

# Komatsu IR Day in 2017: The Second ESG Meeting

December 1, 2017  
10:00 - 11:30

[Komatsu participants]

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

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

**Yuichi Iwamoto**, General Manager,  
Demining and Reconstruction Project  
Construction Equipment Marketing Division

## **I. Progress of Mid-range Management Plan (FY2016 – 2018): ESG <pp.3–25>**

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

## **II. Global Teamwork <pp.26–42>**

**Kuniko Urano, Senior Executive Officer, supervising public relations and CSR,  
and General Manager of Human Resources Department**

## **III. Social Contribution by Demining Anti-personnel Landmines <pp.43–79>**

**Atsushi Nagira, General Manager, Demining and Reconstruction Project,  
Construction Equipment Marketing Division**

# **I . Progress of Mid-range Management Plan (FY2016 – 2018): ESG**

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# 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**

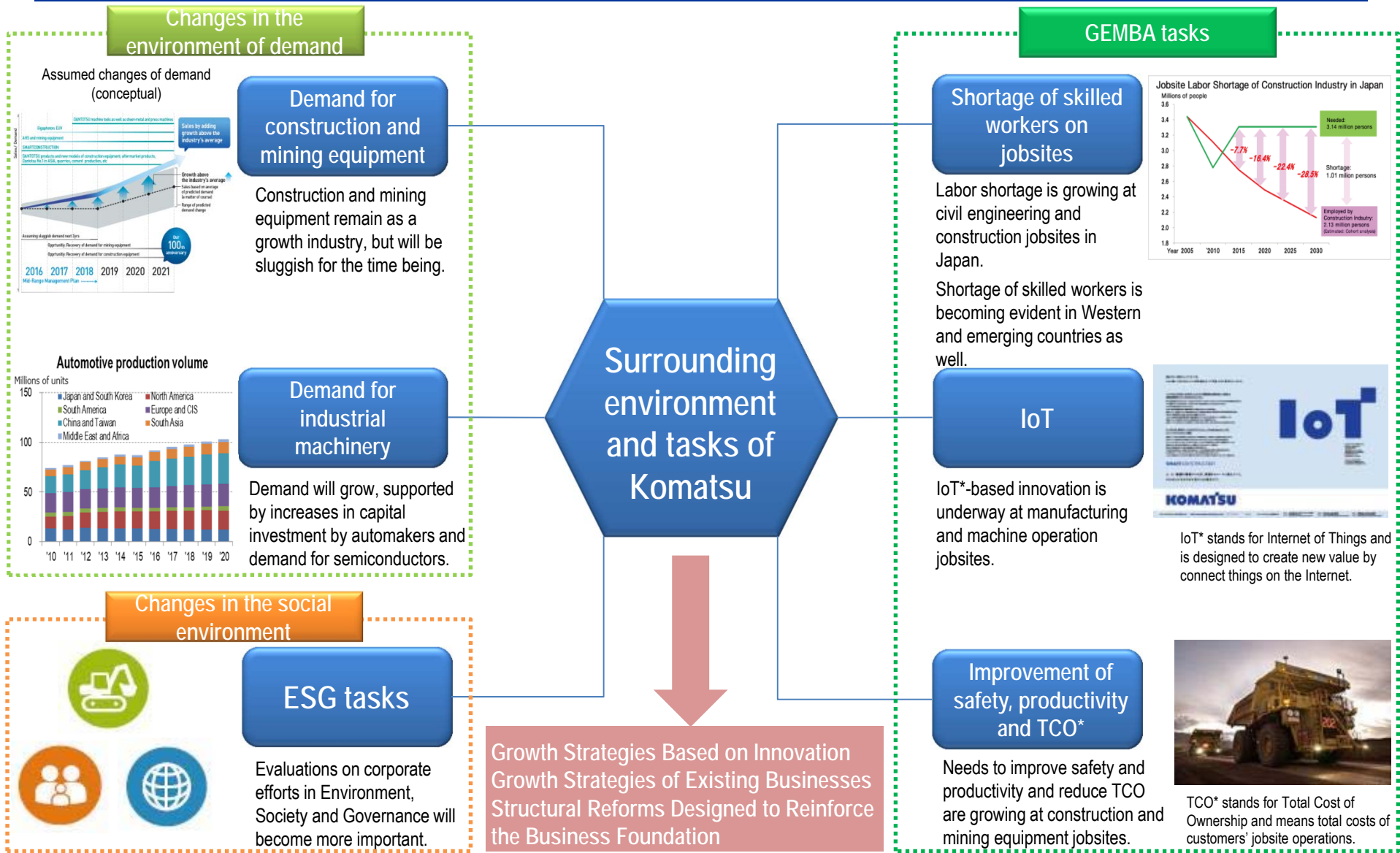
Growing towards our 100<sup>th</sup> anniversary and beyond



