmar Group displays waste separation rules at waste disposal areas in plants, work sites, and offices alongside offering employee-education programs and promoting the use of returnable pallets. Through measures to prevent the mixing of foreign materials, we were able to turn waste oils produced during manufacturing into a valuable resource. The introduction of an electric furnace last year saw a massive reduction in waste generated during casting; which accounts for a large portion of the Group's total waste. While our aim was to reduce waste in FY2016 by 1% compared with FY2015, the Group managed to achieve a 13.7% decrease.

Waste, Waste Intensity & Final Amount

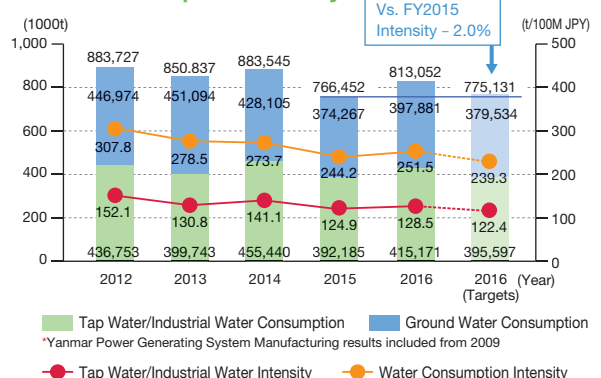


Reduction in Water Consumption

The Yanmar Group is promoting the recycling of factory water in an effort to conserve resources.

Despite our FY2016 target for a 2% reduction in the intensity of water consumption from FY2015, an overall increase in water consumption by 2.8 across the Yanmar Group meant that our targets were not met.

Water Consumption & Water Consumption Intensity





Reinforcing 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 Corporate 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. By 2016 the code had been introduced into 57 Group companies worldwide.

While the head office in Japan is providing leadership in these initiatives, our aim is to provide foreign subsidiaries with the autonomy to ensure that the various cultures and legislative requirements of each respective location is adequately taken into account and respected.

To further this goal, in 2016 we held a Global Risk Management Committee meeting; providing a platform for Yanmar company personnel worldwide to exchange ideas on implementation efforts and future policies. The committee plans to meet regularly to further these initiatives.

■ Managing the Internal Reporting System 'Ethics Hotline'

The Yanmar Group has 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, 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 FY2016 the system was used 35 times. Furthermore, separate ethics hotlines were introduced at large Yanmar Group organizations, with 20 incidences reported. There were a total of 55 instances in FY2016.

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 re occurrences.

■ Compliance Training and Public Awareness Activities

Compliance training for employees who have recently joined the company, employees who recently entered into a management positions and managers at sales offices is provided to groups at each facility. We have also added legal compliance in the program for overseas transfer preparations, in order to equip personnel with the skills to handle compliance issues in the new location.

In addition, we offer online training via our e-learning program launched in 2014. The compliance code of conduct e-learning course that we have been offering since 2014 has been taken by 1,122 employees with a 88% completion rate, as of 2016. Our new e-learning course on Japan's Antimonopoly Act was taken by 5,134 persons (96% completion rate) and our course on Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors was taken by 5,161 persons (93% completion rate).

The internal intranet is also used for educational purposes, such as legal case studies, with the aim of raising corporate ethical awareness.

No. of participants
for the 3 e-learning courses

Total **11,417**

Procurement Initiatives

Engaging with Suppliers & Deepening 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.



FY2017 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 suppliers 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.

■ Yanmar Group's Policy on 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.

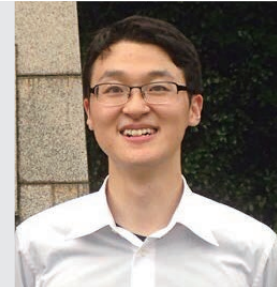
We carried out the investigations using the CFSI* template, and reported the results to the companies that had made inquiries. From 2017 onwards, the Yanmar Group will continue to work with our suppliers to eliminate conflict minerals in Yanmar's products.

*The Conflict-Free Sourcing Initiative was established by non-profit organizations EICC and GeSI to accelerate social and environmental responsibility and efficient sharing of information relating to conflict minerals.

From Our Employees

Kunihiko Minagawa

OEM Group (Europe & America)
Overseas Sales Division
Industrial Engine Sales
and Marketing Division
Power Solution Business
Yanmar Co., Ltd.



Working with our Suppliers To Keep Customers Updated On Conflict Minerals

Under Yanmar Group's policy on the prohibition of conflict minerals which contribute to human rights and environmental issues, we require that our suppliers do not use conflict minerals and cooperate with us in our investigations.

In response to inquiries, I have been providing customers who I look after in America, with yearly updates on Yanmar's policy towards conflict materials since 2013. Despite the complex environment created by supply chains, in order to support our customers' CSR activities and become a sustainable business, we are continuing to work closely on initiatives to eliminate conflict materials.

