

Corporate Social Responsibility Report 2011



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- “Solutioneering” is a word that is coined from Solution and Engineering.
“Solutions” expresses our drive to solve our customers’ problems.
“Engineering” embodies the word, Engine, which has been the core of our company.
- The **NEW** mark indicates efforts that were newly implemented during FY2010.

< Founder's Spirit >

Grateful to serve for a better world

< Mission >

We, the YANMAR group, will strive to create new and meaningful value together in partnership with our worldwide customers.

We will be innovators and leaders in harnessing energy while contributing to an environmentally sustainable society, through the delivery of unrivaled products and services.



Editorial Notes

We issue this Report every year to inform Yanmar Group stakeholders of the philosophies, policies, and actions the Group has taken with respect to the environment and society as well as the records of our activities in fiscal year 2010 so as to improve our activities through mutual communication.

This issue reports some of our typical activities in the opening pages of the special feature to help readers understand how the Group is trying to achieve its missions and responsibilities as a good corporate citizen. The pages on our social responsibilities feature some of our actual activities for each stakeholder. The pages on our environment activities report our activities conducted according to the secondary medium-term plan.

Reference Guidelines

1. "Environmental Report Guidelines (2007)" of the Japanese Ministry of Environment
2. "Sustainability Reporting Guidelines (3)" of the Global Reporting Initiative

Period Covered

The activities and data disclosed in this Report are for the period of fiscal year 2010 (March 21, 2010, to March 20, 2011). However, the Report also includes some items occurring in fiscal 2011.

Sites Covered

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.

The term "Shiga Zone" used in this Report refers to our plants located in Shiga Prefecture: Biwa, Yamamoto, Kinomoto, Oomori, Nagahara, and the Nagahama Site. The term "Amagasaki Zone" refers to the Amagasaki and the Tsukaguchi plants.

Date of Issue

Published in October 2011 (the next issue is scheduled for September 2012).

We will continue to provide solutions with value to our customers throughout the world centering on innovation in food production and energy conversion. At the core are our technological capabilities that have been cultivated from the diverse business fields of “urban,” “the land” and “the sea.”



I would like to express my deepest concern and sympathy for those affected by the massive earthquake of March 11, 2011.

Unprecedented in scale, the earthquake and the tsunami have devastated northern Japan, causing tragic loss of life and enormous damage. I made a visit to Iwate and Miyagi prefectures on March 26 and 27. With memories of the earthquake that struck the Japanese city of Kobe in 1995 at the forefront of my mind, I thought I was somehow prepared. But what I found was heart-rending: extensive destruction, homes and fields and industrial sites changed beyond recognition.

Given the scale of the damage, things are likely to take a long time until full recovery. Yanmar is determined to continue its relief and support activities, oriented towards its employees, customers and business partners, as well as the public at large.

On a different note, 2012 marks 100 years since we were founded. In the spirit of our founding — “grateful to serve for a better world” — we have been offering products and services in diverse fields of industry, including agriculture and commercial fishing, with the pillar of our efforts being our compact diesel engines for industry use. Our workers have been working as a single unit, and their first thought is toward solutions to solve our customers’ problems and contributing to society.

For the next 100 years, it will be necessary for us to create new value, to further globalize our operations and organization, and to make more precise responses to meet the diverse demands of our customers around the world, strengthening the way we provide them with solutions.

We join with all worldwide Yanmar Group members, lifting our heads and taking pride in our work, pulling together in common purpose, ever more unified and with clear vision, to adapt the “Mission” management principles that have brought us this far. With a focus on the youth of the company, who will take us into the next generation, we craft our “New Mission Statement” to meet the changing times. Based on this new Mission Statement, each and every Group employee will have much more motivation and be more creative, boldly taking up the challenges of determining customers’ issues and offering them solutions. That is the kind of business we aim to become.

In the report for this fiscal year, we present our CSR activities in the various operations of the Group and examples of how new solutions are being provided in each of our business areas, and we introduce cases of our main initiatives for environment conservation.

The feature articles introduce case studies of solutions to address the food and energy industries for the realization of an environmentally sustainable society. In addition, we cover the establishment of a new research and development facility in Italy and research in next-generation energy technologies by a trilateral framework that includes Japan and Malaysia.

We are also aware of the fact that we handle products that impact the environment. So as a pioneer in energy conversion technologies, we present our “Environmental Vision 2020,” which we decided on this fiscal year to tackle the realization of a sustainable society, and introduce some of our efforts related to this vision.

We would be extremely happy to hear your candid opinions on these efforts.

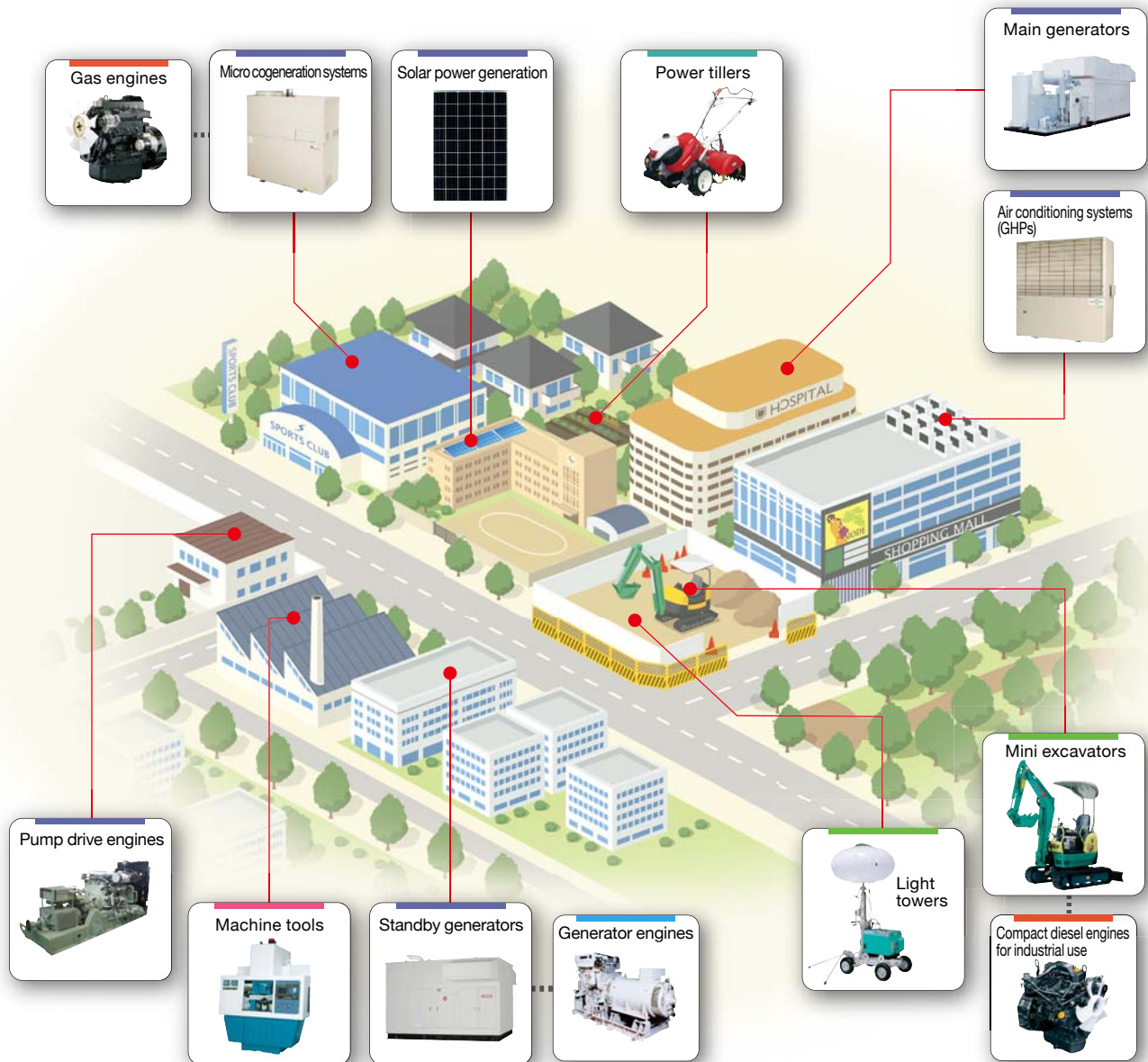
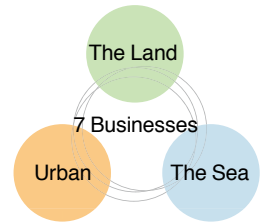
In the future as well, the Yanmar Group will pursue innovations to food production and energy conversion in the fields of “urban,” “the land” and “the sea,” while providing solutions that give value to our customers.

Based on a New Mission Statement, each and every employee will possess self-awareness and act in the interests of society. We will conduct organizational management that sees the solving of our customers’ problems as a top priority. The Group will contribute to society as a single corporate citizen, aiming to be a business that will continue to be loved by everyone.

Takehito Yamaoka
President

山 密 健 人

In the 3 fields of urban, the land and the sea, we're demonstrating our strengths in 7 businesses while implementing 'Solutioneering'



Yanmar Group's 7 businesses

Industrial Engine Business

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

- **Products:** Small-sized diesel engines for industrial use, precision components for fuel injection systems, etc.
- ⇒ Environmentally-Oriented Products (p. 35)

Large Engine Business

Production, sales, development and services are unified, and a business model that aims to increase customer value (LCV) is being developed.

- **Products:** 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
- ⇒ Environmentally-Oriented Products (p. 35•36)

Marine Business

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

- **Products:** Small- and medium marine diesel engines and related products, marine environment products, FRP pleasure boats, small fishing boats, fish tanks and pontoons, etc.
- ⇒ Environmentally-Oriented Products (p. 36•37)



Agricultural Machinery Business

We provide a product range that utilizes our own distinctive technologies, such as I-HMT (electronically controlled hydraulic continuously variable transmission) and FDS (full-time drive system).

- Products: Tractors, combines, rice transplanters, power tillers, cultivators, farm facilities, fruit sorting machinery, unmanned helicopters, products and materials for hobby farmers, etc.
⇒ Environmentally-Oriented Products (p. 37-38)

Energy System Business

Our provision of solutions in the forms of GHPs, cogeneration, emergency generators and other energy-saving and anti-disaster equipment has been put into practice with a high level of technological skill. We're also expanding new markets, such as solar power generation.

- Products: Micro cogeneration systems, gas heat pumps, main and standby generators, pump drive systems, solar power generation systems, etc.
⇒ Environmentally-Oriented Products (p. 39)

Construction Machinery Business

We offer a wide variety of high performance small construction machines and general-purpose machines such as the VIO series of True Zero Tail Swing excavators, the Σ series of boom excavators, small generators, light towers etc.

- Products: Backhoes, wheel loaders, carriers, small generators, light towers, etc.
⇒ Environmentally-Oriented Products (p. 39)

Component Business

Along with proprietary hydraulic control and gear processing technologies, we are collaborating with various Group companies for the manufacturing of unrivaled products, such as continuously variable hydromechanical transmissions.

- Products: Hydraulic equipment, gears, transmissions, marine gears, machine tools, etc.

A Biogas Generation System that curbs CO₂ emissions and promotes efficient use of energy

Sewage-treatment facilities have the important role of purifying waste water such as household water, discharging it into rivers, lakes, marshes and the ocean, and recirculating it as a water resource.

However, this process consumes large amounts of energy and it releases huge volumes of greenhouse gases.

Yanmar has developed an energy system that efficiently uses digestive gases as energy.

These gases are produced from sludge, an indispensable substance in sewage purification. At the same time, the system can contribute to efforts to cut CO₂ emissions.

Converting untapped digestive gases into power-generation energy

Sewage-treatment facilities clean waste water by using sludge that contains microbes (organic matter). After the sludge is dehydrated, it decomposes by fermenting its contained organic matter, and is then recycled. However, digestive gases are produced in this process, and these gases contain large amounts of methane gas, said to have 20 times the greenhouse effect of CO₂. The facilities use these digestive gases as a heat source. But surplus amounts are unused and burned, and then released into the atmosphere as CO₂.

Digestive gases, which are obtained through the fermentation of organic matter, are one form of biomass, a renewable energy. Yanmar has developed a biogas generation system that processes these digestive gases into biogas (a methane fermentation gas) and utilizes it, and offers it as a new power-generation source for sewage treatment facilities. We call this the "Biogas Micro Cogeneration System."

Realizing efficient operations with flexible configurations

The Biogas Micro Cogeneration System is constructed from high-performance gas engines, permanent-magnet type high-frequency power-generation equipment and heat exchangers for the supply of warm water. As the system recovers remaining heat, it can achieve a huge amount of energy savings, and because it is a renewable natural-circulation type resource, it also has a small environmental load without any added increase of CO₂ in the atmosphere. (It's carbon neutral, in other words.)

In addition, several compact generators, with a power output of 25 kW per unit, are installed and operated. This

arrangement lessens and also spreads the risk of operation shutdowns when maintenance is carried out or when accidents occur. Operation is monitored and controlled under a 24-hour arrangement by a remote system. Also possible is efficient operation in line with the amount of digestive gases produced, whose volume fluctuates based on a facility's scale and the time of year.

The Saga Sewage Treatment Center used to carry out combustion treatment on digestive gases, 20% of which was used for fuel for boilers and 80% was left over as surplus. In February 2011, a Biogas Micro Cogeneration System (producing about 3.17 million kilowatt-hours annually), comprised of 16 micro gas engines, was introduced and started full-scale operation. While in operation, the system used the entire volume of digestive gases for the power generation inside the center, and eventually covered about 50% of its annual power use. Additionally, the system is forecast to reduce CO₂ levels by 1,167 tons (equivalent to 83,500 cedar trees of 50 years of age) a year.



A sludge heat exchanger that exchanges the heat of warm water from the cogeneration system



16 Biogas Micro Cogeneration System units



Control center



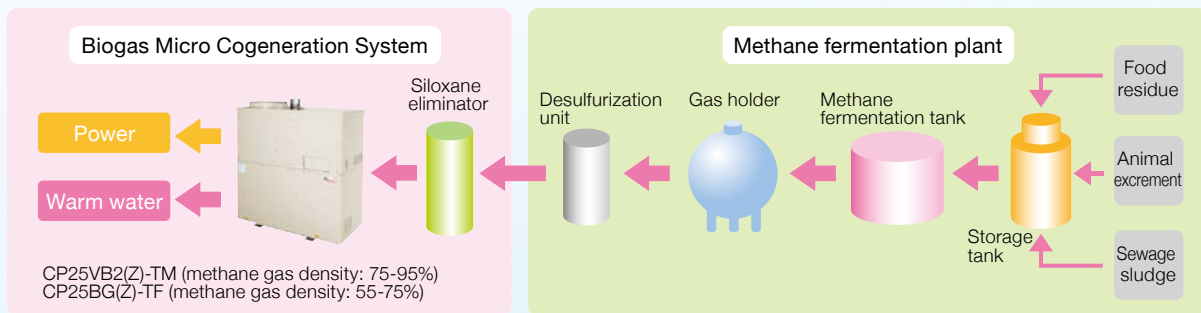
Display of power generation

New applications for resources towards an environmentally sustainable society

Such power-generation systems have existed in the past. Already at large-scale sewage-treatment plants, digestive gases are burned for effective use in power generation and other fields. But at small and mid-size facilities, most of the digestive gases are burned only to be released into the atmosphere due to problems stemming from efficiency and cost.

Through the effective use of unused digestive gases as energy, Yanmar's Biogas Micro Cogeneration System can be said to reduce CO₂ and at the same time realize cost savings.

Japan is said to have more than 1,500 sewage-treatment plants. Yet less than half lack places with digestive-gas tanks. Despite their small scale, biogas generation systems can make full use of an untapped resource, and it is believed they can play an as-yet unrealized role toward the building of an environmentally sustainable society.



Voices from the field



Satoshi Kishimoto

Solution Group,
Engineering Department,
Yanmar Energy System Co., Ltd.

In our energy operations, we're trying hard to popularize products that conserve and create energy. In particular, this involves "Total Solunteering," with the Biogas Micro Cogeneration System at the core. We determine our customers' potential needs through proposed business operations that start from nothing and then turn them into something concrete. We feel a lot of satisfaction when we

hear words of gratitude from the customers for the equipment, which we've come up with after both sides have worked hard together on it.

From now on as well, we hope to contribute to preventing global warming through the efficient use of renewable energy towards the creation of an environmentally sustainable society by delivering equipment that meets the needs of even more customers.

A trial that breathes new life into profitable and sustainable farming

Agriculture is an important social base that supports Japan. However, the sector is beset with such problems as an increase in abandoned farmland, aging farming households and an insufficient number of successors. Meanwhile, an increase in imported agricultural goods is weakening farming's producing power.

As it stands, the task of sustaining the food-supply function of farming will inevitably become a serious problem.

Yanmar has been considering ways of vitalizing the sector and how the creation of internationally competitive agricultural businesses might energize farming. A trial is already under way.

The challenge to industrial innovation for internationally competitive farming

The situation surrounding agriculture is severe. Yet a revision to the Agricultural Land Act (enacted December 2009) made it easier for companies and individuals to enter the agricultural sector, creating an environment where farming will diversify as a business. Grasping this shift, we established Yanmar Agricultural Innovation Co., Ltd. in September 2010 to assist in the creation of agricultural businesses capable of international competition.

Yanmar Agricultural Innovation Co., Ltd. is working on making agriculture efficient, unifying the production, processing and sales of agricultural goods through the application and development of harvesting technologies that comprehensively grasp sunlight volume, temperatures, soil temperature and humidity and other aspects involved in the cultivation of produce. The new

company is also developing expertise in realizing highly profitable farm management through mechanization and contracted production and is disseminating that expertise.

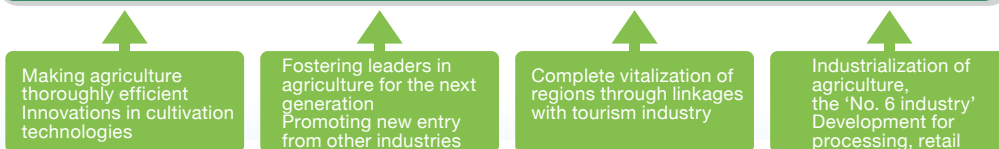
The stage for all this is a model farm managed directly by Yanmar.

