

Yoshihiro Hidaka

President, Chief Executive Officer
and Representative Director



Without fearing change, we will aim to create new value expanding human possibilities by continuing to boldly take on uniquely Yamaha challenges.

Overview of Fiscal 2020

On behalf of the Yamaha Motor Group, I would like to begin by offering our sincere condolences to anyone who has lost loved ones due to the COVID-19 pandemic and extending our heartfelt thoughts to everyone otherwise affected by this crisis. I would also like to express our deepest gratitude and respect for all the frontline medical practitioners and workers providing the essential services that support society.

In fiscal 2020, ended December 31, 2020—the second year of our current Medium-Term Management Plan—I had initially planned to set a course for achieving the plan’s targets by orienting our focus on boosting the profitability of our existing businesses. This is one of the two main pillars of our basic policy of improving cash flows by raising the profitability of existing businesses, while promoting growth strategies and reinforcing our business platforms. However, seeing the dramatic changes in the business environment brought about by COVID-19 led us to quickly switch into survival mode. This decision reflected the lessons we learned from our experiences during the global financial crisis of 2008 triggered by the Lehman Brothers bankruptcy. At the same time, in fiscal 2020 we worked together as a group and strove to secure business continuity while keeping the well-being and safety of all our stakeholders—including employees, suppliers, and customers—as our top priority, suspending operations temporarily, implementing remote working systems, and other efforts in compliance with the directives and requests of authorities in countries around the world.

In such an environment, the Company saw a decline in net sales due to a decrease in sales of motorcycles in the Land Mobility business and a fall in sales in the Marine Products business in the first half of fiscal 2020. Further, the suspension of factory operations enacted in the first half of the fiscal year under review drove down capacity utilization rates, among other effects, and together with the impact of foreign exchange fluctuations, both operating income and net income attributable to owners of parent recorded decreases.

On the other hand, we saw an earlier-than-anticipated rise in demand. Demand has been on a recovery path since the second half of fiscal 2020 and our production floors are currently operating at full capacity as we work to restore inventory back to proper levels. Despite the decline in net sales and operating income in fiscal 2020, I believe we achieved a certain amount of success while working to promote cost reductions, risk control, the normalization of our supply chain, and other initiatives in the face of a challenging business environment.

Fiscal 2021 marks the final year of the current Medium-Term Management Plan, but as announced on August 6, 2020, we have withdrawn our financial targets for the plan given the global spread of COVID-19. Nonetheless, our work to create new businesses for future growth and our basic policy of focusing on structural reforms for our businesses toward improving profitability remain unchanged, and I am of the opinion that we still made steady progress in these areas in fiscal 2020.

Changes in the Business Environment Triggered by COVID-19

COVID-19 has given rise to significant changes in people’s lifestyles and value systems. Based on my experience with the aforementioned financial crisis, I thought that the recreation and leisure fields would be the last of all to recover, even after the lifting of lockdowns and other restrictions. However, despite limitations on the movement of people and on logistics, I believe there were only a few cases in

which customers who had been considering purchasing our products actually refrained from doing so, owing to factors such as an increase in disposable income thanks to government support measures and subsidy programs—mainly in developed markets—and the absence of any lasting damage to retail financing for consumers.

Outdoor recreation demand spiked following the lifting of

lockdown restrictions in developed markets. Yamaha Motor boasts a diverse product lineup and this recovery became a tailwind for us, leading to more customers buying our products for the first time in such fields as motorcycles, all-terrain vehicles (ATVs), recreational off-highway vehicles (ROVs), outboard motors, and personal watercraft. Of particular note was the significant rise in sales of off-road motorcycles and entry-model ATVs as well as the higher ratio of first-time buyers of marine products. Given these trends, to first allow new customers to fully experience the fun of our products firsthand, we moved to promote our initiatives that help customers who chose to buy a Yamaha enjoy our products with peace of mind for a lifetime, such as our bLU cRU*¹ support program run primarily in Japan, the United States, and Europe.

Also, the shift away from using public transportation in Europe and Japan has prompted a reappraisal of the value of personal mobility. In certain parts of Europe, customers can ride the Tricity 300 Leaning Multi-Wheel (LMW)*² model

Driving Our Digital Transformation to Create New Value by Capturing Needs

Yamaha Motor is promoting a digital transformation (DX) leveraging the latest digital technology and data in a strategic manner. Amid restrictions on going outdoors and difficulties in maintaining physical customer touchpoints, we are accelerating our DX efforts based on the understanding that using DX to capture customer needs rapidly and accurately is a pressing task.

With this in mind, we launched an online sales website for motorcycles in India in fiscal 2020. Everything from product selection to purchase can be completed entirely online and those making a purchase can also choose their preferred dealership as well as other options on the website. This service also addresses the needs of consumers wishing to avoid going outdoors by offering vehicle delivery right to their door.

We are also advancing product innovation with the Internet of Things (IoT). In Indonesia, we launched a new connected version of the NMAX commuter vehicle equipped with IoT technology. Through a dedicated smartphone app, we are building a system that connects our customers, products, and dealerships. Users can check the state of their engine oil and track fuel consumption via their smart devices, and we have created a service whereby in the event of a breakdown, the date, time, and location are sent via email

we launched in fiscal 2020 with just an automobile license, thereby opening up a customer segment entirely different from ours to date. Furthermore, demand for electrically power-assisted bicycles has rebounded sharply in Europe, where concern for the environment is high.

Meanwhile, we encountered some situations on the *Monozukuri* front lines during the COVID-19 pandemic that could not be addressed by human workers. We recognize there will be a growing need for collaborative robots that help resolve labor shortages and prevent closed, crowded, and close-contact settings, and we are stepping up our initiatives to develop such robots accordingly. I view this business environment as a positive one for Yamaha Motor and an opportunity for the Company to enhance its presence by offering uniquely Yamaha value.

*1 A support program for amateur racers using Yamaha motorcycles
*2 Leaning Multi-Wheel: Yamaha Motor's designation for vehicles with three or more wheels that lean like a motorcycle through turns (Japan Patent Office Trademark #5646157)

to notify a dealership or a contact registered in advance. For marine products, we offer outboard motor boat control systems using IoT technology. By installing a data communication module (DCM) on boats, we are helping facilitate the early discovery of quality issues and preventing problems before they occur.

Meanwhile, we are working to promote DX on our production floors. By monitoring operating equipment, managing production data in a centralized manner, and carrying out data analysis using artificial intelligence (AI), we have clarified issues that had not previously come to light, leading to productivity and quality improvements. Looking ahead, we will go global with these efforts, beginning in ASEAN markets, and share best practices through the centralized management of global production floor data to realize high-quality, cost-competitive *Monozukuri*.

The greatest source of Yamaha Motor's new value creation is the creativity of its people. However, it is not possible to fully apply such creativity while under a variety of constraints. I hope that all our employees will be able to fully flex their creative muscles by devoting the time freed up through DX to discussing new value creation and improving their work-life balance.

Focus Policies for Fiscal 2021

While there is no room for complacency, I expect that fiscal 2021 will be a year in which we see the world gradually return to pre-COVID-19 conditions thanks to the expansion of vaccination programs, and we plan to put top priority on delivering our products to customers. Despite the need for increased production in the Land Mobility, Marine Products, and Robotics businesses, we have seen our market share fall with certain product groups and regions due to supply not keeping pace with demand. While we operated at full capacity in the first half of fiscal 2021 from the standpoint of replenishing inventories for developed markets in the Land Mobility and Marine Products businesses, we will carefully adjust operating conditions in the second half of the fiscal year as we scrutinize market trends. Meanwhile, we expect the moderate recovery for motorcycles in emerging markets to continue. At the same time, demand in China underpinned the Robotics business in the first half of fiscal 2021 and we anticipate that demand will recover in all other markets in the second half of the fiscal year.

In fiscal 2021, we intend to leverage this upswing in demand to restore and reinforce the earnings structure of our existing businesses while promoting growth strategies and initiatives for bolstering our business platforms in order to achieve our numerical targets. As for structural reforms, we are steadily moving ahead with efforts to optimize our global production scheme, completing the consolidation of our plants in northern India and beginning the consolidation of our plants in Taiwan in fiscal 2020. In fiscal 2021, as one facet of the restructuring of our production bases aimed at improving production efficiency and market adaptability in Japan, we have decided to reallocate production roles at the Iwata Main Factory and surrounding plants in Shizuoka Prefecture. We expect to invest ¥14 billion by fiscal 2025 and incur just under ¥3 billion to cover relocation costs and other expenses in our spending plan.

Meanwhile, we will enact measures to address issues that came to light in our response to COVID-19. Yamaha Motor has thus far worked to optimize its global supply chain from the perspectives of quality, cost, and delivery. As a result, Indonesia and India function today as our primary global supply bases. However, should conditions materialize in which lockdowns are implemented in both countries, there is a risk that the impact would bring production at our factories around the world to a halt. In light of this, I believe we must stabilize and reinforce our supply chain by once again reviewing our global production scheme, logistics functions, and other aspects.