■ Education Concerning Procurement

To fully comply with Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, Yanmar's Procurement Division provides education on the act and on Yanmar's procurement regulations to all members on a yearly basis. 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 SATISFACTION

Our Fundamental Approach

The first priority of the Yanmar Group is finding 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 of our employees endeavor to continuously improve quality through initiatives such as QC (quality control) 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. At Yanmar we devised our own occupational health and safety standards to further ensure adherence to laws and requirements at home and abroad. We perform stringent risk assessments and design reviews at each stage of product development, identifying any risks before they occur, and checking the quality and safety from multiple angles.

The Pursuit for Higher Quality

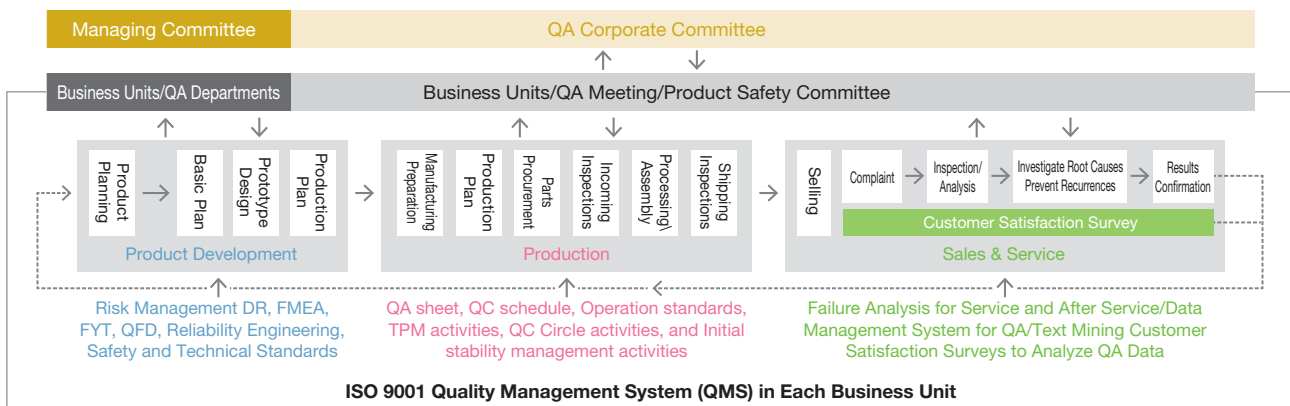
An Integrated System that Ensures Quality And Safety

With our integrated QA system, the quality assurance department in each business unit acts as the central point of contact; joining all areas of business activities from product planning and development to production, sales and service.

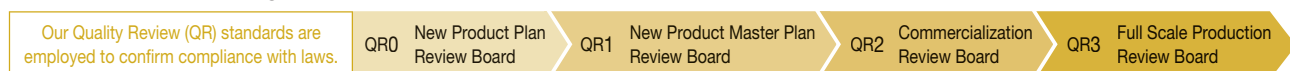
Our quality analysis center strengthens functions for both standardizing (certification) electrical devices and for performing stand-alone assessments of electrical devices within the Yanmar Group. We also established Product Safety Committees for each business division to ensure product safety. The entire Group is being monitored for quality assurance by the Group-wide QA Corporate Committee. In addition, the Verification Committee for Recurrence Prevention of Important Quality Problems looks into whether the root cause of the problematic processes has been found and takes steps to prevent recurrences of these causative factors. The committee conducts assessments at a corporate department level in addition to assessments made by business units.

In 2016 we revised our system for assessing quality compliance, in order to achieve our goal of no QA cases. After confirming the requirements for each product type in accordance

Yanmar Quality Assurance System



Procedures for Assessing Quality Compliance



with applicable laws for products and services, the data is then shared with the QA Corporate Committee.

We have also obtained ISO 9001 certification at 30 of our business units within Japan and internationally.

No. of Group entities with ISO 9001 Certifications

30
Business Units

Monitoring and Analysis for Early Detection of Incipient QA Issues

In order to detect problems related to quality at an early stage, Yanmar has set up systems for monitoring and analyzing data on QA related matters. Those systems are YTIS in Japan and e-Claim, Warranty-pro and OEM data for international markets. These systems accelerate processes for collecting information and identifying major problem areas.

A detailed analysis of all of the data related to any issues is then conducted and the respective business department in charge receives feedback concerning the relevant data

This system facilitates the stable management of new products from the outset and prevents any recurrences or escalations of quality problems.

Delivering Top Quality Solutions

For two days on November 28 and 29, 2016, Yanmar QA personnel came together for the 2nd QA forum. The forum hosted 79 persons from the development, production, QA and QC departments of our businesses across the globe and featured talks on the value that Yanmar needs to provide in the future, alongside a panel discussion held between managers in QA departments. The forum provided an opportunity for all participants to not only set the direction in their efforts to further improve quality, but also to enhance their abilities by sharing their knowledge, so as to ensure that they can continue to deliver quality solutions.



