

Minutes of Dialogue with Outside Directors

Date & Time: December 12, 2025 (Friday), 13:30–14:50 JST
Venue: Shin-Marunouchi Building Conference Square / Zoom Webinar
Presenters: Jin Song Montesano, Outside Director
MASUI, Keiji, Outside Director
Moderator: MAKINO, Keiichiro, General Manager of Corporate Governance Division,
Corporate Planning & Finance Center
In Attendance: HASHIMOTO, Mitsuru, Executive Officer

Panel Discussion

Theme 1	Could you share your views on the roles expected of outside directors at Yamaha Motor, including how they should engage with management and contribute to enhancing corporate value?
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Director Montesano: The role of outside directors in companies listed on the Tokyo Stock Exchange has become increasingly significant. Our company is committed to strengthening its corporate governance framework and continues to make steady progress toward this goal.

Our Board of Directors includes very capable outside auditors and independent directors, with five female members and two non-Japanese members, achieving a high level of diversity. In addition, our directors bring deep expertise across a broad range of domain expertise, including global marketing, corporate transformation, M&A, ESG, human capital, and procurement and supply chain management.

In recent years, investor expectations placed on outside directors have evolved—from simply monitoring and ensuring stability to also actively encouraging management to pursue growth opportunities. Our management team recognizes the need to identify more effective approaches to achieve the objectives of the medium-term management plan. The key questions for Yamaha Motor are: How do we get there? And how do we accelerate speed and agility?

In this context, external perspectives are extremely valuable, and we believe this mechanism is functioning effectively.

Director Masui: To build on Jin-san's comprehensive and insightful comments and avoid repeating the same points, I will focus on areas where I can offer a distinct perspective. With a long career in the automotive industry, particularly in manufacturing, I aim to leverage that expertise to support the management of our company, which operates within the same mobility domain.

In addition, drawing on my extensive experience in executive leadership, I pay close attention to the openness and transparency of communication between our top leadership and those responsible for execution. This is a critical aspect I consistently monitor at the Board level.

I highly value the fact that our company fosters active and candid discussions not only during Board meetings but also in other forums. Going forward, I am committed to contributing to further strengthening this culture of open communication.

Theme 2	Compared to other companies' boards, what do you see as the strengths of Yamaha Motor's Board of Directors and areas that could be improved?
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Director Masui: I highly value the fact that our company promotes open dialogue and active communication through Board meetings and CEO roundtables. There is a culture where executive officers and department heads can express their views candidly and even challenge one another, reflecting the spirit of boldness and innovation that has been part of our DNA since the company's founding.

That said, there is still room for improvement. Executive directors tend to focus primarily on comments related to their own areas of responsibility. Discussions would be even more meaningful if more opinions were shared from a company-wide perspective. While the Board agenda has become more focused, when there are many reporting items, time for discussion tends to be limited. In addition, explanations sometimes take too long, leaving debates at a surface level. Going forward, we need mechanisms that enable deeper and more substantive discussions.

Director Montesano: I fully agree with Masui's comments. In addition, as I also serve as an inside director on LIXIL's Board, I can offer a comparative perspective based on experience with both companies. From that viewpoint, I believe one of Yamaha Motor's greatest strengths is its "challenger spirit"—a readiness to engage in difficult discussions without hesitation.

At Yamaha Motor's Board meetings, discussions are candid and constructive, and management demonstrates a strong commitment to continuous improvement. While discussions can sometimes be lengthy, I view this as a positive indication that we are addressing critical issues in depth. Another notable strength is the presence of highly capable independent directors, which fosters diverse and productive exchanges of ideas.

As for areas of improvement, one common challenge—shared by many companies—is the tendency to adopt short-term perspectives during periods of difficulty. Independent directors play a vital role in maintaining a long-term view and guiding management back on course. Striking the right balance between addressing short-term issues and ensuring alignment with long-term strategy is essential. More definitive responses from management would further enhance the quality of Board discussions. That said, I do not believe the company lacks a long-term perspective; our medium-term management plan clearly articulates strategic direction and supports sustainable value creation.