Since the 2008 global financial crisis, we have pursued break-even-point management feeling it an imperative to shift to an earnings structure able to withstand sharp declines in sales. Fiscal 2020 put the true value of this approach to the test, with the year's events highlighting the gap between areas of the Company that have successfully implemented this approach over the past decade and those that have not. Therefore, we will conduct analyses of each subsidiary and department again to thoroughly implement our break-even-point management approach.

We also saw major changes in the workstyles of our employees. Although we introduced new workstyles with remote working and the like, areas needing improvement have become apparent. We will thus explore and implement methods that strike a balance between improving the value of our employees' free time and enhancing corporate productivity by streamlining work processes and discussing effective ways to use new workstyle systems. At the same time, we will continue elevating our use of digital technologies in preparation for the post-COVID-19 era.



Toward the Achievement of Our Long-Term Vision

Development of New Businesses

Amid dramatic changes in the external environment and accelerating diversification of people's values, Yamaha Motor's Long-Term Vision for 2030 of ART for Human Possibilities clearly states the value the Company would like to offer society and the direction in which we wish to move forward.

In order to achieve our Long-Term Vision, over the duration of our current Medium-Term Management Plan, we have leveraged fixed assets such as our core competencies and positioned the plan as a period to carefully assess business areas with the potential for sustainable growth while contributing to the resolution of societal issues, in addition to advancing the development of new businesses. Although our policy had been to carry out selection and concentration during the next Medium-Term Management Plan, we decided it best to fast-track our plans in consideration of the possibility that we may not be able to generate the medium-term cash flows we had expected to use as investment funds.

Mobility services, low-speed automated mobility, agriculture, and laborsavings on the medical front lines are all fields in which we have maintained continuous involvement to date and where we can harness our strengths by applying our technologies and expertise. We will narrow down particularly promising projects from among these fields and concentrate our resources therein going forward. While medical-related projects have stagnated slightly because of COVID-19, others are progressing steadily.

In mobility services, we are seeing rising needs for last-mile deliveries and alleviating traffic congestion, particularly in emerging markets. To meet these needs, we aim to build a delivery and mobility service ecosystem by investing in platform operators in Africa and promoting collaborations that include the provision of our motorcycles, parts, and the like. In Japan, field tests for low-speed electric mobility solutions with vehicles based on our Land Cars are underway in various parts of the country. Also, since testing can be done in open fields, close-contact settings are not usually an issue in agriculture, thereby significantly reducing the risks associated with COVID-19. Accordingly, we were able to carry out various tests and other projects, helping further our technological development efforts.

Carbon Neutrality

Efforts to lower carbon emissions are accelerating worldwide, and in December 2018, Yamaha Motor formulated the Yamaha Motor Group Environmental Plan 2050, which lays out our stance, goals, and action plan as a company striving to realize a sustainable society. We have recently updated the plan with new targets set for achieving carbon neutrality not just in our business activities but throughout the entire life cycles of our products by 2050.

For details, please read the Climate Change Initiatives section beginning on page 26 of this report.

For a company such as Yamaha Motor, which has grown into what it is today through its engine technologies, we have no choice but to admit that the challenge of achieving carbon neutrality presents us with major risks. However, we will move forward with the electrification of our existing products from a defensive standpoint, but also go on the offensive by working to create new and unprecedented mobility.

First, let me explain our defensive standpoint. With the electrification of our powertrains, we must give due thought to the two perspectives of 1) what our customers will consider as value and 2) the demands of society, such as stricter regulations. Although electrification is technically possible, creating a product truly in line with customer needs remains an extremely challenging task, as it is not at present possible to offer a product competitive in terms of cost, cruising range, and other factors. More realistically, we intend to electrify our existing products by carefully assessing value for customers, beginning with the small commuter vehicles that support daily personal mobility. While it will be no simple task to change these circumstances over the next 30 years, we will make each step of the way a sure and steady one.

Next, I will turn to how we will go on the offensive. We will aim to create new and unprecedented forms of mobility by combining our mobility technologies based on small powertrains—a Company strength—with the robotics born of our production technologies. For example, our TRITOWN standing electric micromobility model with twin front wheels was developed wondering what we could achieve if we targeted the last-mile mobility segment. Although we are currently carrying out field tests, I hope to present this product to the world as a uniquely Yamaha proposal.

With our other pursuits, we are not restricting ourselves to existing forms of motorcycles and are moving forward with

the development of a model taking our LMW platform and technologies, which we have been refining for many years, even further. In a new field of mobility located between

automobiles and motorcycles, we will aim to further reduce CO₂ emissions per person.

Raising Our Corporate Value and the Mission We Must Fulfill as Yamaha Motor

On business trips to various countries around the world, I often have the opportunity to talk with local people, from airport staff to taxi drivers. In these interactions, after being asked what my occupation is, the conversation becomes lively when I reply that I work for Yamaha Motor. Whenever I have these encounters, I feel genuinely proud of Yamaha Motor as a company. Almost 130 years have passed since the Yamaha brand was born and over 65 years have gone by since we turned our hand to motorcycles. Over our long journey, we have been able to establish the Yamaha brand's reputation across the world because our commitment to creating the value we call *Kando* has been recognized by customers. I view this commitment as our greatest strength. Our workforce is diverse, with employees hailing from many different countries and regions, but what is shared among all of them is a deep loyalty to the Yamaha brand and that forms part of our corporate culture. The corporate mission of Yamaha Motor is to be a *Kando* Creating Company. As a member of the Company myself, I want to hold our

corporate culture up high so that each and every employee can take pride in the Yamaha brand and continue delivering *Kando* through our products and services.

The COVID-19 pandemic has brought about a sense of stagnation throughout society, and although there is still uncertainty about the future, people can still discover *Kando* and joy under such circumstances. When I see children across the globe riding around on the motorcycles we make for them, I am reminded once again that delivering *Kando* and delight is our most important mission.

Always delivering joy, excitement, and happiness to people around the world through our range of products and services also leads to our own personal, sustainable growth. To continue creating new value, we will not fear change and aim to achieve our Long-Term Vision for 2030 of ART for Human Possibilities by continuing to boldly take on uniquely Yamaha challenges.



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Representative Director

We have no choice but to admit that the challenge of achieving carbon neutrality presents us with major risks, but we will still boldly take on challenges while carefully assessing customer needs.



Yamaha Motor's System of Strategic Policies

Yamaha Motor has identified important societal issues (materiality issues) to address in light of significant changes in the business environment as well as in terms of risks and opportunities. In order to resolve these societal issues, the Company formulated our Long-Term Vision for 2030 to indicate the directions we will take. For details on the Company's important societal issues, the Long-Term Vision, and our various measures, please see the relevant pages.

Corporate Mission

Offering new excitement and a more fulfilling life for people all over the world

Megatrends of particular importance for Yamaha Motor

- Climate change and resource shortages (increased CO₂ emissions in particular)
- Population growth in emerging markets and the aging of society in developed markets
- The global economic power shift from developed markets to emerging markets
- The progress of rapid urbanization and increase in urban/rural disparities
- The progress of technological innovations (IoT/AI)
- More traffic accidents and traffic congestion (particularly in emerging markets)
- Responses to first/last-mile mobility needs
- The transition from vehicle ownership to sharing and from material goods to experiences

Important societal issues (materiality issues) identified by Yamaha Motor

- Environment and resources
- Transport, education, and industry
- Innovation
- Human capital management

Long-Term Vision

ART for Human Possibilities
Let's strive for greater happiness

Three Focus Areas

Advancing Robotics

Leverage and evolve intelligent technologies and robotics as a foundation

Rethinking Solution

Propose uniquely Yamaha solutions

Transforming Mobility

Promote innovations in mobility

Specific Measures

Environmental Plan 2050

Financial strategy

Digital transformation (DX) strategy

Strategies by function

Strategies by business

Important Societal Issues (Materiality Issues)

Yamaha Motor has identified important societal issues that it will address while leveraging its strengths and promotes initiatives to resolve those issues, with the aim of achieving sustainable growth of its corporate value as well as the sustainable development of society and the environment. The Sustainability Committee takes the lead role in advancing these initiatives and each department monitors and manages their respective progress. Our policy is to periodically review and revise our materiality issues in light of changes in the environment and other factors.

Process for Identifying Important Societal Issues

STEP 1 Sort

We look at the wide range of societal issues referenced in the United Nations' Sustainable Development Goals (SDGs) and the Global Risks Report, and select those that will have the greatest impact on Yamaha Motor's use and procurement of management resources, and for which the resolution will make the greatest contribution to the enhancement of corporate value. We also evaluate the importance of societal issues from the perspective of stakeholders, referencing the valuations of ESG rating institutions.

STEP 2 Categorize

Through consultation with operating divisions, functional divisions, and corporate divisions, the divisions clarify the relationships between the issues selected in Step 1 and each division's policies and activities, and those that should be addressed Companywide are aggregated and categorized.

STEP 3 Designate

All of the Company's officers deliberate societal issues aggregated and categorized in Step 2 at Management Committee and Board of Directors meetings and designate "important societal issues" that should be addressed Companywide using the Company's strengths, corporate philosophy, and unique capabilities.

