

Resolution of ESG Issues through Growth Strategies

Komatsu's CSR Themes and Mid-Term Management Plan KPIs

Komatsu seeks to help resolve ESG issues by promoting the three pillars of growth strategies defined in the new mid-term management plan. We strive to realize a positive cycle of sustainable growth through improvements of earnings and resolutions to ESG issues. Our initiatives include reducing environmental impacts to combat climate change and supplying

high-quality, high-performance products, services, and solutions ensuring safety. KPIs have been set to guide these initiatives for solving ESG issues through our core business.

CSR Themes	ESG Solutions through Three Pillars of Growth	Key Initiatives under Mid-Term Management Plan	FY2019 KPI Performance	FY2020 KPI Performance	FY2021 KPIs	Strategies Relevant SDGs
<p>Enhancing Quality of Life —Providing Products Required by Society—</p>	<p>• Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry).</p> <p>• Improve productivity, efficiency, safety and environmental impact (lower CO₂ emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain.</p> <p>• Make commitment to DANTOTSU Value which will realize a better Earth and future by means of technology and reliability (creation and maximization of customer value).</p>	Reduction of CO ₂ emissions (in comparison to FY2010)				
		• Reduction of CO ₂ emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of Smart Construction use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment)	14% reduction	14% reduction	16% reduction (in comparison to FY2010)	
		• Reduction of CO ₂ emissions from production (plants with zero impact on environment and workers)	33% reduction	33% reduction	40% reduction (in comparison to FY2010)	
		Plants with zero impact on environment and workers				
		• Rate of renewable energy use (including purchase of renewable energy)	11%	13%	15%	
		• Work environment burden coefficient (particle matter density)	10.7% reduction	24% reduction	30% reduction (in comparison to FY2018)	
		• Water consumption	49.4% reduction	52% reduction	55% reduction (in comparison to FY2010)	
		Value chain reforms and redefinition of the aftermarket business				
		• Spare parts sales	3% increase	8% decrease	11% increase	
		• Reman component lifespan (compared to new components)				
		Actual value: Average operating time from the nth to the n+1st overhaul order	26,866 workhours (134% of new components)	19,106 workhours (95% of new components)	20,000 workhours (100% of new components)	
		Assurance of mine operation safety and productivity				
		• AHS units' population (promotion of mining platform business)	221 units	352 units	380 units (aggregate)	
		DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution				
		• ICT-intensive equipment introduced (United States, Europe, and Australia)	1,361 units	1,288 units	1,590 units (per year)	
		• Sites adopting Smart Construction	2,440	3,348	4,850 (per year)	
		Automation, autonomous operation, electrification, and remote-controlling of equipment				
		1. Automation of construction equipment	Verification tests conducted on user sites	In-house verification tests	Test introduction of hydraulic excavators for automated loading	
		2. Automation, autonomous operation, and remote operation of mining equipment	Preparations advanced to launch mining bulldozer with level 2 automation	Domestic pretest of bulldozer with level 3 automation, preparation for proof of concept test in Australia	Entry into mining bulldozer market (level 4 automation)	
		3. Automation of utility equipment	Development of peripheral safety technologies for supporting automation	Entry into retrofit market for installing peripheral safety functions in preparation for automation	Development of technology for automated forklifts	
• Enhancement of mining equipment and hard rock mining businesses	Advancement of development projects for expanding product series	Expansion of product series (drills, LHD) Four models	Expansion of product series			
Agricultural solutions and smart forestry						
• Creation of construction equipment demand in agricultural field	Japan: Commencement of verification tests at five agriculture business operators Indonesia: Started mass production and sales of D31PLL agricultural bulldozer	Japan: Development and market evaluation of agricultural ATT Indonesia: Confirmation of feasibility of D21 agricultural bulldozer for direct rice planting applications	Japan: Expand lineup of agricultural loaders Indonesia: Increase number of users of agricultural techniques employing agricultural bulldozers			
• Smart forestry projects	10	19	50			
IoT and ICT work reforms						
• Sales in Kom-mics platform business (visualization of production equipment operation)	865 units	1,447 units	1,900 units (including for internal use)			
Development of a diverse workforce with a high level of productivity and technical skills						