Group Discussion Panel

Recall Measures

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 order to further reduce the incidence of recalls, in fiscal 2016 we began implementing the following key measures for improving quality:

1. A new SEAQ system to enable faster detection and corrective action of major quality related issues. The system was introduced into China and South East Asia in FY2017 as the first phase of a plan to deploy the system to all our products.
2. The planning and provision of QC assessment training for providing practical QC education in line with Group and business policies. For levels 1 to 3, 255 persons passed the training in FY2016 with a total of 847 persons since FY2011.

Trends in No. of Recalls*2

Fiscal-year	2012	2013	2014	2015	2016
No. of Recalls	8	6	7	3	7

Important notifications concerning quality

*1 Ministry of Land, Infrastructure, Transport and Tourism (MLIT); Ministry of Economy, Trade and Industry; Ministry of Agriculture, Forestry and Fisheries and Japan Boating Industry Association

*2 The number of product recalls are publicized in accordance with MLIT product recall and improvement measures and the Consumer Product Safety Act

From Our Employees

Osamu Egawa

Project Manager
Quality Assurance Division
Yanmar Energy System



Dedicated to the Prevention & Swift Resolution of Issues

"Products handled by our QA departments are divided into three groups. I work with the generator system group, where I mainly oversee continuous cogeneration systems. While our approach is centered on preventative action, in the event where an issue does arise it's imperative that we resolve it as quick as possible. For this reason, we are continuously collating, analyzing and deploying the latest market data to ensure that precise action is taken. We will continue to be dedicated to the prevention and swift resolution of issues."



A UNIQUE APPROACH TO COMMUNITY SERVICE BASED ON MOVING FORWARD AND LIVING TOGETHER WITH THE LOCAL COMMUNITY

TOPICS

Yanmar is Engaged in Education and Awareness-raising Activities to Realize Sustainable Agriculture

Yanmar is engaged in many different activities to help children become familiar with farming while still young and perhaps eventually become farmers themselves. This is a part of our policy of pursuing sustainable agriculture.

Examples of this are its provision to the Farmers Center, a permanent pavilion at KidZania Koshien, support of children's painting exhibitions and the nationwide website contest for agricultural high schools and colleges, inviting students from agricultural colleges or other universities to enter the Yanmar Student Prize Essay Contest, and support to the agricultural college project presentations. Through these and other means, Yanmar seeks to encourage better understanding of agriculture.

Farming Education

University Students (from faculty of agriculture) Agricultural Colleges & Agricultural High Schools Junior High School students	<ul style="list-style-type: none"> • Safety courses and operating courses at various schools • Sponsoring the Yanmar Student Prize Essay Contest (every year) • Supporting the Nationwide Website Contest for Agricultural High Schools and Colleges (March 2017) • Supporting a Future Farmers of Japan Convention (Okayama, October 2017) • Agri Solutions Center Hokkaido Open to the public and to school tours (as required)
Elementary School students & Preschoolers	<ul style="list-style-type: none"> • Supporting a children's painting exhibition - Rural Life: Rice Paddies and Streams • KidZania Koshien Farmers Center Pavilion (Permanent facility, Hyogo prefecture) • Yanmar Museum (Permanent facility, Shiga prefecture) • Children's Kasumigaseki Tour Day (August 2017, Tokyo) • Tomica YT Tractor and YH Combine

Contributing to Education and Culture

Supporting Education in Various Ways to Help Nurture the Next Generation

■ KidZania Koshien "Farmers Center" Pavilion

Out of its desire to give children an experience of farming in the future to see the new face of agriculture, Yanmar opened the Farmers Center pavilion in KidZania Koshien.* The pavilion is a stylish and exciting way for children to learn about the future of food production. Yanmar hopes that some of the children who visit the pavilion may one day themselves become involved in as farmers in food production.

*KidZania Koshien is an edutainment-style facility where children can experience different job types, learning in the process about how society works. "Edutainment" is a word combining education + entertainment.



Children can experience farming in a fun way at the pavilion

■ 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 water. 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.

The 17th time the contest was held (2016) there were 7,879 entries of which 23 were awarded prizes such as Minister of Agriculture, Forestry and Fisheries Awards and 164 were officially selected. The Yanmar Prize went to Manato Rachi (a sixth-grade student at Tenpaku Elementary School, Toyohashi, Aichi prefecture) for her entry, titled 'All the Family Working Together to Make Delicious Rice.'



A work by Manato Rachi, a sixth-grade student at Tenpaku Elementary School, Toyohashi, Aichi prefecture
'All the family working together to make delicious rice'

■ Nationwide Website Contest for Agricultural High Schools and Colleges

Yanmar, as part of its work to foster future farmers, supported the nationwide website contest for agricultural high schools and colleges, a contest held as an academic-industrial collaboration in the agricultural IT field.