STEP 4 Incorporate

Initiatives to resolve the identified important societal issues have been incorporated into the current Medium-Term Management Plan. The rigorous implementation of these initiatives will be monitored going forward.

Issues directly affecting the sustainability of our business model

Environment and resources

Transportation, education, and industry

Important issues related to the strengthening of our business platforms

Innovation

Human capital management

Selected societal issues

	Important issue areas		
High	<ul style="list-style-type: none"> • Financial crisis in important economic zones • Unmanageable inflation • Failure of national governance • Failure of regional or global governance • Inter-government conflict over regional problems • Deepened social uncertainty • Abuse of technological progress 	<ul style="list-style-type: none"> • Introduction of industrial processes taking into account clean technologies and efficient use of resources • Heightened awareness of sustainability • Promotion of economic growth based on fair work environments • Reduction of waste materials • Curtailment of corruption and bribery 	<ul style="list-style-type: none"> • Improved energy efficiency (including promotion of use of renewable energy) • Promotion of use of inexpensive, reliable energy • Promotion of safe and secure work environments • Advancement of diversity and inclusion • Effective use of water resources and prevention of pollution • Securing of clean water resources
Importance to stakeholders	<ul style="list-style-type: none"> • Abolition of inequality • Responses to multistakeholders • Promotion of innovation (active use of global partnerships) • Implementation of fair taxation • Promotion of sustainable industrialization 	<ul style="list-style-type: none"> • Elimination of discrimination against women and protection of human rights • Use of women's skills • Strengthened disaster prevention and response • Eradication of forced labor, human trafficking, and child labor • Increased employment for socially vulnerable people 	<ul style="list-style-type: none"> • Prevention of pollution and damage from harmful chemical substances • Strengthened measures to address climate change • Sustainable use of natural resources • Promotion of innovation (promotion of sustainable industrialization) • Promotion of innovation (promotion of sustainable forms of consumption and production in developing countries)
Low	<ul style="list-style-type: none"> • Strengthened support for emerging and developing economies 	<ul style="list-style-type: none"> • Promotion of protection and recovery of land ecosystems • Provision of a stable living environment • Halting of deforestation • Protection and recovery of marine ecosystems 	<ul style="list-style-type: none"> • Expansion of educational systems (including vocational training) • Enhanced educational environment in developing countries • Promotion of social infrastructure development • Prevention of traffic accidents • Protection of small-scale agricultural and fishing industries • Advancement of sustainable fishing industry • Improved access to fishing areas and markets in least developed countries
	Low	Importance to Yamaha Motor	High

Toward Sustainable Growth
Important Societal Issues (Materiality Issues)

Targets and Progress

Important societal issues	Risks and opportunities	Uniquely Yamaha initiatives for resolving issues	Vision for 2030	Medium-term targets (2019 to 2021)	Progress in 2020	See more on	SDGs
Environment and resources	<p>Risks</p> <ul style="list-style-type: none"> Tightening of regulations and declining net sales due to the progression of global warming Declining profits due to rising costs Negative impact on corporate image Delays in the economic independence of developing countries because of marine pollution Impact of marine pollution on the fishing industry and marine leisure <p>Opportunities</p> <ul style="list-style-type: none"> Growing trend of EVs replacing existing forms of mobility Heightening demand for smaller forms of mobility 	<p>Initiatives to address climate change</p>	Reduced CO ₂ emissions from products and during production activities by 25% (per unit compared with 2010)	<p>Products: 13.75% reduction (compared with 2010)</p> <p>Production activities: 17.36% reduction (compared with 2010)</p>	<p>Products: 15.8% reduction (compared with 2010)</p> <p>Production activities: 41.2% reduction (compared with 2010)</p>	P.26-	
		<p>Creating a technology platform for electrification</p>	Monitoring the electric power policies and battery technology innovations of various countries while promoting EV development in order to launch products in a timely manner	<p>Launch uniquely Yamaha electric products and establish a development platform for them</p>	<p>Continued development of electric motorcycles toward making market launches</p> <p>Took part in field tests organized by the Japan Automobile Manufacturers Association (JAMA) aimed at popularizing electric motorcycles</p> <p>Received the Minister of Economy, Trade and Industry Award at the Technology Management and Innovation Awards for electrically power-assisted bicycles (PAS)</p> <p>Conducted field testing for the TRITOWN standing electric micromobility model</p> <p>Conducted waterborne field tests for the HARMO electric boat control system</p> <p>Launched the YPJ-MT Pro electrically power-assisted mountain bike simultaneously in Japan and the United States (YDX-MORO Pro) (September)</p>	P.22	
		<p>Initiatives to promote resource recycling</p> <ul style="list-style-type: none"> Bringing safe water to people worldwide Achieving a more sustainable maritime society Improving environmental issues and conserving marine resources 	<p>Reduced waste generated during production activities by 18.7% (compared with 2010)</p> <p>Assisting in village development by contributing to the provision of safe water</p> <p>Addressing the environmental problems faced by oceans</p> <p>Conserving marine resources</p>	<p>Reduce waste by 10.5% (compared with 2010)</p> <p>* Yamaha Motor on a non-consolidated basis</p> <p>Bring the number of water purification systems (Yamaha Clean Water Supply System) installed to 50</p> <p>* Target changed due to COVID-19</p> <p>Initiatives to address the issue of ocean plastic waste</p> <p>Offer a number of solution proposals in the fishing industry</p>	<p>26.0% reduction (compared with 2010)</p> <p>* Yamaha Motor on a non-consolidated basis</p> <p>Number of water purification systems installed: 42</p> <p>* Severe installation delays due to COVID-19</p> <p>Took part in the Japan Agency for Marine-Earth Science and Technology (JAMSTEC)'s activities for popularizing ocean literacy</p> <p>Drove discussions with several companies regarding measures to address issues facing the fishing industry</p>	P.26-	
		<p>Training to reduce traffic accidents</p>	Reduced number of fatalities due to traffic accidents	<p>Safe riding training opportunities (Yamaha Riding Academy):</p> <p>Hold 2,000 courses with 180,000 participants in 2021</p> <p>Number of countries with trainers: 20</p>	<p>Riding safety training opportunities:</p> <p>Held 3,353 courses globally with approximately 67,000 participants</p> <p>Number of countries with trainers: 15</p> <p>* Increased the number of courses held by introducing safety training at dealerships and through online training, despite restrictions in various countries due to COVID-19</p>	P.23	
		<p>Offering low-speed mobility services and popularizing diverse forms of mobility for the elderly</p>	<p>Selling unmanned transportation systems</p> <p>Established electrically power-assisted bicycles as an alternative form of mobility for elderly people in Japan who surrender their driving license</p>	<p>Establish prospects for commercialization of low-speed mobility services</p> <p>Supply several thousand electrically power-assisted bicycles to local governments through cooperation with the national government</p>	<p>Raised awareness in rural areas through steady promotions and made progress in identifying issues</p> <p>Took part in field testing at 18 locations in Japan in various capacities, including by providing vehicles</p> <p>* Switch to a fee-based service delayed due to COVID-19</p> <p>Delivered a total of 100 electrically power-assisted bicycles to local governments and rental operators</p>	P.23	
Transportation, education, and industry	<p>Risks</p> <ul style="list-style-type: none"> Rising number of traffic accidents Rise in traffic accidents caused by the elderly in developed nations Fewer means of transportation in underpopulated areas <p>Opportunities</p> <ul style="list-style-type: none"> Growing demand for motorcycles due to rising populations and incomes in developing countries Greater need for smaller forms of automated mobility Addressing and supplementing the aging workforce and labor shortages in the agriculture, fishing, and manufacturing industries Increased automation with the development of AI technologies New mobility demand with CASE vehicles and Mobility as a Service (MaaS) 	<p>Equipping products with digital devices for sound maintenance</p>	Equipping an aggregate total of four million units by 2024 (target year)	Supply 200,000 motorcycles equipped with connected digital devices to the market per year	<p>Number of motorcycles equipped with connected devices: 92,000 in total</p> <ul style="list-style-type: none"> Connected NMAX: 74,000 Connected AEROX: 18,000 	P.23	
		<p>Developing new forms of mobility</p>	Selling new forms of mobility and having in place a model to drive business	Market penetration of LMWs and other new-value forms of mobility by expanding the model lineup	Launched the Tricity 300 in July in Europe and October in Japan	P.24	
		<p>Freedom from menial work and promotion of economic growth through autonomization</p>	<p>Increased production efficiency</p> <p>Optimizing entire factories</p> <p>Become an agricultural and logistics solutions provider</p>	<p>Develop highly efficient, multifunctional platforms and high-speed platforms for the robotics sector</p> <p>Integrate automatic guided vehicles (AGVs) into factory floor operations</p> <p>Launch and use of autonomous drones</p>	<p>Launched the YRM20 designed to be a high-efficiency multifunctional platform (April)</p> <p>Established eve autonomy, Inc. with Tier IV as a joint venture company in the automated transport solutions business (February)</p> <p>Launched the YMR-08AP (March)</p> <p>Commenced operation of the Yamaha Motor Smart Agriculture Platform (YSAP), a cloud-based spraying management system</p>	P.24	
		<p>Offering solutions for the agricultural sector using robotics</p>	Achieved unmanned agricultural processes for several varieties of crops	Establish prospects for autonomous harvesting of more than one variety of crop	<p>Initiatives such as proof-of-concept testing underway in Japan to address issues</p> <p>Carried out two tests at a farm and testing facility</p>	P.25	
Innovation	<p>Risks</p> <ul style="list-style-type: none"> Declining competitiveness in the market and business environment <p>Opportunities</p> <ul style="list-style-type: none"> New forms of mobility that drive business Offering solutions for the agricultural sector using robotics Increased competitiveness due to the spurring of innovation 	<p>Developing new forms of mobility</p>	Selling new forms of mobility and having in place a model to drive business	Market penetration of LMWs and other new-value forms of mobility by expanding the model lineup	Launched the Tricity 300 in July in Europe and October in Japan	P.24	
		<p>Freedom from menial work and promotion of economic growth through autonomization</p>	<p>Increased production efficiency</p> <p>Optimizing entire factories</p> <p>Become an agricultural and logistics solutions provider</p>	<p>Develop highly efficient, multifunctional platforms and high-speed platforms for the robotics sector</p> <p>Integrate automatic guided vehicles (AGVs) into factory floor operations</p> <p>Launch and use of autonomous drones</p>	<p>Launched the YRM20 designed to be a high-efficiency multifunctional platform (April)</p> <p>Established eve autonomy, Inc. with Tier IV as a joint venture company in the automated transport solutions business (February)</p> <p>Launched the YMR-08AP (March)</p> <p>Commenced operation of the Yamaha Motor Smart Agriculture Platform (YSAP), a cloud-based spraying management system</p>	P.24	
Human capital management	<p>Risks</p> <ul style="list-style-type: none"> Labor shortages from falling birth rates and aging populations in developed nations Unfair labor practices of suppliers and business partners <p>Opportunities</p> <ul style="list-style-type: none"> Acquisition of new capabilities through the promotion of diversity and inclusion Increased drive with the recruitment of diverse and talented human capital from various countries 	<p>Promotion of diversity and inclusion</p>	<p>More globalized personnel</p> <p>A leading company for women employees to work at</p>	<p>Promote activities for increasing the ratio of local talented personnel in management positions to 60% at overseas subsidiaries</p> <p>Continue global recruitment (over 10% of new graduates in regular positions at headquarters)</p> <p>Number of women in management positions: 48 by 2025 (16 women were in management positions in 2014)</p> <p>Obtain national certifications (Japan)</p>	<p>50%</p> <p>10%</p> <p>Number of women in management positions: 38 (as of January 2021)</p> <p>Efforts underway toward receiving certification</p>	P.48	

