

# Komatsu IR Day in 2016: ESG Meeting

December 5, 2016

10:30 - 12:00

[Komatsu participants]

Tadashi Okada, Senior Executive Officer, supervising PR, CSR, general affairs  
and compliance

Yuichi Iwamoto, Senior Executive Officer and President of Development Division,  
supervising environmental affairs

Yasuhiro Inagaki, Senior Executive Officer and General Manager of Business  
Coordination Department, supervising legal affairs

Kuniko Urano, Senior Executive Officer and General Manager of Human  
Resources Department

Thank you very much for coming to Komatsu today.





We, at Komatsu, have defined CSR activities as business activities *per se* in which we can take advantage of our strengths and have accordingly worked to respond to a variety of social needs through our core businesses.

In particular, we have made aggressive efforts, such as provision of products and services, designed to contribute to the improvements of infrastructure, living conditions, and environmental responses at customers' jobsites where our products are in use as well as at our manufacturing plants. Through The KOMATSU Way, we have also promoted human resource development, corporate governance and thorough compliance over the years.

Today, we are holding this ESG meeting in order to enhance your understanding of our CSR/ESG information and for us to unfailingly understand what you need with respect to our non-financial information.

This is our first attempt in this area, and we would appreciate it very much if you could give us your frank opinions.

# Komatsu Participants

Areas of presentation	Overall coordination and Social affairs	Environmental affairs	Corporate governance	Diversity, etc.
				
<b>Name</b>	<b>Tadashi Okada</b>	<b>Yuichi Iwamoto</b>	<b>Yasuhiro Inagaki</b>	<b>Kuniko Urano</b>
Birth place	Chiba prefecture	Osaka prefecture	Shizuoka prefecture	Tokyo metropolis
Joined Komatsu	1979	1984	1984	1979
Basic career	Corporate planning	Development	Legal	Human resources
Present position	Senior executive officer, supervising PR, CSR, general affairs, and compliance	Senior executive officer President, Development Division, supervising environmental affairs	Senior executive officer General manager, Business Coordination Development, supervising legal affairs	Senior executive officer General manager, Human Resources Department
Hobby	Golfing, watching sports	Travel, going for a drive	Travel, playing tennis	Calligraphy

I. Mid-range Management Plan (FY2016 – 2018): Mid to long-range visions and ESG (pp. 5 –13)

II. Komatsu's SCR activities (pp. 14 – 21)

III. Social affairs (S): Solving social issues through core businesses (pp. 22 – 28)

IV. Environmental affairs (E): Reducing CO<sub>2</sub> emissions from products in use (pp. 29 – 34)

V. Governance (G): Corporate governance and global management (pp. 35 – 41)

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## **I . Mid-range Management Plan (FY2016 – 2018): Mid to long-range visions and ESG**

# Mid-Range Management Plan (FY2016 -18)

**Together We Innovate GEMBA Worldwide**  
**Growth Toward Our 100th Anniversary(2021) and Beyond**

April 27, 2016

Tetsuji Ohashi  
President and CEO  
Komatsu Ltd.

# 1. Catchphrase of Mid-range Management Plan

Komatsu Group employees worldwide will team up with distributors, suppliers and other partners, innovate customers' GEMBA (workplace) together with them, and provide innovation designed to create new values, thereby working for growth of our core businesses of construction and mining equipment as well as industrial machinery toward our 100<sup>th</sup> anniversary and beyond.

Integrated power of customers, distributors, suppliers and Komatsu Group employees

Everything begins with GEMBA

Our GEMBA is found all around the world.

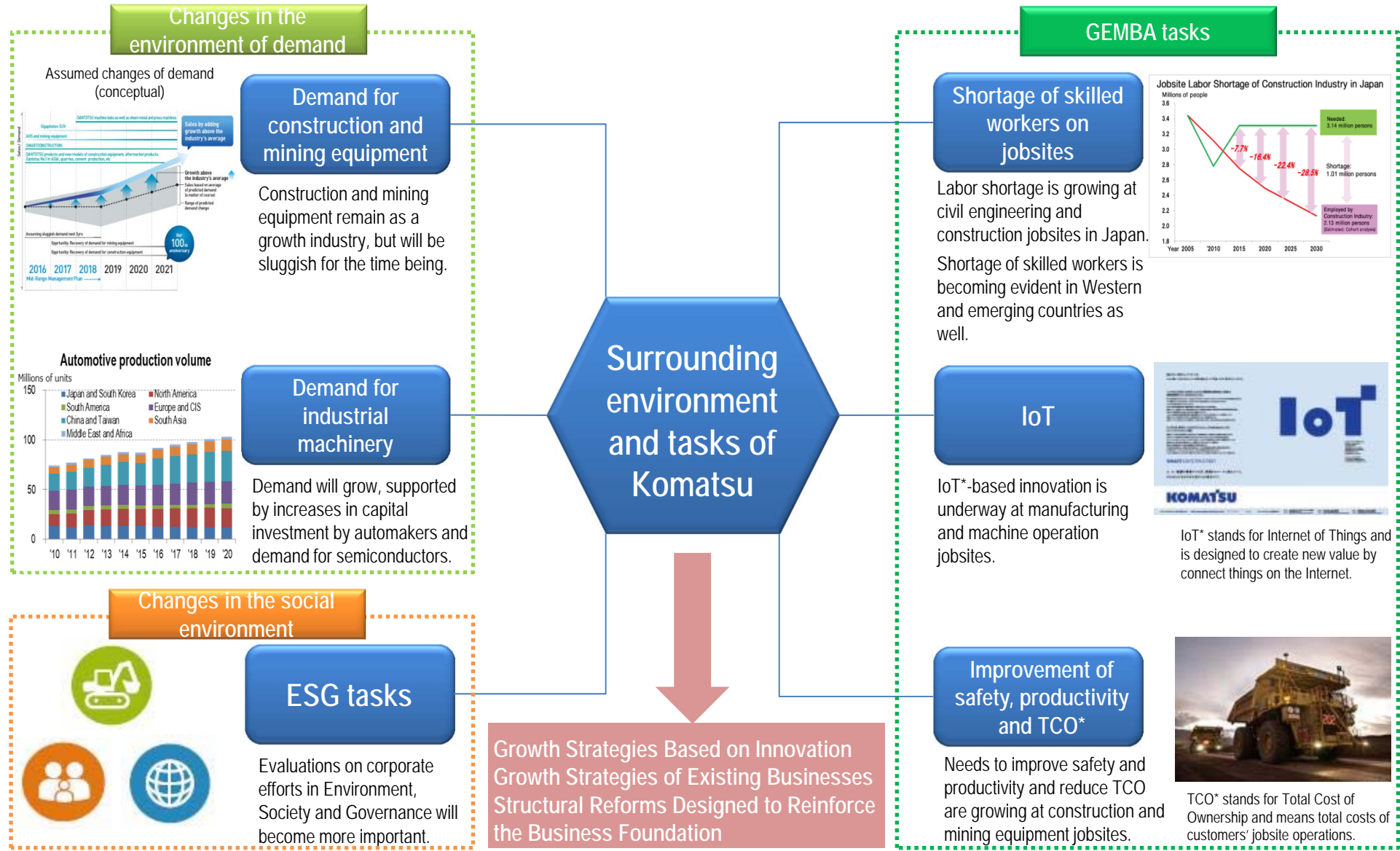
## Together We Innovate GEMBA Worldwide Growth Toward Our 100th Anniversary(2021) and Beyond

Growing towards our 100<sup>th</sup> anniversary and beyond

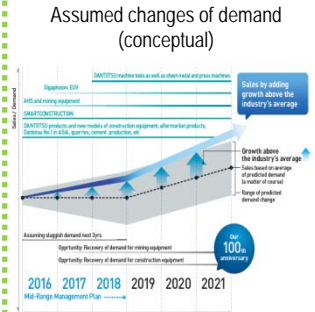


Komatsu Group employees worldwide will team up with distributors, suppliers and other partners, innovate customers' GEMBA (workplace) together with them, and provide innovation designed to create new values, thereby working for growth of our core businesses of construction and mining equipment as well as industrial machinery toward our 100th anniversary and beyond.

We will work for growth as we meet changes in our surrounding environment and tasks

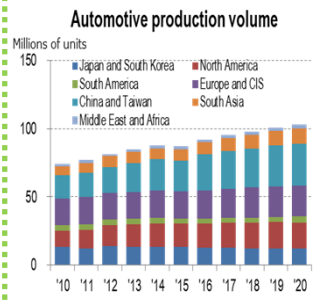


Changes in the environment of demand



**Demand for construction and mining equipment**

Construction and mining equipment remain as a growth industry, but will be sluggish for the time being.



**Demand for industrial machinery**

Demand will grow, supported by increases in capital investment by automakers and demand for semiconductors.

Changes in the social environment



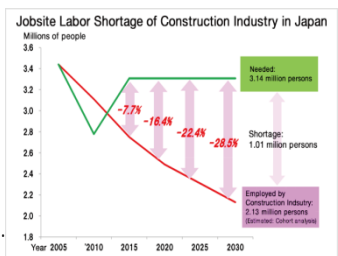
**ESG tasks**

Evaluations on corporate efforts in Environment, Society and Governance will become more important.

GEMBA tasks

**Shortage of skilled workers on jobsites**

Labor shortage is growing at civil engineering and construction jobsites in Japan. Shortage of skilled workers is becoming evident in Western and emerging countries as well.



**IoT**

IoT\*-based innovation is underway at manufacturing and machine operation jobsites.



IoT\* stands for Internet of Things and is designed to create new value by connect things on the Internet.

**Improvement of safety, productivity and TCO\***

Needs to improve safety and productivity and reduce TCO are growing at construction and mining equipment jobsites.



TCO\* stands for Total Cost of Ownership and means total costs of customers' jobsite operations.

Growth Strategies Based on Innovation  
 Growth Strategies of Existing Businesses  
 Structural Reforms Designed to Reinforce the Business Foundation



In response to our surrounding environment and tasks, we will work to achieve sustainable growth by focusing efforts and through open innovation, when applicable, in 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation, centering on DANTOTSU products, service and solutions.

## 1. Growth Strategies Based on Innovation

- Development of next-generation construction and mining equipment as well as next-generation components
- Deployment of SMARTCONSTRUCTION and development of next-generation KOMTRAX
- Deployment of AHS<sup>\*1</sup> and reinforcement of platform for mining solutions
- Development of DANTOTSU industrial machinery by promoting in-house production of key components
- Gigaphoton's development of EUV<sup>\*2</sup> and new products

\*1: AHS stands for Autonomous Haulage System and means a system to operate unmanned dump trucks.  
\*2: EUV stands for Extreme Ultraviolet, and EUV light source is a next-generation semiconductor manufacturing technology.