This contest is held with the intention of encouraging junior high school or high school students and ordinary citizens wishing to become farmers, as well as increasing the presence in society of agricultural educational institutions and stimulating the agricultural sector overall. The primary organizer is the Agri Platform Consortium run by the Keio Research Institute at SFC.

The contest judges the websites of agricultural high schools and colleges nationwide on six factors (e.g. whether they express their dreams and hopes toward their own new ways of farming). Ten schools were chosen out of 431 entrants to attend the final award ceremony in March 2017. Yanmar selected Hyogo Prefectural Harima Agricultural High School as the winner of its corporate sponsor award, giving the school a YK300QT-D mini power tiller as a supplementary prize.

At the presentation ceremony held at the school in April, Yanmar gave a presentation on its concepts of next generation agriculture, future potential for farming, and the state of Yanmar's technology focusing especially on ICT agriculture. Yanmar Group employees also gave a class to show how the mini power tiller works, deepening interaction with the students.



Safety course for mini power tillers

■ Call for Participants: Yanmar Student Prize Essay Contest

Since 1990, Yanmar has been requesting thesis and essay submissions for the Yanmar Student Prize Essay Contest. The contest is aimed at promoting the free discussion of ideas amongst the younger generations who will lead our future in regards to the future of farming and farming communities.

The theme for 2016, the 27th year that the contest has been held, was the same as last year's: "Creating a New Agriculture." Submissions were sent from all over Japan, with a total of 56 theses and 637 essays received. The winning thesis was titled "Aiming for an Active Role for Women in Agriculture: Become a Smart and Capable Woman Farmer!" by Yumi Isamu, Ayumi Eitoku, Kyoko Enomoto, and Natsuki Yamaguchi of the Department of Beef Cattle for Meat, Faculty of Animal Husbandry, Kagoshima Prefectural Agricultural College. The winning essay was "Giving Thanks by Growing Rice," by Yuri Shibara of Oita Prefectural Agricultural College.



Meeting to present winners of the Yanmar Student Prize Essay Contest

Community Service Activities

Providing Support and Engaging in Activities Rooted in Local Communities

■ Supporting the "Incorporated NPO Umeda Honey Bee Project"

Yanmar provides support to the Umeda 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 chain, 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. This project has also tied the project in with its other CSR activities performed by Yanmar in the area.

Beehives are installed in the garden located in the center of the Premium Marché cafeteria in 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.



Learning about bees

■ Yanmar Head Office Company Cafeteria Opens to the General Public on Weekends

As a company that has been involved in making food for over a 100 years since its very beginning, Yanmar wanted to provide a place where producers and consumers could come together directly to build stronger ties mutually. As a result, Yanmar decided to open Premium Marché Osaka, its company cafeteria located in its head office building, to the general public for lunches on the weekends, from February 2017.

The menu contains two choices of set meals consisting of one soup and three dishes (a traditional pattern of Japanese meals) or specially prepared curry and rice, all made actively using fresh food stating the grower's name and region. Visitors to the cafeteria have nothing but praise for the tastiness and healthiness of the dishes.

The cafeteria is also involved in a variety of events. As one example, it served as part of the executive committee for Chollywood 2017, a fun event for the Chayamachi area of Osaka held in April 2017, holding workshops attended by many people to learn in a fun way about the Umeda Honey Bee Classroom and Vegetable Classroom that are part of the Umeda Honey Bee Project.



Yanmar head office company cafeteria: Premium Marché Osaka



Volunteer Event for Flood Recovery in Iwaizumi, Iwate Prefecture
 — Yanmar Agri Japan —

Our Higashi-Nihon Division at Yanmar Agri Japan (YAJ) held a volunteer event for flood recovery in Iwaizumi, Iwate prefecture, as part of training for new employees. The company has continued to engage in volunteer work with new employees from FY2014, engaging in recovery work following the Great East Japan Earthquake.

This time, 22 new employees took part in recovery work on farmland in Iwaizumi, Iwate prefecture, that was damaged by Typhoon Lionrock on August 30, 2016. In May 2017, in collaboration with Iwaizumi Town Office and the Iwate Agriculture Public Corporation, volunteers removed drift debris and waste from 23 hectares of farm fields.

The volunteer employees worked as a team to try to return the fields to their original condition so that agriculture could restart there as quickly as possible. A member of the local government said with earnest gratitude that "the fields were returned to unbelievably perfect condition."

The damage to agricultural facilities and farmland in Iwaizumi totaled JPY 8,354 million and many farmers are still unable to return to agriculture. YAJ intends to continue supporting the local farmers with its volunteer work by new employees to help recover from the disaster.