Resolving Societal Issues through ART

The Yamaha Motor Group strives to contribute toward resolving important societal issues through efforts in the three focus areas of **A**dvancing Robotics, **R**ethinking Solution, and **T**ransforming Mobility in the growth strategy laid out in its Long-Term Vision. Capitalizing on its technologies, knowledge, and expertise to date, the Company is actively engaged in various initiatives to that end together with its partners and via collaborations among industry, academia, and government.

Environment and Resources

Standing Electric Micromobility Proposal

ART

The TRITOWN is a standing electric micromobility model with twin front wheels employing our Leaning Multi-Wheel (LMW) design. To date, field tests of the TRITOWN have been run on park paths and public roads in various locations, including a field test on public roads in Yokosuka, Japan, in fiscal 2020. Based on user feedback from these tests, we are assessing the feasibility for the TRITOWN to be widely used on public roads, its viability as an inter-modal first/last-mile mobility solution, and its potential in tourism as a new form of mobility.



Field Testing an Electric Boat Control System

ART

HARMO is a new boat control system that integrates an electric propulsion unit, boat steering system, and more. Testing of the system began with use on the Otaru Canal Cruise route in Otaru in Japan's northern Hokkaido Prefecture. In the future, we aim to offer boats with "smart packages" that allow passengers to enjoy the higher levels of comfort made possible by the silent propulsion only electric systems offer.



Launch of High-End e-MTB

ART

The newly launched YPJ-MT Pro is an electrically power-assisted mountain bike (e-MTB) designed for off-road riding and was created utilizing the knowledge and expertise Yamaha Motor has garnered in developing motorcycles and other mobility products. Positioned as the flagship model for the YPJ Series, the YPJ-MT Pro will be used to grow sales in Japan's e-Bike market.



Development of Electric Motor Units for Mobility Applications

ART

The Company has begun accepting orders for developing prototype electric motors (35 kW class) featuring industry-leading output density for use in automobiles and other mobility applications. These units generate high output despite their compact size thanks to the use of high-efficiency segment conductors and the casting and machining technologies Yamaha has honed through its engine development.



Transportation, Education, and Industry

Promotion of Low-Speed Mobility Services

ART

Japan has the most aged society in the world and thus faces a variety of social challenges, from ensuring accessible modes of transportation for the elderly to regional disparities between urban and rural areas. Other countries around the world with aging societies are paying close attention to developments in Japan. By providing compact, low-speed forms of mobility such as its electric carts for first/last-mile mobility solutions, the Company looks to aid community building employing such "slow mobility" and create uniquely Yamaha value in mobility, and thereby not only address important societal issues such as transportation, health, and industrial development but also introduce fun to the value of mobility itself. Although the impacts of the COVID-19 pandemic delayed the deployment of fee-based services in fiscal 2020, we were able to conduct field tests in 18 locations across Japan.



Launch of New Connected NMAX and AEROX Models

ART

Beginning with the Indonesian market, Yamaha Motor launched models featuring onboard connectivity and in fiscal 2020 sold 74,000 NMAX and 18,000 AEROX models with connected features in the country. Connected vehicles make it easier to visualize and track acquired vehicle data and thereby offer personalized services based on that data. This enables more convenient after-sales service by informing users of the appropriate timing for vehicle inspections and encouraging visits to official dealerships for proper maintenance. We plan to roll out connected features on a global scale going forward.



Worldwide Efforts for Riding Safety

ART

Under the COVID-19 pandemic, the Yamaha Riding Academy developed and implemented methods for effective online instruction and held courses a total of 3,353 times in countries around the world for some 67,000 participants. The frequency of traffic accidents is particularly high in ASEAN nations, and from the standpoint that traffic and riding safety education from an early age is important, the Company offers a wide range of relevant safety content—covering children to professional riders—in its safety education and promotion efforts.



Innovation

Launch of New LMW Model



The Company launched its new Tricity 300 LMW model in Europe and Japan. This is Yamaha's first production model to employ the new Standing Assist system that helps the vehicle stand on its own when stopped. In some European countries, car license holders are able to ride the Tricity 300 without acquiring a motorcycle license, helping us reach new customers. Sales of this model were strong in fiscal 2020, with 2,900 units sold in Europe and around 660 units sold in Japan following its September launch.



Launch of Automatic Flight-Capable Electric Drone



Smart agriculture brings robotics and ICT to the agriculture field and is gaining a great deal of attention in Japan as a potential solution to various issues faced by the country's agriculture industry, including its shrinking and aging workforce. March 2021 saw the addition of the YMR-08AP into Yamaha Motor's industrial-use multirotor drone lineup. This new offering contributes to efficiency and laborsavings in agricultural work through automated flight. Featuring automatic crop-dusting governed by the autopilot, dedicated software for easy route planning, and more, the YMR-08AP contributes to efficiency and laborsavings while delivering high-quality spray distribution on par with our industrial-use unmanned helicopters.



Development of High-Efficiency, Multifunctional Platforms



Yamaha Motor completed development of the YRM20 as the first in its YRM Series of all-new next-generation moulder platforms embodying the Company's Intelligent Factory concept. The YRM20 is a new, premium, high-efficiency modular that combines two unique technologies representing Yamaha Motor's history of excellence in the field: the rotary head from the Σ Series and the in-line head primarily used with the YSM Series. Going forward, Yamaha Motor will continue to expand its lineup of next-generation YRM Series moulder platforms.



Establishment of Joint Venture Company for Automated Transport Solutions



Factories' logistics operations are finding it increasingly difficult to maintain efficient demand-driven production systems under the existing model of basing equipment and operations on worker stationing due to a growing demand for high-mix, low-volume production combined with chronic labor shortages. To tackle this issue, Yamaha Motor and Tier IV, Inc. have established eve autonomy, Inc. as a joint venture company in the automated transport solutions business, and transport operations commenced in March 2020.



Agricultural Laborsaving Proof-of-Concept Project



Labor shortages in agriculture have become a concern for developed countries around the world and there is an urgent need for automation and laborsavings in the sector. The Company is providing solutions for the agriculture industry through its robotics expertise. By pairing an articulated robot arm adept at sophisticated, delicate movements via an intricate control program together with an agricultural unmanned ground vehicle (UGV), our aim is to achieve fully unmanned fruit harvesting, which is still done by hand today. In fiscal 2020, we conducted a field test of this prototype at a winery in Yamanashi Prefecture, Japan.