## 2. Growth Strategies of Existing Businesses

- Contributions to expanding sales by developing new products, incl. DANTOTSU products
- Expansion of earnings in the value chain
- Expansion of the mining equipment business
- Expansion of the construction equipment business (DANTOTSU No. 1 in Asia, enhancement of global presence in quarrying and cement production companies, expansion of application – specific models, etc.)
- Expansion of the industrial machinery business
- Expansion of the forest machinery business
- M&A

**IoT at Komatsu**

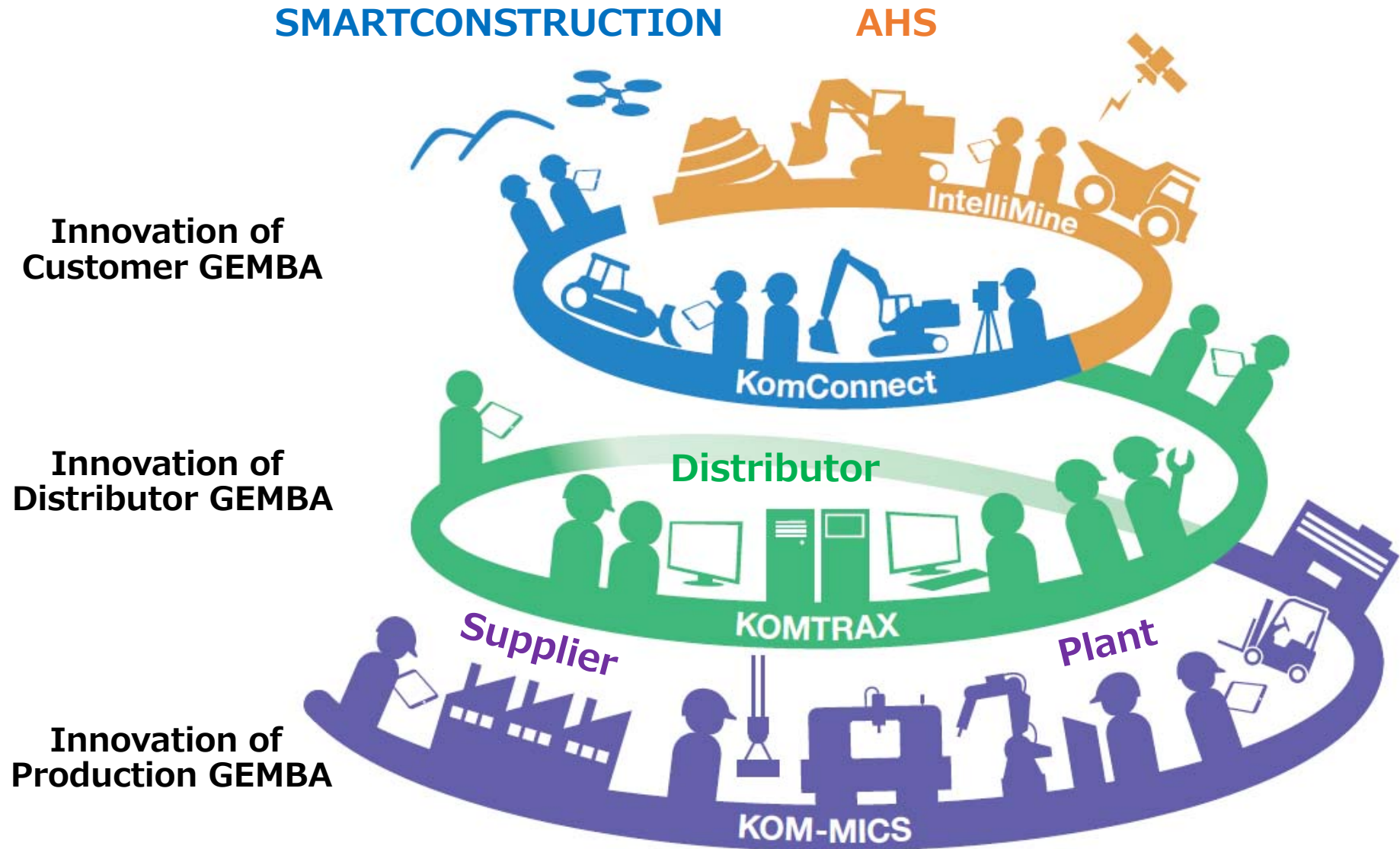
IoT enables connection and sharing of real-time information concerning all processes from production to sales.

**Production being connected**

**Plants being connected to market information**

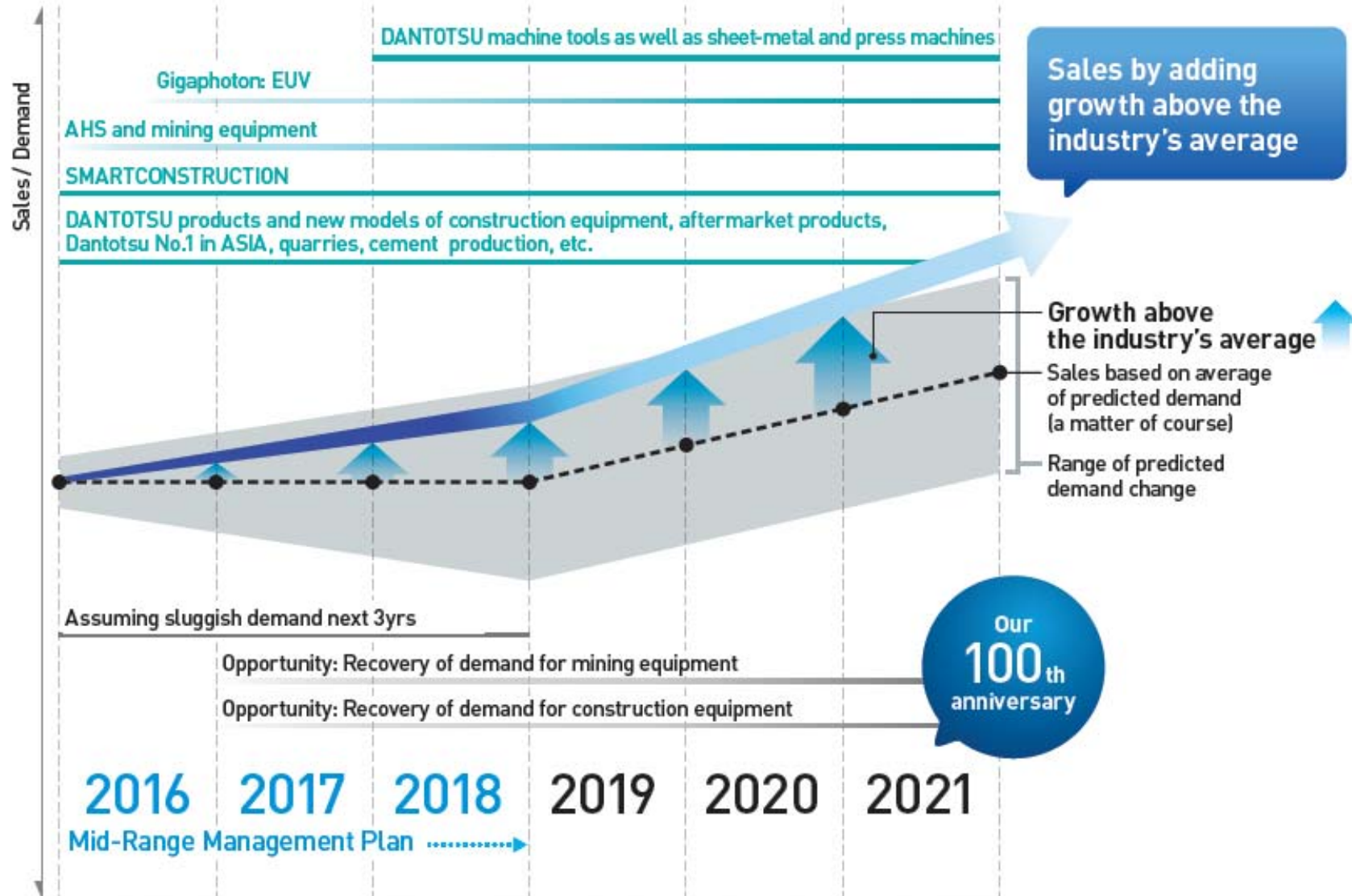
## 3. Structural Reforms Designed to Reinforce the Business Foundation

- Production reforms through connected plants
- Continuous reduction of costs (production and fixed costs)
- Reforms of spare parts operation
- Lean and powerful development
- Development of human resources with global perspective and framework to promote diversity for sustainable growth





- Although we assume that demand will remain sluggish for the time being, we will achieve our growth above the industry's average by promoting growth based on innovation and of existing businesses.

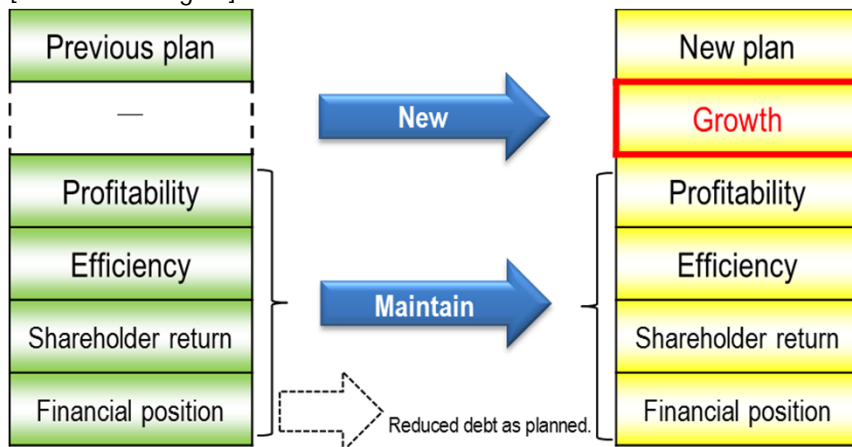




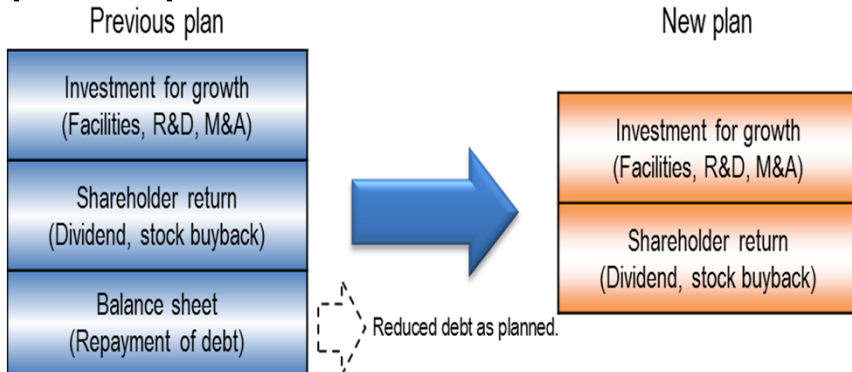
# 7. Targets of Mid-range Management Plan

- In addition to our conventional top-level profitability and financial position in the industry, we will work for growth above the industry's average, even while demand will remain sluggish.
- We will place more importance on redistribution of profits to shareholders, and set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
- By segmenting the retail finance business, we will enhance transparency of profitability and financial position of consolidated and retail finance business performance. The retail finance business will set up its own target figures.

[Stance on Targets]



[Use of funds]



<Balancing the three>

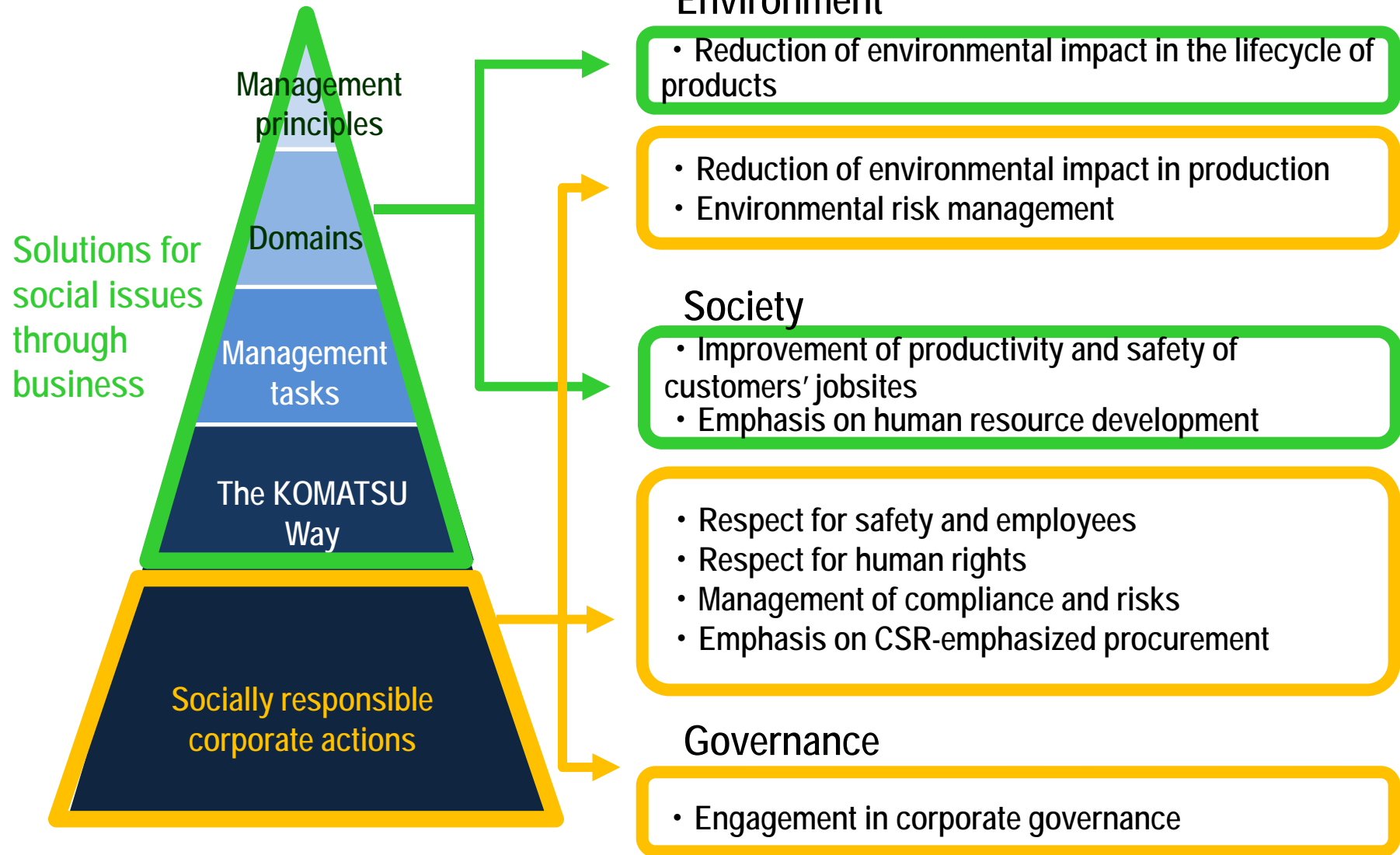
<Balancing the two>

[Targets]

<b>Growth</b>	• Aim at a growth rate above the industry's average.
<b>Profitability</b>	• Aim at an Industry's top-level operating income ratio.
<b>Efficiency</b>	• Aim at 10%-level ROE.
<b>Shareholder return</b>	<ul style="list-style-type: none"> <li>• Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment.</li> <li>• Set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.</li> </ul>
<b>Financial position</b>	• Aim at industry's top-level financial position.