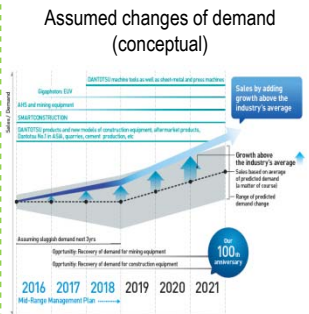
Komatsu Group employees worldwide  
will team up with distributors, suppliers and other partners,  
innovate customers' GEMBA (workplace) together with them, and provide innovation  
designed to create new values, thereby working for growth of our core businesses of construction  
and mining equipment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

# 2. Our Surrounding Environment and Tasks

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



**Changes in the environment of demand**

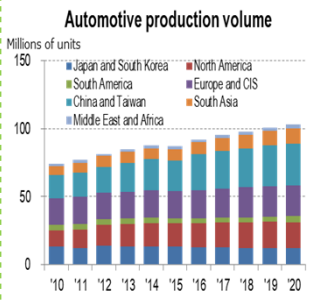


**Demand for construction and mining equipment**

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

**Demand for industrial machinery**

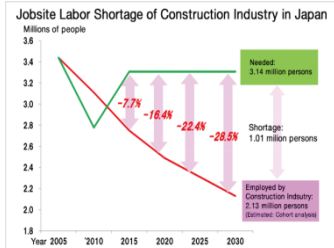
Demand will grow, supported by increases in capital investment by automakers and demand for semiconductors.



**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.

**Changes in the social environment**



**ESG tasks**

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

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

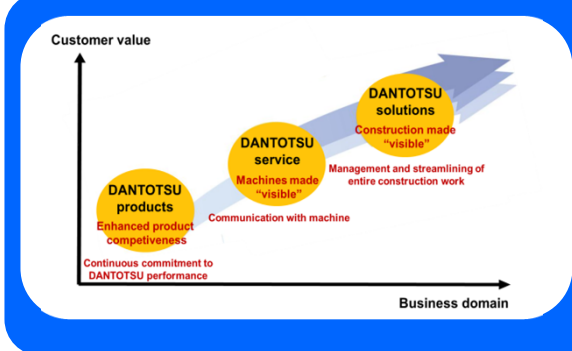
Needs to improve safety and productivity and reduce TCO are growing at construction and mining equipment jobsites.