A model farm for experiencing highly profitable farming

The location is Sera, Hiroshima prefecture. The first "Yanmar Farm" started operation here in October 2010 with the catchphrase "a town where people and nature shine." It accepted eight staff members who had been dispatched by various local companies hoping to take part in farming in Hiroshima Prefecture. Agricultural training has been implemented for six months here.

Just as training got under way, 4.6 hectares of abandoned farmland was reorganized, with spinach, cabbage and onions grown there. Harvested vegetables

Structure of the 'profitable farm business model'

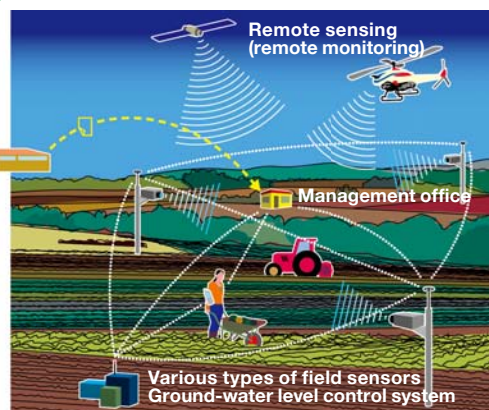


A case of agricultural innovation

Pioneering the use of satellite technologies, helicopters, cameras installed on cultivated land and various types of field sensors, CO₂, sunlight volume, temperatures, soil temperature, moisture, PH value and crop cultivation situation are comprehensively grasped.

Wireless communications link workers with the management offices, thus efficient and real-time management is realized.

"Just in time method" guarantees shipments at fixed times, volumes, quality and price for responding to orders from contracted clients, such as food processing companies.





A group photo of the trainees and staff at a ceremony to mark the end of the first term of the Yanmar Farm



Transplanting cabbage by using a Yanmar-made NAPURA vegetable transplanter



The first cabbage harvest at the No. 1 farm

were sold to the restaurant business and other buyers, and the group personally experienced the flow of agribusiness, from production to retail. Also, they used Yanmar Farm machinery in order to mechanize the harvesting process, which is still largely a manual task, and huge cost savings were realized. Varied agricultural knowhow was gained, such as adjusting production by contracting predetermined production categories and shipment volumes with the buyers.

The gradual accumulation of all this is expected to lead to the construction of a highly profitable agricultural business model, paving the way for the fostering of leaders in agriculture for the next generation.

Aiming to develop and establish a 'No. 6 industry'

The number of trainees increased to 17 from April 2011, while the farmland expanded to 8.5 hectares. The future

will see the establishment of efficient farm management that will pioneer the use of IT technologies, including remote sensing that employs satellite technology (for remote monitoring), field sensors, etc. Among other things, we will work on improving cultivation technology that makes use of production data.

Furthermore, the development toward a "No. 6 industry" has become an issue. This means that the No. 1 (agriculture, etc.) is multiplied by the No. 2 (manufacturing) and then multiplied by the No. 3 (services), which equals the No. 6 industry. This highlights the shift toward an industry that encompasses processing to distribution, and the links among each are tightened to tie into the creation of agricultural goods with high added value.

Perhaps Yanmar Agricultural Innovation Co., Ltd. has started by taking only small steps. But we seek to contribute to the vitalization of Japanese agriculture by creating a hugely meaningful outcome.

Voices of trainees

Tomohiro Yamaguchi

K.D. Fudo Co., Ltd.

I've been taking part in the Yanmar Farm since the first term. There were troubles, such as the weather dominating everything, work not going ahead as I had expected and the soil preventing me from mastering the machinery. I really felt the

difficulties involved in farming. However, from the second term onward I was put in charge of cultivated land. I wondered how I could work with better efficiency and I thought independently. Opportunities for action increased. In the future, I hope to build up more experience and become a fully rounded agricultural manager.

Hikaru Makihara

Select Co. Ltd.

I can sense the day-by-day growth. At first, the cultivated land was in a bad state, and the going was tough. Soil

amelioration was carried out consecutively, and improvements have been made gradually. When I return to my dispatching company, I will want to bring my experiences here to life.

Voices from the field



Takashi Kozako

Senior Manager,
Yanmar Agricultural
Innovation Co., Ltd.

How can farming villages that continue to decline come alive again? How can Yanmar's strengths be leveraged? These feelings lie at the origins of Yanmar Farm. We want to link the company's expertise with farming villages.

The trainees are clear about the objectives and we can feel their passion, as they are dispatched from companies. They seem to have had success after returning to their dispatching companies, and I would like to follow up on them after their graduation.

I think it's important for companies, as well as farming households, to leave behind the good aspects of agriculture that still exist. I think it's important to take on challenges that give new directions.

● **Challenges for the Yanmar Group**

Our unique technologies assist oyster farms destroyed in the earthquake

The oyster farms of Miyagi Prefecture suffered devastating damage in the Great East Japan Earthquake.

Nearly all of the female oysters disappeared before their spawning of eggs. With oyster cultivation, a set amount of female oysters is critical to cultivate oysters, as many of the young oysters, which are needed for oyster cultivation, are produced from cultivated female oysters.

Yanmar is participating in a project to assist in the revival of oyster cultivation in the disaster-affected areas through the mass cultivation of young oysters with its “bivalve mollusk fry production technique on dry land,” which the company has nurtured for many years.

Rejuvenating female oysters lost in the tsunami

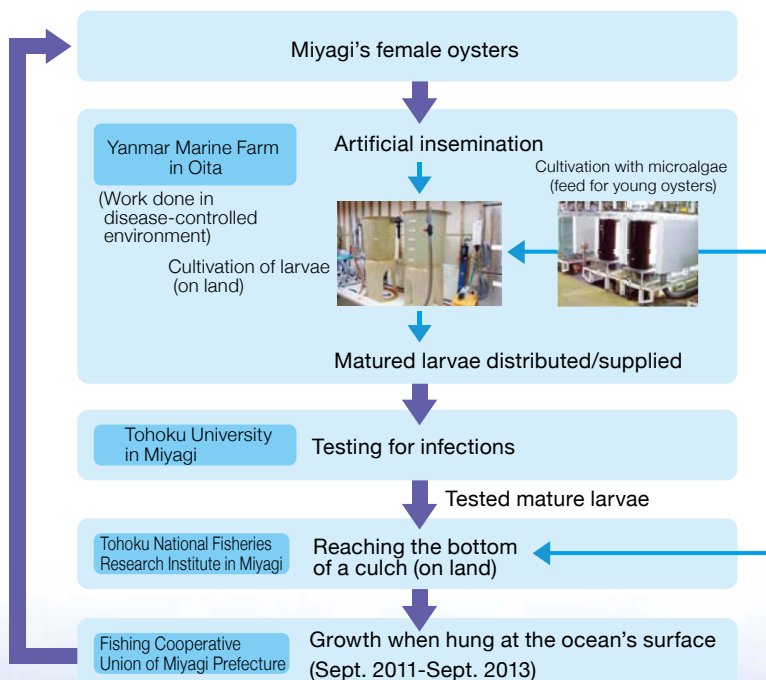
Nearly all of the oyster farms throughout Japan depend on the industry in Miyagi Prefecture for young oysters, which are necessary for oyster cultivation. Female oysters were lost in the recent tsunami, but the very few that managed to survive have been used to produce young oysters artificially. The aim of the project is to continuously protect female oysters produced in Miyagi Prefecture, and several institutions and groups have joined hands to move forward with this aim. They include the Miyagi Prefecture Fisheries Technology Institute, in Ishinomaki, Miyagi Prefecture, Graduate School of

Agricultural Science, Tohoku University, in Sendai, the Tohoku National Fisheries Research Institute, Fisheries Research Agency, in Shiogama, and the Miyagi Prefectural Fishing Cooperative Union in Ishinomaki.

Offering a wealth of expertise for cultivation operations

Yanmar Marine Farm in Kunisaki, Oita Prefecture, has been working on the development of cultivation systems for useful fisheries products, such as clams and oysters, since 1988. The work follows a pattern of taking the initiative in making the switch from fisheries that “harvest” to fisheries that “create and rear.”

● **Assistance plan to recover female oysters**



● **Oyster fry production (2008)**

Nationwide: 860,000 strings
 No. 1) Miyagi Prefecture, 710,000 strings
 No. 2) Hiroshima Prefecture, 150,000 strings

*Source: 2008 statistics of the Ministry of Agriculture, Forestry and Fisheries

● **Volume of oysters cultivated with shells attached (2008)**

Nationwide: 190,000 tons
 No. 1) Hiroshima Prefecture, 9.6 tons
 No. 2) Miyagi Prefecture, 4.5 tons
 No. 3) Iwate Prefecture, 1.4 tons

*Source: 2008 statistics of the Ministry of Agriculture, Forestry and Fisheries



Fishers recover surviving female oysters.



A shipment is being prepared (to be sent off on a tide).



Artificial insemination is carried out at the Marine Farm.

Oyster larvae are needed for artificial fry production. Yanmar Marine Farm has developed a (patented) high-density automatic rearing device for floating larvae that can realize mass production on land for bivalve mollusks whose output is 100 to 150 times higher than by previous methods. We have been participating in this project since June 2011.

At first, undamaged female oysters will be collected from Matsushima Bay, one of the disaster areas. These will be made to spawn eggs at the Yanmar Marine Farm, and large volumes of larvae will be cultivated. Matured larvae will be checked for the presence of viral infections at Tohoku University. Later, they will be attached to scallop shells at Tohoku National Fisheries Research Institute, Fisheries Research Agency, and returned to the sea as fry. Approximately 2,000 strings (one string containing 72 shell pieces) will be cultivated and the safe female oysters of Miyagi Prefecture will grow to maturity.

Aiming for the restoration of safe and fresh ocean resources

According to the Ministry of Agriculture, Forestry and Fisheries, sales of young oysters (fry) in fiscal 2009 were around 870,000 strings nationwide, and more than 80%, or 780,000, were from Miyagi Prefecture. Should female oysters produced in Miyagi not be restored, then oyster production throughout Japan would suffer, affecting our eating habits. However, two to three years will be needed to stabilize the cultivation of young oysters and so time is needed before the fruits of the project can be seen.

Yanmar Marine Farm is helping support the efforts to revive oyster cultivation by offering its unique technologies, so that the ocean resources in the sea off Miyagi Prefecture are made fresh and safe at the earliest possible date.

Voice of an expert

Dr. Makoto Osada

Ph.D (agriculture), professor, Hydrospheric animal physiology Graduate School of Agriculture, Tohoku University



The recent tsunami unleashed extensive destruction to oyster cultivation facilities along the Tohoku coast. This was an urgent matter in Miyagi Prefecture, not just for oyster production for food purposes, but above all, for the revival of fry production that boasts a nationwide share of the industry. Artificial fry are supplied

in huge numbers by Yanmar Marine Farm, which kindly responded from the outset. I have huge expectations that with the cooperation of related organizations, the fry will become active as egg-spawning oysters in the next two years and then every summer.

Voices from the field

Motoichi Kato

Manager of Special Projects, Marine Farm, Solutioneering Department Corporate Secretariat, Yanmar Co., Ltd.



I'm proud that we've been able to take part early on in the restoration of Miyagi Prefecture's oyster cultivation, which received devastating damage in the recent Great East Japan Earthquake. We're cooperating with related organizations and moving forward with the project so that the production levels are promptly restored to what they were before the disaster.

In the meantime, it will also be important to revive the important bivalve resources, such as Manila clams, Sakhalin surf clam and arch shells, believed to have suffered a great deal of damage in the disaster. To address this huge issue, we at the Marine Farm are using high-density bivalve mollusk fry production technology that we have in our possession.

Promoting R&D for next-generation energy from bases in Japan, Southeast Asia and Europe

As the demand for energy expands throughout the world, the question of how to reconcile the stable securing of energy with preventing global warming has become a major issue.

A hint in solving this concerns the view of energy's diversification and its efficient use. In order to investigate cutting-edge technologies that will be part of the next generation, Yanmar is working on research and development that examines "from now on" with a system of three bases throughout the world.

More than 3 decades of research into biodiesel

Research by Yanmar into biodiesel (a resource derived from biological substances such as plants and animals) was started in the late 1970s, the time of the Oil Shock. Biomass can never become depleted, which is to say it is a renewable energy. Compared to light oil, which is used as fuel for our mainstay products, diesel engines, and heavy oil, biomass resolved the energy and environmental problems and was the optimal fuel, as it didn't raise the aggregate amount of CO₂.

The Research & Development Center in Maibara, Shiga Prefecture, was established in February 2000, as a core center for research and development by the Yanmar

Group. Its staff members are working on subjects related to energy and its application. In particular, full-fledged research is moving ahead in biodiesel, as it is a next-generation energy that should be used efficiently to prevent global warming.

What biomass use can lead to

In January 2008, we opened the Yanmar Kota Kinabalu R&D Center Sdn. Bhd. (YKRC) in Malaysia to link with the Research & Development Center and to carry out research and development related to biomass and the effective use of new energies. This was the first time for Yanmar to have an R&D base overseas.

YKRC, which launched its activities in an area said to be



Yanmar R&D Europe S.R.L. in Italy

Research & Development Center in Japan

Yanmar Kota Kinabalu R&D Center Sdn. Bhd. in Malaysia



Research and development at the Yanmar Kota Kinabalu R&D Center Sdn. Bhd. (YKRC)



A demonstration is carried out on a biodiesel generator in the Republic of Mali in Africa.



Dr. Alessandro Bellissima does research and development at Yanmar R&D Europe S.R.L.

a biomass treasure trove, is not only working on research into biodiesel but also on a wide range of other themes, such as development of compatible engines and cultivation of freshwater fish.

It has also developed a biodiesel generator compatible with jatropa oil (South Seas tung oil) whose use is gaining attention as a biofuel that is not applicable for food. Demonstration experiments were carried out in Africa in November 2010 in the Republic of Mali, where a third of the land is the Sahara Desert and which is deprived of environments where electricity can be generated.

While villagers who looked on appeared apprehensive whether the generator would live up to expectations, the engine started to make the correct sound while running. This moment underscored the fact that jatropa oil can be used efficiently as a fuel.

Developing products the world wants

Yanmar R&D Europe S.R.L. (YRE) was established in June 2011 in Florence, Italy. This allowed for the construction of an R&D system that ties together Japan, Southeast Asia and Europe, whose shared theme is the efficient use of energy.

Through links and cooperation with local universities and research organizations, YRE will be engaged in research and other activities related to renewable energy networks, industrial design and electric and hybrid systems. Furthermore, the results are to be shared in Japan as well as at Yanmar's global R&D bases, and there are plans to develop products that the global market requires.

In the future as well, Yanmar will leverage this global R&D system and contribute to environmental conservation through its development in renewable energy and clean engines, which are friendly to the Earth.

Voices from the field



Shuji Shiozaki

President,
Yanmar R&D Europe S.R.L.

The slogan of Yanmar R&D Europe S.R.L. is "Opening an Innovation Platform in Europe." This puts into words the idea that local universities, research organizations, companies and a large number of people come together as one to nurture leading technologies, widespread information networks and outstanding researchers, with YRE as a platform.

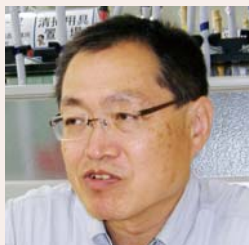
In Europe, there is a high level of interest in the environment and energy issues. Here in Italy, a large number of demonstration projects for a low-carbon society have

gotten off the ground, such as "smart cities." In addition, electric vehicles continue to be used on the streets of Florence, and recharging stands are installed here and there.

In such an environment, we want to move forward with research on future technologies in Yanmar's mainstay fields, such as energy conversion and operation controls of working machines. All of these will widen the stage throughout all of Europe of the Opening an Innovation Platform, and I would like to give feedback on its successful results.



We work hard every day to earn the trust of our customers



Yoshiaki Matsunaga
 Planning Group,
 Quality Assurance Dept.
 Large Power Products
 Operations Div.
 Yanmar Co., Ltd.

Feeling the ongoing evolution of our ISO9001 activities

This year marks the 19th year since the Large Power Products Operations Division acquired the ISO9001 (quality-management system) certification. My senior colleagues tell me the goal was originally to maintain that certification. But now, work at each of the departments, offices and workplaces meets the requirements

of the ISO9001, and so our activities have been aimed at a high level of performance, such as forging direct links to customer satisfaction by continuous improvements.

On the individual level, I'm constantly thinking about how to harmonize my daily duties with the quality-management system.



Shinya Kawashiri
 Fundamental System Development Dept.
 Engineering Development Dept.
 Tractor Operations Dept.
 Agricultural Machinery & Equipment Div.
 Yanmar Co., Ltd.

My motto is 'attentive design'

As tractors are end products, I keenly feel the satisfaction levels of our customers. Therefore, what I feel is that good design is not only about multiple product functions, but it also lays emphasis on improved maneuverability even beyond customer expectations.

We're continuing our "attentive design" so that customers will always say, "It was a good thing I bought a Yanmar tractor."



Ryoji Uchida
 Administration Group, Oomori Plant,
 Manufacturing Management Dept.
 Power System Operations Div.
 Yanmar Co., Ltd.

Always feeling the tension of a job related to quality evaluation

Fuel injection pumps made at the Oomori Plant, have a big influence on engine performance and are called the heart of a diesel engine. We're aware that we produce a core engine component, and the Oomori Plant is striving toward quality improvements and environmental conservation through quality circles and YWK (Yanmar Way by Kaizen) activities.

I am at all times aware of the importance of constant improvement and I put it into my daily work duties, to give my personal contribution to the creation of an enterprise with loyal customers worldwide.



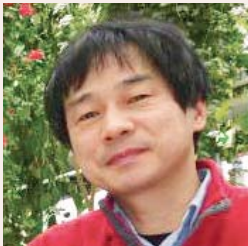
Shinnosuke Kato
Yanmar Marine System Co., Ltd.