New employee volunteer event for flood recovery

Yanmar Joins Dairinkai for Environmental Conservation Activities

Yanmar participates in environmental conservation activities through Dairinkai, an association of corporate groups based in the Kansai region of Japan. Dairinkai engages in activities and support in various locations to revitalize Osaka with flowers and greenery. In FY2016, it repaired flower beds managed by Osaka and made floral decorations for the center of the city. Planting work was also undertaken in three parks as part of community park development.

In addition, as part of aid to Izumisano Kyuryo Ryokuchi Park Club, a volunteer organization engaged in park development, we held courses to teach the volunteers the required knowledge and skills, alongside providing 25,000 flower seedlings and undertaking work in our parks. Yanmar has also donated its own heavy equipment to the club in the past.



Working to maintain the bamboo forest

Yanmar Construction Equipment Festival of Appreciation — Yanmar Construction Equipment —

On October 15, 2016, Yanmar Construction Equipment held its second Yanmar Construction Equipment Festival of Appreciation at its head office in Chikugo, Fukuoka prefecture. This event, which started as a way to commemorate the 40th anniversary of YK's head office in this location, was attended by 2,100 people

this year, many more than the previous year. Highlights included a big lottery, rides on backhoes, factory tours, refreshment booths, and so on. The event not only allowed the company to interact with customers and members of the local community, but also deepened understanding of YK's business and Yanmar products.



Calligraphy performance using a backhoe



Touring the factory

From Our Employees

Koichiro Inoguchi

Labor Relations Group
 General Affairs Division
 Corporate Planning Division
 Yanmar Construction Equipment



Continuing to support festivals of appreciation and baseball tournaments as a company developing together with the community

Yanmar Construction Equipment (YK), as a company with its head office located in Chikugo, Fukuoka prefecture, takes part in various local community activities. These include the Yanmar Construction Equipment Festival of Appreciation which was attended by over 2,000 people, special sponsorship of the Junior High School Baseball Tournament, sponsorship of the local fireworks event, and involvement in regular cleaning activities for areas around the company site. While all of these require hard work in their planning and execution, such efforts are fully repaid through the sense of reward we get from seeing the happy faces and hearing words of gratitude from the local people at the events. YK will continue in these efforts, aiming to be a company that develops together with the community.

Yanmar is Contributing to Society Across the Globe

North America and Latin America

■ Holding Events to Support Collection and Separation of Waste from Local Residents – Tuff Torq Corporation –

In October 2016, Tuff Torq Corporation (TTC), in collaboration with its neighboring company, JTEKT, held an event to support the collection and separation of waste from the households of local residents. Used batteries, oil, paint, antifreeze and electrical components from households contain harmful substances that require proper treatment for disposal. For this event approximately 4.3 tons of such waste was gathered to be disassembled, stored, and disposed of at the treatment plant.

TTC will continue to support such events in the future, and is working together with local residents to find and properly dispose of dangerous items near their houses.



Collected and Separated Waste

Europe

■ Support for the Dutch Cancer Society (KWF) Fight to Eliminate Cancer – Yanmar Europe B.V. –

Yanmar Europe is supporting the Dutch Cancer Society (KWF) in its efforts to fight and eliminate cancer. The KWF was founded in 1949 at the instigation of Queen Wilhelmina, as a nationwide organization for reducing the incidence of cancer, to support treatment, and to improve the quality of life for cancer sufferers.

Asia Pacific

■ Donation of Supplies and Teaching Materials to Gangdong Elementary School – Yanmar Agricultural Equipment (China) –

In September 2016, Yanmar Agricultural Equipment (China) donated RMB 71,000 worth of supplies for classrooms and the dining hall, personal computers for schoolwork, school bags, and other educational items to the Gangdong Elementary School in Jiujiang County, Jiangxi Province. The company's aid to the school began with the rebuilding of school buildings damaged in the 2005 earthquake. On learning that the buildings of the school's predecessor, the Jiangxi Province Cotton Research Institute Children's School, were damaged in the earthquake, and that classes were being taught in evacuation tents, the company donated RMB 300,000 to the school to help build new buildings.



Pupils of the Gangdong Elementary School

■ Participation in Reforestation Project in Thailand to Protect Wild Elephants – Yanmar Capital (Thailand) –

In September 2016, Yanmar Capital Thailand participated in a reforestation project at the Salakpra Wildlife Sanctuary in Kan- chanaburi Province, Thailand's first nature reserve. The project has worked to plant 300 trees to help wild elephants, which are highly respected in Thailand, live safely in the future.

This activity helps to restore the forest as well as to create good relationships among employees and with the local community.



Employees who participated in the reforestation project

■ Providing Educational Opportunities to Vocational Training Students – Yanmar Agricultural Machinery Manufacturing Indonesia –

Yanmar Agricultural Machinery Manufacturing Indonesia (YAMINDO) engages in community service activities for local community development, primarily focusing on religion, society and education. The budget to be distributed increases year by year, reaching Rp 12 million in 2016.