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

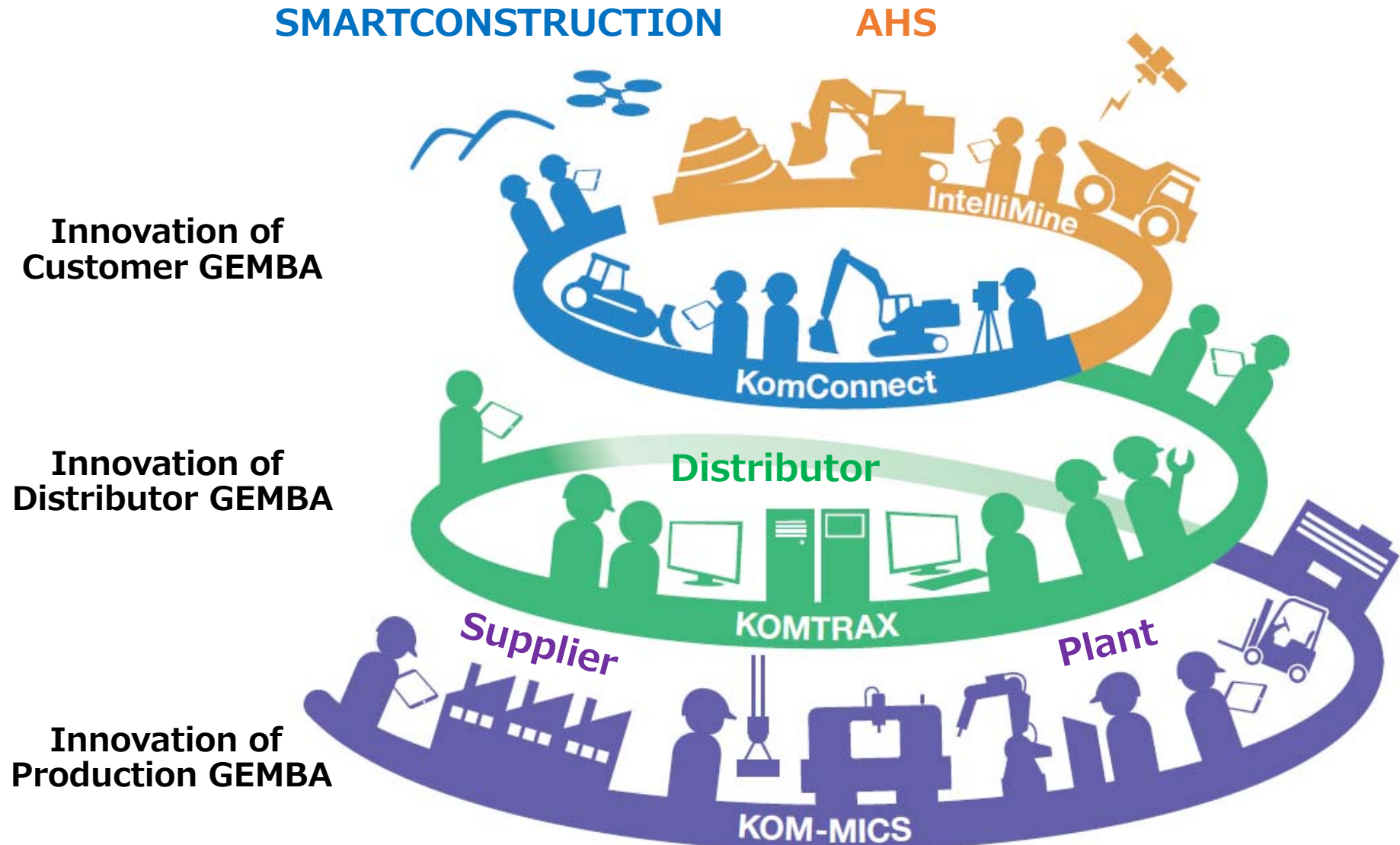
**IoT at Komatsu** IoT enables connection and sharing of real-time information concerning all processes from production to sales.