Placing importance on the relationships with our customers

The relationship with customers starts from the time they decide to use Yanmar engines. But until the engine's role has been fulfilled, we take care of everything, including boat maintenance. An engineer's role is important, as a fishing expedition can be ruined if a single instrument fails to work.

We do maintenance for them every year, but even so in times of

accidents we will rush to the site, holiday or not, day or night. With the motto, "We won't let our customers be idle tomorrow," we strive to respond quickly to earn the trust of our customers.



Kazuo Kurata
Planning Group,
Quality Assurance Dept.
Power System Operations Div.
Yanmar Co., Ltd.

Customers' comments offer important information

Once a year, a customer-satisfaction survey is carried out for operating machines on manufacturers in Japan and overseas, and we receive an evaluation. The score is the major part of the survey, but for us, the comments from customers are the important thing. We are told "what is being requested now," and I think it's important to convey these comments as information accurately within the company.

The nature of customers' requests is also shifting, following the diversification of purposes and utilization environments. I would like to see the survey's scope expanded in the future so that we can provide satisfaction to customers throughout the world.



Akiko Hirose
Marketing Group,
Corporate Planning Div.
Yanmar Co., Ltd.

Aiming to create a website at the customer level

I'm always thinking about using the website from the viewpoint of the customer, rather than from the view of an employee. When your perspective changes, you usually start to see things you didn't realize before. I invariably do my work this way, as the web has become a place where the creator provides his or her information unilaterally. One of the web's shortcomings is the feeling of unease that emerges as a result, and that has

become a hint in improving it.

I'm aiming to create a website that can help solve our customers' problems.

Quality is our 'bond of trust with customers.' True to this motto, we strive to reinforce our partnership with customers.

Efforts to improve quality

The Yanmar Group sees quality as a bond of trust with its customers. We are aiming at "a transition toward a customer-oriented business model." Each employee, through their own work, strives to earn the full trust and satisfaction of customers by providing prompt and suitable services, day in, day out, as well as the highest quality and the most reliable products in the industry.

In 1968, we were the engine industry's first winner of the Deming Application Prize, in recognition of the company's commitment to quality management across the company as a whole, a program that has borne remarkable results. Since then, Yanmar has planned to maintain and raise standards of Total Quality Management (TQM) as well as implementing measures to improve the quality standards of our products by all Yanmar employees, through activities such as QC circles, etc.

Moreover, at each stage of product planning,

development, manufacturing, sales and after-sales service, etc., Yanmar has implemented systematic activities aimed at confirming product safety and quality.

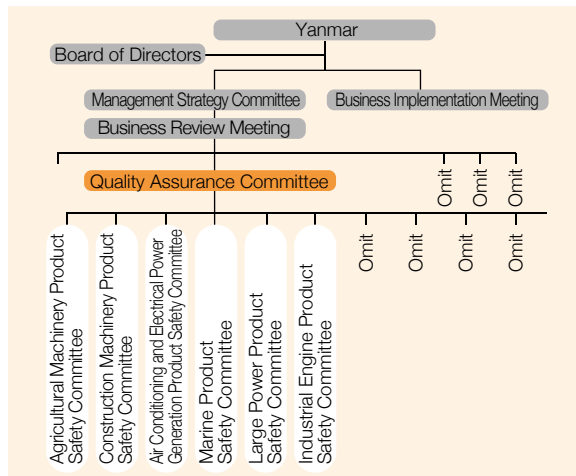
In particular, the issue of safety, both at home and abroad, is not merely about adhering to laws and regulations. Yanmar has also established its own internal safety standards, undertaking risk assessments that look to evaluate hazards before they occur, as well as design reviews that examine product design from a variety of perspectives. In these ways there are strict checks on both product quality and safety at each stage of new product development.



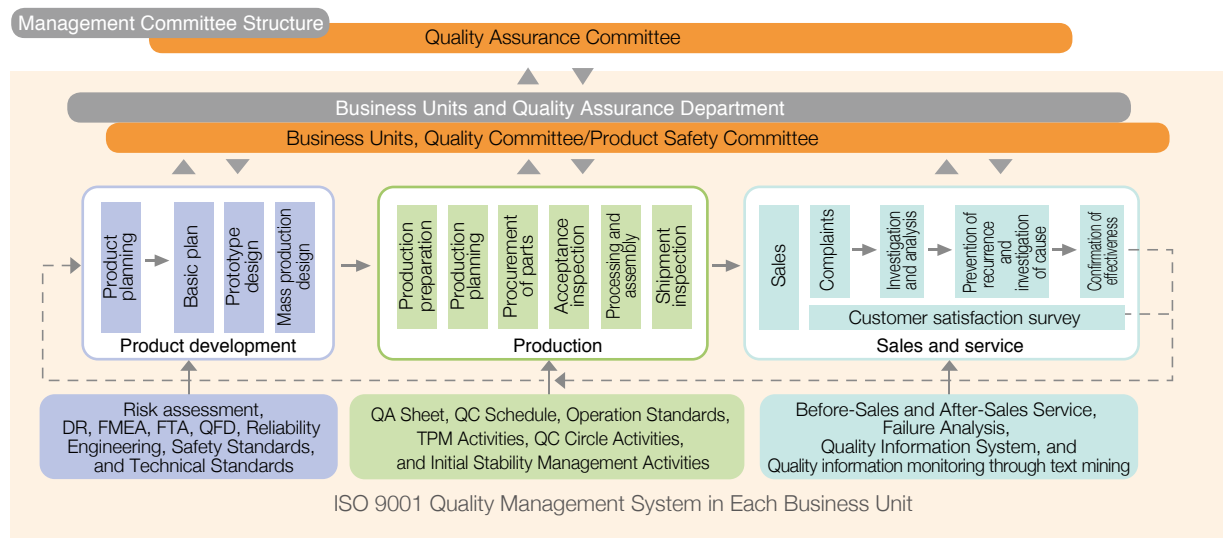
Our quality assurance system

Yanmar is engaged in the integration quality assurance activities in all stages of business activities, ranging from the planning and development of products to production, sales and service, with the quality assurance department of each business unit* serving as the general contact. Every business unit has a Product Safety Committee in place to ensure product safety. The entire Group is being monitored for quality assurance by the Group-wide Quality Assurance Committee. We have also obtained ISO 9001 certification at 28 units, including some overseas.

*The collective name for operations divisions (Power System Operations Division, Large Power Products Operations Division, Agricultural Machinery & Equipment Division, Marine Operations Division) and business companies (Yanmar Construction Equipment Co., Ltd., Yanmar Energy System Co., Ltd., and Kanzaki Kokyukoki Mfg., Co. Ltd., etc.)



Yanmar's Quality Assurance System



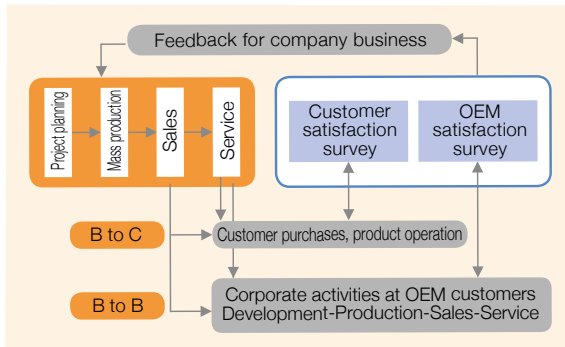
After-sales service

Carrying out a 'Comprehensive Customer Satisfaction Survey'

Yanmar is striving to improve the level of its after-sales services by undertaking an annual questionnaire survey of customers to find out their thoughts on Yanmar's business, services and products as well as issuing certificates of free inspections of products and service records, etc.

In particular Yanmar undertakes a "Comprehensive Customer Satisfaction Survey" of the customers that have purchased agricultural machinery. In addition to reflecting opinions and requests to the company found in the survey on the planning and development stage of new products, Yanmar also strives to improve and bolster its services and sales accordingly.

Customer Satisfaction Survey



Response Situation to Customer Inquiries at the Customer Center

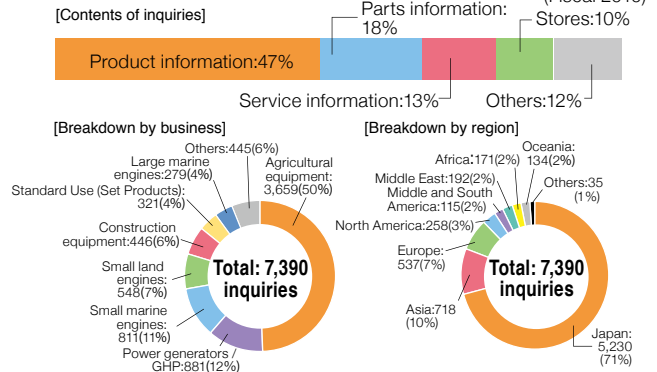
Yanmar has reacted to revisions to the Consumer Product Safety Act and other changes that have increased demands with regard to product safety by expanding the scope of its Web and intranet technical information systems (YTIS^{*1}, e-Claim^{*2}, etc.) in order to be able to respond rapidly and appropriately to accidents involving Yanmar products, claims and complaints. Yanmar is also establishing internal systems, such as a Customer Consultation Office. In addition, we actively provide the relevant authorities^{*3} with information on accidents.

^{*1} YTIS: Yanmar Technical Information System (in Japan)

^{*2} e-Claim: overseas warranty handling system

^{*3} Ministry of Land, Infrastructure, Transport and Tourism, Consumer Affairs Agency, Ministry of Trade, Commerce and Industry, Ministry of Agriculture, Forestry and Fisheries, etc.

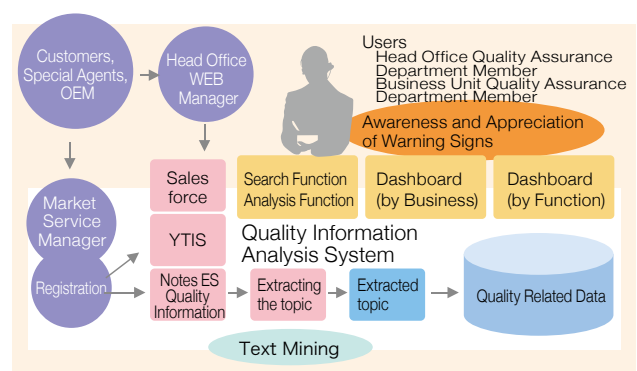
Response Situation to Customer Inquiries at the Customer Center



Constructing a quality information analysis system

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

In the event of a clear problem related to quality, once all of the information related to this issue has been analyzed, each business department in charge will be issued with the relevant information and their attention will be directed to the issue.



Enhanced response to recalls

In case a problem arises affecting products purchased by customers and action is judged necessary, Yanmar will swiftly implement appropriate actions, including the recovery, repair, inspection or replacement of products with customer safety and damage prevention as top priorities. In case of a recall, we shall notify the relevant organizations^{*1} and disclose this information in recall notices in newspapers and on our website to improve our compliance with the recall rules.

Important News on Quality (Japanese Only)

<http://www.yanmar.co.jp/important/index>

Number of Recalls in Japan^{*2}

FY	2006	2007	2008	2009	2010
Number of recalls	2	6	1	8	7

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

^{*2} Number of reported cases of product recalls based on Land Ministry recalls, improvement measures and the Consumer Product Safety Act.



Building a strong, close relationship centered on an affiliation based on feelings of mutual trust

Fundamental purchase policy

The Yanmar Group ensures thorough compliance with “value, quality and delivery time,” the basic functions of procurement service, on a global level and with strategic Group-wide purchasing. We also

collaborate with suppliers in environmental conservation efforts and other activities in order to meet social needs from a long-term standpoint.

■ **Reinforcement of Partnerships**

From a long-term perspective, we promote the deepening of mutual understanding and trust with suppliers.

■ **Stable Supply**

We audit suppliers in terms of their management situation, productivity, risk avoidance system and supply from overseas bases, provide the necessary instructions concerning those matters, and promote partnerships with suppliers to ensure the stable acquisition and timely delivery of materials and parts from those suppliers.

■ **Quality Assurance**

We aim to ensure the appropriate quality of parts delivered by suppliers by taking various actions, including quality audits and guidance to suppliers, a quality committee, the initial stable management of new products, and implementation of the Quality Priority Management System* and Quality Control Excellent Certification System.

* Quality Priority Management System: System to provide special quality instructions every year to suppliers with low-rated quality evaluations.

■ **Cost Reduction**

We set up cost targets and target cost reduction with this in mind.

■ **Legal Compliance**

We comply with social norms, laws, regulations, and their spirit and ensure thorough compliance with security protection.

Purchase policy briefing

The Yanmar Group engages in various forms of communication in order to deepen mutual understanding with its suppliers.

A purchase policy briefing is held at the beginning of every year at seven locations for our major suppliers to explain the policies for the entire year and the mid-term. On February 2011, we established cost-reduction targets for the period 2011-2015 (5 years). In order for the entire Group to fulfill these targets, the suppliers were encouraged to propose various ideas for cost reductions and help us together to make a difference in terms of improvements in



product functions, sharing of parts, and enhancement of productivity.

Parts supply following the Great East Japan Earthquake

The delivery of some specific parts from our suppliers located in the area affected by the disaster were delayed, but thanks to the cooperation of our suppliers we have been able to secure a stable supply of parts 2 months after the disaster struck.



Supporting suppliers' efforts for improvement

The Procurement Department of the Yanmar Group selects several companies each year on the basis of Q (quality), C (cost), and T (time) and provides instructions for improvement.

Since 2007, we have been promoting YWKS activities to enhance the constitutional improvement of suppliers to reinforce partnerships with them. We made efforts for “quality improvement,” “productivity enhancement,” and “inventory reductions.”

Activities with YWKS
(The Yanmar Way by Kaizen with Suppliers)

These activities expand the YWK to suppliers. YWK (Yanmar Way by Kaizen) activities are ongoing improvement activities conducted by the Yanmar Group and specifically include efforts to reduce defect ratios and achieve lead time and production cost reduction at seven divisions and 17 plants in Japan.



Yanmar Agricultural Machinery Retailers Convention

On January 19 and 20, 2011, the Kobe Portopia Hotel was the venue for the 2011 Yanmar Agricultural Machinery Retailers Convention.

The first part of the Convention was the 2010 Give Thanks Stage, where Takehito Yamaoka, the President of the Company, gave a speech on the concept of Solutioneering and how Yanmar can become “a company that solves problems” as well as how Yanmar is putting efforts into striving to become “the most trusted partner for people involved in agriculture in Japan.” Then Executive Managing Director Nakane went on to reveal the Company’s new slogan: “Meeting the Challenge of Evolving Agriculture – Create, Get Active, Make Value for the Future.” Then followed the presentation ceremony and the award of the gold cup and the gold badge to the year’s outstanding retail agents.

The second part of the Convention was the presentation of Messages for 2011, whereby two companies selected as representatives of the retail agents attending the Convention delivered their messages and greetings, such as the message from Suzuki Nouki Agricultural Machinery from Iwate Prefecture; “Retail agents and Yanmar need to come together in a way that’s never been done before in order to deliver on our goals in time for the 100th anniversary of Yanmar” and the message from Fukushima Nouki Agricultural Machinery from Okayama Prefecture: “We need to adapt our services to match the condition of the customer’s business,

expand our service businesses, and employee training: these are the important areas of our activities going forward, so we need to keep the following five feelings close to our hearts: motivation, determination, strength, courage and perseverance.”

A relationship built on mutual trust between Yanmar and its business partners, such as retail agents, and these close relationships are of vital importance to the company going forward.

Moreover, at the Convention venue Yanmar showed off its new products for 2011, including its first-ever 100 horsepower ultra-large size tractor with half crawler specifications, combines, ride-on rice transplanters, feeder combine balers, NAPURA systems and tillers, etc., as well as panels explaining trends in agricultural administration and booths introducing examples of solutioneering, both of which caught the attention of visitors to the Convention.



Communication with overseas agents

The Yanmar Europe Distributors and Dealers Convention was held in Verona, Italy, in March 2011 with 73 participants from 29 countries in attendance.

At the Convention, presentations focused on the new exhaust gas emissions regulations (EC Stage 3B/EPA Tier 4) that would be implemented in 2012 and the new type of common rail fuel injection engine that complies with the new rules. All of the distributors and dealers were active in sharing opinions with and deepening the bonds between attendees.





Moving forward with human-resource development to pass on technical skills to the next generation

Building a system that strengthens the manufacturing base

Yanmar uses its forte of engineering while actively fostering human resources who can offer “Solutioneering” to solve the issues and problems of our customers. We are also building a structure within the company so that technical skills can be accurately passed on to the next generation. We are aiming to strength the foundation of safe and high-quality manufacturing.



● Offering global services through our mechanics licensing system

The Yanmar Mechanics Licensing System has been implemented since 1990 to provide uniform services to all of Yanmar’s customers as an index of the staff members’ technical levels. The qualification has received certification from the Minister of Health, Welfare and

Labor of Japan. To date, more than 4,700 people have been certified as mechanics under the system, with a rising number of people at local companies in China, South Korea and Thailand taking the certification exam, and it has become a global standard for technical levels.

● Voices from the field

Masaru Hojo

Yanmar Agricultural Equipment Sales Co., Ltd.

Fiscal 2010 National Prize Winner Level 1, Yanmar Mechanics Certification



A single question from the branch manager — “Are you taking the exam?” — prompted me to aim for Level 1 of the exam. I had the strong feeling that “if I’m going to take the test, I’ll pass it anyway.” After going through the question book many times, I was able to figure out hydraulic and electrical circuit diagrams better than before, and it also became easier to imagine machinery structure. I think

the Yanmar mechanics exam offers the chance to gain knowledge that can’t be gained through practical experience. Next, I intend to tackle Yanmar’s large-scale machinery licensing exam. I’ll work my hardest, because hearing a customer say, “Thank you” makes me feel that it’s all been worth it.