<b>Retail finance business</b>	<ul style="list-style-type: none"> <li>• ROA: 2.0% or above</li> <li>• 5.0 or under for net debt-to-equity ratio</li> </ul>
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## **II. Komatsu's SCR activities**



# 1. History of Komatsu's CSR Efforts: Inheritance of DNA

## Founder's philosophy



**Meitaro Takeuchi,**  
Founder (1860 -1928)

**Manufacturing industry riches the nation.**  
**Human resource development is the basis of making the country rich.**

- ◆Quality first ◆Technology innovation
- ◆Globalization ◆Human resource development

- Manufacture products which have been impossible to make due to technical difficulties in Japan.
- Technology depends on people, and company depends on people.
- (To) repay the local community for its contributions.

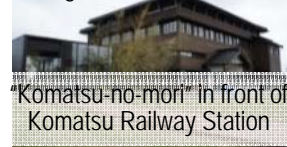
## Mutual existence and prosperity with local community (Komatsu City)

**Development of mfg. technology in the community**



Japan's first bulldozer

**Human resource development**  
In-house training and training base for future generations



"Komatsu-no-mori" in front of Komatsu Railway Station

**Machinery industrial cluster of the Hokuriku area**



Awazu Plant procures 60% of its local content in 4 prefectures of the Hokuriku area.

**Win-win relationship with suppliers**

- Suppliers are equal-footing partners.
- Assist their human resource development.
- Improve their safety, environmental, compliance, and technological improvement efforts.



## Footprints in Ishikawa Prefecture, Home to Komatsu

Mr. Takeuchi's philosophy

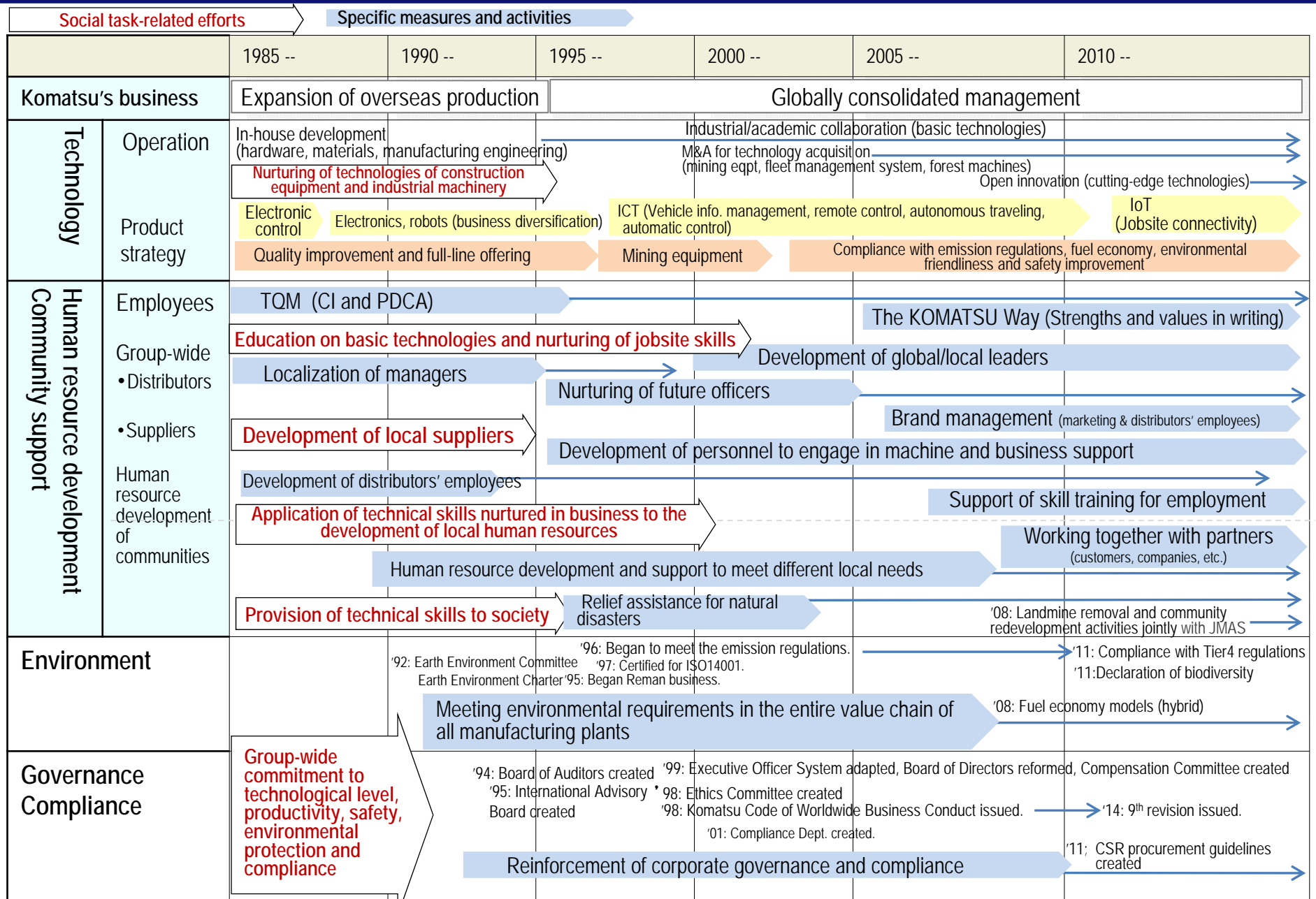
Social task-related efforts

	1917 -- 70	'71 --	Present
<b>Komatsu's business</b>	1917: Komatsu Iron Works established (to develop mining machinery). '21: Komatsu Ltd. established.		2011: Komatsu-no-mori built (Transfer of head office functions. Vitalization the local community)
<b>Technology</b>	'31: Agricultural tractor '47: Bulldozer '48: Diesel engine	'51: Head office relocated to Tokyo '61: All-out QC introduced '64: Deming Prize awarded	'11: Project launched to cut down power consumption to half '14: Next-generation factory built in the Awazu Plant
<b>Human resource development</b>	1917: School for trainees established. '35: Komatsu Industrial School of Youth '38: Support to Komatsu Industrial High School		'07 Komatsu Technical Institute '11: The KOMATSU Way Global Institute '11: Children's Science Hall
<b>Local community</b>			
<b>•Development of suppliers</b>	Develop the mfg. industry in agricultural areas.	Instruct and develop local suppliers.	Enhance technological level and productivity, human resource development, environmental and safety measures on a group-wide basis.
<b>•Mutual existence</b>	Yusenji Coal Mine assisted construction of power plant and irrigation channels. Developed a local industry of mine development machines before closing the mine.	Return technologies of the main business to society.	'10: Began using the Port of Kanazawa. (promoting modal shift) '14: Agricultural assistance (Machine Control dozer) Forestry assistance (Biomass power generation)
	The more you train mfg. technologies, more power you will obtain to create new industries.		Development of local industries is the only way for local communities to thrive.



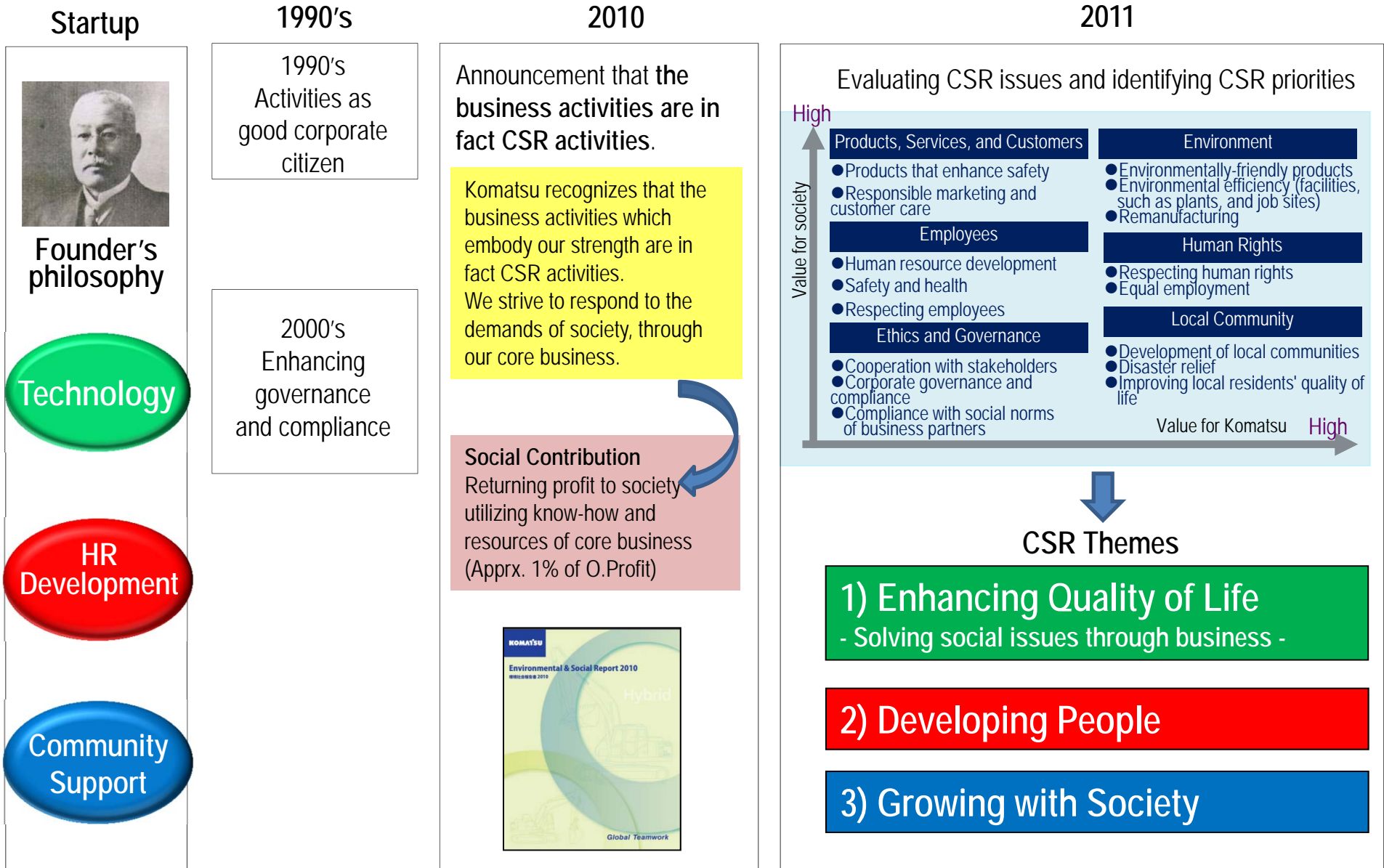
## 2. Implementation of CSR Activities Worldwide: Inheritance of DNA

Designed to reflect the founder's philosophy and promote mutual existence with local communities, activities are being passed on in worldwide CSR activities.