**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





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<sup>\*1</sup>

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

**CO2 reduction in manufacturing**

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

Overseas: 32% reduction<sup>\*2</sup>

\*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

**Health promotion plan**

**Risk management**

Risk Management Committee

BCP<sup>\*3</sup>

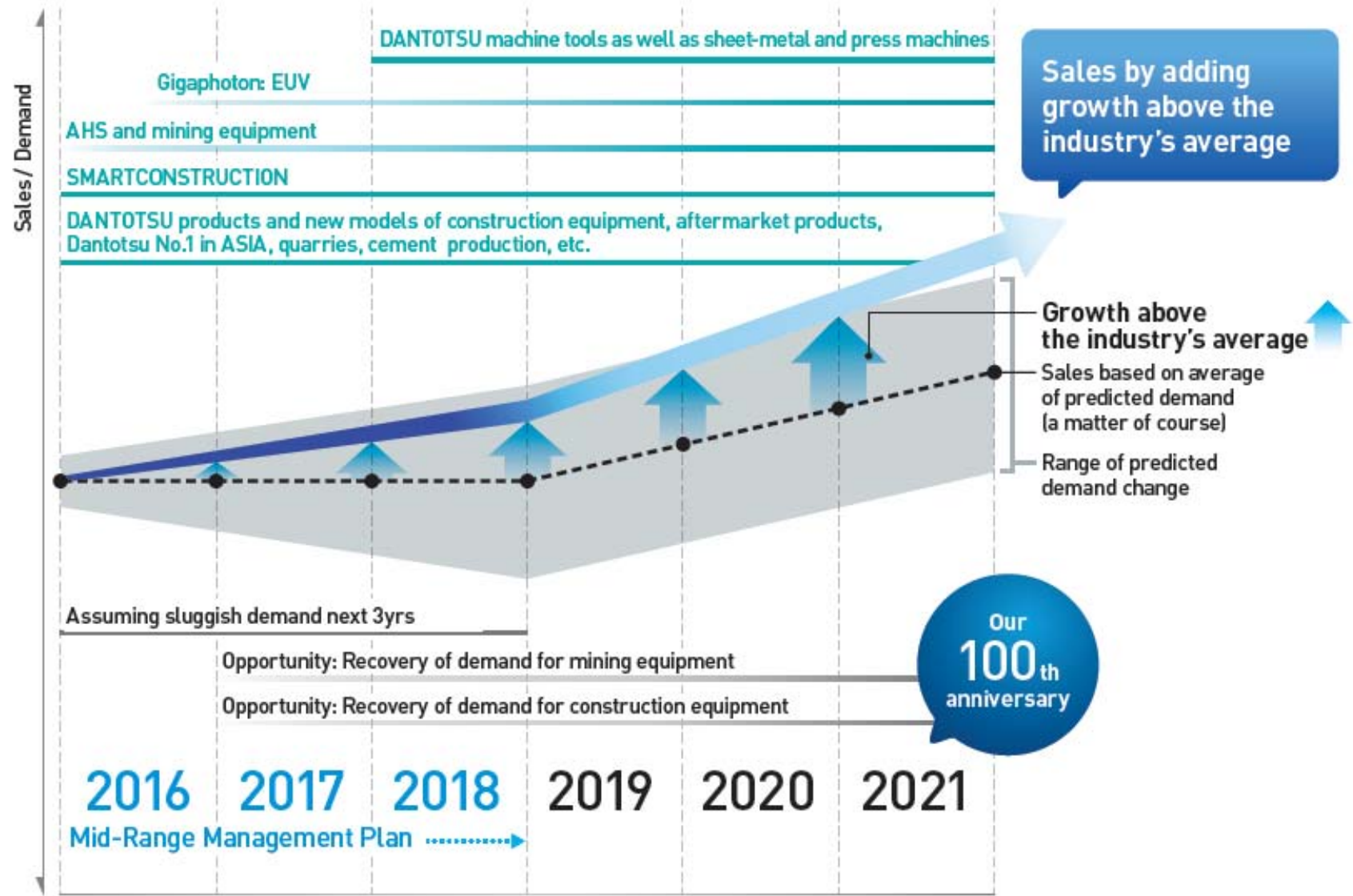
Information security

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.