● Helping people headed for the National Skills Competition

We are encouraging people to participate in the National Skills Competition, where Japan’s most skilled workers compete, with the aim of stimulating a workplace atmosphere where skills are passed on and then tackled. Ahead of the competition, an In-house Exchange Competition was held (in Sept. 2010) for participants to

determine their own skill level and to create a sense of unity by mingling with fellow participants, followed by an Exchange Meeting (in May 2011), where competitive skills were practiced with workers from other companies. We are actively supporting participation in this event.

● Voices from the field

Yuki Mizuta

48th National Skills Competition participant

Quality Control Dept. Large Power Products Operations Div. Yanmar Co., Ltd.



The subjects were announced three months before the event, and then we trained on practical skills (on the lathe). The point was, “To what extent can we process efficiently in a short period of time?” But that also raised the question of how a good product could be made within the determined time. We learned important things, like

always having ambition and facing up to your work. As a participant, I would like to tell my junior colleagues in the future not just about technical skills and technology but also the frame of mind and other characteristics of a skilled worker.

● Passing on Yanmar's established technical skills at a training center

The Power System Operations Division established a training center in 1998, based on the idea that, "The source of a company is how it builds people." The division has been widely implementing specialized technologies and skills education in line with each type of vocation and rank of employee, including education in basic technological skills, which workers take for a one-year period after they join the company. People with matured skills are employed as instructors. They transmit Yanmar's special technologies and skills to young employees who will be in charge of manufacturing sites in the future, and they are working on fostering human resources that support Yanmar's manufacturing.



Promoting diversity management

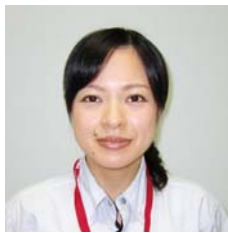
NEW

Yanmar is promoting diversity management involving human resources, regardless of gender or age. In particular, we are actively supporting career formation for women.

We implemented the women's career development seminar (basic) in May 2011, in which 17 female career-track employees, who were in their third to fifth year since being hired by us, participated. The lectures covered such topics as introducing personnel systems that support women, talks from senior employees and executives and the "planned happenstance" theory by outside lecturers.



● Voice of a participant



Azumi Iwai

General Affairs Group
Research &
Development Center
Yanmar Co., Ltd.

I took this training during a period when I experienced the life event of marriage and then had trouble balancing home and career. I was aware of the company's active efforts and of a support system within the company, and through talking with senior co-workers, group work and exchanges with people who shared the same ideas as I had, my anxieties drifted away

and I started to have specific objectives. In the future as well, I'll actively expand the scope of my work with the motto "Before getting worried, give it a try!" I want to be a female manager so that I can also serve as a role model.

● Voice of a participants' manager



Hiroyuki Fuke

Manager
General Affairs Group
Research & Development
Center, Yanmar Co., Ltd.

There are still only small numbers of women in career-type positions. However, I think it's important that they participate in training like this and meet people with the same objectives as theirs and that their aspirations toward a future career become more crystallized. I also think that taking the training and being able to verify both the shortcomings and advantages of

their own abilities will be a plus for their future jobs. I think there are a lot of barriers in their career-advancement path, but I hope they work hard in the spirit of challenge with the aim of becoming business executives of the future.



Flexible systems available for respect for employee diversity.

Basic policy toward personnel

In order for Yanmar to survive amid global competition, we want to build up not just our products but also our human resources, called “true Yanmar

employees,” through recognizing the need for each of the organizations and individuals to grow in strength.

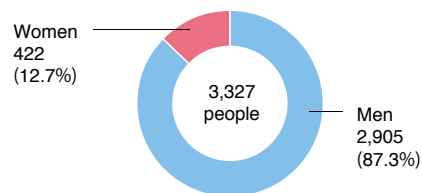
- In addition to securing, training and deploying the personnel we need to realize our corporate mission and corporate strategy, we are looking to maximize the passion our employees have for their work as well as the capabilities of the employees of the Yanmar Group through motivating them in their activities towards realizing our mission.
- With the aim of increasing the degree of satisfaction felt by employees of the Yanmar Group, we are looking to manage the company in a fair and just manner with due consideration for the work–life balance.

Employing diverse human resources

Yanmar is engaged in activities with the goal of “securing professional human resources who can work globally, regardless of nationality, gender or age.” In order to maintain diversity among employees, we are actively and continuously employing foreigners and women for regular positions, in addition to new graduates and mid-career employees.

As we continue to expand employment opportunities for persons with disabilities, we are also taking steps to increase the rate that disabled employees stay at the company after they have joined Yanmar.

● Number of Employees at Yanmar Co., Ltd. (As of March 20, 2011)



Global talent development

Yanmar is supporting systems of skill development throughout the Group with the view of nurturing human resources who are suited to the expanding realm of global business.

In addition to training basic skills at factories in

order to bolster our manufacturing power, we are also conducting education aimed broadening our employees’ characters, through such programs that encourage the teaching of knowledge in related fields of business.

Flexible as well as systematic deployment of human resources

We deploy and exchange our human resources flexibly and systematically. Apart from regular personnel changes, Yanmar has also introduced a “personal reporting system concerning changes,” by which the people concerned directly report their desired changes to the human-resource offices; the “Yanmar Dreams Come True Program,” an in-house recruiting system; and also the “Career Development Program,” which is a skills-development program that systematically nurtures human resources who possess broad perspectives as well as high levels of knowledge about their profession.

resources capable of successfully contributing to customers’ problem solving.

Nurturing human resources capable of business on a global scale

We are engaged in training and fostering human resources capable of performing on a global stage, starting with personnel exchange programs with our offices overseas, and through language training programs, training for overseas business skills (such as programs in English composition, giving presentations and engaging in negotiations in English, etc.), and training for foreign postings (problem solving, overseas risk management training, etc.).

Nurturing human resources capable of thinking proactively from the position of the customer

Yanmar offers opportunities for skill development, through such things as “(basic) engineer education,” “selective workshops (“Challenge Seminars”)” and “correspondence education,” in order to train human

Nurturing human resources responsible for management

We have established the Yanmar Management School to improve management skills of human resources who will be tasked with corporate management responsibilities in the future. We also support skill development for overseas communication, leadership and other subjects.

Work-life balance

Supporting a Balanced Life Between Work and Family

Yanmar is striving to create a workplace where employees can continue to work with peace of mind, where they are making the most of their abilities both at work and at home, through solid systems that provide time off work for people raising children and providing nursing care as well as a system of storing up paid leave days. Moreover, we are introducing a

system whereby women that leave their jobs due to marriage or childbirth can return to the workplace.

Flexible working practices

In order to achieve a better work-life balance and to improve efficiency at work, some sections of our research and development and staffing departments have implemented a flextime system and a system of flexible working hours.

Promotion of health improvement

Yanmar implements the following health-promotion measures that involve regular health checkups:

Mental health care

- ① Mental-health training
 - Training sessions for those in high-level leadership positions (which include a broad explanation of mental health and self-awareness and awareness by surrounding people).
- ② Lectures on health
 - Lectures (once a year at the Parent Company) by Dr. Kondo of the Industrial Medicine Kondo Clinic

Health Management and Promotion Committee

- Formed by members of the health insurance union, the personnel and labor affairs section, the business headquarters general affairs section, and labor union members.
- The Committee holds meetings on health-related matters such as periodic medical checks and measures to mitigate “metabolic syndrome.”

Labor-management relationship

Yanmar maintains a stable relationship with the Yanmar Labor Union and the Yanmar Employee Union, and engages in periodic negotiations and discussions on the workplace environment and employee working conditions, etc.

We also have the opportunities to explain and discuss the financial conditions of the company by holding meetings to explain the corporate condition and other labor-management meetings, etc.

Occupational health and safety

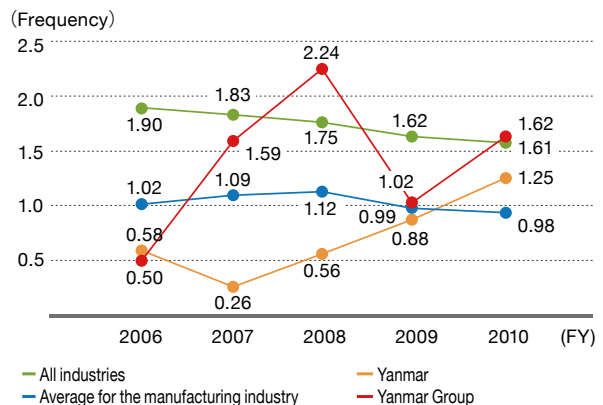
Each plant at Yanmar utilizes its own management system since the working environment differs from plant to plant.

Each plant has a health and safety committee that works towards reinforcing health and safety management through organizing health and safety patrols, etc. as well as planning the thorough implementation of health and safety practices in the workplace, in addition to education and training seminars and workplace-based training to improve accident and disaster prevention.



Safety Patrol at the Tsukaguchi Plant

Occupational Hazard Statistics



* Frequency: Fatalities or injuries per one million working hours

* Subject period: From January 1, 2010, to December 31, 2010

* Two companies were added in FY 2007, namely Yanmar Casting Technology Co., Ltd. (casting) and New Delta Industrial Co., Ltd. (fabrication and assembly). The increase in the frequency of accidents since fiscal 2008 has been attributed to the effect of 2 companies.



Making social contributions in various ways that bond us with regional communities

Supporting the Umeda Honey Bee Project

NEW

Yanmar is supporting the Umeda Honey Bee Project, which got under way from September 2010, based on a proposal from Yanmar employees. In March 2011, three beehives were placed on the roof of the Yanmar Osaka Head Office and then the beekeeping began.

By telling large numbers of people about bees, as part of the ecosystem's cycles and urban greenery promotion, we are proposing to work together with people in the region to raise awareness over harmony between the city

and the natural environment and biodiversity conservation.

Yanmar employees are also taking part in collaborative events in connection with the project, and this is also leading to an activation of communication within the company.

The Umeda Honey Bee Project
Website: <http://ume-pachi.jp/>



Voices from the field

Gou Matsumoto

Manager
Planning Group,
Corporate Secretariat,
Yanmar Co., Ltd.
Representative
Umeda Honey Bee Project



Various changes have taken place among us and also on the streets since the honey bees started buzzing through the air of the downtown Umeda district. Bees are called the living embodiment of an environmental index. Their tiny and weak existence plays an important role in the natural world. Their sweet

honey is a product of a lot of hard work. The bees remind us of the issues of the expanding urban environment, agriculture and food. This project has a face with roots in the region and relationships with a visible face. We want to tell the children, who will be leading the next generation, the importance of this.

Voice from the community

Naoyuki Fujiwara

Chairman
Tsuruno Chaya Club
(An organization for the urban development of Chayamachi-Tsurunomachi)



When I first heard about the honey bee project I thought, "Beekeeping in a city like this?" But upon hearing the passionate

explanations and learning about the enthusiasm of the people in charge, I now want it to be an absolute success. For the last three years, we've been doing activities to add color to the streets of the Chayamachi area of Umeda in downtown Osaka, which are associated with rape blossoms. I think that the collaboration of the blossoms and bees in addition to the cooperation between the community and companies have an immense significance. I hope

these activities will be expanded.

I would like the streets of Chayamachi to become scented with flowers and nectar, in order to play an environmental role and link in with the activation of regions. Nurturing living things may well be an important thing, so I ask that everyone involved do their best on these efforts. In addition, I want to send a cheer to all those bees raised in the city.

'Traveling Vegetables Class'

The Yanmar Hobby Farming Shop (Osaka) staff go to local elementary schools to conduct the "Traveling Vegetables Class." As this activity is part of a class in food education, pupils and teachers come together, and without charge we guide and support them in a series of farming operations, from tilling to planting and harvesting.

During fiscal 2010, approximately 2,100 people from 30 schools participated. For fiscal 2011, we had plans for 33 schools (with 2,300 people), including kindergartens and elementary and middle schools, and already approximately 1,100 children and teachers from 19 schools have taken part (as of the end of June).

We plan to continue this activity in the future to contribute to the community.



A "Vegetables Classroom" session takes place at Minoo Minami Elementary School.

Aiming to rejuvenate abandoned farmland and participating in hometown development

NEW

The Yanmar Group is working on ways to invigorate the countryside by rejuvenating abandoned farmland, whose total area continues to expand.

The Solutioneering Department of the Corporate Secretariat, Yanmar Co., Ltd. is participating in the Village Creation Council in Takawa District, Nishi-ku, Kobe. It is also planting rice and vegetables, as well as flowers that add to the scenery, on land that had been abandoned.

Many of our employees are involved in the farm work and related events.

In November 2010, we received a letter of appreciation from the Council for our assistance.



Cosmos Field



Harvesting ancient rice



Staff members display a letter of appreciation.

Aiming to be a company rooted in the community Yanmar — contributing to society through various activities

Activities to lend support following the Great East Japan Earthquake

The enormous earthquake that struck on March 11, 2011 caused significant and widespread damage to our customers' agricultural fields, fishing boats, fishing port facilities and power station facilities, etc. across a wide area ranging from the Sanriku coastline down to the Pacific coastline. Over 10 Yanmar Group locations in Tohoku including northern Kanto area sustained catastrophic damage due to the earthquake, tsunami and ground liquefaction, etc.

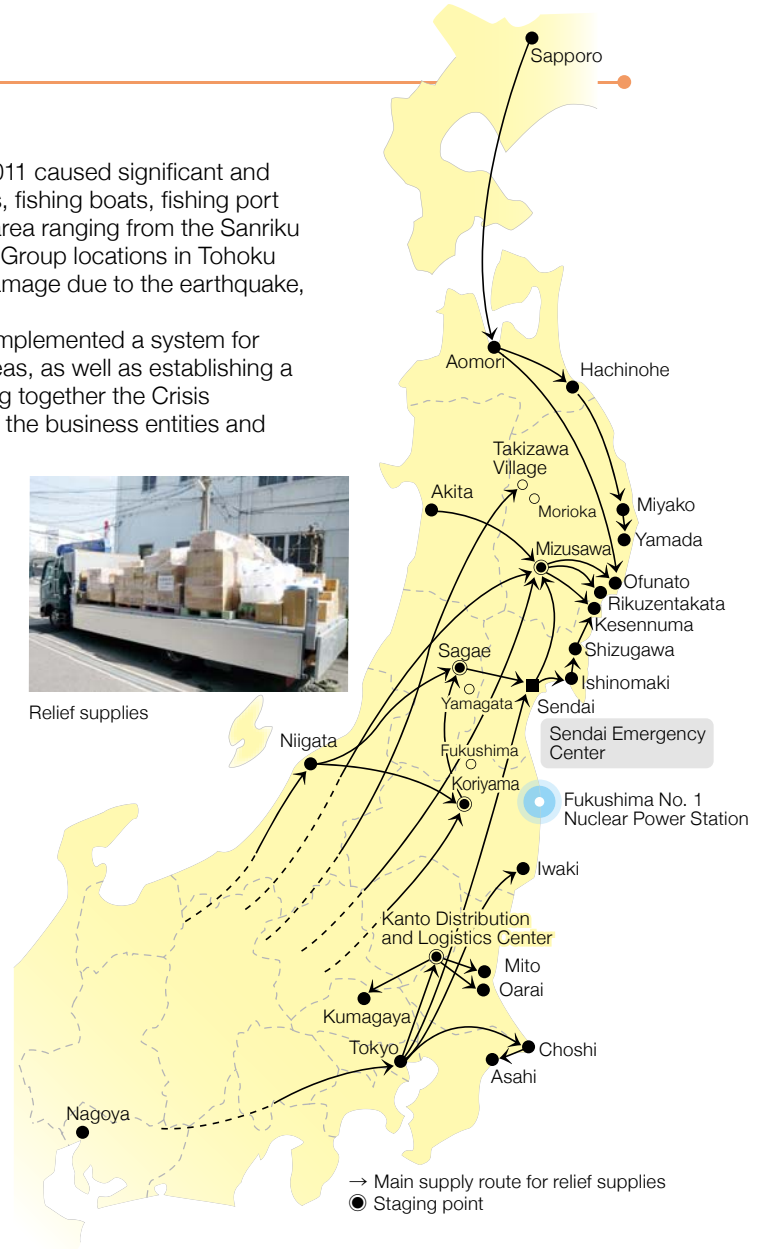
Immediately after the earthquake, the Yanmar Group implemented a system for confirming the safety of its employees in the affected areas, as well as establishing a Emergency Center at the Yanmar Head Office and calling together the Crisis Management Committee to decide on a response. All of the business entities and companies that make up the Yanmar Group came together as one to create a plan of activities to lend support following the disaster, such as the procurement of relief supplies, mainly the goods required for daily life and fuel for automobiles, as well as means of transportation and collecting information on possible transportation routes in order to deliver these supplies to the affected areas. It is expected that it will be a long time before these areas can be returned to their original condition, including our customers and our special sales agents and appointed stores. Going forward, the Yanmar Group, on both a corporate and non-corporate level, plans to continue its unwavering support to the recovery efforts and activities in the affected areas.



Relief supplies



Emergency Headquarters



Main disaster relief activities in the affected areas

Activities	Content of Activities
Donations	Donations channeled through the Central Community Chest of Japan
Generators, construction machinery, etc.	100 generators provided to Iwate Prefecture free of charge
Money raising activities by Yanmar Group employees	Money raised voluntarily by Yanmar employees
Money raising activities by Cerezo Osaka	Players and manager of Cerezo Osaka collecting money at the stadium, in front of the Yanmar Headquarters building and in various locations around Osaka City
Money raising activities by Yanmar overseas affiliated companies	Yanmar local offices, reached out to distributors and dealerships for donations
Use of rice from the affected areas (produce of Fukushima Prefecture) in the canteen	With the aim of supporting farmers affected by the disaster, rice from Fukushima Prefecture is used in the employee canteen at the Osaka Head Office
Dispatching workers to support relief activities	Each company in the Yanmar Group engaged in activities to repair or restore agricultural equipment and engines damaged by the disaster (from the end of March to May)

Saving electricity consumption following the Great East Japan Earthquake

Based on requests from national and local governments and power companies to reduce the amount of electricity we consume, the Yanmar Group set a target to save electricity consumption for each business location during the summer. (Working hours

in factories were changed, production line settings were changed to allow them to run on less power. In Yanmar offices the air conditioning, lighting and office equipment, etc. was set to run on less power and the "cool biz" rules were implemented earlier than usual.)