# 3. CSR Themes

Komatsu has also inherited the founder's philosophy demonstrated in CSR activities worldwide today.



# 3. CSR Themes

Komatsu defines CSR activities as those where it can utilize its strengths, and works to respond to social needs through its business.

CSR through Core Business	
<b>Enhancing Quality of Life</b> - Solving social issues through business -	<ul style="list-style-type: none"> <li>✓ Provide products and services that contribute to infrastructure development and improving the quality of life</li> <li>✓ Improve production/safety as well as promote efficiency and energy conservation through innovation</li> <li>✓ Improve environmental efficiency at operation sites and facilities.</li> <li>✓ Reduce the environmental load throughout product life cycle</li> <li>✓ Improve safety (for customers, society, employees, business partners)</li> </ul> <div style="text-align: right;">  <p>SMARTCONSTRUCTION</p> </div>

	CSR through Core Business	Social Contribution
<b>Developing People</b>	<ul style="list-style-type: none"> <li>✓ Human resources development through the KOMATSU Way (employees, business partners)</li> <li>✓ Human resources development through brand management (employees, distributors)</li> <li>✓ Respect employees, diversity</li> </ul> <div style="text-align: center;">  <p>HR development of distributor personnel</p> </div>	<ul style="list-style-type: none"> <li>✓ Support for developing people of local community</li> </ul> <div style="text-align: center;">  <p>Support to operator training</p> </div>
<b>Growing with Society</b>	<ul style="list-style-type: none"> <li>✓ Engage in dialogue with our stakeholders</li> <li>✓ Strengthen our corporate governance and compliance</li> <li>✓ Promote compliance with environmental, labor and social norms within our group and among business partners</li> </ul> <div style="text-align: center;">  <p>Support to suppliers</p> </div>	<ul style="list-style-type: none"> <li>✓ Disaster relief</li> <li>✓ Social Contribution utilizing core strength and know-how</li> </ul> <div style="text-align: center;">  <p>Demining machine</p> </div>

## 4. Relationship between Sustainable Development Goals and Focused Areas of CSR 20

### ➤ **SDGs; Sustainable Development Goals**

Agenda on what global community needs to achieve on sustainable development and climate change up to 2030

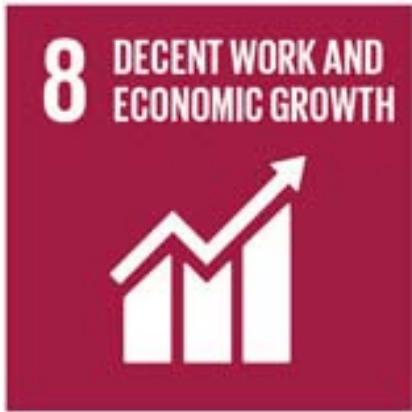
(Agreed in UN General Assembly, 2015/9 and applies to both governments and businesses)





## 4. Relationship between Sustainable Development Goals and Focused Areas of CSR 21

### Goals closely related to Komatsu's focused areas



**Promote inclusive and sustainable economic growth, employment and decent work for all**



**Make cities inclusive, safe, resilient and sustainable**



**Build resilient infrastructure, promote sustainable industrialization and foster innovation**



**Take urgent action to combat climate change and its impacts**

We will further strengthen our efforts to meet social needs in the areas of Environment, Society and Governance based on The KOMATSU Way.

### Environment

**Lifecycle of construction equipment**

Manufacturing accounts for about 2% of total CO2 emissions.

Use of machines accounts for about 90% of total CO2 emissions.

**CO2 reduction from machines in use**

Customers: Construction management, Construction cost, Fleet management

Accurate servicing

Distributor: Optimized maintenance proposition

Work site: Vehicle Information Management System (KOMTRAX)

**25% reduction per Work volume\*1**

\*1: New models to be sold in 2025 as compared to 2007

**CO2 reduction in manufacturing**

Japan: 57% reduction\*2

Overseas: 32% reduction\*2

\*2

- Target rate of reduction in 2020
- Improvement rate of unit per mfg. value
- Benchmark years: 2000 in Japan, 2010 overseas
- Applicability: Komatsu Group's main plants worldwide

### Society

**Improvement of safety at customers' jobsites**

Complete unmanned operation

ICT-intensive construction

Working for no accidents at customers' jobsites by developing technology to improve safety

**Social contribution efforts**

Komatsu-made demining machine in Cambodia

School built in March 2015. 6th one in Cambodia

**Growing with local communities**

Assistance to welders' school in India

Science class for children at Komatsu-no-mori

### Governance

**Corporate governance**

Reinforcement of corporate governance

Reinforcement of internal control

Global management system

Promotion of diversity

Thorough safety, health and compliance

**FIVE PRINCIPLES OF COMPLIANCE**

**Message concerning Occupational Safety and Health**

**Health promotion plan**

**Risk management**

Risk Management Committee

BCP\*3

Information security

Identification of potential risks

\*3: BCP stands for Business Continuity Plan, and we have developed it to continue important operations or make a quick recovery from damages of natural disasters or accidents.

# III. Social affairs (S): Solving social issues through core businesses

### Environment

Life cycle of construction equipment

Manufacturing accounts for about 2% of total CO2 emissions

Use of materials accounts for about 0% of total CO2 emissions

### CO2 reduction from machines in use

25% reduction in operating work volume

1: New models to be introduced in 2025

Japan: 57% reduction

Americas: 3% reduction

### Society

#### Improvement of safety at customers' jobsites

Complete unmanned operation

ICT-intensive construction

Working for no accidents at customers' jobsites by developing technology to improve safety

#### Social contribution efforts

Komatsu-made demining machine in Cambodia

School built in March 2015, 6th one in Cambodia

#### Growing with local communities

Assistance to welders' school in India

Science class for children at Komatsu-no-mori

### Governance

#### Cooperation with stakeholders

Reinforcement of cooperation with government

Reinforcement of financial control

Global management system

Promotion of diversity

#### Through safety, health and compliance

Five Principles of Compliance

Health promotion plan

#### Risk management

Risk Management Committee

BCP

Information security

Identification of potential risks

\*3 BCP stands for Business Continuity Plan and we have developed it to contribute to rapid recovery or make a quick recovery from damages of natural disasters



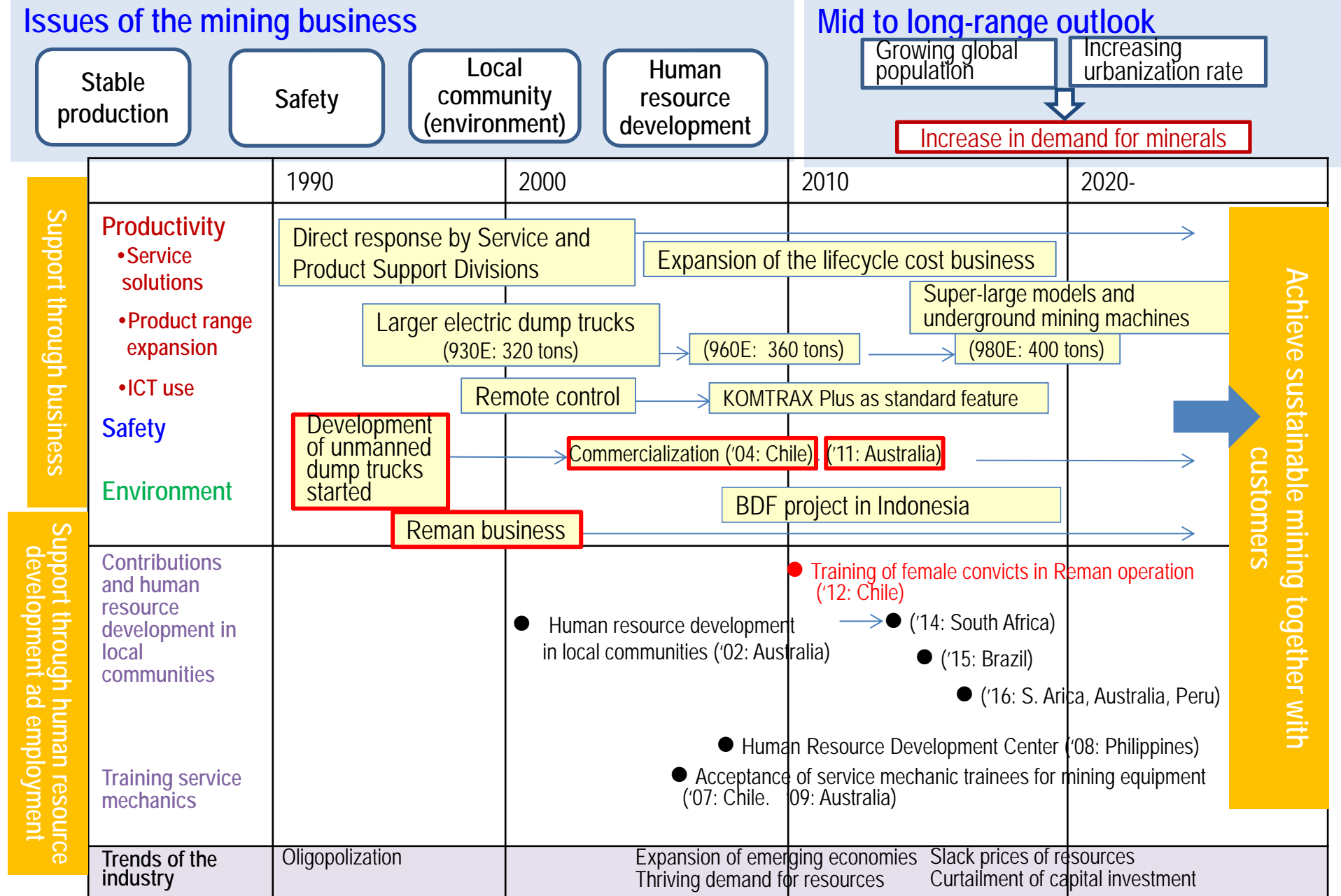
# 1. Case Examples : Solving Social Issues through Core Business

CSR through Core Business		
<b>Enhancing Quality of Life</b> - Solving social issues through business -	<ul style="list-style-type: none"> <li>✓ Provide products and services that contribute to infrastructure development and improving the quality of life</li> <li>✓ Improve production/safety as well as promote efficiency and energy conservation through innovation</li> </ul>	1.Support for Sustainable Mining (AHS and Reman Business)
	<ul style="list-style-type: none"> <li>✓ Improve environmental efficiency at operation sites and facilities.</li> <li>✓ Reduce the environmental load throughout product life cycle</li> <li>✓ Improve safety (for customers, society, employees, business partners)</li> </ul>	2.Support for Solution of Problems at Civil Engineering/Construction Jobsites (SMARTCONSTRUCTION and ICT)
	CSR through Core Business	Social Contribution
<b>Developing People</b>	<ul style="list-style-type: none"> <li>✓ Human resources development through the KOMATSU Way (employees, business partners)</li> <li>✓ Human resources development through brand management (employees, distributors)</li> <li>✓ Respect employees, diversity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Support for developing people of local community</li> </ul>
<b>Growing with Society</b>	<ul style="list-style-type: none"> <li>✓ Engage in dialogue with our stakeholders</li> <li>✓ Strengthen our corporate governance and compliance</li> <li>✓ Promote compliance with environmental, labor and social norms within our group and among business partners</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disaster relief</li> <li>✓ Social Contribution utilizing core strength and know-how</li> </ul>



## 2. Support for Sustainable Mining (1)

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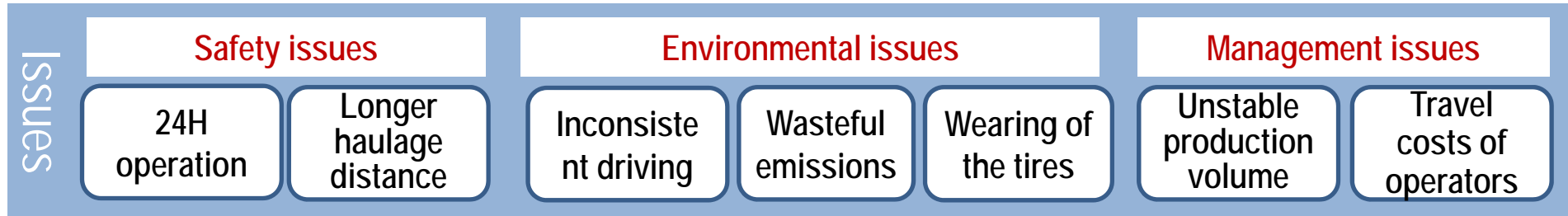


## 2. Support for Sustainable Mining (2)

– Autonomous Haulage System (AHS) contributes to **Safety** and **Stable Production**. –

26

In the AHS business, Komatsu delivers solutions, enabling customers to engage in environment-friendly operation and improve productivity.