Joint Development of Collaborative Robots



Demand for collaborative robots—robots that work alongside humans—is rising both in developed and emerging countries amid wider labor shortages, rising personnel expenses, and the need for sophisticated automation in new fields such as the Internet of Things (IoT) and connected, autonomous, shared, and electric (CASE) systems and vehicles. Yamaha Motor has partnered with Tokyo Robotics Inc., a specialist in the collaborative robot field, aiming to supply clients with total collaborative robot solutions and thereby grow the scale of its industrial robot business as well as broaden the sectors in which it is involved.



Climate Change Initiatives

(Disclosure Based on TCFD Recommendations)



In May 2019, Yamaha Motor announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Since then, we have been taking steps to track and manage climate change-related opportunities and risks that could affect our business in order to incorporate adaptive and mitigative climate change measures into our business strategies.

As environmental regulations tighten and the move to decarbonization accelerates around the world, the Company revised the CO₂ emissions targets in the Yamaha Motor Group Environmental Plan 2050 (hereinafter, "Environmental Plan 2050") first formulated in fiscal 2018. We are now moving forward at an even faster pace with initiatives aimed at achieving carbon neutrality.

Governance

The Board of Directors formulates policies on dealing with issues concerning sustainability and regularly reviews their implementation status. With regard to issues concerning sustainability, the Board of Directors oversees the Sustainability Committee, chaired by the president and chief executive officer and comprising executive officers appointed by the Board of Directors.

For these issues, we positioned the environmental field in particular as an important area to be tackled by management and established the Environment Committee, chaired by an executive officer in charge of environmental activities. The Environment Committee meets three times a year to discuss policies concerning the environment and vision for the future, assess Environmental Plan 2050, and conduct annual reviews of how each operating

division has performed against its targets. The committee reports its findings to the Board of Directors at least twice a year.



Climate Change-Related Risks and Opportunities

In our scenario analysis, which assumes physical risks based on a 1.5°C and a 2°C scenario, we have classified and identified the major risks and opportunities for our businesses associated with the transition to a low-carbon society as regulatory, information disclosure, technological, market, reputational, and customer risks.

In addition, we have evaluated the importance of climate change-related risks based on whether they are likely to materialize in the short term (0–3 years), medium term (3–6 years), or long term (6+ years), and the resulting estimated scale of the subsequent financial impact.

Important Environmental and Societal Issues	<ul style="list-style-type: none"> Strengthening of measures to address climate change Improvements in energy efficiency 	<ul style="list-style-type: none"> Promotion of water safety Reduction of pollutants and waste materials Introduction of industrial processes using clean technologies and emphasizing efficient resource use Sustainable use of natural resources 	<ul style="list-style-type: none"> Promotion of protection and recovery of land ecosystems Halting of deforestation Protection and recovery of marine ecosystems
Action Themes	Low-carbon society	Resource recycling	A society in harmony with nature
Risks	<p>Short term</p> <p>Costs for addressing regulations may increase significantly, with each country and territory moving to tighten motorcycle emission standards and the U.S. introducing more stringent EPA and CARB emission standards for marine engines.</p> <p>Medium term</p> <p>Rising demand in India, Africa, and other regions may increase CO₂ emissions from the distribution of goods, and the introduction of carbon taxes may increase logistics costs.</p> <p>Long term</p> <p>Heightened environmental awareness may lead to decreased sales of products that use fossil fuels, while the introduction of carbon taxes may increase manufacturing costs.</p>	<p>Short to medium term</p> <p>As the pace of electrification in the mobility field accelerates, it may result in shortages of the metals needed in storage batteries, such as nickel and cobalt, thereby driving up procurement costs.</p> <p>Long term</p> <p>Increased consumption of resources accompanying the economic growth of emerging markets may heighten procurement risks, including a shortage of resources and cost increases.</p>	<p>Short to long term</p> <p>Climate change may trigger abnormal weather events, including forest fires, droughts, extreme temperature changes, storms, and snowfall, destroying the ecosystems of the oceans, mountains, and forests where our products are used.</p>
Opportunities	<p>Short to medium term</p> <p>Sales of models with improved fuel economy may increase. In emerging economies, motorcycles may be widely adopted as an inexpensive means of transportation with minimal social infrastructure costs.</p> <p>Long term</p> <p>Electric models may be widely adopted.</p>	<p>Short term</p> <p>Lightweight and compact low-speed mobility vehicles (land cars) may be widely adopted as a means of transportation that helps minimize use of social infrastructure resources and related costs.</p> <p>Medium term</p> <p>Motorcycle and marine rental businesses may grow.</p> <p>Long term</p> <p>In terms of engineering, manufacturing, and marketing, ultra-compact mobility vehicles that are small, lightweight, and resource-saving may be incorporated into social infrastructure.</p>	<p>Short to long term</p> <p>Increased awareness of the need to conserve the natural environment may trigger growth of the outdoor market where people seek and cherish interactions with nature.</p>

Strategies

The Yamaha Motor Group has set a new target of achieving carbon neutrality throughout all of its business activities, including across the life cycles of its products, by 2050. Climate change, resource recycling, and biodiversity have been defined as priority action themes, and to that end, we have laid down goals to reach

by 2050 along with targets that function as milestones to hit by 2030. Efforts toward accomplishing these goals and targets are moving forward based on three-year medium-term plans and meeting these targets will enable us to continue delivering new *Kando* and more fulfilling lives to people all over the world.

Yamaha Motor's Initiatives

1 Uniquely Yamaha Carbon Neutrality Strategies

Yamaha Motor began working to address climate change in the 1980s. We launched the PAS as the world's first electrically power-assisted bicycle (e-Bike) in 1993 and then proposed a new form of mobility with the Passol electric urban commuter model in 2002. In the years that followed, we proceeded to expand our line of electrified mobility options in various categories, including golf cars, wheelchairs, and outboard motors. The PAS in particular was developed based on the concept of a user- and eco-friendly personal commuter model placing top priority on performance in tune with human sensibilities, and it created an all-new market outside the realms of bicycles or motorcycles. Today, Yamaha e-Bikes are being increasingly used in place of scooters and smaller automobiles in Japanese cities, while in Europe and the United States, the market is growing for e-Bikes as a new genre of outdoor recreation.

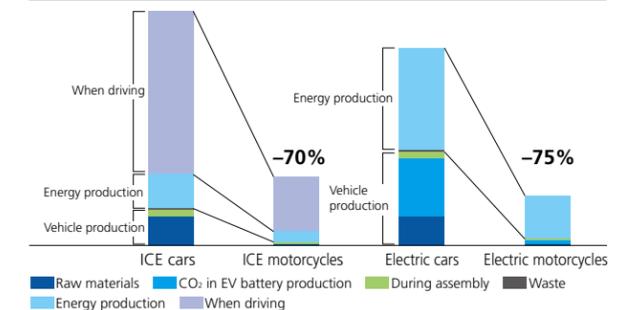
Toward achieving a carbon-neutral society by 2050, Yamaha Motor will continue to create new value not only with its motorcycles but also with new, uniquely Yamaha proposals for personal mobility.

Proposal of Smaller, Eco-Friendly Forms of Mobility

Yamaha Motor is proposing compact forms of mobility with small environmental footprints that produce fewer CO₂ emissions across the entire product life cycle, from raw material procurement to manufacturing, use, and disposal. Motorcycles, for example, use internal combustion engines (ICEs) that emit 70% less CO₂ throughout their life cycles than cars, and electric motorcycles emit 75% less.

In addition, it is possible to reduce CO₂ emissions effectively by cutting down the emissions in battery manufacturing processes and installing more charging facilities that use renewable energy.

Comparison of CO₂ Emissions in Product Life Cycles



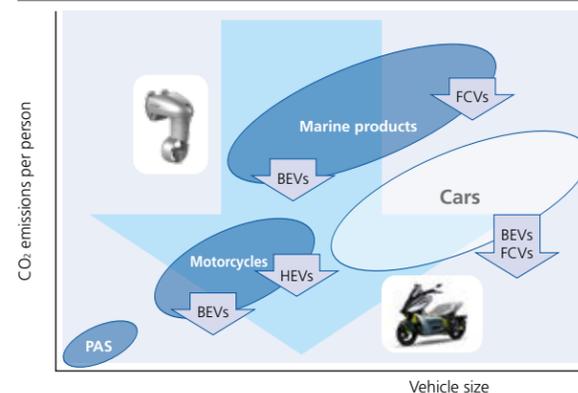
Basis for Calculations
 Vehicle production: Calculated using emissions from raw material production, battery production, assembly, and disposal
 Energy production: Calculated using emissions from fuel production and electricity generation
 ICE and electric cars: Calculated based on International Energy Agency standards
 ICE motorcycles: Calculated assuming an annual riding distance of 15,000 km and 10 years of use with a 125cc Yamaha vehicle
 Electric motorcycles: Calculated with the same distance and use period for a model in an equivalent performance class
 Source for car data: *Global EV Outlook 2020*, International Energy Agency