Reinvigorating agriculture

Yanmar student essay contest

Since 1990 Yanmar has held an annual thesis and essay contest and awarded prizes for the best compositions from students who are encouraged to express their ideas about the future of agriculture and agricultural communities in a free manner. The theme for 2010, the 21st year that the contest has been held, was “Agriculture Changes and Agriculture Responds. Now Lay the Groundwork for the Future. ‘Food’ That Nurtures Life, ‘Agriculture’ That Produces Foods, and ‘Farming, Mountain and Fishing Villages’ That Protect the Environment.”

Submissions were sent in from all over Japan, with 84 theses and 369 essays making up the entries. The winning entry in the thesis section was submitted by Hiroshi Takema, a 2nd year graduate student on the Agricultural Graduate School program at Shinshu University, titled *Irregular Vegetables – Debunking the Myth That Curved Cucumbers Won’t Sell* and the winning essay was penned by Issei Inoue, a freshman student on the Pig-Breeding Course at the Kagoshima Prefectural College of Agriculture, titled *Passing the Baton of Life to the Next Generation – Pouring All Our Passion Into Pigs*.



Presentation Ceremony for the 21st Student Essay Contest (Commemorative photo of essay participants)

Children’s picture exhibition

Yanmar wants to help children discover the wonder of rural life, as well as having more of an interest in the land and the sea. The National Federation of Land Improvement Associations holds a painting contest for children based on theme of “Rural life: rice paddies and streams” and in 2010 (the 11th time that the contest has been held) there were 10,075 entries of which 18 were awarded prizes, 106 were officially selected and 69 were awarded prizes from regional organizations. The Yanmar Prize went to Ryo Matsushita (a sixth grade student at Ikeda Elementary School, Miyoshi City, Tokushima Prefecture) and his entry, titled *Bite into a Tomato!!*



Bite into a Tomato!!
– Ryo Matsushita from Tokushima Prefecture, winner of the Yanmar Prize



TOPICS

The Yanboh Marboh Weather Forecast service

On June 1, 1959 – National Weather Day – Yanmar started the Yanboh Marboh Weather Forecast service, just as Japan began to embrace the television age. For people involved in agriculture and fishing, the weather forecast is vital information. The service started to provide our customers with this information. Essentially unchanged for 52 years, the weather forecast has remained a constant in our lives for people in living rooms up and down Japan.





Support for sports

Supporting the activities of Cerezo Osaka (J League)

Yanmar supports the activities of the Cerezo Osaka J League professional soccer team as an operating organization for the team together with Osaka City and leading companies as part of our effort to help promote sports culture in the local community.

Cerezo Osaka contributes to the promotion of local sports by holding soccer lessons at local elementary schools and participating in events. The team also participated in various fund raising activities in a number of locations in Osaka City to support relief efforts following the Great East Japan Earthquake as well as playing in a charity match, with proceeds going to the recovery effort in areas affected by the disaster.



Foundation activities – education support

Yanmar's first president Magokichi Yamaoka established the Yamaoka Education Foundation in 1950 to develop human resources capable of contributing to world peace and prosperity and cultural improvement. Magokichi's commitment to this project has been passed down through successive generations, and today the Foundation still makes scholarship grants and loans available to high school, college and university graduate students as well as foreign exchange students. So far over 5,200 people have received these scholarships and moved on to perform active roles in various fields.

In 2010, scholarships were granted to a total of 105 students including 46 graduate students (including 11 foreign exchange students), 32 college students, and 27 high school students.

*In order to encourage academic endeavor and friendship between scholarship students, the foundation hosts research seminars for graduate school students studying technical subjects as well as funding research trips for foreign students, etc.



TOPICS

Yanmar supports YANMAR Racing, a professional yachting team



The YANMAR Racing team is made up of a multinational crew, bringing together the energies of world-class sailors to propel us towards our goal!

Sailing is an eco-sport, as it uses the wind for propulsion. Yanmar is aiming to make an environmentally sustainable society a reality and part of this effort is to lend support to a professional yachting team led by Peter Gilmour, a world-renowned yachtsman. Mr. Gilmour's team of professional yachtsmen and Yanmar have combined to continue the challenge of yacht racing on the global stage.

There are 8 races in a year and in 2010 Yanmar Racing, the team supported by Yanmar, won the round held in Portugal. The message of the Yanmar team in 2011 is Power for Japan, encapsulating the hopes and prayers of those striving to recover from the Great East Japan Earthquake, and this drives the team during its races around the world.



Racing with Power for Japan armbands

Volunteering

Work experience for junior high school students

Over two days between June 28-29, 2011, Yanmar Shipbuilding & Engineering Co., Ltd. (Kunisaki City, Oita Prefecture) invited local junior high school students to come and experience the workplace. Three students from the Kunisaki municipal Musashi Junior High School experienced ship inspections and ship cleaning procedures, etc.

Work experience is a special activity on the curriculum and the goal as part of general education is to have the students experience many different types of workplaces in their local area.



Participating in the '100,000 Person Clean-Up Our City' project

On May 16, 2010, the Large Power Products Operations Division (at the Amagasaki Plant) and the Marine Operations Division (at the Tsukaguchi Plant) celebrated the 80th anniversary of the incorporation of Amagasaki City by participating in the annual tradition that is the "100,000 Person Clean-Up Our City" as a local enterprise volunteering its services to clean and beautify the locality.

Yanmar employees joined around 20,000 citizens that day and collected refuse and cleaned roads. The movement collected 32.4 tons of refuse in one day. Yanmar, as a member of the local community, will continue to actively support the community in its efforts to beautify its environs and will do what it can to promote these contributions to local society.



Getting involved in regional environmental beautification activities in Shiga Prefecture

The Yanmar Group agrees with the aims of the "Tankai Eco-Foster System" as advocated by Shiga Prefecture and is lending its support to the project, which asks people and organizations to participate in and contribute to beautification activities in locations such as the lakeshore of Lake Biwa and the surrounding roadsides, etc. The project aims to connect Eco (the environment) with Foster (to rear to raise) and Shiga Prefecture in the form of the Tankai area through ongoing volunteer activities carried out by individuals and organizations.

During fiscal 2010 over 600 Yanmar employees from the Power System Operations Division and other Yanmar Group businesses located in Shiga Prefecture participated in the program and helped collect litter such as empty cans and cigarette butts, as well as cutting back weeds and distributing information related to environmental preservation, etc.



Social contributions and activities overseas

NEW

Supporting an event for the Dutch Red Cross

On March 11, 2011, Yanmar Europe lent its support to an event for the Dutch Red Cross held in Almere, where Yanmar Europe is based. The proceeds from the event totaled 30,000 euros and this will go towards running bus services from provincial areas to Almere.



©Mona Alikhah-Het Rode Kruis Gala Almere 2011



The entire Group is pursuing environmental management for the conservation of the global environment and sustainable social development.

Policies for environmental activities

From the very start of its business, Yanmar has dedicated itself to business activities that place importance on the natural environment.

We announced our contributions to realize a sustainable society in 1995 with the establishment of the Yanmar Global Environmental Charter. That was

revised in 2002 to become the Yanmar Group Global Environmental Charter, which was aimed at having the Group as a whole build relationships that achieve harmony with efforts to conserve the global environment. We further expanded and deepened these efforts to address environmental management.

Yanmar Group Global Environmental Charter

Environmental Philosophy

The Yanmar Group aims to contribute to the sustainable development of society by constructing a harmonious relationship between Group development and the needs of the global environment.

Action Guidelines

1. We position environmental conservation as one of the most important management objectives of the Yanmar Group for the purpose of Group-wide environment management.
2. We strictly observe the laws of all countries and the ordinances and regulations of all districts where we conduct production activities, and when necessary, establish voluntary environmental regulations in order to achieve superior levels of environmental conservation.
3. The Yanmar Group Global Environment Committee establishes environmental promotion guidelines and disseminates them throughout the Group to achieve an overall promotion of environmental conservation by the Group.
4. We actively disseminate environmental conservation information internally and externally to promote the understanding of Group companies and partners about the need for cooperation in the efficient promotion of environmental conservation activities.
5. We promote effective measures systematically and on a continuous basis in the following four environmental fields:
 - The establishment of technologies that contribute to environmental conservation, and providing products and services that reduce environmental load.
 - The reduction of environmental load in each stage of business activities.
 - The joining of forces and cooperation with external parties to contribute to local communities and disseminate environmental information.
 - The raising of environmental awareness among Yanmar employees, and the promotion of internal environmental education, lifestyle innovation, etc.

(Revised March 2002)

Environmental Vision

Yanmar will mark its 100th anniversary in 2012. We have been drawing up our 2012 Environmental Vision to define goals achieved by that year, and the Group

as a whole has been pursuing the creation of a sustainable society.

2012 Environmental Vision

The Yanmar Group, in full recognition that it does handle products that can impose environmental load, undertakes to:

1. Contribute to the growth of a sustainable, resource-recycling society
[A society that promotes the prevention of global warming, zero-emission, re-use, and recycling]
2. Provide "number-one, only-one," as called, products that are compatible with both environmental and economic needs
[Products that emit cleaner exhaust gas have higher energy efficiency, and reduce harmful substances]
3. Fulfill social responsibilities in cooperation with society
[Promote legal compliance, voluntary regulations, information disclosure, and communication with the communities]



To achieve these objectives, the Group shall:

- (1) Construct extensive common environmental preservation systems for all consolidated companies in Japan and abroad
- (2) With implementing environmental preservation activities step-by-step, providing environment-friendly products, increase the brand image and reliability of the Yanmar Group as a whole
- (3) Provide business resources to the prevention of global warming and reduction of harmful substance in order to stay one step ahead of the requirements
- (4) Expand environmental education for associated companies and dealers

Second Environmental Mid-term Plan

To achieve the 2012 Environmental Vision, the Yanmar Group has developed the Second Environmental Mid-Term Plan (2006-2010) and has set 24 provisions for achievement goals in five domains of "Structure," "Environmental Management," "Business Operation," "Product Measures" and "Society." Based on those domains, we have enabled the PDCA cycle and are working on making continuous improvements. In FY

2010, we achieved our targets for energy usage and greenhouse gases. However, we were unable to meet targets in terms of unit requirements of energy usage.

With this result in mind, we are working on improving the situation based on the Third Environmental Mid-term Plan, toward turning the Group Environmental Vision 2020 into a reality from the next fiscal year.

● Targets of the 2nd Environmental Mid-term Plan (2006 - 2010) and the Status of Achievement

○ Target achieved △ Partly achieved (more than 70%)
× Not achieved (less than 70%)

Category	Item	Mid-term targets	2010 Group Goals	2010 Group Results	Evaluation	Related information
Structure	Transformation to a CSR Structure	Start of publication of CSR Report in 2008	Publication of CSR Report	Publication of CSR Report	○	
	Expansion of the Global Environment Committee	Participation of overseas affiliated companies, and expansion of Global Environment Meeting	Global Environmental Committee from FY 2009	Launch of efforts to develop environment conservation for supervising companies in overseas regions	△	p.44
Environmental Management	Environmental Audits	Start of the use of consolidated accounting in 2008 by domestic companies	Environmental Compliance Audit	Not implemented (Preliminary audit implemented at 1 company)	×	p.44
	Environmental Performance Management	Environmental accounting, risk management, preparation of internal environment report	Introduction and Use of the Environmental PD System	Environmental management information system introduced from FY2009 and operations launched	○	
	Acquiring ISO 14001 Environmental Certification	(Domestic and overseas) Production companies: 100% Non-production companies: 50% or more	Acquired by 11 companies until 2011	Production bases (Domestic: 94.4%, overseas 14.3%) /Non-production bases (Domestic: 53.8%, overseas: no implementation)	×	p.44
	Execution of Environmental Education	Establishment and implementation of environmental education system based on hierarchy	Ongoing implementation of environmental education and awareness campaign	Environmental education implemented according to hierarchy in locations where ISO14001 certification was acquired Energy-conservation training session implemented through cooperation with Osaka Gas (part of the energy-system business)	○	
Business Operation	Reduction of Gases Causing Global Warming	CO ₂ emissions: Reduction of 5% or more (compared with 2005)	CO ₂ emissions: Reduction of 5% (compared with 2005)	CO ₂ emissions: Reduction of 8.0% (compared with 2005)	○	p.40
	Reduction of Energy Consumption	Energy consumption unit requirements: Reduction of 5% (compared with 2005)	Energy consumption unit requirements: Reduction of 5% (compared with 2005)	Energy consumption unit requirements: 7.7% increase (compared with 2005)	×	p.40
	Resource Savings	Water consumption unit requirements: Reduction of 20% (compared with 2000)	Water consumption unit requirements: Reduction of 20% (compared with 2005)*	Water consumption unit requirements: Reduction of 31.6% (compared with 2005)*	○	p.41
	Elimination of Materials That Produce Environmental Load	Banning of the use of statutorily controlled substances	Prohibition on the use of legally restricted substances	Implementation completed	○	
		Unit requirements of PRTR substances: Reduction of 25% (compared with 2001)	Unit requirements of PRTR substances: Reduction of 25% (compared with 2001)	Unit requirements of PRTR substances: Reduction of 28.8% (compared with 2001)	○	p.42
	PCB Treatment	Disposal of PCB: disposal by 2016	PCB treatment: Treatment until 2016	In force and implemented when needed	△	p.42
	Waste Reduction	Unit requirements of waste production: Reduction of 10% (compared with 2005)	Unit requirements of waste production: Reduction of 10% (compared with 2005)	Unit requirements of waste production: 20.1% increase (compared with 2005)	×	p.41
	Paper Resource Savings	Paper recycling ratio: 70% or more	Paper recycling ratio: 70% or more	Paper recycling ratio: 59.4%	△	p.41
	Promotion of Green Purchasing	Eco office goods purchasing ratio: 70% or more	Eco office goods purchasing ratio: 70% or more	Eco office product purchasing ratio: 50.5%	△	
Product Measures	Improvement of the Environmental Performance of Products	Advance achievement of clean emission regulation	Advance achievement of regulation	Advance achievement of regulation	○	p.33 p.34
	Improvement of Energy Efficiency	Operating efficiency: 20% or more (engine thermal efficiency: 5% or more) (compared with 2005)	Operational efficiency of 20% improved Engine efficiency of 5% improved	—	—	
	Environment Coordination Design	Implementation of LCA for all new products	Implemented on all products from FY 2009	Project currently in action in the energy-system business	×	p.33
	Elimination of Materials That Produce Environmental Load	Banning of the use of statutorily controlled substances	Prohibition on the use of legally restricted substances	Implementation completed	○	p.33
		Reductions in the use of voluntarily controlled substances	Total ban in principle (until 2009)	"Usage rules and regulations on environmental burden materials," a YIS internal regulation, established, reductions currently being promoted	△	p.33
	Provision of Environment-Related Information	Inclusion of information on the environment, recycling, and waste disposal in instruction manuals	Reporting information concerning recycling and waste	—	—	
	Development of Ecologically Friendly Products	Development of products with Environmental Label III	Acquisition of environmental level III (from FY 2009)	—	—	p.33
	Reduction of Environment Burden at Time of Product Disposal	Research and improvement of product disposal processes	Collecting information on disposal of waste products/Analysis and reduction of amount of packing material (Until 2008)	—	—	p.33
Social Contribution	Voluntary Activities	Local voluntary activities: 5 or more	Local voluntary activities at all business entities: consistently 4 or more	Participation in "clean" activities at various locations	△	p.29
	Communication with Local Residents	Holding of social gatherings: 1 or more	Social gatherings with local residents: 1 or more	Facility grounds opened to the public Regional residents, family members of Group employees invited to the plants	△	p.28 p.29
	Promotion of Tree and Flower Planting	Promotion of tree-planting	Increase in trees planted	Ongoing tree planting at production sites	△	

*Due to changes since FY 2005 in the counting method measuring use of water resources



Deciding on the Group's Environmental Vision 2020

NEW

The Yanmar Group has drawn up its Environmental Vision 2020 as we approach FY2020, the international target year for reducing global-warming gases.

The plan has set the direction for the Group's environmental activities.

Group's Environmental Vision 2020

The Yanmar Group is conscious of the fact it handles products that can have an environmental impact. As a pioneer in energy technology, we are working toward the realization of a sustainable society.



1 Preventing Global Warming

- We contribute to reducing the emissions of greenhouse gases through energy conservation, the creation of energy-conserving products and the extensive use of biomass fuels. In addition, we carry out thorough improvements in the efficiency of current products. Through these efforts, we aim to cut emissions of greenhouse gases throughout the product lifecycles by 25% on average (compared to 1990 levels).
- We aim to cut emissions of greenhouse gases stemming from business activities by 25% (compared to 1990 levels).

2 Contributing to an Environmentally Sustainable Society

- We carry out reductions in the amount of industrial waste for landfill disposal stemming from business activities.
- We strive to improve our input rate of recycled resources to whole input resources for our business activities.
- We carry out design work that is in harmony with the environment and strive toward improvements in the 3R (reduce, reuse, recycle) of our products.

3 Reducing and Controlling Environmental Hazardous Substances

- At production sites, we implement cuts in substances that place a burden on the environment.
- Within the supply chain, we control substances used in products that place a burden on the environment and offer products and services that conform to the latest regulations on chemicals.

4 Working on Biodiversity

- We strive toward business activities that are capable of co-existing with nature.
- We contribute to preserving the eco-system through offering new products and services.



Promoting environmentally friendly products based on internal assessments

R&D with foresight

The Yanmar Group has been consistently involved in the advancement of the environmental friendliness of all of our products, namely the development of engines with cleaner emission and lower noise and vibration levels. We contribute to the development of an environmentally sustainable society by pursuing and providing products that help reduce environmental load.