### Management under AHS

Komatsu solutions

Remote control & unmanned operation



Autonomous traveling of a 300t dump truck



Control room, 1500km away from the mines

Safety ensured by autonomous traveling

Improved fuel costs thanks to optimal operation

Stable running & dumping of waste soil



Uniform running tracks



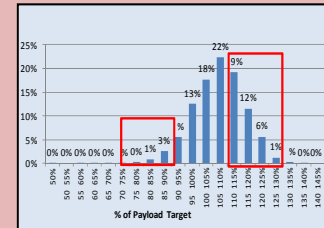
High-precision stockpiling of overburden

Accumulation of operating data and improvement of operation

Digitalization & visualization



Visualization of operating conditions

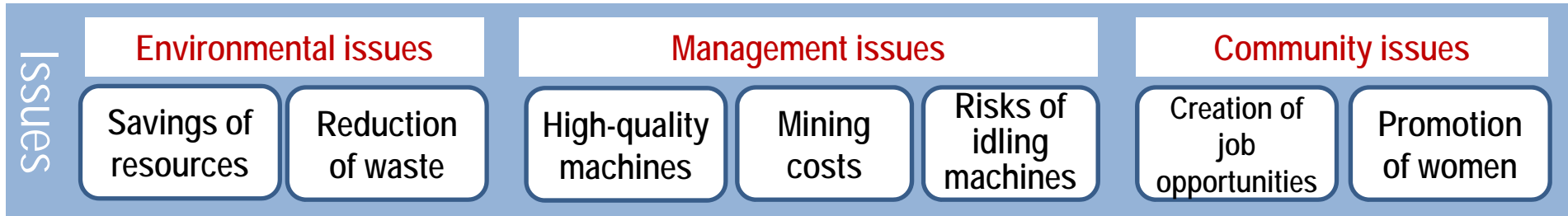


Digitalization of operation

## 2. Support for Sustainable Mining (3)

– In the **Reman business**, Komatsu contributes to the establishment of a sound material-cycle society and offers **vocational training in Chile** –

Komatsu promotes the Reman business in which it remanufactures used parts and components to quality on par with that of new ones and supplies them back to the market.



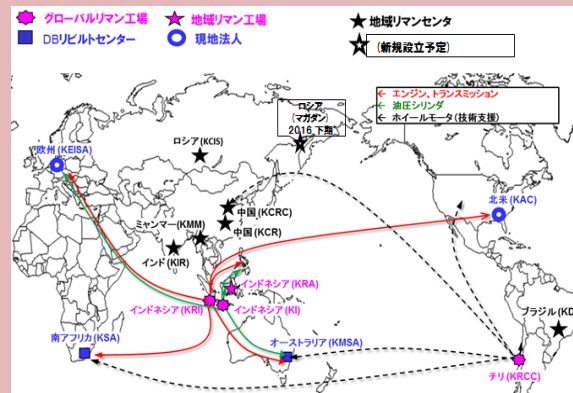
### Solutions offered in the Reman business

Reuse, reduce & recycle

Quality assurance & accurate inventory management

Vocational training of female convicts

Eco-friendly use of resources by remanufacturing used parts



Applicable parts	Engine	Transmission	Power module	Suspension
	Hydraulic cylinder	Piston pump motor	Wheel motor	

Support program for a female prison (Chile)

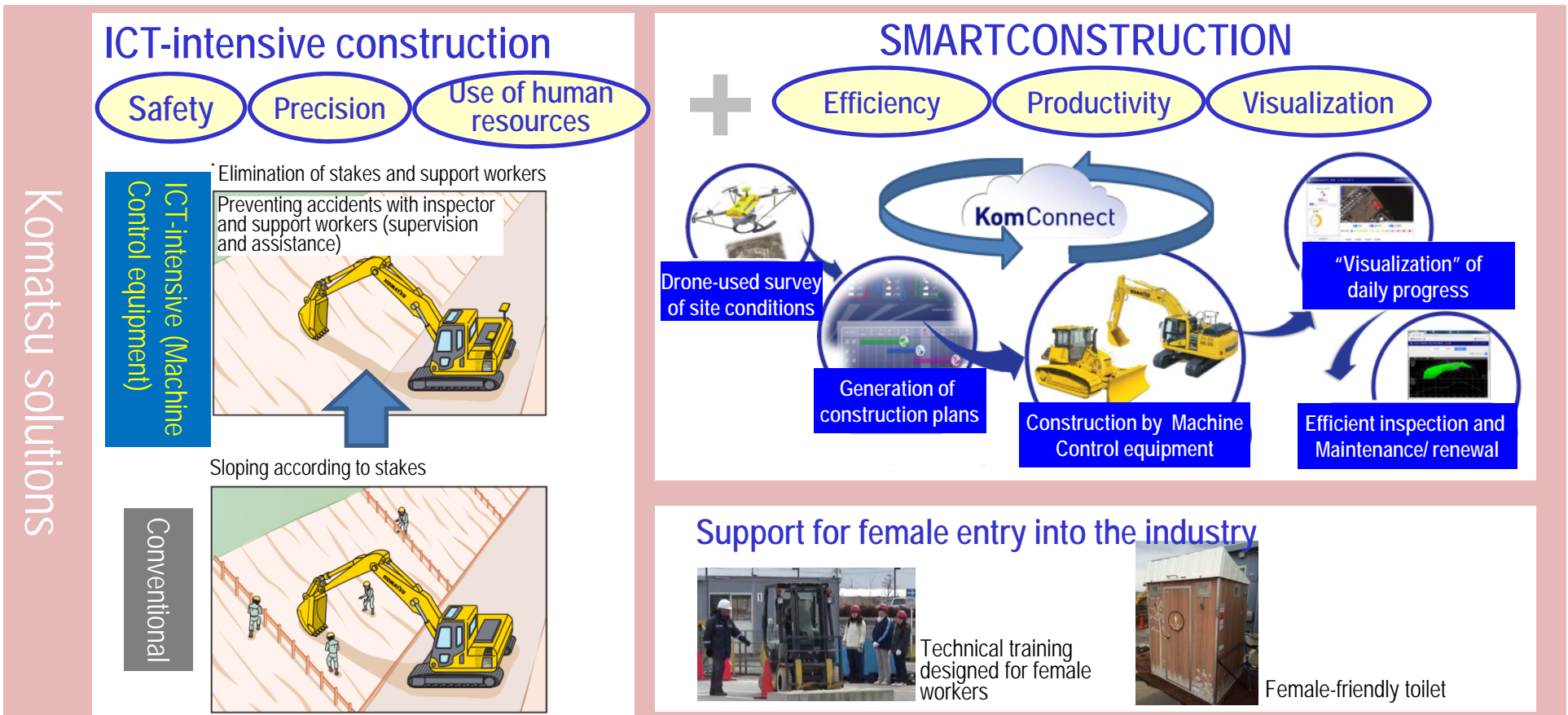
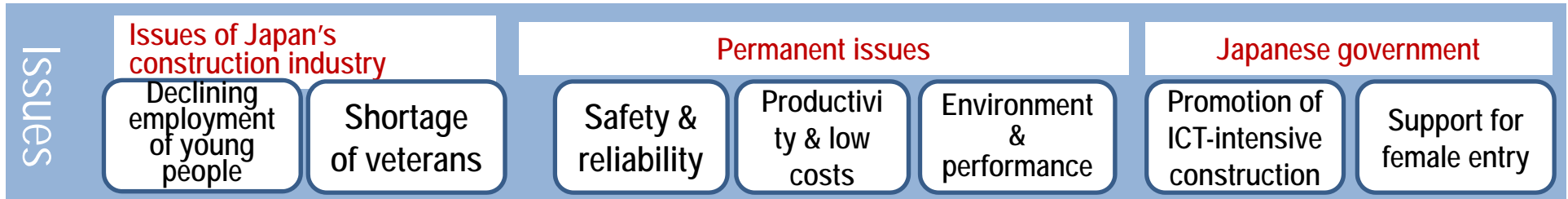


At the entrance to KRCC's Reman training facility (General manager (right) and Supervisor (left))

Komatsu solutions

### 3. Support for Solution of Problems at Civil Engineering/Construction Jobsites 28

Komatsu supports civil engineering and construction customers to solve their jobsite problems by offering Machine Control construction, SMARTCONSTRUCTION and the like.





# 4. Support for Human Resource Development in Communities in the Areas of Construction Equipment and Manufacturing

Komatsu supports human resource development in local communities by teaching technical skills related to construction and mining equipment as well as passing on manufacturing expertise.

Objectives of human resource development in communities

1. Support for technical skill training for employment
2. Support in the business-related areas
  - \* Technical skills related to construction and mining equipment
  - \* Passing on manufacturing expertise
3. Material support in which Komatsu is visible
  - \* Dispatchment of instructors, acceptance of trainees and program management

Changes in human resource development in communities

	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Training people who will support production and machine operation	Provision of programs for trainees in different regions of the world											
	Provision of construction equipment courses and establishment of human resource development centers in different regions of the world											
Providing technical skill training needed for employment	Basic education programs in South Africa											
	Skill training program for convicts in Chile											
	Operator training											
	Support for colleges and vocational schools in different regions of the world											

Human resource development with Cummins of the US in local communities in 2016

Contents and cases

<b>Manufacturing</b> Welding classes (India) 	<b>Operator skills</b> Acceptance of trainees (Liberia) 
<b>Training service mechanics</b> Instructors and materials (Myanmar) 	<b>Basic education</b> Program management with customers (S. Africa) 

Collaboration with Cummins

Two companies complement each other in their human resource development efforts, thereby promoting high-impact support for societies through collaboration.

- The two are preparing support programs to provide technical-skills training in Peru, South Africa, Australia and the US (Utah).

 The global contract signed by two CEOs in April 2016	 School jointly supported by the two in Peru
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# IV. Environmental affairs (E): Reducing CO2 emissions from products in use

## Environment

**Lifecycle of construction equipment**

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**CO2 reduction from machines in use**

Customers: Construction management, Construction cost, Fleet management

Accurate servicing: 25% reduction per Work volume\*1

Distributor: Optimized maintenance proposition

Work site: Vehicle Information Management System (KOMTRAX)

**CO2 reduction in manufacturing**

Japan: 57% reduction\*2

Overseas: 32% reduction\*2

\*2 • Target rate of reduction in 2020  
• Improvement rate of unit per mfg. value  
• Benchmark years: 2000 in Japan, 2010 overseas  
• Applicability: Komatsu Group's main plants worldwide

## Society

**Importance of safety at customer's jobsites**

Complete utilization of innovative construction technology

Working on no accidents at customer's jobsites by developing technology to improve safety

**Social contribution efforts**

Equipment introduction in Cambodia

Site built in March 2015, 6 months in a bid

**Global local communities**

Asiatic elderly school in India

Scientific child development in Cambodia

## Governance

**Corporate Governance**

Reinforcement of corporate governance

Reinforcement of internal control

Job management system

Promotion of diversity

**Thorough safety health and compliance**

FIVE PRINCIPLES OF COMPLIANCE

Management concerning Occupational Safety and Health

**Health promotion**

**Risk management**

Risk Management committee

BCP\*3

Information security

Identification of potential risk

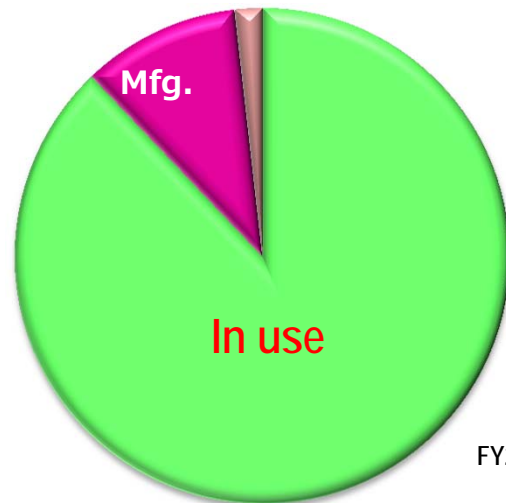
\*3: BCP stands for Business Continuity Plan and we have developed it to continue important operations or make a quick recovery from damage of natural disasters.