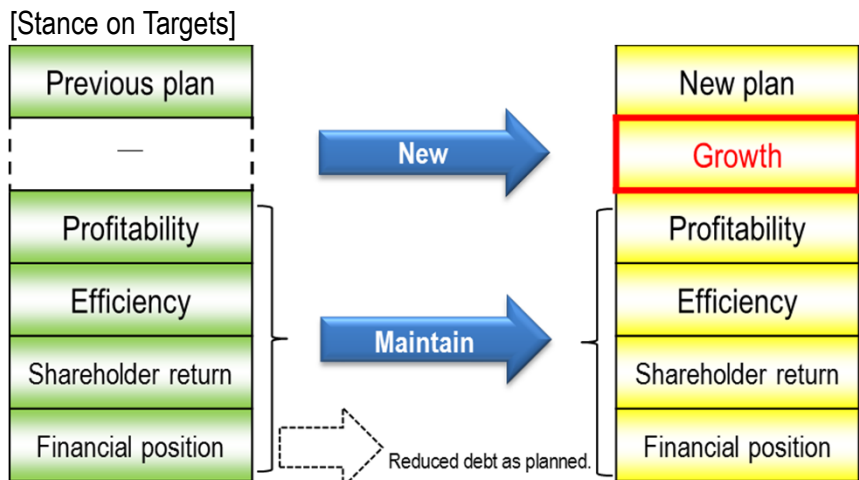
# 6. Growth Toward Our 100<sup>th</sup> Anniversary and Beyond 10

- 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.



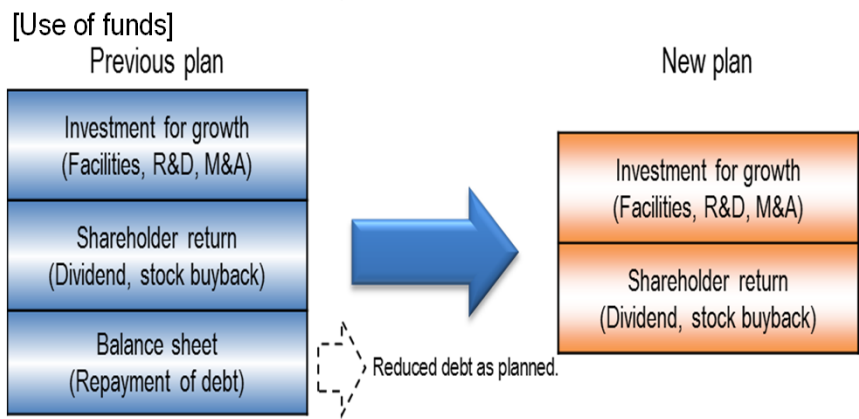
# 7. Targets of Mid-range Management Plan

- 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.



[Targets]

Growth	• Aim at a growth rate above the industry's average.
Profitability	• Aim at an Industry's top-level operating income ratio.
Efficiency	• Aim at 10%-level ROE.
Shareholder return	<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>
Financial position	• Aim at industry's top-level financial position.



Retail finance business	<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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<Balancing the three>