● R&D (Abstract)

Field	Item	Description
Engine technologies	Low emission	Improvement of engine combustion
		Electronic control technologies
		Emission gas post-processing equipment

Field	Item	Description
System technologies	Improvement of system efficiency	Coolant cycle technologies
		Control technologies
	Gas engine for GHP	Combustion, emission post-processing and engine control technologies
	Reduction in engine fuel consumption	Improvement of combustion, decrease of air intake and discharge loss, etc.
	Low vibration and noise	Advanced vibration and noise control technologies, structural optimization technologies
Utilization of new forms of energy		Biodiesel fuel utilization technologies
		Power generation using wood biomass
Agricultural technologies	Ecology and economy Easy operation	I-HMT (Integrated Hydraulic Mechanical Transmission)
	Planting and harvesting technologies	Planting and harvesting acceleration technologies
Applied technologies		Construction equipment, distribution equipment, transmissions, marine products and environmental fields

Introduction of LCA

The Yanmar Group is moving ahead with the introduction of LCA (Life Cycle Assessment) that assigns numeric values to and quantitatively ascertains the effects on the environment of a product throughout its entire lifecycle, as well as from the standpoint of the procurement of raw materials, production, transport,

distribution, use and disposal of the product.

We conducted trials in FY2010 of our ligneous biomass gas cogeneration system. In the future as well, we will develop LCA as an indicator of reductions of greenhouse-gas emissions in our products' lifecycle.

Development of environmental technology

Regulations on gas emissions in various countries have grown stricter by the year. However, Yanmar has developed elemental technologies, such as exhaust post-processing equipment and engine total controller units that utilize our unique and high level of combustion technologies and reliability technologies. We are also working on making engine exhausts cleaner.

Furthermore, in the marine field, new boat designs pursue fuel efficiency, interior comfort and safety. In the agricultural machinery field, the operability of various products has been improved, by such means

as mounting them with I-HMT, a highly efficient continuously variable transmission.

With gas heat pumps (GHP), which drive compressors by gas engines and carry out air conditioning by the heat pump cycle, energy consumption efficiency has been improved through compressors and coolant circuits. CO₂ emissions have been reduced by as much as 19% annually.

As for environmental hazardous substances, our internal application standards have been decided and reductions are progressing systematically.

Environmental information for products

We are promoting the disclosure of environmental information by each product segment, in a way that corresponds with LCA assessments, and the specific display of criteria at the time the customer purchases

the product. With respect to recycling compliance, we are making efforts, from the design stage, that consider a product's disassembly as well as reuse.

Green procurement

Since the establishment of the Yanmar Green Procurement Guideline, we have been promoting the procurement of safe parts and components designed and produced in an environmentally friendly way while collaborating with our suppliers in various parts of the world. In November 2006, we decided on a list of banned substances based on the Regulations on Restrictions of Use for Environmental Hazardous Substances. This regulation is subject to an expansion of the rules on environmental hazardous substances and is being reviewed in an appropriate manner.

In selecting suppliers, we prioritize transactions with

suppliers enthusiastic about environmental conservation activities with an established environmental management system in addition to such evaluation items as value, price and delivery time. With the Procurement Dept. of the Osaka Head Office as the main player, we hold briefing sessions to the management of all suppliers to request their cooperation with a green procurement survey and green procurement.

● Green Procurement Guideline :

<http://www.yanmar.co.jp/en/csr/report/greenGuideline.html>



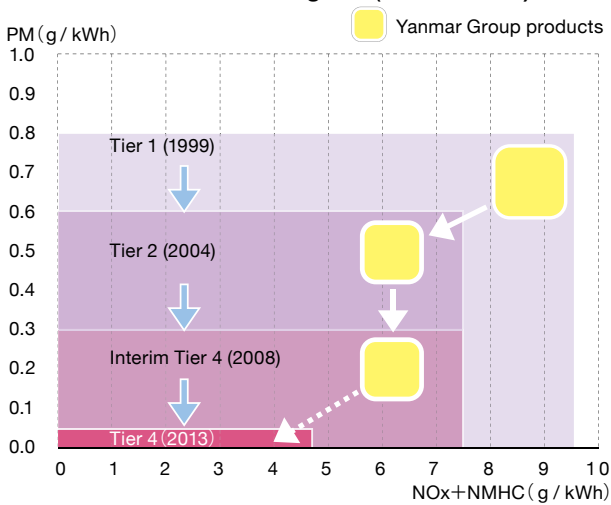
Complying with emission regulations in various countries

Since its founding, Yanmar has been striving to improve the efficiency of its engines and fuel economy, based on the basic principle of "To conserve fuel is to serve mankind." In the meantime, we have been complying with emission regulations, which have become increasingly stricter in recent years, and achieving reductions in global-warming gases.

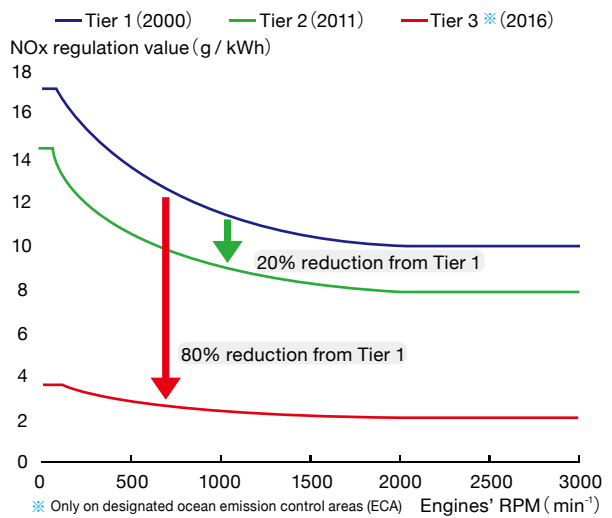
To comply with the major emission regulations in

various countries such as China and India, not to mention Japan, the United States and Europe, we continue to fulfill these regulations and are engaged in specific responses to deal with the needs of our customers. This involves engine specifications (engines for land use, including GHP and agricultural and construction machinery; marine engines, including main propulsion and auxiliary engines; and so on).

● The U.S. Regulation for Control of Emissions From Nonroad Diesel Engines (for 19-37 KW)



● IMO Regulations on Emissions From Marine Engines



TOPICS

Earning the highest environmental ranking for 6 straight years

Yanmar acquired the top ranking of "efforts in consideration of the environment are especially advanced" as part of a "DBJ Environmental Ranking[※]" of the Development Bank of Japan (DBJ) in January 2011. It was the sixth consecutive year to achieve the ranking. Yanmar received Environmental Ranking financing based on this system from DBJ and Shiga Bank, Ltd.

The money will be used as capital for product research and development into environmental improvements.

※ DBJ environmental ranking: A company's degree of environmental management is rated by a screening (ranking) system developed by DBJ. The best companies are selected and a financing menu is drawn up that introduces the specialized techniques of the environmental ranking, which sets applicable interest rates in three stages in line with points earned.

The Factors Behind the Environmental Ranking

- Endeavoring in R&D that concentrates on reducing environmental burden extending throughout the product lifecycle, from both the product stage and usage stage by users, and developing that into a diverse product group.
- Taking the lead in the implementation of research and development of alternative energies while expanding the mainstay engine business.
- Maintaining a high-level environmental management system throughout the entire company, and conducting an extremely high level of environmental management that is integrated with the main business.



In January 2011 the company received a Development Bank of Japan loan based on its being rated at the highest grade in DBJ's four-grade environmental rating schedule: "companies with particularly impressive environmental programs."

The 4TNV94HT, a vertical water-cooled diesel engine

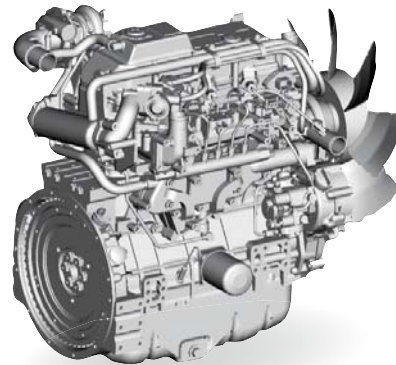
Industrial Engine Business

Equipped with a common rail fuel injection system, it's compact, has high output and complies with emission regulations

Our first small-scale land use engines (TNV Series) with common rail fuel injection (88.4kW /2500min⁻¹) have been added to our lineup. They balance compactness with high output, which is No. 1 in this class of engine, and emission performance to comply with the Japanese stage 2 special vehicles emission regulation, through the new common rail fuel injection technology, in addition to our proprietary high level DI (direct injection) fuel combustion technology, through the optimization of EGR (exhaust gas recirculation).

These engines are mounted on Yanmar combines sold in Japan. However, we plan to expand their sales to all overseas markets in the future by equipping them with emission gas post-processing equipment, making them compliant with the next set of emission regulations (EPA-I. Tier 4).

Complies with the Japanese stage 2 special vehicles emission regulation



Large auxiliary and propulsion engines

Large Engine Business

Complying with IMO Tier 2 regulation, and achieving a balance between lower NOx and improved fuel consumption

20% cut in NOx (nitrogen oxide)

Yanmar has expanded its range of large auxiliary and propulsion engines that comply with the IMO's (International Maritime Organization) Tier 2 regulation (to cut NOx by approximately 20%) and also curb fuel consumption.

These engines adopt the high-pressure Miller cycle system, which lowers the temperature inside cylinders and decreases NOx emissions by using a Miller-type cam, in addition to ASSIGN fuel combustion method, and in order to prevent deterioration of fuel efficiency, they recover the pressure inside the cylinders using a supercharger for high-compression ratios.





Yanmar's Environmentally Oriented Products

Mid-speed EUP electronically controlled diesel engine

Large Engine Business

Quick installation of electronic control technology to diesel engines, from the environmental viewpoint

Diesel engines are used frequently in the propulsion engines of coastal ships. But craft adopting electronic control technology for environmental reasons will be more common in the future, it is widely believed.

Yanmar first made practical use of a mid-speed four cycle propulsion engine in 2009. It was mounted with an EUP (electronic unit pump) electronically controlled fuel injection system for marine use. The EUP involves mounting an electromagnetic valve on the upper section of each fuel injection pump. Injection timing and volume are controlled with the valve's opening and shutting. Both NOx and fuel consumption are reduced and the release of black smoke is curbed.

This EUP electronically controlled diesel engine received the Marine Engineering of the Year 2009 award. (This is a joint award of the Japan Railway Construction, Transport and Technology Agency, Nichiyō Kaiun, Azuma Shipping Co., Ltd. and Hongawara Ship Yard Co., Ltd.)

**NOx reduced,
black smoke
emissions curbed**

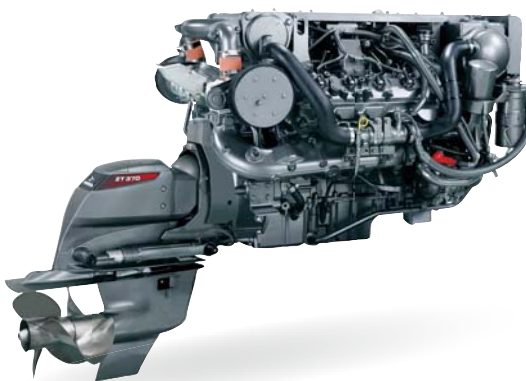


The 8LV series of diesel engines for pleasure boats

Marine Business

Conforms with U.S. EPA's Tier 3 regulation on emissions from marine engines, achieves low noise, vibration and fuel consumption

**Low emissions and
fuel consumption**



The 8LV series uses the common rail system for fuel injection. These achieved the emission standards set out by the EPA's (Environmental Protection Agency) Tier 3 regulation on emissions from marine engines, which will go into force from January 2012. By controlling the injection volumes, timing and compression in all areas of operations, the engines manage to achieve both low emissions and low fuel consumption. Due to their V8 configuration, torque fluctuation is suppressed and vibration reduced.

By setting the KMH series reduction reverse gear, made by Group company Kanzaki Kogyokoki Mfg. Co., Ltd., or the ZT370 stern drive to the propeller, highly efficient power transmission is realized. In addition, these are the first engines to adopt a vessel controlling system that we developed ourselves, making possible an easy-to-use, expansive steering system.

A high-speed pleasure fishing boat with extensive fishing functions, enhanced ride comfort and cabin quietness

This has an improved engine mounted on the previous EX series, which complies with the IMO's (International Maritime Organization) Tier 2 regulation, with improvements to fuel consumption, interior comfort and high-speed performance.

Equipped with a diesel engine with power to spare, its fuel consumption at cruising speed (30 knots) has been cut by 10%. In addition, the boat ensures quietness by adopting anti-vibration engine mounts, double-layer floorboards and exhaust mufflers.

Customers can choose boats with three different engine output levels: 235 kW, 279 kW or 316 kW. The 316 kW model is Yanmar's first mass-produced boat to be equipped with an electronically controlled engine, and it is capable of traveling at the high speed of 37 knots (about 70 km/h).

Complying with the IMO's Tier 2 regulation



A collection of advanced features for the professional farmer, which make low costs, comfortable operation, high performance and precision a reality

Complies with the Japanese stage 2 special vehicles emission regulation



Optimal fuel combustion is achieved from the synergy of a highly precise common rail fuel injection system and EGR (Exhaust Gas Recirculation). Emissions of toxic substances, such as NOx (nitrogen oxide), PM (particle matter), etc. are reduced, and the tractor complies with the Japanese stage 2 special vehicles emission regulation.

Additionally, the gears shift easily to respond to working operations, due to the I-HMT Yanmar-proprietary hydromechanical transmission. Operation is improved thanks to high tractive force and terrain covering ability, and eco driving is made possible by fuel savings from the automatic control of gears and engine revolutions.



Yanmar's Environmentally Oriented Products

The AG1100, a full-feeder combine

Agricultural Machinery Business

A full-feeder combine that uses the world's first automatic high-speed control, with improved environmental performance

Yanmar has led the industry with the installation of automatic high-speed control, which was said to be a problem for full-feeder combines, as they suffer from large load fluctuation. With this installation, it became possible to detect the engine's load and to make the operation speed decelerate and return to normal automatically, and together with a "high-speed adjustment dial," which enables the load factor to be set depending on operation conditions and crop type, the improvement of energy efficiency was achieved.

Furthermore, the common rail engine, which complies with the Japanese stage 2 special vehicles emission regulation, produces stable high horsepower and low fuel consumption and dampens vibration. It also carries out high-compression fuel injection that optimizes fuel volumes and timing. Clean emissions, with reduced amounts of CO₂, NO_x (nitrogen oxide) and other substances, are realized through optimal fuel combustion, and so the tractor's environmental performance has been vastly improved.



Improved environmental performance



The RG (for 6 or 8 rows) series of rice transplanters

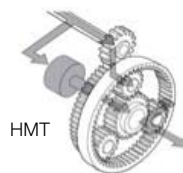
Agricultural Machinery Business

A new series for professional farmers for better economic and environmental performance

Lower fuel consumption and noise

Aimed at professional farmers, this rice transplanter series is equipped with diesel engines with good fuel efficiency that emit only small amounts of CO₂. It was designed to improve profitability and also to give consideration to global environmental conservation.

Through a synergy with the HMT transmission, which realizes a high level of transmission efficiency, its fuel consumption is 25% better than that of machines with gasoline engines. In addition, the engine automatically reduces its revolutions during seedling replenishment. Furthermore, the adoption of a new function stops the fertilizer blower, making possible low fuel consumption and noise (under 70 dB).



HMT

Top-class energy saving performance with a multi air conditioner for buildings

We launched the GHP XAIR, a multi air conditioner for buildings with the highest class of energy-saving performance, in April 2011.

The GHP XAIR's compressor has been shrunk in size and the component load made more efficient through operation matching in the high-speed operation range. We managed to improve the annual performance factor (APF) by reducing the pressure loss in the refrigerant circuits, thereby realizing the highest level of efficiency for a multi air conditioner for buildings.

Compared with our previous products, primary energy consumption as well as CO₂ emissions have been cut by up to 19% annually. Furthermore, we have managed to make all models compliant with the Act on Promoting Green Purchasing, an index of environmentally friendly energy-saving procurement.

Improved energy efficiency



Reduce damage to forests, ideal for tree thinning and other forestry maintenance work

Ideal for tree thinning and other forestry maintenance work



The forests perform many functions, such as absorbing CO₂ and protecting the land from natural disasters. To keep it this way, we are promoting the use of high-performance forestry machinery, and it has become indispensable to reduce costs for tree thinning and other forestry maintenance work.

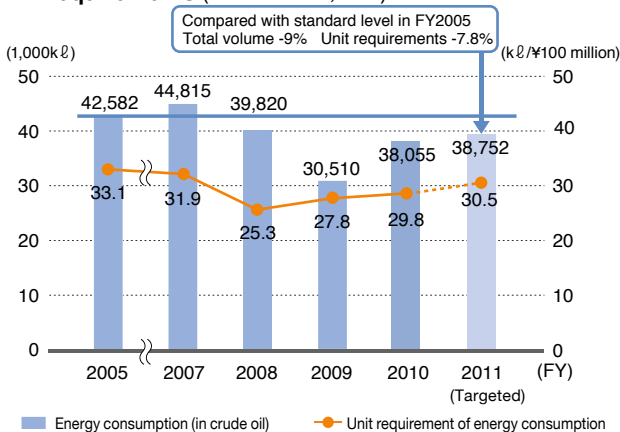
Yanmar launched its compact Vi035 (under 1.5 meters wide) and Vi050 (under 2 meters wide) Crawler backhoes for forestry use in 2008. Both reduce the amount of damage to mountainous areas and are well-suited for tree thinning and other forestry maintenance work. As for their environmental performance, they are equipped with direct fuel-injection engines that not only meet domestic emission regulations for special vehicles but also the latest regulations in Western countries. Additionally, their bonnets and covers make repairs easy to carry out and consideration has been made for recycling, such as their use of metal panels that can be easily reused.