Basic Policies

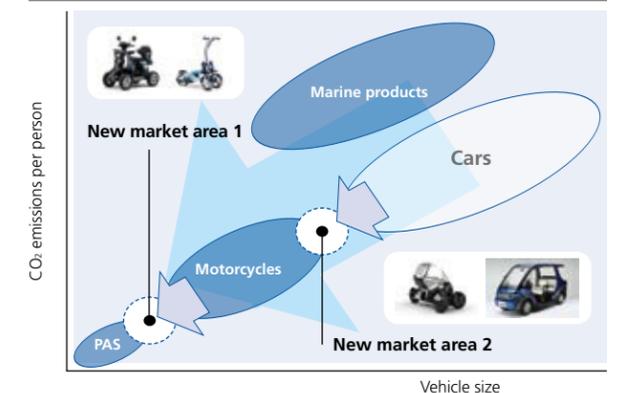
Further reduce the amount of CO₂ emissions per person

- Transition to more efficient power sources as well as those with lower CO₂ emissions
- Promote small mobility vehicles with low CO₂ emissions

Reduction of CO₂ Emissions through Optimal Streamlining



Utilization of Smaller Forms of Mobility



Note: ICE = Internal combustion engine, an engine that generates power through the combustion of fuel; BEV = Battery electric vehicle, a vehicle that uses the electricity stored in an onboard rechargeable battery to power its electric motor; HEV = Hybrid electric vehicle, a vehicle that uses both an engine and an electric motor for propulsion; and FCV = Fuel cell vehicle, a vehicle propelled by an electric motor using power generated by a fuel cell

Yamaha Motor's Initiatives

2 Medium- to Long-Term Target: Achieve Carbon Neutrality from Business Activities

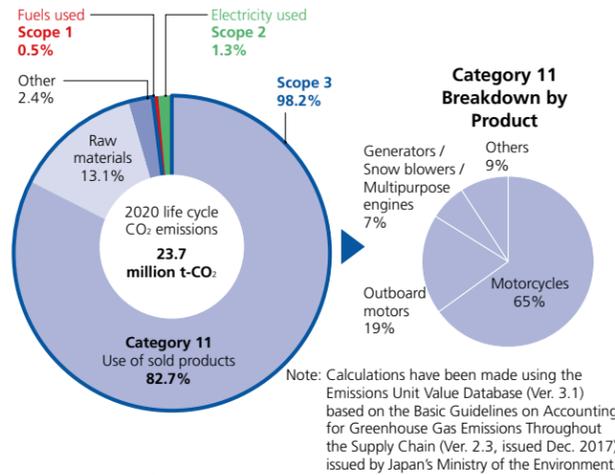
Looking at total CO₂ emissions from Yamaha Motor's operations as well as the life cycles of its products, we see that Scope 1 and Scope 2 emissions—those emitted as a direct result of the Company's business activities—only account for 1.8% of total emissions, whereas Scope 3 emissions—those from the Company's value chain—constitute 98.2% of emissions. The largest component of our Scope 3 emissions is Category 11 (Use of sold products), which represents 82.7% of total emissions. Of Category 11 emissions, motorcycles comprise 65% of total emissions while outboard motors account for 19%.

At the same time, 85% of Yamaha Motor's motorcycle sales are in Asia, and by supplying this market with compact, convenient, and affordable mobility options, we aim to contribute to sustainable growth in accordance with the United Nations' Sustainable Development Goals by addressing the demand for the transportation of goods and services, helping expand the spheres of daily life, and bringing more options and opportunities for employment and education. Moreover, we look to develop and popularize more fuel-efficient products to help combat climate change.

With the goal of achieving carbon neutrality on a global scale, Yamaha Motor aspires to offer products (next-generation mobility

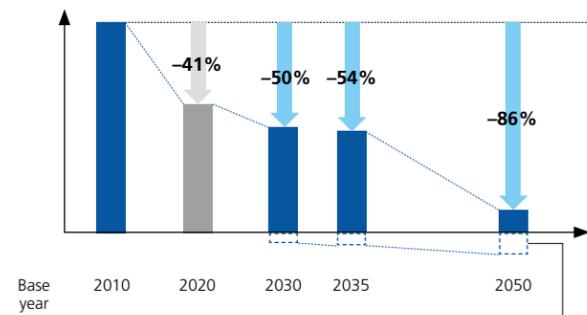
powered by electricity or renewable energy) presenting the most effective means for cutting CO₂ emissions based on the government energy policies and energy mixes of each country.

Breakdown of CO₂ Emissions for the Entire Life Cycle

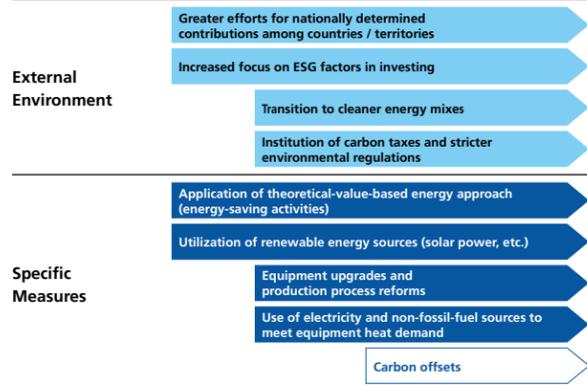


Scope 1 and Scope 2 Targets

CO₂ emissions per unit

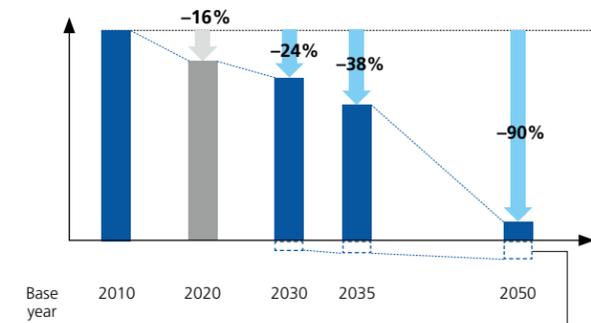


Employ internationally recognized carbon offset methods



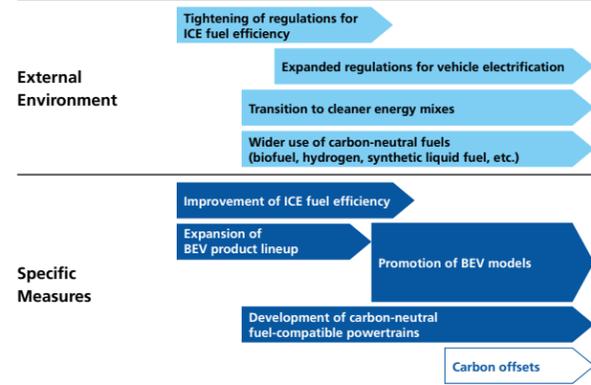
Scope 3 Targets

CO₂ emissions per unit



Note: Reduction targets for the combined emissions of our major product categories (motorcycles, outboard motors, industrial robots, etc.)

Employ internationally recognized carbon offset methods



Yamaha Motor's Initiatives

3 Specific Measures

Motorcycle Technology Strategies

The Company is working toward creating a carbon-neutral society by implementing motorcycle technology strategies centered on 1) improving the fuel efficiency of its internal combustion engines, 2) the expansion of its electric model lineup and promoting the use of electric mobility, and 3) developing renewable energy-compatible powertrains.

In examining the potential effects on lowering CO₂ emissions, a major factor in introducing products as part of our electrification strategy will be the trends seen in electricity use via renewable energy sources and the status of the charging infrastructure in place in different countries and regions.

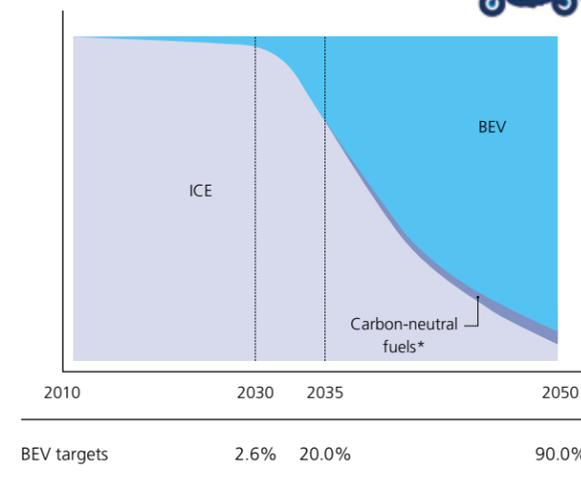
We will begin by launching products in Europe where renewable energy use is high. The Company will then introduce these products into the ASEAN region, where the majority of the CO₂ emitted by Yamaha products originates, over the period of 2030 to 2035 in our mission to achieve carbon neutrality by 2050.

Outboard Motor Technology Strategies

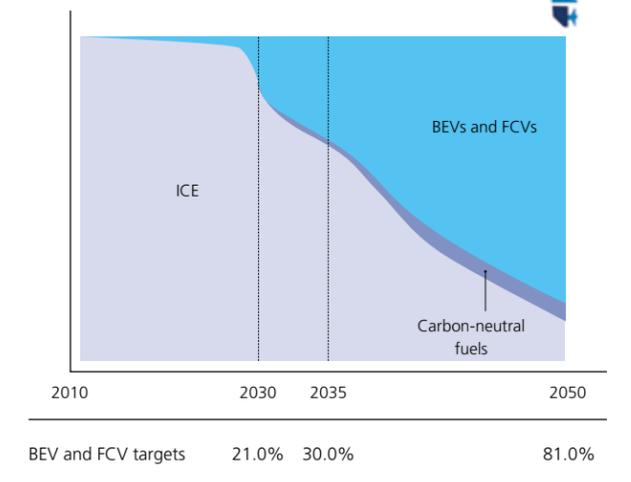
Outboard motor technology strategies for contributing to the realization of a carbon-neutral society include 1) improving the fuel efficiency of our internal combustion engines, 2) developing all-electric models, and 3) developing models powered by hydrogen, synthetic liquid fuel, and other renewable energy sources.