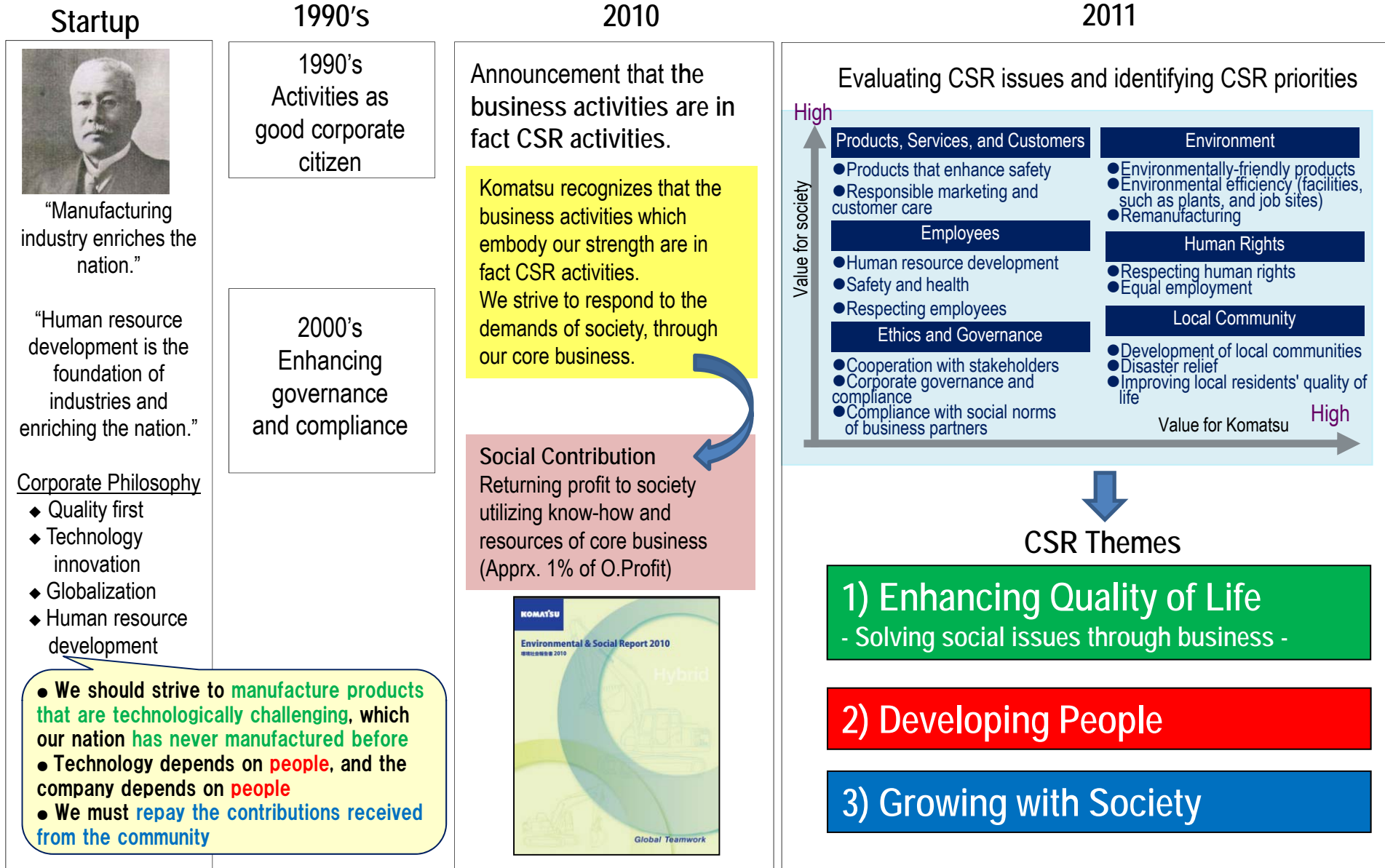
<Balancing the two>





# Komatsu's ESG: the Founder's Philosophy & CSR Themes 13

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



➤ **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)

**SDG goals which have a strong relationship with Komatsu's CSR themes are 8,9,11,13 & 17.**



We did a thorough analysis to compare the 17 SDG goals and their accompanying 169 SDG targets with our CSR activities.