In our daily lives, and step by step we're working on using energy efficiently

Promotion of energy savings

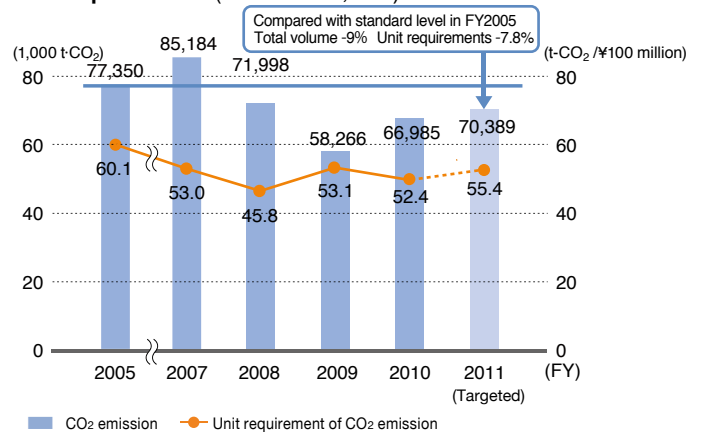
The Yanmar Group is reducing all kinds of energy used in production activities, including electricity and fuel, in order to tackle the challenge of contributing to the prevention of global warming.

Energy Consumption and Energy Consumption Unit Requirements (Yanmar Co., Ltd.)



The Yanmar Group has set a target of a 13% reduction in energy consumption and a 13% reduction in CO₂ emissions in unit requirements by 2015 in comparison with 2005.

Total CO₂ Emission and CO₂ Emission Unit Requirements (Yanmar Co., Ltd.)



Developing energy conservation activities

Making solar power and the volume of power it generates visible

The Yanmar Amagasaki Plant (location of the Large Power Products Operations Division) installed solar panels on the roof of its annex in September 2010 and introduced the Yanmar solar generation system, with a power supply capability of 10kW. This covers 5% of all the power used by the welfare facility building and annex. We are engaged in thoroughly spreading awareness toward energy conservation throughout all areas of the factories. Signs are located on roofs as well as in front of the annex that state, "Solar Power Generation System," and in the lobby is a display that shows the amount of current power usage.



The solar panel installed on the roof of the annex of the Amagasaki Plant.

Varied efforts under way to address energy conservation

Group company Kanzaki Kokyukoki Mfg. Co., Ltd. cut its annual power usage by 1,464 kWh after upgrading its hydraulic units to energy-saving types. In addition, we are using a weekly timer that allows an electric switch to go on or off only on days of the week when it

is thought electricity will not be needed. People are prevented from forgetting to switch off the factory's exhaust fans and work operations are suspended on holidays. The company has curtailed wasteful electricity consumption by such measures, which have created a reduction effect of approximately 15,840 kWh annually.

Controlling the factory's compressors efficiently

Raising the efficiency of the operation control of the compressors at the Tsukaguchi Plant (where the Marine Operations Division is located) not only improves productivity, but also leads to energy and labor savings. Therefore, unit control of the five compressors in the plant has been introduced. In FY2010, the plant reduced by approximately 15% its total power usage, in response to its target value. Monitoring of the compressors' operating situation is done by a unit control console, and operation is controlled when necessary.



Unit control console for the compressors

Operation of five compressors is controlled when necessary (The compressors are working when the red lamp is on.)



Yanmar is promoting the proper disposal of waste materials and recycling while contributing to the formation of an environmentally sustainable society.

Reducing waste and promoting recycling

The Yanmar Group is making efforts to curb the generation of waste from production processes and also decreasing the total amount of waste disposal by promoting the recycling of waste by type, converting the waste into material with value.

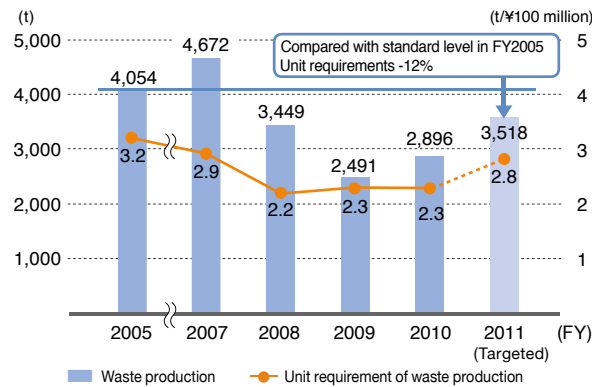
To ensure thorough separation of waste at each plant, employees are frequently informed of the importance of waste separation by a list of waste separation rules posted at necessary locations, including waste storage sites in plants, worksites and offices. Employee-education programs are being

implemented and further recycling efforts, including the introduction of returnable pallets, are taking place.

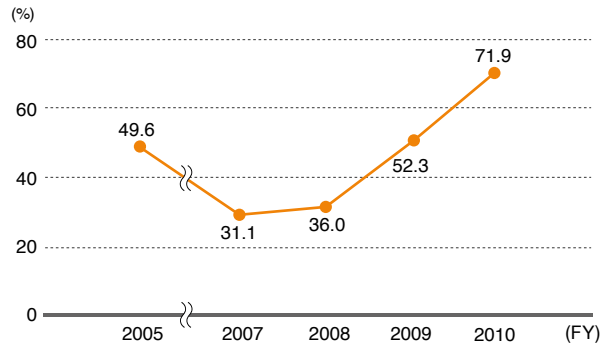
Waste oil is also converted into a valuable resource by using production processes that prevent foreign materials from mixing with the oil. Other actions taken to reduce costs include the reuse of cardboard materials and the recycling of shredded paper waste.

We set a 10% reduction target for our output of waste for FY2010, from the standard FY2005 amount. Yanmar Co., Ltd. managed to meet the target, but the Group as a whole did not.

Waste Production and Unit Requirement of Waste Production (Yanmar Co., Ltd.)



Recycling Rate (Yanmar Co., Ltd.)



Promoting the 3R's (reduce, reuse, recycle) of products

Environmental consideration is incorporated into our products from their design stage so that the products can be easily disassembled, and the disassembled parts easily recycled. In the design and development stage, the dismantling and recycling performance of a product are considered. This allows us to minimize the

environmental load of products as well as the parts or materials that constitute the products when they are disposed of. We will promote the further investigation of how products are disposed of in order to achieve greater improvements in this area.

Reduction in water resource consumption

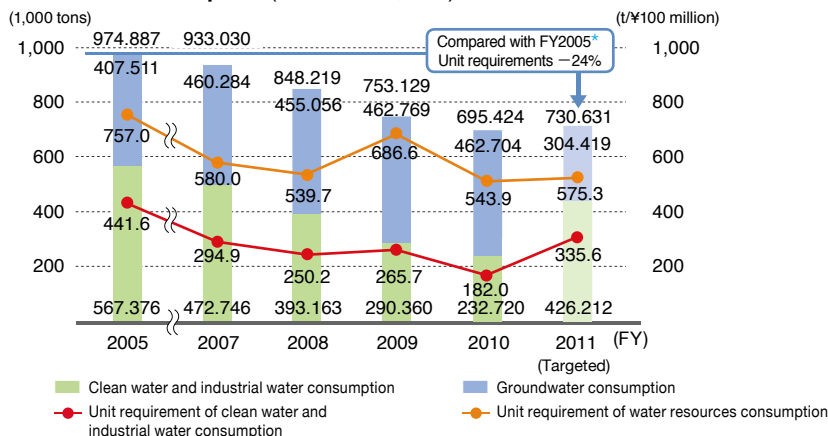
The Yanmar Group is promoting the recycling of factory water as an effort to conserve resources.

As for use of water resources, we had aimed to curb

consumption by about 20% in FY2010 relative to the standard level of 2005* in unit requirements, and we managed to achieve this target.

* In order to change the aggregation method for water-resource use from FY 2005

Water Consumption and Unit Requirements for Water Consumption (Yanmar Co., Ltd.)



We are reducing environmental risk in terms of both products and production, and strengthening our management of substances with environmental load

Legal compliance and prevention of pollution

The Yanmar Group pursues the appropriate management of chemical substances according to applicable laws and regulations, including the PRTR Act*, in order to avoid environmental risks associated with production activities. We annually submit reports on the amounts of PRTR-controlled substances emitted or moved with respect to our business activities.

All plants of the Yanmar Group strictly practice the appropriate storage, management and notification of PCB-containing equipment, including capacitors, in accordance with the PCB Special Measures Act and the Waste Disposal and Public Cleansing Act.

* PRTR Act : Act concerning the reporting, etc., of the release into the environment of specific chemical substances, and the promotion of improvement to the management of the substances

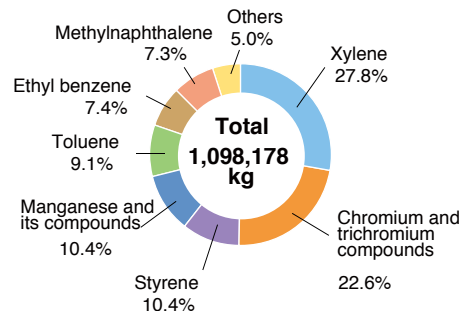
Reduction in chemical substance emission

The Yanmar Group is reducing the consumption and emissions of chemical substances designated under the PRTR Act as part of its effort to develop environmentally friendly products and reduce environmental risks.

The amount of PRTR-controlled substances used in FY2010 was reduced by 11 tons relative to 2009. In addition, the amount was reduced by 28.8% in measured units compared with the base year of 2001.

We are targeting 20% reduction in unit requirements relative to the standard level of 2005. Our policy is to promote the purchase of alternative materials to ones containing those designated substances.

Use of PRTR Substances



Number of PCB Equipment Items at Yanmar Co., Ltd. Plants

Div.	Shiga Zone	Amagasaki Plant	Tsukaguchi Plant	R&D Center	Head Office	Total
PCB equipment items	959	211	0	0	0	1,170

Number of PCB Equipment Items at Yanmar Group Companies

Company name	Yanmar Agricultural Machinery Manufacturing	Seirei Industry	Kanzaki Kogyukoki Mig	Yanmar Energy System	Yanmar Construction Equipment	Matsue Div. of Yanmar Casting Technology	Koga Div. of Yanmar Casting Technology	New Delta Industrial	Total
PCB equipment items	2	14	58	89	0	2	23	1	189

Conducting surveys on materials and parts

We check materials and parts provided by suppliers for the content of substances restricted on the basis of our green procurement guidelines.

Since 2008, we have been surveying chemical substance content information from suppliers. In addition, we started constructing a database to establish the Product Content Chemical Substance Management System for the integrated management of this information. We promote the management of information on chemical substances contained in Yanmar products.

As for voluntarily controlled materials, our internal application standards will be decided and reductions will be progressing systematically.

Voluntarily Controlled Substances

Substances voluntarily controlled by Yanmar

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

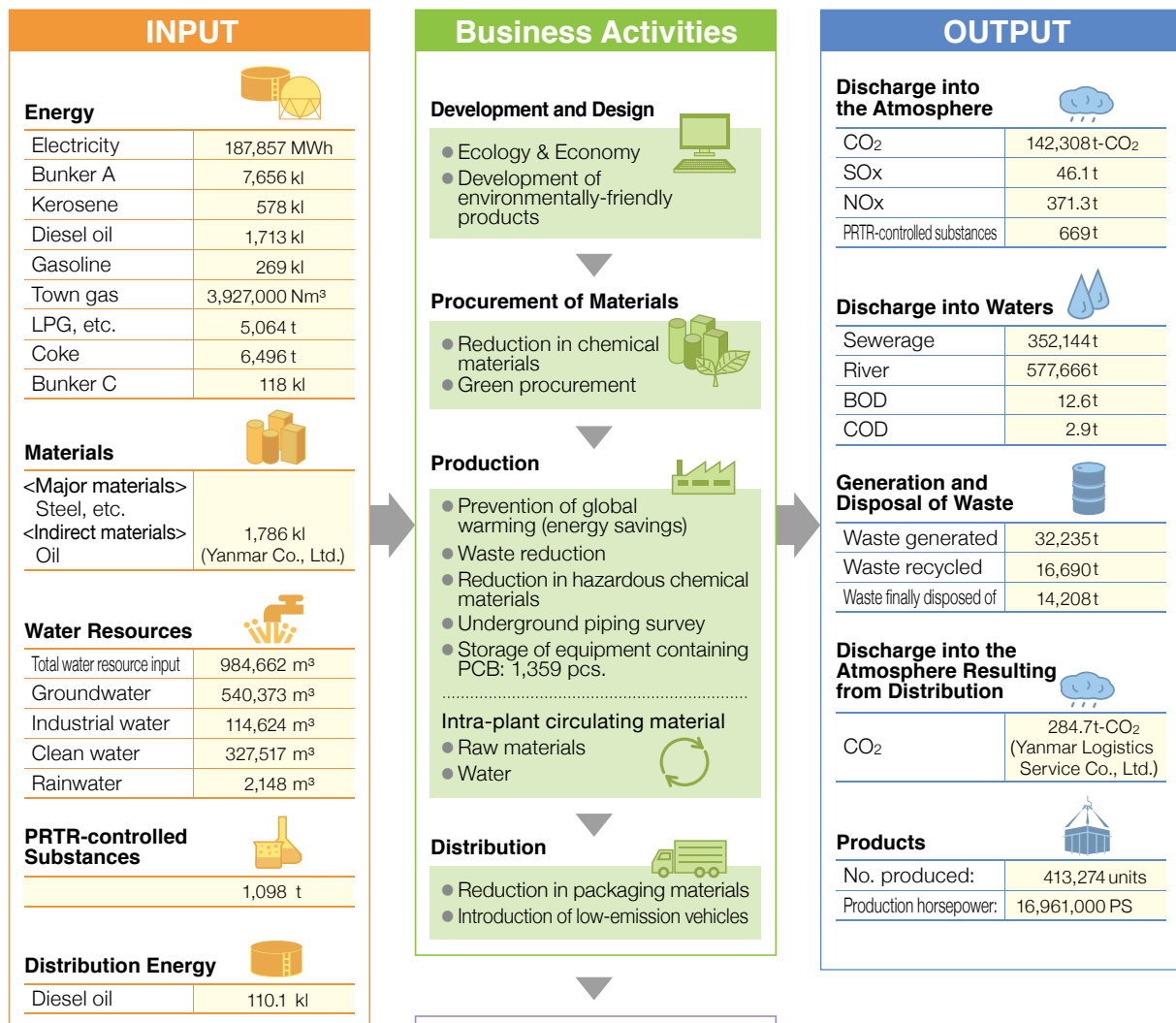
Working hard on efforts to reduce environmental load to extend throughout the entire lifecycle

Eco balance

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

we strive as required to reduce these loads.

In fiscal year 2010, environmental loads continued to be measured at production plants of Group companies to gather the necessary data. We will be striving to analyze and determine the environmental loads created at each stage of the product life cycle.



● Calculation

- (1) **CO₂ Emission**
Calculated by multiplying electricity or fuel consumed by a "CO₂ emission factor." The "CO₂ emission factor" used here is based on the greenhouse effect gas emission calculation and report manual of an act related to the "Promotion of the Measures to Cope with Global Warming." Note that the CO₂ emission factor for electric power is fixed at 0.378 t-CO₂/1,000 kWh.
- (2) **SO_x Emission**
Calculated by multiplying heavy oil and light oil consumed by "specific gravity" and "S content ratio."
- (3) **NO_x Emission**
Calculated from the exhaust gas data of combustion facilities.
- (4) **PRTR-controlled Substances**
Calculated based on the regulations of an act concerning the reporting, etc., of the release into the environment of specific chemical substances, and the promotion of improvement to the management of the substances.

Promoting environmental management that's unified throughout the Group to deepen co-existence and harmony with the global environment

Implementation structures

The Yanmar Group established the Yanmar Group Global Environmental Committee, consisting of top executives from each Group company, in 2002 to promote high-level environmental management for the Group as a whole.

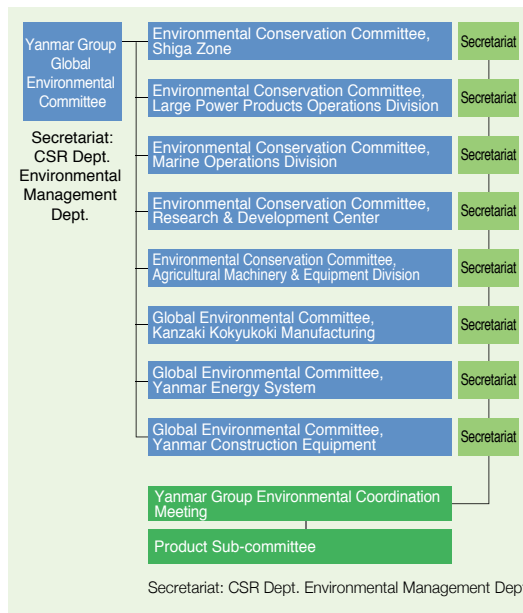
Each Group company has its own Environmental Conservation Committee or Global Environmental Committee that takes the initiative in promoting environmental conservation activities under the leadership of the top management of the company. The Yanmar Group Environmental Coordination Meeting is also formed by the secretariats of those company-level committees as a subordinate organization of the Yanmar Group Global Environmental Committee, and engages in the communication of activity policies and discussion of activity status.

In addition, the Product Subcommittee, consisting of people responsible for product development at all the companies, was established under the Yanmar Group Environmental Coordination Meeting and undertakes various activities to improve the environmental performance of our products.



Yanmar Group Global Environmental Committee

Organization Chart of the Yanmar Group Global Environmental Committee



Acquisition of ISO 14001 certification, and supporting Group companies to acquire it

The Yanmar Group promotes the creation of environmental management systems based on ISO 14001, an international standard, to vitalize the unique features of each office and to make environmental compliance more reliable.

Environmental management activities are inspected periodically once certification has been obtained, and we are working on elevating this issue to a higher level through the creation of structures that promote continuous environmental conservation activities.

We support efforts for Group companies to obtain

ISO 14001 certification as part of our promotion of continuous and efficient environmental-conservation activities.

We also help group companies planning to acquire ISO 14001 certification establish their own environmental management systems that respond to forms of business and environmental-impact situations so as to ensure smooth activities toward acquisition.

We endeavor to encourage both domestic and international non-producing facilities to acquire certification.

Environmental audits

ISO 14001 certified facilities are committed to continuously improving their environmental management systems. Specifically, their environmental policies are disclosed and their environmental

performance periodically audited to ensure ISO compliance.