Roughly 60% of the Company's outboard motor sales are in developed markets while the remaining 40% come from emerging markets. In developed markets, outboards are primarily used for sport fishing, watersports, and other recreational purposes, whereas in emerging markets, they face harder use in harsher environments and are employed mostly for commercial fishing to sustain peoples' livelihoods. With all-electric models, they will be introduced while carefully examining how well they fit in with the renewable energy charging infrastructure in place and the use conditions present in various countries and territories. Accordingly, electrified models will first be launched in stages throughout developed markets and subsequently introduced into other regions. With this approach, we will contribute to achieving carbon neutrality as the leading brand in outboard motor reliability.

Motorcycle Powertrain Projection



Outboard Motor Powertrain Projection



Anticipating the technological progression of powertrains using carbon-neutral fuels (hydrogen, biofuel, synthetic liquid fuel, etc.), the above assumes the rate of adoption to be 2.6% by 2030, 20% by 2035, and 30% by 2050.

Powerplant	Technical Measures	Benefits
Internal combustion engine	Improve engine and drivetrain efficiency	Improved fuel efficiency
	Develop HEVs (electric motor as main powerplant for S-HEVs)	
Electric motor	Begin use of carbon-neutral fuels	Zero CO ₂ emissions
	Synthetic liquid fuels	
	Hydrogen	
Electric motor	Develop BEVs	Zero CO ₂ emissions
	Develop FCVs (hydrogen fuel cells)	

* Carbon-neutral fuel refers to hydrogen, biofuel, synthetic liquid fuel, and other fuels from renewable sources.

From the Director in Charge of Corporate Planning and Financial Affairs



We will support the continuation and development of our businesses by promoting our growth strategies while fortifying our financial health.

Tatsumi Okawa
Director and Managing Executive Officer

Review of Fiscal 2020

In the first half of fiscal 2020, we were plunged into a crisis the likes of which we have never experienced, as demand vanished on a global scale due to the lockdowns instituted in countries around the world in response to the global COVID-19 pandemic. As a result, our operating income plummeted to ¥19.1 billion in the first six months of fiscal 2020, and this downturn in performance prompted us to take emergency measures to procure the funds necessary to secure on-hand liquidity and implement exhaustive cost-cutting measures. However, outdoor recreation and personal mobility demand surged back mainly in developed countries as lockdowns were lifted in the second half of the fiscal year, leading to an operating income of ¥62.6 billion over the final six months. I believe these results show how Yamaha Motor's core value of helping families enjoy outdoor leisure on land or water matched perfectly with the demand among customers spurred by the restrictions on activities away from home. As a result, our operating income for the full fiscal year fell to ¥81.7 billion, but my evaluation is that our experience with this adversity demonstrated the resilience of the Company's diverse

and globe-spanning business portfolio.

At the same time, the year's developments did shed light on issues to address. We were unable to accurately predict the spike in demand, which meant our efforts to resume and boost production fell behind, and we are still unable to provide the supply needed to meet customer demand. This experience has made it painfully clear that demand predictions based purely on historical performance are insufficient. Yamaha Motor will therefore bring greater use of digital transformation methodologies to its demand projections, such as utilizing alternative data and big data.

Meanwhile, the Company practiced careful selection and concentration of its resources to narrow down targets for investment and R&D for future growth, continuing both to reinforce our core businesses as well as prepare for entries into new business domains.

As a result, free cash flow was a positive ¥66.5 billion, due in part to lower inventory and the curbing of investments, and return on equity was 7.5%.

Policies and Forecasts for Fiscal 2021

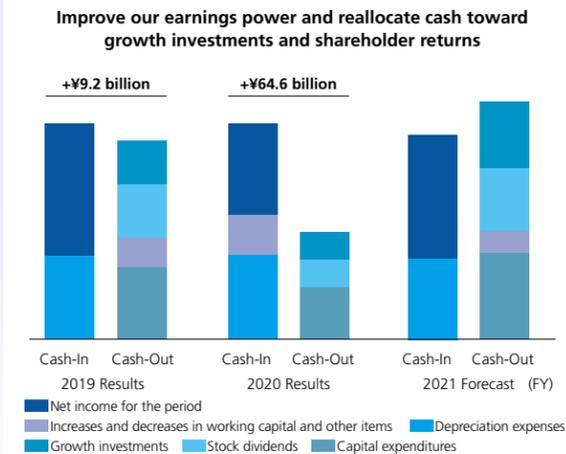
In fiscal 2021, we anticipate the continuation of strong outdoor recreation demand in developed markets and for emerging markets to also begin seeing a recovery in demand. This outlook is prefaced, however, on the assumption that global-scale lockdowns will not be implemented in response to the emergence and spread of COVID-19 variants. We also project semiconductor demand to remain high. Accordingly, the operating environment has the potential to be quite beneficial for Yamaha Motor's core Land Mobility, Marine Products, and Robotics businesses. Blessed with this favorable market and operating environment, I believe Yamaha Motor can make another upward step in its evolution if we are able to fully ingrain the exhaustive cost-cutting measures and inventory controls instituted in response to the COVID-19 pandemic. I will touch on this matter again later.

Moreover, we plan to transition from crisis response mode back to normal operations in conjunction with the market recovery in fiscal 2021.

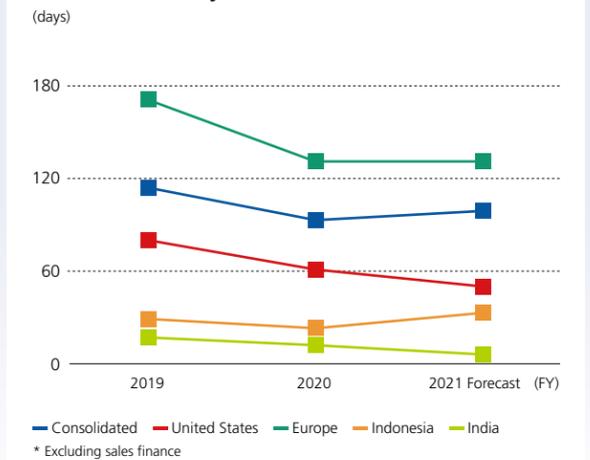
This transition will entail returning to our basic financial policy of striking a balance between investments for new growth and returns to shareholders within the range of our cash flows. Based on this policy, we will strive to bolster the earnings power of existing businesses, make investments for future growth, and develop digital foundations while maintaining a balance with shareholder returns.

In regard to shareholder returns, the Company's dividend payout ratio benchmark is 30% and we emphasize making consistent and ongoing dividend payments. In fiscal 2021, we aim to live up to shareholder expectations by returning to pre-COVID-19 levels and making our dividend total for the year ¥90 per share. Furthermore, we are currently reviewing the possibility of revising our dividend payout ratio target in our discussions for formulating the new Medium-Term Management Plan, and explanations on these policies will be provided when the plan is announced.

Cash Flows (Excluding Sales Finance)



Cash Conversion Cycle*



Growth Strategies and Fortifying Our Financial Health

Our ability to supply products has not been able to keep pace with the strong demand. In other words, product inventory levels continue to remain low. This situation has continued since the second half of fiscal 2020 and is greatly inconveniencing our customers and distributors. From a financial perspective, however, this situation is positive for our cash flows, as lower inventories brought lower working capital and thus higher cash. Also, limiting our sales promotion expenses has raised profitability and these factors have led to positive turns for all of the figures comprising our profit factor, balance sheet, and cash flows. In fiscal 2020, all our businesses and bases were forced to reacknowledge the benefits of low inventories in light of the COVID-19 pandemic. We will take this as an opportunity to make appropriate inventory and cost management a part of our corporate constitution. Meanwhile, we have seen massive improvements in the various metrics and cash conversion cycle (CCC) we introduced as key performance indicators (KPIs) for

driving our financial strategy that emphasizes cash flows and our balance sheet. We will look to entrench these items as critical indicators of performance for management at our major bases going forward.

At the moment, we still hold the additional on-hand funds amassed as part of the crisis response measures enacted in fiscal 2020, and we are looking at the possibility of flexibly allocating this cash toward achieving our growth strategies. The crisis response measures we took this time emphasized flexibility and primarily consisted of fund procurement by borrowing from banks, but we are looking to diversify our methods for procuring funding in the future. Our policies regarding portfolio management centered on growth (compound annual growth rate (CAGR)) and capital efficiency (return on invested capital (ROIC)) are being reexamined as part of the process of formulating the next Medium-Term Management Plan, and these policies will thus be implemented in fiscal 2022.