• Enhancing employee engagement	Scheduled for FY2020	Preparation for survey in FY2020, global survey in April 2021	Improvement of global surveys and indexes			
• Work process reforms through expansion of diverse and flexible workstyles	(1) 1,950 workhours per person/year (2) Commencement of trial in August 2019	(1) 1,920 workhours per person/year (2) Revision of telework system in August 2020	Total workhours of less than 2,100; introduction of telework system (Japan)			
• Promotion of The Komatsu Way (global dissemination of The Komatsu Way)	• Training hours: 31,625 hours (aggregate hours for all participants) • Number of participants: 1,461 in Japan, 307 overseas	• Training hours: 33,188 hours (aggregate hours for all participants) • Number of participants: 1,527 in Japan, 0 overseas	Training hours and number of participants (Disclosure of results)			
Strengthening and development of diverse talent with a global perspective to help achieve sustainable workplaces						
• Revision of role of Japan in global management	Human resource system revisions started in Japan	• Revision of domestic retirement, wage, and retirement benefit systems in April 2021 • Introduction of elective retirement and R&D staff systems	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis			
• Foundations for global measures (systems, frameworks)	Preparations advanced for introduction	Commencement of domestic data linkage	Introduction			
• Empowerment of female employees ((1) non-consolidated ratio of female employees, (2) non-consolidated ratio of female managers, (3) consolidated ratio of female managers (Japan))	(1) 12.3%, (2) 7.2%, and (3) 4.5%	(1) 12.3%, (2) 7.7%, and (3) 4.9%	(1) 12.5%, (2) 10.0%, and (3) 5.0%			
• Rate of employment of people with disabilities (comply with requirements in Japan)	2.58% (non-consolidated)	2.82% (non-consolidated)	Above 2.3% (legally mandated rate)			
• Support for regional human resource development for job creation (regional human resource development with Cummins Inc.)	• Human resource development program launched in Chile • Ongoing support provided in Peru, South Africa, and Australia • Participants' success in finding employment tracked	• Ongoing support in Chile, South Africa, and Australia • Establishment of scholarship program for students in Chile and Peru as part of COVID-19 relief program	Chile, Australia, South Africa, others			
Development of talent with cross-value chain capabilities						
• Cultivation of Smart Construction consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)	396	626	430 (aggregate)			
Resolutions to social issues through collaboration with stakeholders						
• Promotion of industry-government-academia collaboration as well as of collaboration with customers	Examination of cutting-edge tools through activities with domestic customers and regional dissemination	• Posting of past activity documents on Group portal • Shared information on activities in 14 regions on rotational basis • Continuation of activities by headquarters team targeting three customers (two civil engineering, one aggregate)	Promotion of Brand Management and activities creating value for customers			
• Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings)	• Shareholder meetings: 2 times • Shareholder factory tours: 10 times • Individual investor meetings: 7 times • Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic	• Shareholder meetings: 1 time (held online) • Shareholder factory tours: 0 (canceled due to COVID-19 pandemic, factory tour videos shared on official Komatsu YouTube account) • Individual investor meetings: 4 times (held online)	Number of meetings held (Disclosure of results)			
• Institutional investors (ESG meetings)	11 (ESG-related meetings)	• ESG-related meetings: 4 • Participation in conferences: 1 (meetings held with 18 investors)	Number of meetings held (Disclosure of results)			
• Communities (business site fairs)	Business fairs at nine factories (Awazu, Osaka, Ibaraki, Kanazawa, Tochigi, Oyama, Koriyama, Shonan, and Himi); canceled only at Shonan Plant due to impacts of Typhoon Hagibis	All factory fairs canceled due to COVID-19 pandemic	One fair held at each of nine factories per year			
• Employees (meetings)	34 (30 in Japan, 4 overseas)	29 in Japan (canceled overseas due to COVID-19 pandemic)	Number of meetings held (Disclosure of results)			
Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights						
• Occupational health and safety, support for establishing environmental and safety systems at suppliers, response to Japan's Corporate Governance Code (corporate governance reports), evaluations of effectiveness of Board of Directors, internal control, and internal audits	Establishment of Human Rights Policy, disclosure in integrated report	Revised Komatsu Code of Worldwide Business Conduct Human rights e-learning programs, etc.	Ongoing improvements made in reflection of relevant laws and regulations and social expectations			