1. CO<sub>2</sub> emissions from construction equipment during its life cycle

CO<sub>2</sub> emissions, while equipment is in use, account for about 90% of total emissions in the life cycle from manufacturing to disassembly.



Ratio of CO<sub>2</sub> emissions from construction equipment in use over the life cycle



FY2015 data

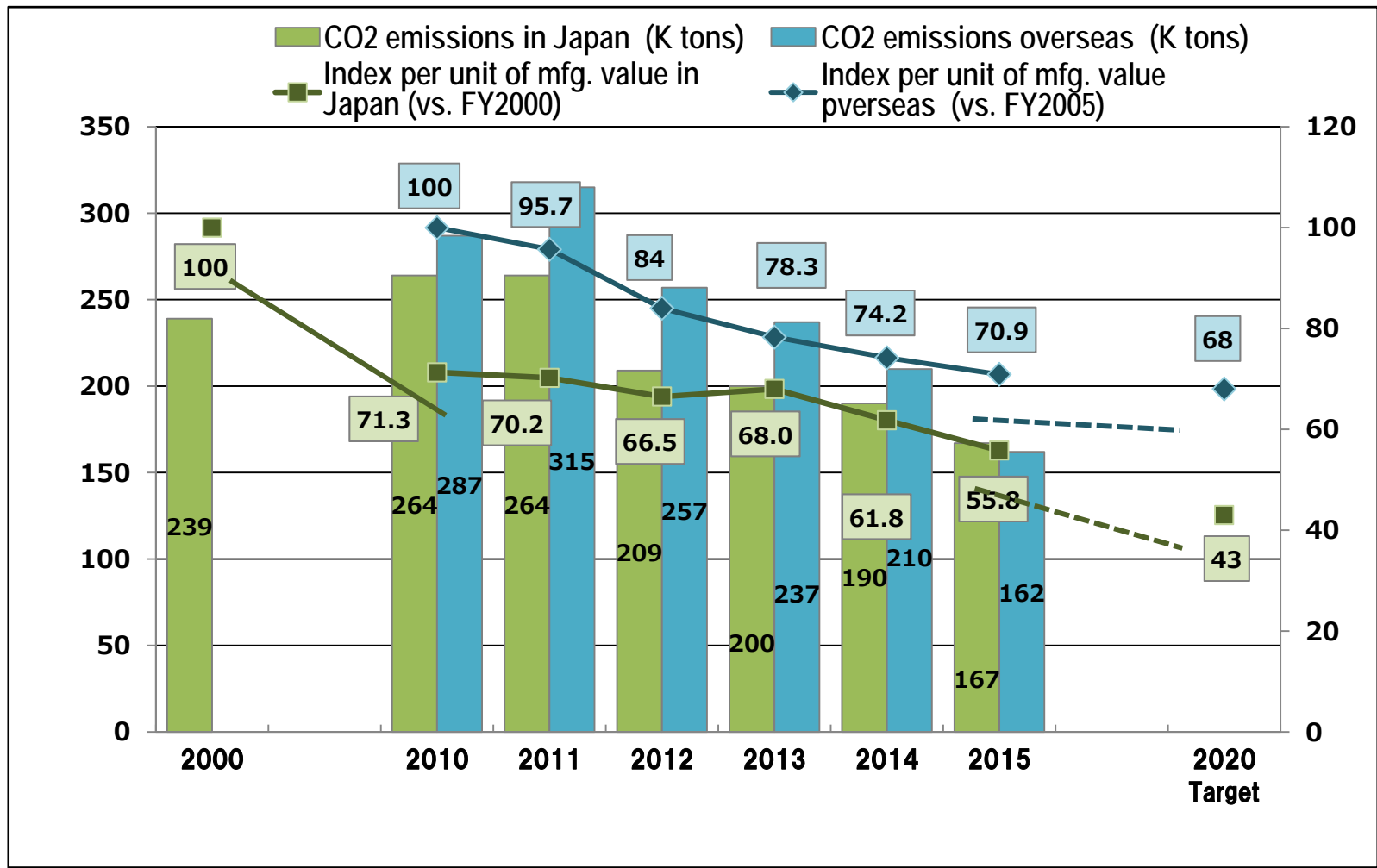
CO<sub>2</sub> emissions in manufacturing  
CO<sub>2</sub> emissions from products in use



98% of total emissions

## 2. Reduction of CO<sub>2</sub> emissions in manufacturing

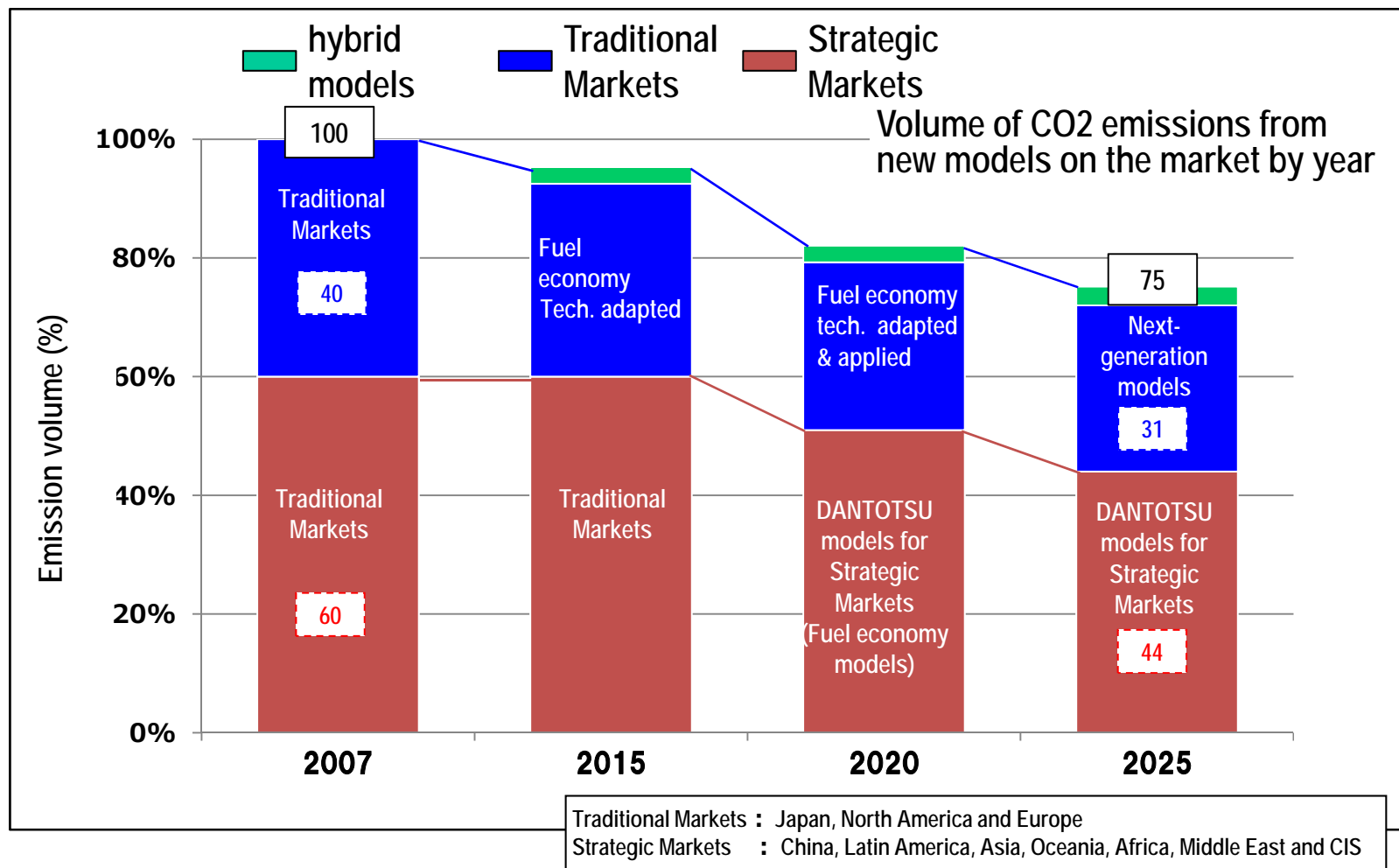
**FY2020 targets**  
 Japan: -57% (from FY2000)  
 Overseas: -32% (from FY2010)





## 3. Reduction of CO<sub>2</sub> emissions from products in use

FY2025 target  
25% reduction per work volume (from FY2007)

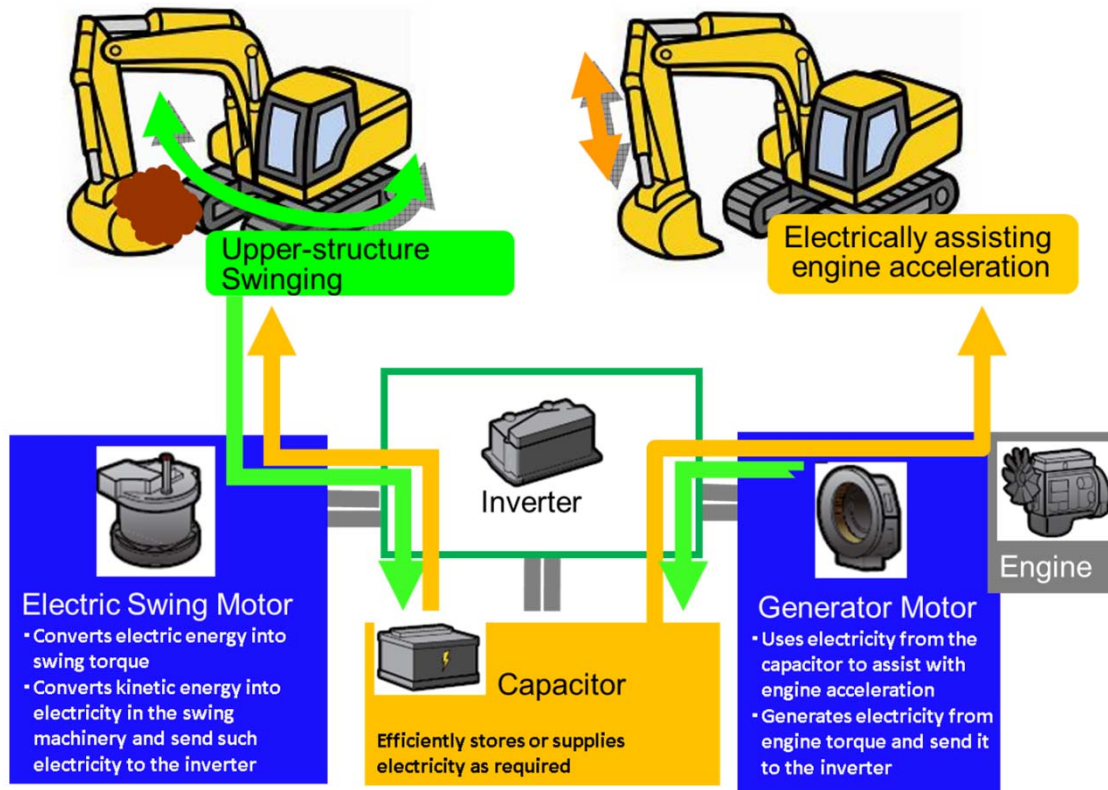


1) Reduction of CO<sub>2</sub> emissions through product development

We will achieve the reduction targets of CO<sub>2</sub> emissions by providing fuel-efficient products.