Pursuit of Sustainable Growth

From the outset, sustainability was considered a factor when selecting the targets for growth investments to carry out our medium- and long-term strategies. However, the recent acceleration of decarbonization efforts has led us to introduce contributions toward carbon neutrality as a new criteria for guiding decisions on mobility-related investments. We have also been made glaringly aware that our current organizational structure is insufficient for achieving our growth strategies. For this reason, we are examining the possibility of bolstering the organizations dedicated to accomplishing these growth strategies and of making intent-driven fund allocations that transcend the boundaries of standard business management decisions by clarifying the growth fields to be targeted in each of our core businesses and creating management frameworks to that effect.

I believe that pursuing carbon neutrality will require us to go beyond merely responding to the associated trends and to instead take the initiative and go on the offensive. At the same time, the pursuit of

carbon neutrality presents opportunities for Yamaha Motor to expand its fields of operation as a comprehensive personal mobility manufacturer. Motorcycles and three-wheeled vehicles make sense as mobility options for their flexibility in movement, and they also boast a substantially lower environmental impact than cars due to their compact size. I think transforming motorcycles and three-wheeled vehicles into carbon-neutral forms of mobility through electrification and other means will likely make them extremely welcome options among highly eco-conscious consumers who value logical solutions, particularly among younger generations worldwide. Yamaha Motor will also branch out from these vehicles to introduce completely new forms of carbon-neutral mobility in order to realize its Long-Term Vision of ART for Human Possibilities.

Going forward, the Company will work to build stable financial foundations and carry on its existing businesses while also aiming to expand into new business domains.

The Company is advancing its digital transformation strategy under the “Yamaha Motor to the Next Stage” banner raised toward achieving its Long-Term Vision. At the same time, the strategy aims to connect us with our customers in order to create more fans of Yamaha Motor and raise our brand value.

Yamaha Motor to the Next Stage

Yamaha Motor is utilizing digital technologies and data together with its strengths and assets to grow its businesses in both the physical and digital realm. Our three digital transformation initiatives—Y-DX1, Y-DX2, and Y-DX3—are being driven in a concurrent and linked manner to reinforce management platforms, increase the number of customers who become fans of Yamaha Motor, and heighten brand value.

Medium- to Long-Term Plans

Action Themes	2019–2021	2022–2024	2025–2027
Y-DX3 Create the Future	Search and trial	Building and implementation	Expansion
Y-DX2 Strengthen the Present	Four core domains and DAP	Application in four core domains and global rollout	Advance and update
Y-DX1 Reform Management Platforms	Global consolidated database and Japanese accounting ERP	Principal base / distributor ERP	ERP at all bases / distributors

Y-DX1: Reform Management Platforms

We are revamping our management platforms to achieve the following three objectives:

- (1) Accelerate decision-making via thorough efforts to make information visible and uniform;
- (2) Enhance the efficiency of back-office operations and shift resources to growth areas; and
- (3) Use new information to better visualize our customers and achieve predictive management.

At the same time, by standardizing core business processes and systems, we will promote the use of shared services and aim to enhance the productivity and quality of corporate operations.



Management Dashboard

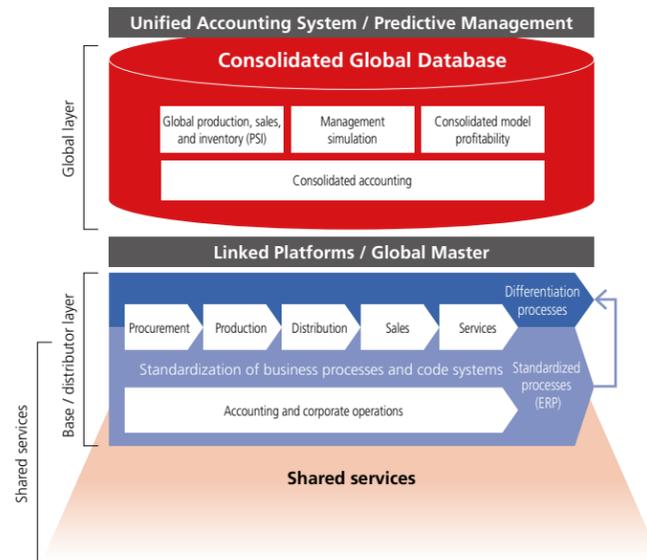
Initiative Progress

► Consolidated Global Database

Yamaha Motor is creating a centrally managed global database compiling management data from 25 domestic Group companies and 110 overseas subsidiaries and is also preparing a management dashboard. These tools will allow for drilldown analysis of management indicators and sales data by product and region and thereby enable swift, predictive management decisions based on sales projections for major products.

► Global Enterprise Resource Planning System

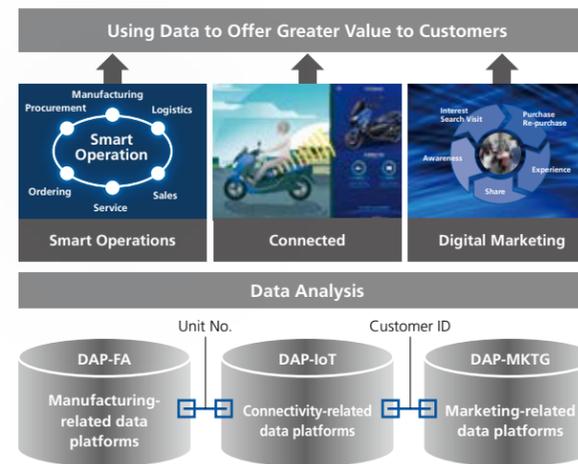
As the first phase of launching a global enterprise resource planning system, the Company is preparing to introduce an SAP accounting module for the Iwata headquarters. At the same time, we have begun consulting with subsidiaries in Europe and the United States regarding the construction of the work systems that will serve as global templates for each region as well as for the accounting, sales, logistics, production, and procurement processes that will be central to standardization at Group companies.



Y-DX2: Strengthen the Present

Y-DX2 initiatives are aimed at creating and utilizing customer touchpoints for direct and ongoing interactions—including after a sale—for the purpose of offering customers value personalized in terms of both physical and digital aspects.

We are also developing three data platforms (Yamaha Motor Digital Analytics Platform) to deliver new *Kando* to customers through digital development and initiatives in our four core digital domains of Connected, Digital Marketing, Smart Operations, and Data Analysis.



* DAP: Yamaha Motor's digital data platforms. Each data platform is linked via a unit number and customer ID.

Initiative Progress

► Connected

We have begun launching mobility products with connectivity features and their requisite mobile apps in stages in our major markets. In addition, we will utilize the data generated by these connectivity features to make proposals that further enrich the mobility lifestyles of our customers.



Y-Connect-compatible Connected NMAX scooter (Indonesia)

► Digital Marketing

Efforts are underway to develop physical and digital touchpoints with customers, such as the launch of an e-commerce website in India, in order to provide new customer experiences. We also commenced operation of our Yamaha ID platform.



E-commerce website (India)

► Smart Operations

Progress was made in the automation of factory status monitoring, transport, work processes, and inspections as well as in the automation, expedition, and enhancement of data collection and use. We also promoted the use of digital technologies in demand chain management practices for delivering products to customers in a timely manner.

► Data Analysis

Our dedicated data analysis teams are formulating solutions and improvements for various issues. We also held online data analysis training courses and the like to foster in-house data analysis staff in order to facilitate on-site data analyses.

► Data Platforms

The DAP-MKTG, DAP-IoT, and DAP-FA platforms were put into operation.

Y-DX3: Create the Future

Yamaha Motor seeks to create the future by connecting with its 200 million customers. We will form ties with new customers through channels and collaborations beyond conventional approaches. By gaining new perceptions and synergies, we will create new value and a new future.

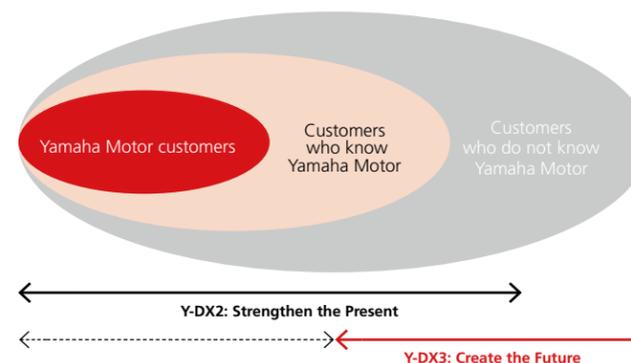
Initiative Progress

► Yamaha Motor has begun using the Makuake crowdfunding platform to connect and co-create with new customers. Through this platform, we will broadly share our awareness of issues and our desire to contribute to society through motorcycles in general with all customers—not just Yamaha users—and engage in co-creation seeking possibilities for new and unprecedented businesses.

► Going forward, Yamaha Motor will expand the scope of its efforts to create the future through various new ideas, including those from the perspective of sustainability.



The FIST-AID: Disaster-Ready Riders project was the Company's first time using the Makuake crowdfunding platform.



Collaborations with different fields
 Co-creation programs
 Construction of a continuous cycle of innovation