Internal audits are conducted annually, likewise third-party examinations by an external certification organization.

Environmental compliance audit

Yanmar regularly conducts environmental compliance audits at all of the Group's major sites (production plants, research facilities, etc.)

No audits at the sites were conducted in FY2010, although preliminary inspections were conducted in June 2011 at newly targeted Group companies.

Continuous Improvements Under ISO 14001



Legal compliance

Yanmar vows to comply with environmentally related laws and to ensure strict control of relevant operations, including the retention and reporting of measurement records.

No accidents affecting the surrounding environment occurred during FY2010. However, inspections and other measures continued on the equipment at all facilities.

Prevention of air pollution

Yanmar endeavors to prevent air pollution during operations, including recovery of exhaust gas emitted from engine durability tests and pre-shipment product test runs with exhaust gas recovery equipment.

Prevention of soil and water pollution

We place a lot of importance on the day-to-day management of measures at all our plants so that the local environment will not be polluted. At the same time, we are upgrading aging equipment when necessary and working on reducing environmental load.

As for water-quality conservation, changes to management methods concerning oil and grease management and the washing of utensils at the company cafeteria, by the Marine Operations Division at the Tsukaguchi Plant, were highly evaluated. We were recognized for being the “Outstanding Workplace for Water Discharge Management for FY2010” by Amagasaki City.



Activities to conserve water quality in onsite tanks

Measures against noise and malodor

People working at plants located adjacent to residential areas need to be considerate of the sound of exhaust that occurs from machines while they operate. At the Amagasaki Plant, mufflers have been installed, while the Tsukaguchi Plant installed low-noise type transformers to its electrical substation equipment. Both of these measures have been effective in preventing noise in the local area.



Mufflers



A sound barrier (painted in consideration of local scenery)

Responding to environmental risk

The Yanmar Group conducts samplings of environmental pollution risks, which are within ISO14001 standards. Countermeasures, drills, internal audits and other measures are conducted when necessary. Identified environmental risks are handled

as risks that affect the entire Group. They are reported to the Environmental Committee and Risk Management Committee and recorded, along with being reviewed annually.

Environmental accounting

Yanmar quantitatively grasps the costs related to environmental conservation, such as reducing environmental impact and risks, and from the effect brought by environmental technologies and environmentally friendly products. We have introduced

environmental accounting in order to set the appropriate targets and assessments for environmental activities. Our data compilation complies with the Environmental Accounting Guidelines of the Ministry of the Environment.

Yanmar is implementing CSR management for the ongoing improvement of corporate value.

Corporate governance system

Yanmar has created a corporate-governance system complete with a sound management system with a high degree of transparency and with an internal-control system for speedy decision-making and clear allocation of responsibility. The efforts are aimed at the ongoing improvement of corporate value.

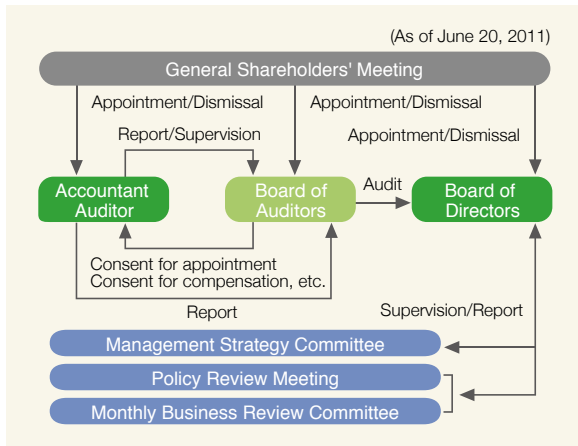
As for our management system, we introduced an executive-officer system from 2000 in order to split management supervision from execution of duties. Members of the Board of Directors are now specialized in decision-making or supervision of execution of duties.

Under the Board of Directors, there are a Management Strategy Committee (which has

substantial decision-making power on matters concerning the entire Yanmar Group) and the two other bodies – Policy Review Meeting and Monthly Business Review Committee (which carry out PDCA management for business execution). This arrangement enhances management efficiency.

In addition, Yanmar turns to two external auditors out of its four-member team, whose job is to monitor managerial operations to reinforce check-and-balance capabilities and deterrent capabilities with respect to professional duties. This arrangement enhances transparency of our corporate behavior.

Corporate Governance Organization Chart



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

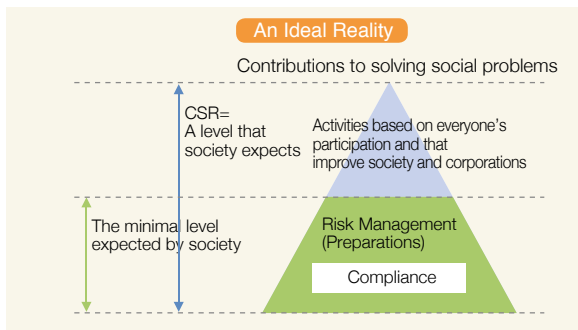
- A system to ensure that the execution of professional duties by board members and employees conform to the law and to our Articles of Incorporation
- A system concerned with the storage and management of information related to the execution of professional duties by board members
- Regulations and other systems concerned with controlling the danger of losses
- A system to ensure that the execution of professional duties by board members is conducted efficiently
- A system to ensure the appropriate nature of business operations for the corporate Group overall
- A system to ensure that the auditors' duties are being carried out efficiently, and securement of the independence of the auditors' assistant

Promotion of CSR activities

Yanmar established its "CSR Department" in March 2008 in order to promote CSR as an activity to be undertaken by the entire Group. The department is

involved in setting the direction of the Yanmar Group's CSR activities and in communication both inside and outside the company.

Involvement With CSR and Other Activities



Organizational Chart for CSR Promotion



Main Activities

1 Publishing CSR-related articles in the Group's internal publication

"Minna de Kangaeyou! CSR" (Everybody, think about it! CSR) is published regularly in our Group's internal publication to report and promote CSR activities.

2 Meetings to read and consider the CSR Report

During FY2010, these were held at three locations, The Marine Operations Division, Yanmar Energy System Co. and Yanmar Agricultural Machinery Manufacturing Co., to discuss not only the content of the CSR report but also to exchange opinions on how the Yanmar Group should approach CSR activities.

Compliance promotion system

The Yanmar Group established a Group Compliance Committee. Its objectives are to spread to all Group employees, not to mention top management, awareness to comply with corporate ethics as well as the law, and to construct and maintain structures that

preemptively head off breaches of social ethics and legal violations. The compliance-awareness dissemination is being carried out for organizations and employees.

Main Activities

① Managing the internal reporting system 'Complaint Box for Ethics'

The Complaint Box for Ethics handles nearly 20 cases a year, while around 40 consultations and reports from each of the divisions and departments within the Group are handed to the Compliance Committee Secretariat. Cases are reviewed to determine whether they constitute a violation, and if so, the employees involved are punished while measures are tackled to ensure the problems are not repeated.

② Compliance training, public awareness activities

Compliance training is carried out for all employees who have newly joined the company and for all those in management positions with higher qualifications. In addition, training at individual offices or seminars on other themes, such as the Antitrust Law, is conducted when required. Public awareness activities are introduced on a regular schedule, utilizing in-house intranet, and include such topics as "Introduction to Compliance Case Studies That Occur Within Group Companies" and "A Compilation of Taboos Overseas." The aim is to raise corporate ethical awareness.

③ Overseas CSR meetings

—NEW—

In December 2010, we gathered the CSR managers in our regional headquarters (RHQ), from overseas regions, and held a meeting to address the strengthening of responses to risk, compliance and related legal affairs, in addition to other CSR activities.

④ Surveys on corporate ethics

In order to grasp the extent that compliance awareness has filtered through, we implement an annual survey on all of our Group employees in Japan. The last time marked the sixth survey on attitudes, which was given to all of the Group employees. On the issue of variations on awareness depending on the person's organization or job category, we will make an issue out of promotional activities and raise compliance awareness.

⑤ Month-long compliance activities

In line with the "One Month of Compliance" (October every year) set out by the Keidanren (Japan Business Federation), we solicited slogans and "senryu" poems concerning compliance from all Group employees, in order to deepen the appreciation of compliance activities. The Compliance Committee selected the most outstanding submissions. They were presented in company newsletters, and posters were created, which were put on display at all our workplaces.



A poster

Risk management promotion

Yanmar has established a Group Risk Management Committee. The goal is to manage and carry out measures to deal with the various risks that business operations can become involved in. The committee

studies the policies and direction for overall risk-management efforts and holds conferences that cover the subject of risk-management promotion and its countermeasures.

Main Activities

① Using the 'Risk Case Report Database'

Risk-management officers enter progress made on cases that occur within the Yanmar Group companies whenever such cases occur. The content is shared among the top management echelon. Thirteen cases were reported in fiscal 2010.

② Using the Emergency Communication Network

An emergency communication network is available to respond to emergency situations occurring on holidays and late at night, with tests conducted to the network every three months.

③ Establishing section meetings

—NEW—

Three section meetings were established: Disaster/Accidents, Labor Administration, and Business Connections. The idea was to equalize and upgrade efforts on core-risk reduction.

④ Applying the Safety Confirmation System

The Safety Confirmation System was applied when the Great East Japan Earthquake occurred, and the safety of employees as well as their family members was confirmed. We prepare for emergencies, and drills are held every January and September for all employees simultaneously.

Corporate profile

Trade name	Yanmar Co., Ltd.	Honorary Chairman	Tadao Yamaoka
Head office	1-32 Chayamachi, Kita-ku, Osaka	President	Takehito Yamaoka
Tokyo office	2-1-1 Yaesu, Chuo-ku, Tokyo	Turnover	¥499.1 billion (consolidated base) ¥294.0 billion (company base)
Founded	March 1912	Employees	15,459 (consolidated base) 3,327 (company base)
Capital	¥6.3 billion		

Major changes in FY2010

- Yanmar Boat Shop Ashiya opened (April 2010)
- Ammann-Yanmar, a French joint venture, became a wholly owned subsidiary (Sept. 2010)
- Yanmar Agricultural Innovation Co., Ltd. established (Sept. 2010)
- Indian subsidiary Yanmar India Private Ltd. (YIPL) established (Feb. 2011)
- Tractor factory completed, production launched at Thai subsidiary Yanmar S.P. Co., Ltd. (YSP) (Feb. 2011)



Yanmar Boat Shop Ashiya



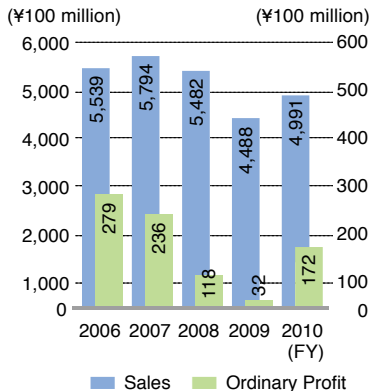
A model of compact hydraulic shovel made by Anmann-Yanmar (Photo shows a Japanese-made model.)



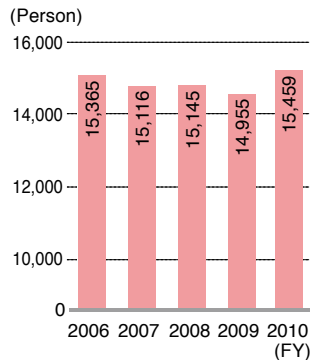
YSP's tractor factory

Major indicators

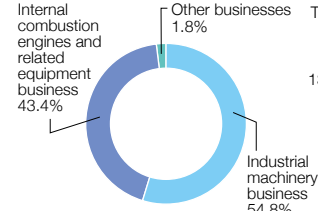
● Consolidated Sales and Ordinary Profit



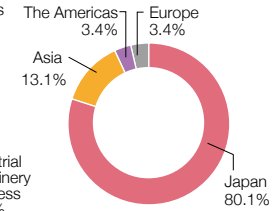
● Employees (Consolidated)



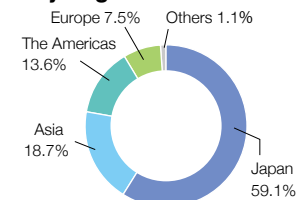
● Ratio of Consolidated Sales by Segment in 2010



● Ratio of Employees by Region as of March 20, 2011



● Ratio of Consolidated Sales by Region in 2010



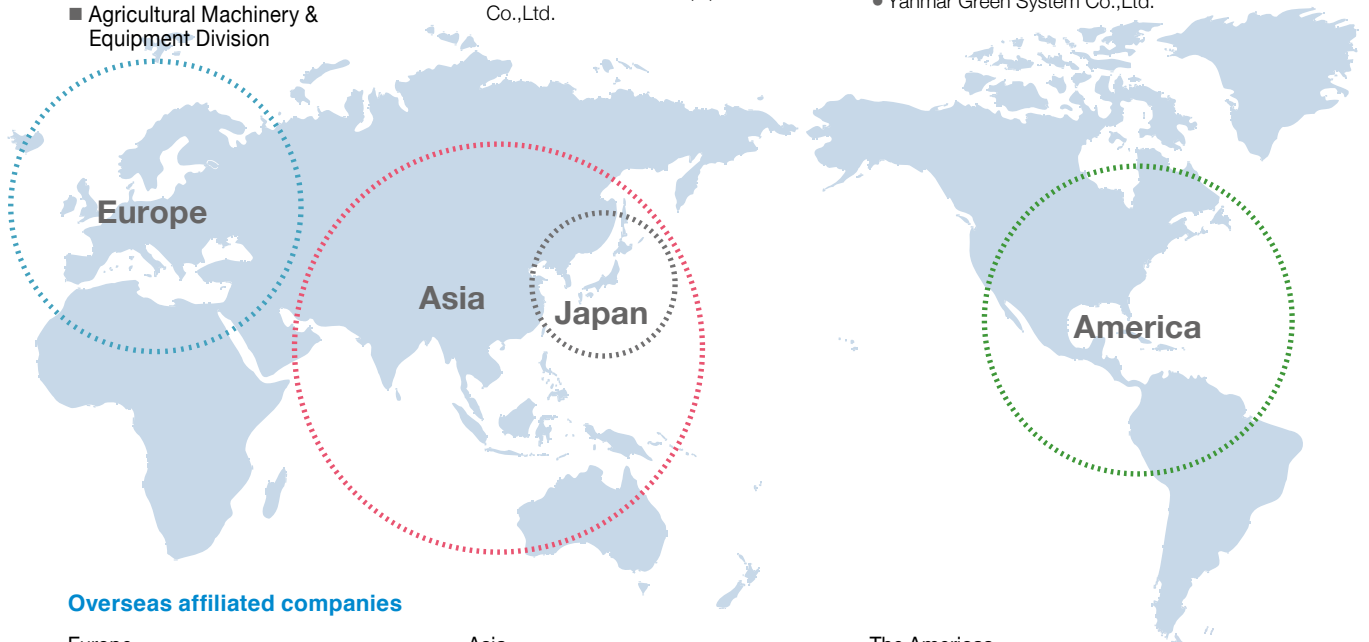
The Yanmar Group Network

Yanmar Co., Ltd

- **Power System Operations Division**
 - Biwa Plant ● Yamamoto Plant
 - Kinomoto Plant
 - Oomori Plant ● Nagahara Plant
 - Nagahama Site
- **Large Power Products Operations Division**
 - Amagasaki Plant
- **Marine Operations Division**
 - Tsukaguchi Plant
- **Agricultural Machinery & Equipment Division**

Main domestic affiliated companies

- Yanmar Agricultural Equipment Sales Co.,Ltd.
- Yanmar Agricultural Machinery Manufacturing Co.,Ltd.
- Seirei Industry Co.,Ltd.
- Kanzaki Kokyukoki Mfg. Co.,Ltd.
- Yanmar Energy System Co.,Ltd.
- Yanmar Energy System Mfg. Co.,Ltd.
- Yanmar Construction Equipment Co.,Ltd.
- Yanmar Marine System Co.,Ltd.
- Yanmar Shipbuilding & Engineering Co.,Ltd.
- Yanmar Casting Technology Co.,Ltd.
- New Delta Industrial Co.,Ltd.
- Kyoritsu Metal Industrial Co.,Ltd.
- Yanmar Logistics Service Co.,Ltd.
- Kohrin Engineering Co.,Ltd.
- Yanmar Green System Co.,Ltd.



Overseas affiliated companies

Europe

- YANMAR EUROPE B.V.
- YANMAR MARINE INTERNATIONAL B.V.
- YANMAR INTERNATIONAL EUROPE B.V.
- YANMAR BENELUX 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 MARINE IBERICA S.L.

Asia

- YANMAR ASIA (SINGAPORE) CORPORATION PTE. LTD.
- YANMAR ASIA (SINGAPORE) CORPORATION PTE. LTD.- RESIDENT REPRESENTATIVE OFFICE IN HO CHI MINH CITY
- YANMAR S.P. CO., LTD.
- YANMAR CAPITAL (THAILAND) CO., LTD.
- P.T.YANMAR DIESEL INDONESIA
- P.T.YANMAR AGRICULTURAL MACHINERY MANUFACTURING INDONESIA
- P.T. YKT GEAR INDONESIA
- YANMAR INDIA PRIVATE LIMITED
- YANMAR KOTA KINABALU R&D CENTER SDN. BHD.
- YANMAR AGRICULTURAL MACHINERY (KOREA) CO.,LTD.
- YANMAR ENGINE (SHANGHAI) CO., LTD.
- YANMAR AGRICULTURAL EQUIPMENT (CHINA) CO., LTD.
- YANMAR ENGINE (SHANDONG) CO., LTD.

The Americas

- YANMAR AMERICA CORPORATION
- TUFF TORQ CORPORATION
- TRANSAXLE MANUFACTURING OF AMERICA CORPORATION
- YANMAR SOUTH AMERICA INDUSTRIA DE MAQUINAS LTDA.

Overseas representative offices

- YANMAR CO., LTD.- MOSCOW REPRESENTATIVE OFFICE
- YANMAR CO., LTD.- UK REPRESENTATIVE OFFICE



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