(1) Hybrid hydraulic excavators developed originally by Komatsu

(2) New electric forklift trucks

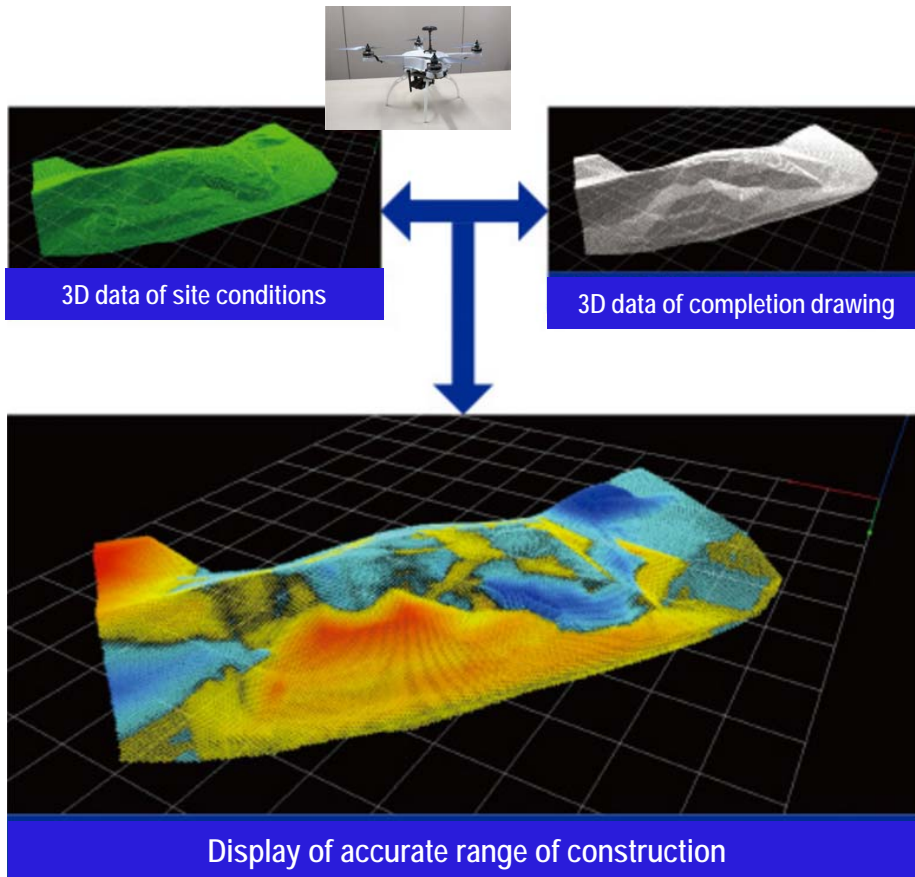


- High-speed charging
- Easy maintenance
- Ability to operate outdoors

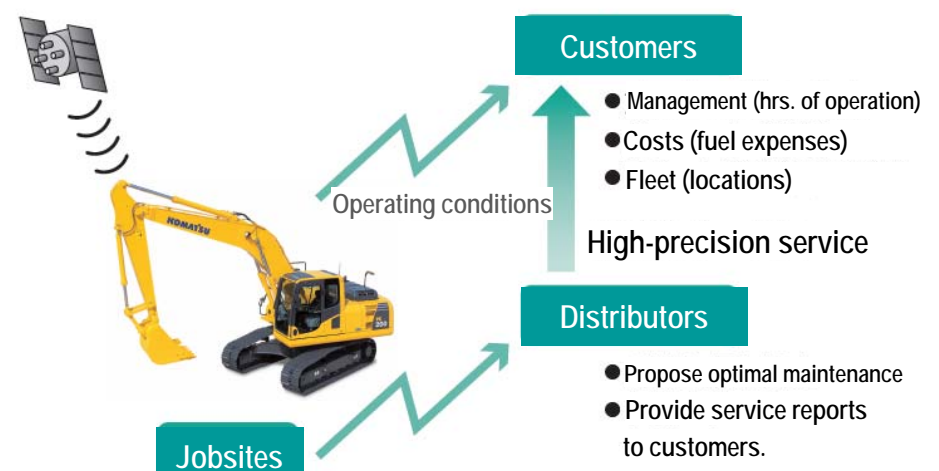
## 2) Reduction of CO<sub>2</sub> emissions through improved work efficiency

We provide optimal solutions for customers' environmental tasks by analyzing jobsite topology and operating conditions of construction equipment.

### (1) SMARTCONSTRUCTION



### (2) KOMTRAX



〇〇建設 様 **省エネ運転支援レポート** KOMTRAX

いつもご依頼頂き誠にありがとうございます。  
現在ご利用頂いております車両の稼働状況を御報告申し上げます。

■ レポート対象車両 作成日 2011年3月4日

レポート対象期間	2011-02-01~2011-02-28	サービスメータ	2461.0H
機種 / 機番	PC200-8R41-314220	総稼働時間	140.0H
稼働稼働日数	22日	経過年月	2007年
購入年月	2006年07月		

※この報告書、稼働データ等は機体設置位置情報から取得されたもので、機体稼働状況にのみ基づいて算出されています。

■ 作業内容

	43%	85%	125%
稼働時間(エンジン稼働時間)	140.0h	100%	100%
稼働時間(エンジン稼働時間)	100.0h	100%	100%
稼働時間(エンジン稼働時間)	40.0h	100%	100%
稼働時間(エンジン稼働時間)	0.0h	100%	100%
稼働時間(エンジン稼働時間)	24.0h	100%	100%

Report for energy-saving machine operation support



# V. Governance (G): Corporate Governance and Global Management

### Environment

Life cycle of construction equipment

Manufacturing accounts for about 2% of total CO2 emissions

Use of machines accounts for about 10% of total CO2 emissions

### CO2 reduction from machines in use

Equipment forming

- Consumption efficiency
- Fuel efficiency

25% reduction in CO2 per work volume

1: New models to be introduced in 2015

2: New models to be introduced in 2017

### CO2 reduction in manufacturing

Japan: 57% reduction<sup>2</sup>

Average rate of reduction: 0.2%

2: Average rate of reduction: 0.2%

• Benchmark: 0.01 (Japan, 2010 average)

• Benchmark: 0.01 (Japan, 2010 average)

### Society

Improvement of safety at customers' jobsites

Working for a safer and healthier environment by developing technology to improve safety

### Social contribution efforts

Komatsu manufacturing machine in Cambodia

School built March 2, 2015 in Cambodia

Attending school in India

Scientific research at Komatsu-no-mori

### Governance

Corporate governance

- Reinforcement of corporate governance
- Reinforcement of internal control
- Global management system
- Promotion of diversity

Thorough safety, health and compliance

**FIVE PRINCIPLES OF COMPLIANCE**

1. Compliance with laws, regulations, standards and codes of ethics.
2. Integrity of financial statements and other financial information.
3. Fairness in dealing with all stakeholders.
4. Transparency in all business activities.
5. Prompt and accurate disclosure of information.

**Message concerning Occupational Safety and Health**

The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "improve and enhance occupational health."

The Group will continue to improve occupational safety and health conditions for all employees to ensure the above conditions by working together as one team. It will also continue to improve the occupational safety and health conditions of contractors and subcontractors by the exercise of due diligence.

The Group will also strive to improve the occupational safety and health conditions of all employees and contractors and subcontractors by working together as one team.

Occupational Safety and Health Officer

- Health promotion plan

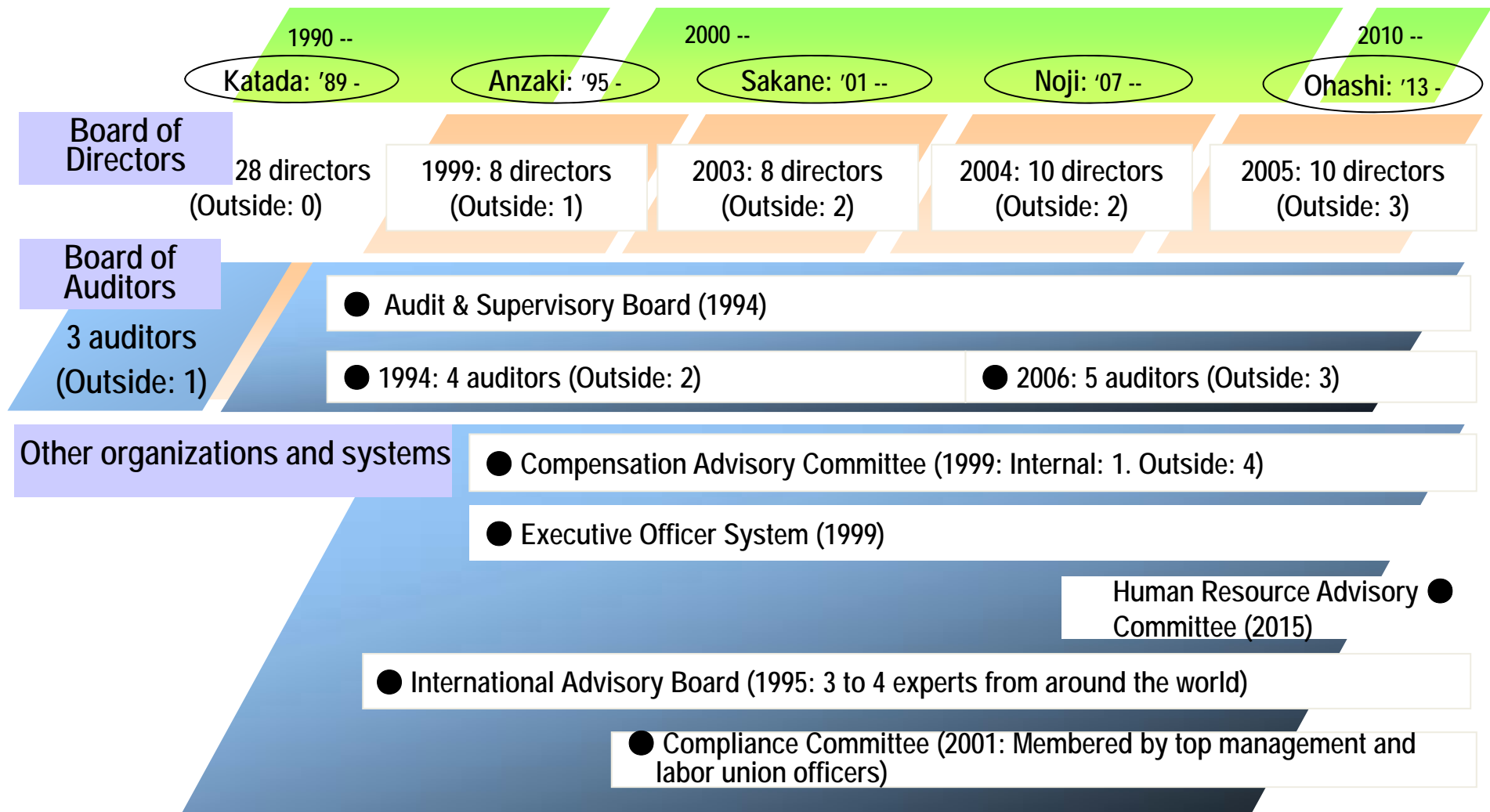
Risk management

- Risk Management Committee
- BCP<sup>3</sup>
- Information security
- Identification of potential risks

<sup>3</sup>: BCP stands for Business Continuity Plan, and we have developed it to continue important operations or make a quick recovery from damages of natural disasters or accidents.

# 1. History of Komatsu's Corporate Governance

- 1) Komatsu has worked to strengthen corporate governance since the 1990s.
- 2) The KOMATSU Way defines the strengthening of corporate governance as the most important management task.
- 3) As the central driver of corporate governance, the Board of Directors has led reforms.



The Company makes efforts to help the Board function materially in terms of its membership and operations.

### [Operations]

- 1) Report by CEO
- 2) Report by CFO
- 3) Multiple deliberation of important agenda: **To promote outside directors' understanding and opinions.**
- 4) Business reviews:
  - **99% on the basis of sales**
  - **With respect to business with 1% of consolidated sales, reports centering on compliance and governance.**
- 5) Free discussions outside of Board meetings
- 6) Vitalization of subsidiaries' boards of directors
- 7) Opinions expressed by auditors on par with directors **(Outside members account for 40%)**

## 2. Reforms of Komatsu's Board of Directors (2/2): Members

The Company works to appoint Board members so that the Board functions effectively in light of changing management issues and external conditions.