Inter-connections: High Med Low

Figures: SDG targets

### SDGs (Sustainable Development Goals)

Komatsu's CSR key themes	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION & INFRASTRUCTURE	10 REDUCED INEQUALITY	11 SUSTAINABLE CITIES & COMMUNITIES	12 RESPONSIBLE CONSUMPTION & PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE AND JUSTICE	17 PARTNERSHIPS FOR THE GOALS
<b>Enhancing Quality of Life</b> Providing products required by society																	
Provide products and services that contribute to infrastructure development and improving quality of life	1.5						7.1 7.b	8.4	9.1	10.1	11.1, 11.2 11.a, 11.c			14.5	15.3		
Improve production/safety as well as promote efficiency and energy conservation through innovation					5.b		7.a 7.3	8.2 8.4	9.2 9.5	10.2	11.3		13.1				17.6 17.7
Improve environmental efficiency at operation sites and plants		3.9				6.3 6.4	7.2	8.4	9.4		11.6	12.4	13.1		15.1, 15.2, 15.4, 15.6		17.7, 17.14, 17.15
Reduce environmental load throughout product life cycle		3.9				6.3 6.4	7.a	8.4	9.4		11.6 11.c	12.4 12.5	13.1		15.4 15.5		
Enhance safety for society, customers, employees and business partners								8.8	9.5		11.2, 11.3 11.b						
<b>Developing People</b>																	
Enhance our employees and suppliers through the KOMATSU Way				4.4				8.5 8.8									17.16
Enhance our employees and distributors through brand management								8.5	9.5								17.6
Local HR education in the area of construction equipment and manufacturing	1.a			4.3 4.4	5.1			8.6 8.8	9.5	10.2 10.b	11.a						17.9
Respect for employees (Diversity)			3.d	4.4	5.1, 5.5, 5.c			8.5		10.2							
Develop the next generation				4.1				8.5		10.2			13.3				
<b>Growing with Society</b>																	
Engage in dialogue with stakeholders	1.a		3.d		5.5 5.b		7.a	8.7	9.1 9.5		11.b		13.b			16.7	17.6 17.17
Strengthen our corporate governance and compliance					5.1 5.5	6.3		8.8	9.4	10.2 10.3	11.b	12.6	13.3		15.1	16.3 16.5	17.14
Promote compliance with environmental, labor and social norms with the group among business partners					5.1		7.a	8.5 8.7, 8.8	9.4	10.2	11.6		13.b		15.1	16.3 16.5, 16.b	17.16
Social contribution utilizing core business (support for local communities, clearing land mines and cultivation of safe villages)	1.a	2.3	3.9	4.1 4.3, 4.4		6.6		8.5	9.a	10.2 10.b	11.6 11.7				15.2	16.7	17.16
Disaster relief	1.5		3.9								11.5 11.b		13.1	14.5		16.7	17.14

# Environment

## Environment

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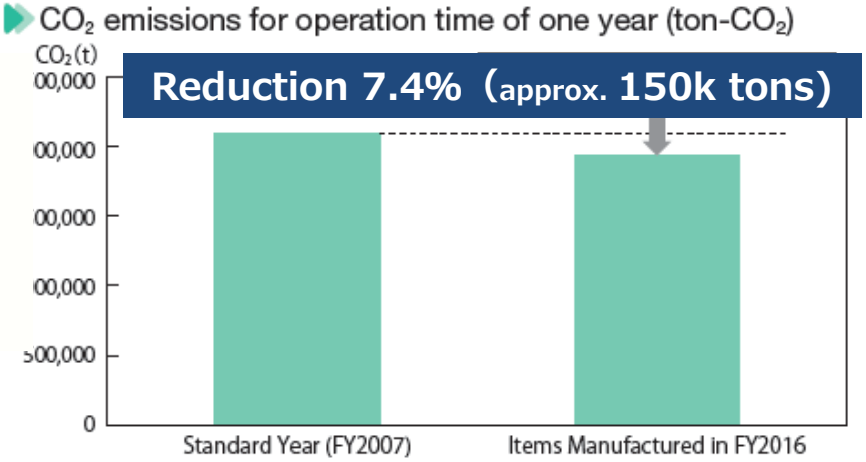
<sup>\*2</sup>

- 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

## FY2016 : CO2 Reduction from Machines in Use



150k tons : equivalent to 83% of CO2 emissions from manufacturing sites in Japan.