Another point is the difference in specialized expertise between management and outside directors in certain areas, which requires bridging through dialogue. For example, while Yamaha Motor possesses significant brand value, I believe management has not fully internalized how to leverage that value as a source of differentiation. This discussion also connects to human capital strategy—whether to recruit talent externally or develop it internally. As my executive role at LIXIL involves human capital, I have been able to contribute this expertise to Board discussions, and I believe Yamaha Motor's approach in this area is steadily evolving as a result.

Moderator: Is our Board more active in exchanging opinions compared to other companies? My perspective is limited to our own environment, so I would appreciate your insights on whether this level of openness is typical.

Director Masui: To be candid, comments from outside directors can be quite direct—sometimes challenging for those receiving the feedback. However, the executive team takes these views seriously, which leads to deeper and more constructive discussions. The Chair, Mr. Watanabe, manages the proceedings skillfully, maintaining a calm atmosphere even during difficult moments and ensuring that everyone has an opportunity to speak. I consider this a major strength.

Director Montesano: I share that view. Other Boards can be more formal and reserved, whereas Yamaha Motor's board discussions are quite dynamic. Discussions are vigorous and occasionally intense, but this reflects perhaps a strong commitment to improvement and to realizing the company's potential. The feedback is constructive and forward-looking, aimed at making the company better and enhancing its value.

Theme 3	As the Chair of both the Nomination Committee and the Compensation Committee, could you share your views on the roles and ideal functions of each committee, how they should collaborate, and what key issues you are currently focused on?
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Director Montesano: The first point I would like to emphasize is that splitting the former Executive Personnel Committee into separate Nomination and Compensation Committees has enhanced the depth and quality of discussions. Previously, when all outside directors met as a single committee with limited time, discussions tended to remain high-level and lacked sufficient depth. The creation of these two committees was unquestionably the right step, and I firmly believe it represents a major improvement in corporate governance by enabling more focused and specialized deliberations.

The primary role of the Nomination Committee, as I see it, is to establish a stable and effective succession plan for the CEO, directors, and auditors, while ensuring an optimal balance in the Board's composition. From a long-term perspective, Yamaha Motor stands at the crossroads of significant industry shifts, including electrification and digital transformation. Therefore, it would be beneficial to incorporate greater expertise in these areas into the Board.

The succession planning process has already begun, and I am working closely with Chairman Watanabe to organize executive succession as a critical priority directly linked to value creation. While we have clear rules under the Articles of Incorporation, I believe a more rigorous process is required. A distinctive feature of this process is the integration of different perspectives: I tend to emphasize logical frameworks, benchmarks and criteria, whereas Chairman Watanabe and the management team prioritize common sense. The combination of these approaches has fostered healthy, robust discussions which is the foundation for building a robust succession plan.

Director Masui: Although my tenure as a director is relatively short—just one year—I was recently appointed Chair of the Compensation Committee. The committee includes members with extensive global experience, and the ability to draw on diverse perspectives is both enriching and highly valuable to its work.

This year, our company introduced a new compensation framework, and we are now in its first year of implementation. Within the committee, we are working to deepen our understanding of the framework and review its practical application, including the validity of KPIs and alignment with market practices. Looking ahead, we plan to further refine our approach to compensation for non-Japanese executives and enhance collaboration with the Nomination Committee. By ensuring consistency between top management performance and the compensation system, we aim to contribute to the sustainable enhancement of corporate value.

Theme 4	Could you also share your thoughts on the progress and challenges of the Board's discussions aimed at building a resilient profit structure and strengthening the long-term management foundation in response to environmental changes?
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Director Masui: Currently, the mobility industry, including our company, is facing an extremely challenging business environment, including additional tariffs imposed by the United States. Under these circumstances, strengthening the company's fundamentals is a formidable challenge. As an outside director, I believe my role is to provide an external perspective that instills a sense of urgency and offers necessary impetus to the executive team. For this reason, I engage in ongoing discussions with management not only on individual issues but also on broader, company-wide challenges.

Specifically, it is important to redesign the global production footprint of our core businesses—Marine Products and Motorcycle—to mitigate the impact of exchange rates and tariffs. In addition, in a difficult business environment, it is essential to clarify development investment priorities and allocate resources more strategically. Furthermore, in procurement and production, enhancing manufacturing competitiveness remains the most critical challenge for any industrial company. To achieve this, we must ensure that development schedules and production preparations proceed as planned, that target volumes are met, and that these efforts ultimately translate into revenue.