For education, for example, YAMINDO experts provide a Prak- erin program (industrial training) to students undergoing vocational training. The students are given opportunities to use what they have learned in work and production classes in actual operations.



Students Going Through Vocational Training

■ Volunteer Coastal Cleaning Event on the East Coast – Yanmar Asia (Singapore) Corporation –

In July 2016, Yanmar Asia (Singapore) held a coastal cleaning event on the East Coast, with 42 employees, friends and family members participating. The event beautified the area and was also an excellent opportunity for the participating children to gain a deeper understanding of the importance of CSR and the environment. This event will continue in the future.



Volunteer cleaning work

Impressions from Reading the Yanmar CSR Report 2017

To sum up my impression of the CSR Report 2017, I would call it "a steady evolution." First, Yanmar has articulated a more specific set of principles. Last year's report explained in detail the four ideal visions for realizing Yanmar's brand statement of "A Sustainable Future," but this year's report goes one step beyond that to show how Yanmar will take on specific issues in order to achieve this future vision, and what sort of value it intends to provide. Your value creation scenario is, through the Feature Article, explained with clarity covering each salient point. The layout is highly impressive in the way it elucidates the meaning of the mission statement, to solve societal issues through the power of technology. Descriptions of corporate ideology tend to become abstract, but in this report the flow of content from the top message to the feature articles is tightly controlled. This ability to create a rich and detailed story is extremely rare, and I believe it to be a unique characteristic of Yanmar.

The themes developed in the Feature Article give the impression of presenting Yanmar's prescription for solving the issues directly facing the world. The message of "comprehensively supporting the food value chain, to transform agriculture into a food value chain" stands out in particular to underline your involvement with software, using ICT for remote sensing and so forth, without limiting your involvement with hardware, in developing and supplying advanced agricultural machinery.

Yanmar presents a new business model to cope with the challenges of realizing sustainable agriculture, and value creation through that model. This is a magnificent exposition presenting the non-financial value demanded in recent years for environmental, social, and governance (ESG) investing.

Reading through to the second half while delighting in this evolution, the editorial intentions of this report become clear upon reaching the Mission Practices. Yanmar has over the last six years made consistent efforts to spread its mission statement among its employees, dedicating much space to detailing these undertakings. In this year's report, at long last these efforts have reached the practical stage. Just when employees fully steeped in the mission via workshops are beginning to take action to attain practical outcomes, the fact that this is described in detail in terms of a value creation scenario emphasizes the significance.

This year's report adroitly incorporates the latest trends, presenting non-financial information such as sustainable development goals (SDGs), expertly emphasizing the uniqueness of Yanmar. I look forward to seeing in the future how Yanmar will show us the burgeoning of its brand power as is highlighted in its principles. Focusing on the degree to which the mission statement is implemented in the practical stage may become a new KPI for Yanmar. From a longer point of view, I also hope to see the 4th Environmental Medium-Term Plan evolve to include an even wider range of stakeholders in the future.



Mr. Keisuke Takegahara

Executive Officer
Deputy Chief Research Officer
Development Bank of Japan Inc.

■PROFILE

After graduating from the Faculty of Law at Hitotsubashi University, Mr. Takegahara joined the Japan Development Bank (now the 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).

Our Response to the Third-person Perspective

Once again we are sincerely grateful to receive the third-party opinion provided by Keisuke Takegahara of the Development Bank of Japan, who has provided this service since FY2015.

It is most heartening for us to hear that the Feature Article details in story form, with a tight focus on our mission statement, just how we are going to achieve A Sustainable Future, and what sort of value we are going to provide to achieve that. We believe that we have moved beyond simply describing CSR in abstract terms, to instead presenting clearly and explicitly what we are doing as a business, and what things only Yanmar can achieve.

Regarding the point made about showing the strengthening of our brand power, we intend to explore switching to indicators that can objectively evaluate how people enjoy value through our activities, on the assumption that brand power equals the value we provide. We will accept the opinions we have received graciously and contribute to addressing social issues through the promotion of CSR activities.

Takehito Suzuki
Executive Vice President
Yanmar Co., Ltd.

Yanmar Group Overview (As of March 31, 2017)

Corporate Profile

Trade name: Yanmar Co., Ltd.