<p><b>Yamane</b> Auditor Finance PR IT</p>	<p><b>Yamada</b> Auditor Business</p>	<p><b>Shinotsuka</b> Outside auditor Women's participation Labor economics Personnel</p>	<p><b>Yamaguchi</b> Outside auditor Specialist of finance and macro economics</p>	<p><b>Matsuo</b> Outside auditor Attorney at law Compliance</p>	<p><b>Noji</b> Chairman of the Board</p>	<p><b>Oku</b> Outside director Management Finance M&amp;A</p>	<p><b>Yabunaka</b> Outside director Diplomacy Geopolitics</p>	<p><b>Kigawa</b> Outside director Management B to C Customer viewpoints</p>
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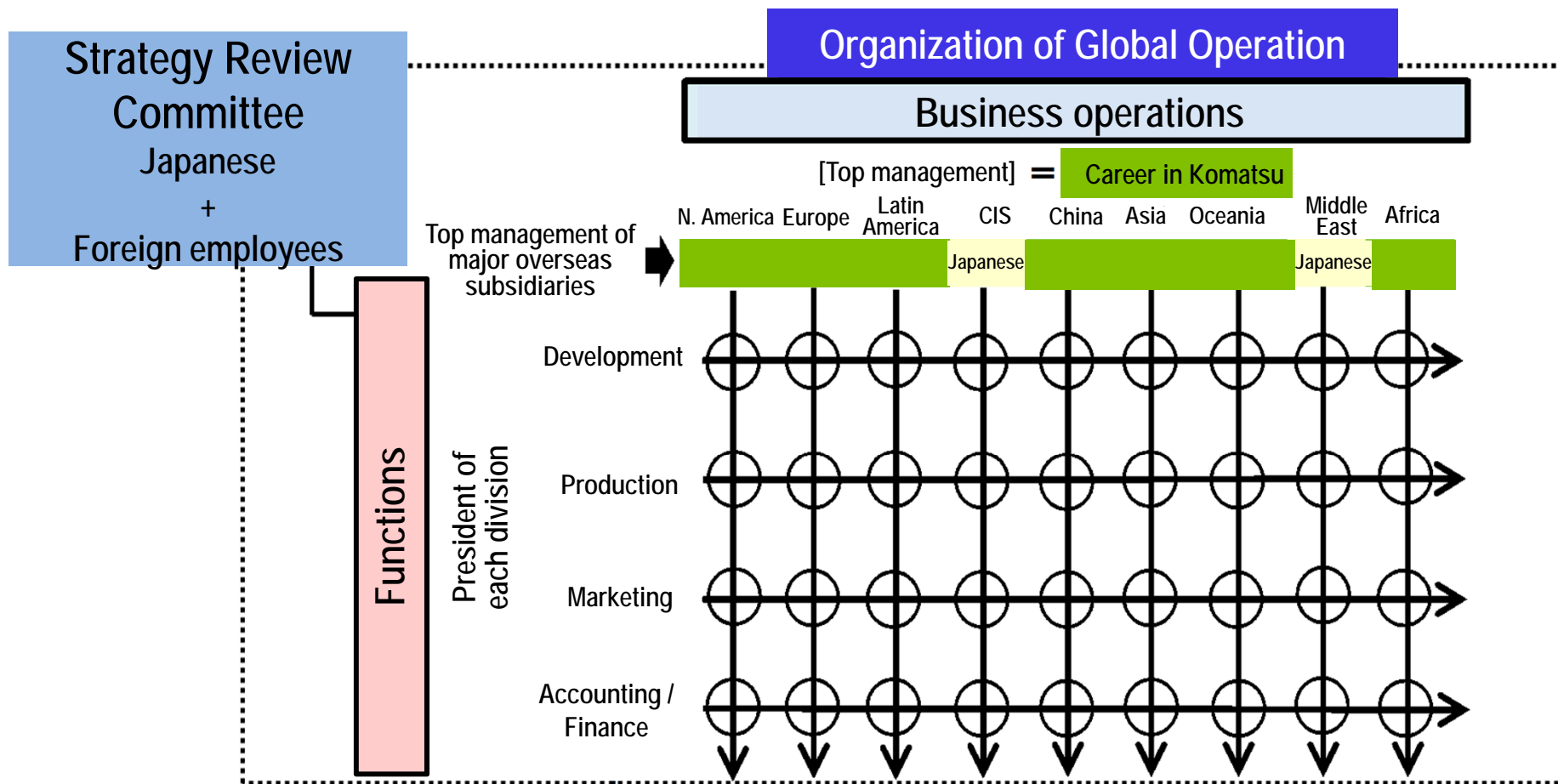
### Board of Directors

 <p><b>Kuromoto</b> Director ICT-intensive construction KOMTRAX AHS</p>	 <p><b>Takamura</b> Director CTO (R&amp;D) Environment</p>	 <p><b>Ohashi</b> President Production Mining eqpt IT</p>	 <p><b>Fujitsuka</b> Vice President CFO</p>	 <p><b>Shinozuka</b> Director Marketing</p>	 <p><b>Mori</b> Director Human resources, Education, Safety and health management</p>
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### 3. Global Management (1/2)

- 1) Matrix-based management centering on organizations by function
- 2) Starting in the current fiscal year, foreign officers join the Strategy Review Committee which discusses global strategies.
- 3) The Company emphasizes sharing of management issues, strategies and information.





### 3. Global Management (2/2)

Japanese expats assume top management only in Brazil, India, Russia and Sweden. All top management officers of other subsidiaries are foreign citizens who have worked for Komatsu in the respective countries and regions over the years.

Company name	Function	Country	Top management	Joined
Komatsu America Corp.	Regional headquarters	USA	National	1987
Modular Mining Systems, Inc.	Development, production & sales	USA	National	1993
Hensley Industries, Inc.	Development, production & sales	USA	National	1986
Komatsu do Brasil Ltda.	Production	Brasil	Japanese	-
Komatsu Brasil International Ltda.	Sales	Brasil	Japanese	-
Komatsu Cummins Chile Ltda.	Sales	Chile	National	1999
Komatsu Europe International N.V.	Regional headquarters	Belgium	National	1992
Komatsu UK Ltd.	Production	UK	National	1992
Komatsu Germany GmbH	Development, production & sales	Germany	National	1996
Komatsu Italia Manufacturing S.p.A.	Production	Germany	National	1991
Komatsu Australia Pty. Ltd.	Sales	Italia	National	2004
PT Komatsu Indonesia	Production	Australia	National	1994
Bangkok Komatsu Co., Ltd.	Production	Indonesia	National	2009
Komatsu India Pvt. Ltd.	Production	Thailand	Japanese	-
Komatsu (China) Ltd.	Regional headquarters	India	National	1985
Komatsu Shantui Construction Machinery Co., Ltd.	Production	China	National	1996
Komatsu (Shandong) Construction Machinery Corp.	Production	China	National	1995
Komatsu CIS, LLC	Sales	China	Japanese	-
Komatsu South Africa (Pty) Ltd.	Sales	Russia	National	1999
Komatsu Forest AB	Development, production & sales	Sweden	Japanese	-

## 4. Acquisition of Joy Global and Corporate Governance

July 21, 2016, Komatsu announced the plan to acquire Joy Global Inc. through Komatsu America Corp., a wholly owned subsidiary in the United States.

[Characteristics of Corporate Governance]

- 1) The in-house steering committee met more than 10 times.
- 2) Some global officers also attended the meetings.
- 3) The Board of Directors deliberated on the acquisition five times as its formal agenda, and ten times, including the reports of progress. It actively exchanged questions and opinions.
- 4) Since the announcement of acquisition, the Board of Directors has reported on the progress every month.



Komatsu-made dump truck (left) and Joy Global-made rope shovel.

The photo was taken at an iron ore mine in the northern region of the United States. "P&H" is one of Joy Global's brands



Mr. Ohashi, President of Komatsu (left), and Mr. Doheny, President of Joy Global

# Reference

◆ Aims

Management IAB [Overall management]	High Tech & Innovation IAB [Technologies]
To offer advice and suggestions concerning overall management to the Board of Directors.	To evaluate Komatsu's current conditions and offer advice and suggestions concerning innovation and technology strategies.

◆ Three advisers (17 members)

	Mr. John Bellinger	Mr. Theodore Solso	Mr. Jouko Karvinen
			
Present position As of May 2016	Partner, ARNOLD & PORTER LLP, a law firm in the United States	Independent Lead Director, General Motors Company	<ul style="list-style-type: none"> <li>Member, Supervisory Board of Nokia</li> <li>Member, Foundation and Supervisory Board, IMD (a Swiss business school)</li> <li>Member, Supervisory Board of SKF (a Swedish bearing maker)</li> </ul>
Background	<ul style="list-style-type: none"> <li>Legal Adviser, US State Department</li> <li>Senior Associate Counsel to the President and Legal Adviser to the National Council</li> </ul>	<ul style="list-style-type: none"> <li>CEO, Cummins, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>CEO, Stora Enso Oyj (a Finnish paper manufacturer)</li> </ul>

Three outside directors: Masayuki Oku, Mitoji Yabunaka and Makoto Kigawa  
 Seven inside directors: Noji (Chairman), Ohashi (CEO), Fujitsuka (CEO) Takamura (CTO), Shinozuka (President, Construction & Mining Equipment Marketing Division), Kuromoto (President, ICT Solution Division) and Mori (Supervising Human Resources, Education, Safety and Health Care)  
 Four executive officers: Takahashi (CIO), Iwamoto (President, Development Division), Ogawa (President, Production Division), and Inagaki (General Manager, Business Coordination Department)

The Company created the Message from the President Concerning Occupational Safety and Health and Five Principles of Compliance to supplement Komatsu's Code of Worldwide Business Conduct, and displays them at all jobsites worldwide.

**Message concerning Occupational Safety and Health**

1. The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "maintain and promote employees' health."
2. The Komatsu Group shall promote "proactive occupational safety and health activities" in order for all employees to achieve the above conditions by working together as one team.
3. Each and every person in a senior management position of the Komatsu Group shall acknowledge as top priority tasks the above two matters and shall take the initiative in demonstrating the execution of daily duties accordingly.

The persons who are in charge of occupational safety and health as well as all other employees are requested to promote specific activities based on the above message, specifically according to the following action guidelines.

- (1) To fully understand and comply with the laws and regulations concerning occupational safety and health as well as internal rules, and promptly respond to any problems.
- (2) To respond to problems through fact finding activities by all employees. To accomplish the above task, management and the labor union are expected to work together and further improve communications.
- (3) To make the utmost daily efforts to prevent fires or other disasters by any means and remove all possible risks at workplace. It's also required to make the utmost efforts to minimize the damages if a natural disaster should occur.
- (4) To create a comfortable and engaging work environment for sound mental and physical health of employees.
- (5) To proactively strengthen occupational safety and health efforts not only within the Komatsu Group but also at our partners, such as customers, distributors and suppliers.

April 1, 2013  
Tetsuji Ohashi  
President and CEO, Komatsu Ltd.



**FIVE PRINCIPLES OF COMPLIANCE**

1. Regardless of the circumstances, you must always comply with the "Rules" and fulfill the trust of society.
2. Ignorance of the Rules will not be tolerated. If you are not sure, you must check the Rules by yourself and consult a specialist for anything important.
3. Never patch over or cover up any mistake or failure to follow the Rules. You must immediately report them to the company's manager/department in charge.
4. You must correct any mistake or failure to follow the Rules without delay and implement effective preventive measures to ensure that it does not happen again.
5. Never take any action to prevent or hinder any person from reporting to the Compliance Hotline (whistle-blowing) or to other relevant offices of the company; never take unfavorable action against that person.

(Komatsu is committed to ensuring that no unfavorable action will be taken by any Komatsu Group entity against any person for providing such reporting or whistle-blowing.)

Every single employee of the Komatsu Group must obey these Principles in order to make Komatsu a company that is truly trusted by society.

Hotline : Compliance Department, Komatsu Ltd.  
(Compliance Hotline)  
Phone: +81-3-3582-2506  
Fax : +81-3-5561-1837  
E-mail: comp\_hot@komatsu.co.jp

April 1, 2014  
Tetsuji Ohashi  
President and CEO, Komatsu Ltd.



◆ Komatsu's stance on SLQDC