Through these initiatives, our goal is to reinforce the company's overall resilience and achieve sustainable growth. As an outside director, I will continue to engage in discussions with management from these perspectives.

Director Montesano: Yamaha Motor is a highly successful company with an outstanding long-term track record. At the core of this success lies a strong spirit of embracing challenges. The willingness to embrace new ideas and experiment is a critical element that underpins the company's vitality, and this culture remains one of Yamaha Motor's greatest strengths.

At the same time, prioritization is not one of the company's strengths. However, the current changes in the external environment present an excellent opportunity to reassess the business portfolio and reconsider what truly deserves priority. Clarifying capital allocation, defining investment themes, and enhancing decision-making quality will be key drivers for long-term corporate value creation.

Another point I would like to emphasize is the importance of simplification. As the business environment becomes increasingly complex, the challenges facing manufacturing companies grow more difficult. Having worked in the industrial manufacturing sector for years, I deeply understand this issue. Strategic focus and selective investment are essential to strengthening the company's resilience.

As an outside director, I believe it is critical to make decision-making processes at Yamaha Motor more transparent. Clearer processes will enable greater speed and agility, enhance the company's ability to respond swiftly during challenging times, and provide long-term support for sustainable growth. I greatly appreciate management's willingness to engage in these tough discussions at the Board level.

Moderator: There was a comment that management is receptive to input from outside directors. Masui-san, what is your perspective on this?

Director Masui: Management consistently takes feedback from outside directors seriously. Many of the issues we raise do not have easy answers, and I believe they face considerable challenges in addressing them. However, their willingness to embrace external perspectives is commendable. If management were to adopt an attitude that outsiders cannot understand, communication would break down. Instead, they listen openly and consider how improvements can be made. I regard this attitude as truly admirable.

Q.

Could you share your perspective on the role expected of outside directors, particularly regarding the importance of their oversight function?

Director Montesano: As an outside director, I consider the oversight function essential to ensuring sound management. We conduct regular audits, reviews, and reporting. At each monthly Board meeting, we review specific projects and follow up on those that require deeper examination. When issues are identified, we closely monitor them. The CEO begins each monthly meeting by reporting “bad news” first, and directors request detailed feedback on those challenges.

Director Masui: As a concrete example of our oversight role, we addressed a regulatory compliance matter concerning motorcycle type-approval applications. The Board reviewed management’s proposed response and, where necessary, recommended further measures. We acknowledged that these issues often arise from resource constraints or cultural factors, and therefore emphasized the need to secure adequate human and technical resources. Our responsibility as outside directors is not merely to provide advice, but to propose actionable solutions and ensure they are incorporated into management’s decision-making.

Q.

Could you share what discussions have taken place at the Board regarding loss-making businesses, and what advice outside directors have offered in that context?

Director Masui: As outside directors, our role goes beyond simply evaluating sales growth or product line expansion. We provide robust advice and oversight on the competitiveness and profitability of each business. In particular, for businesses that have continued to post losses, we engage in serious discussions on whether to continue them, taking their future prospects into account. This is a critical issue closely tied to corporate value.

At the same time, we place great importance on maintaining the overall balance of the business portfolio. For example, we believe it is essential to strengthen the profitability of core businesses such as motorcycles and marine products, enabling the company to offset weaker segments through a balanced and comprehensive approach.

Director Montesano: As an outside director, my role goes beyond simply reviewing and commenting on management’s reports. I evaluate the positioning of our businesses from multiple angles, considering the competitive landscape, future trends, and peer strategies. I also raise critical questions, such as whether our investment levels remain competitive. If we are unable to maintain competitiveness, we should promptly consider broader strategic options.

These discussions are actively conducted at the Board level and are instrumental in shaping portfolio decisions.

Q.

Could you share your perspective on the current situation, in which despite the company’s strong spirit of challenge, product launches have not fully aligned with market needs and certain developments seem to be trailing competitors?

Director Montesano: On this point, I share the same concern. Candidly, our company remains largely product-out oriented. Looking ahead, we need to shift toward a more consumer-centric approach. It is essential to gain a deeper understanding of consumer preferences, lifestyles, and market trends, and connect these insights to our core strengths in product development and prioritization.