Head Office: YANMAR FLYING-Y BUILDING
1-32 Chayamachi, Kita-ku, Osaka

Tokyo Office: 2-1-1 Yaesu, Chuo-ku, Tokyo

Founded: March 1912

Capital: JPY 6.3 billion

President and Chairman: Takehito Yamaoka

Net sales (FY 2016): JPY 749.3 billion (consolidated base),
JPY 341.7 billion (company base)

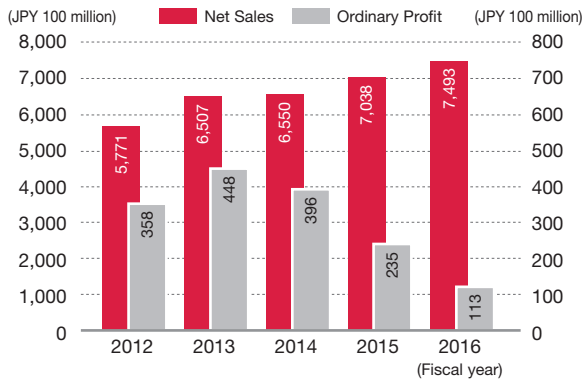
Employees (as of March 31, 2017): 19,119 (consolidated base),
3,618 (company base)



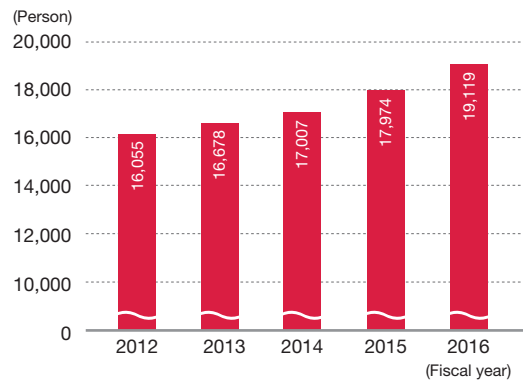
YANMAR FLYING-Y BUILDING

Financial Highlights

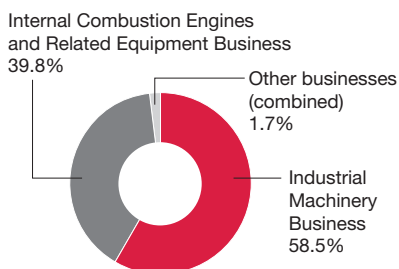
Consolidated Net Sales and Ordinary Profit



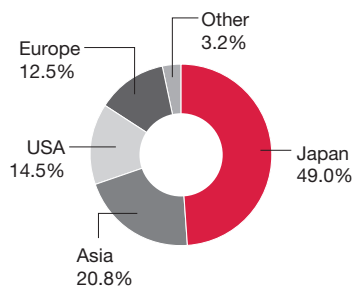
Employees (consolidated)



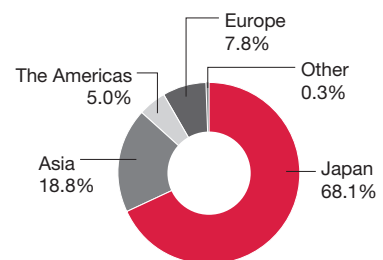
Consolidated Sales Rate by Segment (FY2016)



Consolidated Sales Rate by Region (FY2016)



Employees by Region (As of March 31, 2017)



The Yanmar Group Network (as of March 31, 2017)

Facilities

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

■ Production Facilities

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

■ Overseas Representative Offices

- Yanmar Co.,Ltd – Moscow
- Yanmar Holdings Co., Ltd.
Izmir, Turkey Liaison Office
- The Representative Office Of
Yanmar Co., Ltd. IN Cantho City.
- Yanmar Agricultural Research Institute – IPB

■ Training Institutes

- Global Human Resources Development Institute

■ Others

- Yanmar Museum

Domestic and International Affiliated Companies

Japan

■ Agricultural Businesses

- Yanmar Agricultural Machinery Manufacturing
- 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 Agri Innovation Co., Ltd.
- Bunmei Noki Co., Ltd.