We take great pride in our technological capabilities and product development expertise, and there is a strong culture of creating products we believe set the benchmark in the market. However, in addition to focusing and prioritizing, we must incorporate consumer and customer insights into the upstream stages of development. This topic has been a recurring theme in Board discussions, and with the recent addition of Director Casanova, these discussions have become more focused and impactful.

Director Masui: I share the same concern. Indeed, in our development environment, engineers often pursue projects based on personal aspirations. While this freedom of innovation is a strength, from a management perspective, it is critical to focus development resources and production investments precisely on market needs. If we fail to identify what the market truly demands and make selective, prioritized investments, the company could face significant challenges.

To achieve this, we need to anticipate market trends and establish processes that enable us to deliver products that truly meet consumer needs as quickly as possible. The traditional belief that “a good product will sell itself” is no longer sufficient in an increasingly competitive environment.

For example, premium motorcycle models are undoubtedly attractive and represent one of our strengths. However, going forward, competitiveness will depend not only on creating excellent products but also on delivering what the market wants in a timely manner. This challenge applies across all businesses. Market forecasting is inherently difficult and often inaccurate, so strengthening our ability to assess market size and growth potential is essential.

Moderator: Our marketing function has frequently been discussed at the Board level, and other outside directors have also expressed the view that improvements are needed. In response, management recognizes that strengthening marketing capabilities is a critical priority and intends to accelerate efforts in this area.

Q.	Should the compensation framework include not only performance indicators—such as the three-year average ROA—but also process-based evaluations that measure development quality and the execution of key initiatives?
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Director Masui: This year, we introduced a new compensation system and have started implementing it. Under the current framework, both the three-year average ROA as a mid-term indicator and short-term business KPIs serve as key performance measures. Incorporating elements such as process evaluation and cost efficiency into the assessment criteria is an area we plan to address in the future.

In addition to quantitative measures, we also recognize the importance of qualitative evaluation. Specifically, we have already integrated factors that contribute to sustainability and long-term corporate value—such as initiatives toward carbon neutrality and governance enhancement—into our evaluation criteria and have begun operating under this approach.

Q.	Could you provide more details on what is meant by “improve the effectiveness of Board deliberations,” which was listed as a future challenge in the presentation materials?
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Moderator: At times, our Board meetings often spend considerable time on explanations and Q&A, leaving limited time for in-depth discussions on core issues.

Currently, we distribute materials and video content in advance, but going forward, we plan to enhance the clarity and comprehensiveness of these resources to allow directors to focus on discussion. In addition, we will review the agenda and narrow it down to the most critical topics. Currently, many reporting items are presented to the Board; where consensus is reached with outside directors, these reports will be shifted to other forums. This will enable the Board to dedicate more time to mid- and long-term strategic themes.

Through these measures, we aim to enhance both the quality and depth of strategic discussions and further improve the effectiveness of the Board.

Q.	Could you share your view on where the sources of corporate value lie that deserve recognition by the market but have not yet been fully communicated?
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Director Masui: Our company operates a broad portfolio of products centered on the motorcycle business. These products stand out because they not only serve as practical means of transportation but also deliver “experiential value” such as leisure, recreation, and enjoyment. However, we recognize that there is still room to fully leverage this brand value.

In particular, in overseas markets, we have yet to fully deliver a comprehensive value proposition aligned with customers’ lifestyles and life cycles. While we provide high-quality hardware, our efforts to strengthen non-hardware elements—such as financial services and post-purchase experiences—remain limited.

In the marine products business, the importance of software-driven value, including connected features and digital services, is growing rapidly, yet our efforts in this area remain limited. Looking ahead, it will be critical to maximize our brand value by offering integrated solutions that combine products, services, and experiences.

This approach will enable us to build long-term relationships with customers and enhance corporate value.

Director Montesano: One of the greatest opportunities for creating future corporate value lies in innovating the user experience by leveraging our brand. Our current focus is primarily on the product itself. However, customer feedback suggests opportunities for improvement in areas such as user demand for more seamless connectivity that delights the experience of engaging with Yamaha Motor products. Although the quality of our engines, hardware, and design is already high, we see significant potential to create new value for Yamaha Motor by enhancing the consumer brand experience, connecting hardware and software to create a user experience that is superior to competition.

Enhancing connectivity and leveraging technology to elevate the consumer’s experience will be essential to sustaining our competitive advantage. This approach will enable us to go beyond the value of the product alone and deliver integrated solutions that combine products, services, and experiences—creating sustainable differentiation.

We must also respond to changes in our customer base. In particular, in the North American market, the aging of existing customers is accelerating, making it essential to attract a new generation of consumers. These consumers prioritize different forms of value, and to capture their needs accurately, we must strengthen our capabilities in strategic marketing, consumer insights, and data analytics. These are areas where we are beginning to invest in because they will be key drivers of future growth and competitiveness.

Q.	Could you share how investors can evaluate the effectiveness of the newly established Nomination and Compensation Committees from a governance perspective?
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Director Montesano: I regard executive succession planning as one of the most critical ways in which a company can enhance future corporate value. Typically, it takes around five years for the results of a succession plan to materialize, and perhaps ten years to see whether the impact of the planning comes to fruition. The key challenge we face is building a robust talent pipeline to develop future CEO candidates.

We have strong layers of talent within the organization, supported by a well-managed rotation program and development initiatives. However, the challenge is to establish a systematic process to identify, develop, and track rising talent for future leadership roles. Currently, we are working closely with management to introduce a more rigorous framework and evaluation criteria, clarify the leadership qualities required to lead Yamaha Motor in the future, and utilize modern tools such as talent mapping and targeted development.

Without a well-structured succession plan, leadership selection risks relying on chance, biased or subjective opinions, or past practices, that no longer enable the creation of a relevant pool of talent. What we seek are future-ready leaders—individuals capable of driving the company forward in light of tomorrow’s business environment, not today’s. It is essential to move beyond historical standards and focus on developing leaders who can thrive and lead effectively in a rapidly evolving technological, geopolitical, and economically uncertain landscape.

Director Masui: As we consider the future design of our compensation framework, improving how KPIs and evaluation metrics are defined under the current system remains a key priority. Based on the challenges identified this fiscal year, we are moving forward with concrete plans to implement improvements starting next year.

For example, the Compensation Committee has conducted simulations to estimate the impact if this year's results were applied under a new evaluation method, enriching the discussion through quantitative analysis. A major achievement is that outside directors actively participated in this process, shifting from simply receiving results to validating outcomes themselves. Furthermore, separating the committee to focus exclusively on compensation has enhanced the quality of deliberations and enabled us to incorporate perspectives on global standards and transparency.

Looking ahead, we believe it is essential to clearly communicate the outcomes of these discussions externally and fulfill our responsibility for transparency and accountability.

Q.	Could you explain what prompted the decision to separate the Nomination Committee from the Compensation Committee?
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Director Montesano: Rather than being driven by a specific trigger, this change evolved from ongoing discussions on improving governance. Under the previous Executive Personnel Committee, it was difficult to hold in-depth discussions on compensation, nominations, and succession planning. For this reason, we established the Nomination Committee and the Compensation Committee this fiscal year, transitioning to a structure that enhances independence and transparency.

While we have already seen clear benefits, building an even stronger governance framework remains essential. Compensation and nominations are among the most critical areas where independent directors can contribute to enhancing corporate value. Placing the right people in the right roles has a profound impact on the company's long-term value.

Director Masui: Currently, we operate as a Company with an Audit & Supervisory Board. As more companies transition to structures such as a Company with Nomination Committees or a Company with Audit and Supervisory Committees, we have carefully examined which governance model would best strengthen our framework. After thorough consideration, we concluded that maintaining the current structure is appropriate for the time being, given the strong audit function provided by full-time Audit & Supervisory Board members, including internal audits.

At the same time, we believe it is important to incorporate the advantages of a Company with Nomination Committees. Therefore, we replaced the former Executive Personnel Committee with a Nomination Committee and a Compensation Committee, chaired by outside directors, to enhance independence and transparency. This structure reflects extensive discussions, including external input, and represents a significant step toward stronger governance.

Looking ahead, we intend to continuously review the effectiveness of this framework and, if necessary, propose further changes—including a potential transition to a Company with Nomination Committees—while pursuing proactive and dynamic committee operations.

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*This English translation was generated with the assistance of AI. In case of any discrepancies, the original Japanese version shall prevail. *