■ Construction Business

- Yanmar Construction Equipment

■ Energy System Business

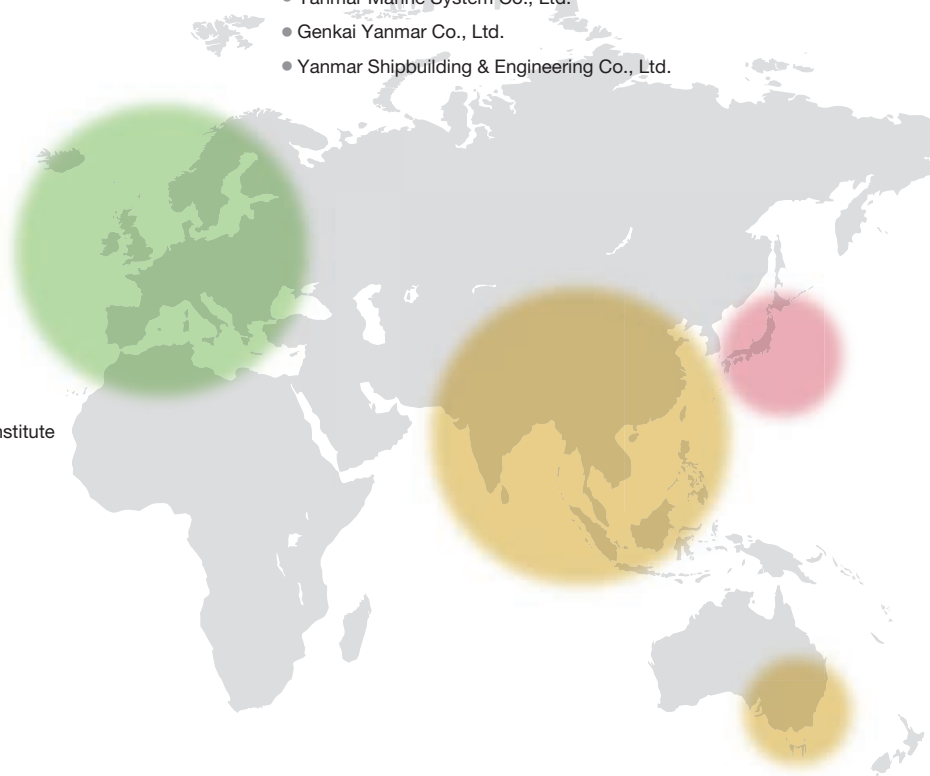
- Yanmar Energy System Co., Ltd.
- Yanmar Energy System Mfg. Co., Ltd.
- Yanmar Power Generating
System Manufacturing Co., Ltd.

■ Engine Businesses

- 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.
- Estir Co., Ltd.

North & South America

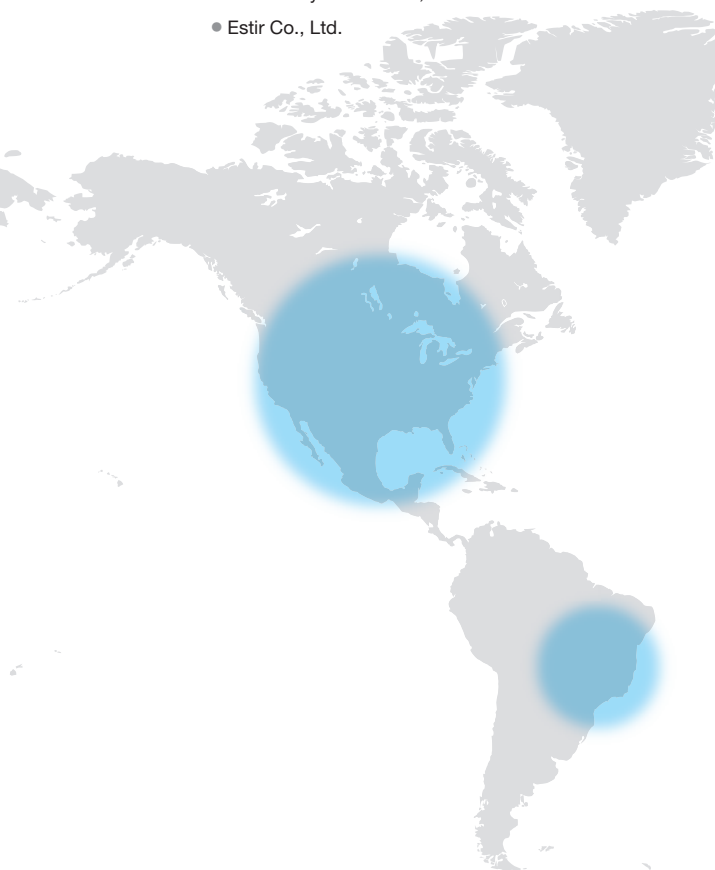
- Yanmar America Corporation
- Tuff Torq Corporation
- Transaxle Manufacturing Of America Corporation
- Mastry Engine Center LLC, A Yanmar Company
- Yanmar Marketing America.LLC
- Yanmar South America Industria De Maquinas Ltda.
- Ticarly S.A.

Europe

- Yanmar Europe B.V.
- Yanmar Marine International 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
- Yanmar Compact Germany GmbH
- Yanmar Rus LLC

Asia-Pacific

- Yanmar Management (Shanghai) Co., Ltd.
- 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
- Yanmar Myanmar Co., Ltd.
- Pt. Yanmar Diesel Indonesia
- Pt. Yanmar Agricultural Machinery Manufacturing Indonesia
- Pt. Yanmar Indonesia
- Pt. Ykt Gear Indonesia
- Yanmar India Private Limited
- Yanmar Coromandel Agrisolutions Private Limited
- International Tractors Limited
- Yanmar Kota Kinabalu R&D Center Sdn. Bhd.
- Yanmar Energy Australia Pty. Ltd.



YANMAR

Inquiries:
Risk Management Group
Corporate Social Responsibility Div.

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