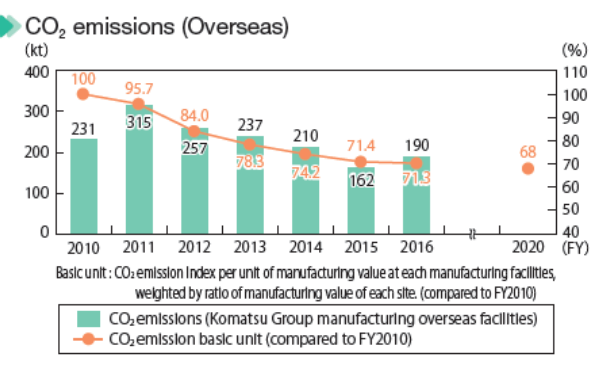
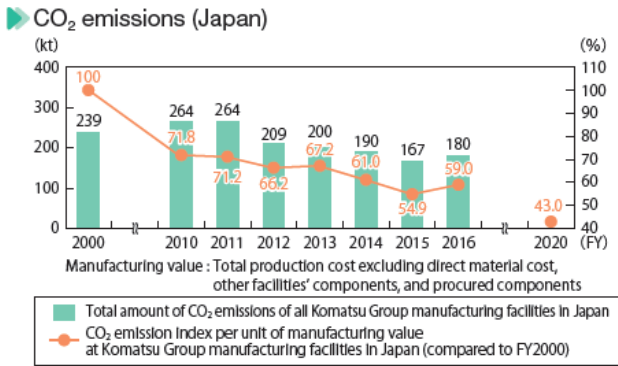


Operation for one year: estimated as 1200 hours  
 Note : We used the value of 2016 for the product number of 2007 and estimated the reduction effect by difference in fuel efficiency.

## FY2016 : CO2 Reduction in Manufacturing

**Japan : -41%**

**Overseas : -29%**





## Reduce CO2 Emissions from Products

- **Hybrid Excavator**  
22% Reduction  
(vs conventional PC300-10)
- **Improvement with Model Change**  
CO2 reduction of Tier4-Final



HB335-3



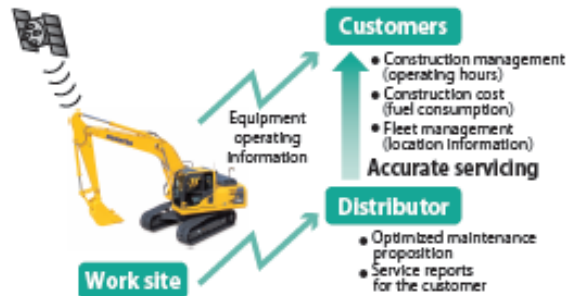
WA380-8



HM300-5

## Proposal for Higher Fuel Efficiency driving with "KOMTRAX"

- Analyze machine operation and propose better efficient driving



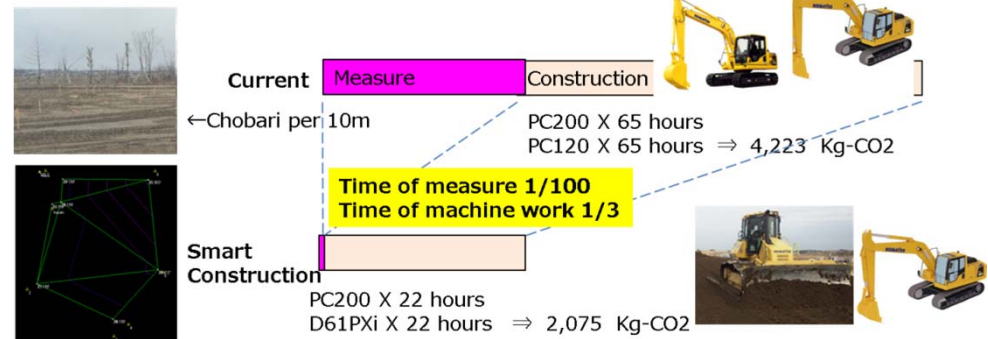
Vehicle Information Management System (KOMTRAX)

## in Use CO2 Reduction with "SmartConstruction"

- Increase Overall Efficiency of Construction and Reduce CO2



Example of Land Forming : 7000m<sup>2</sup>



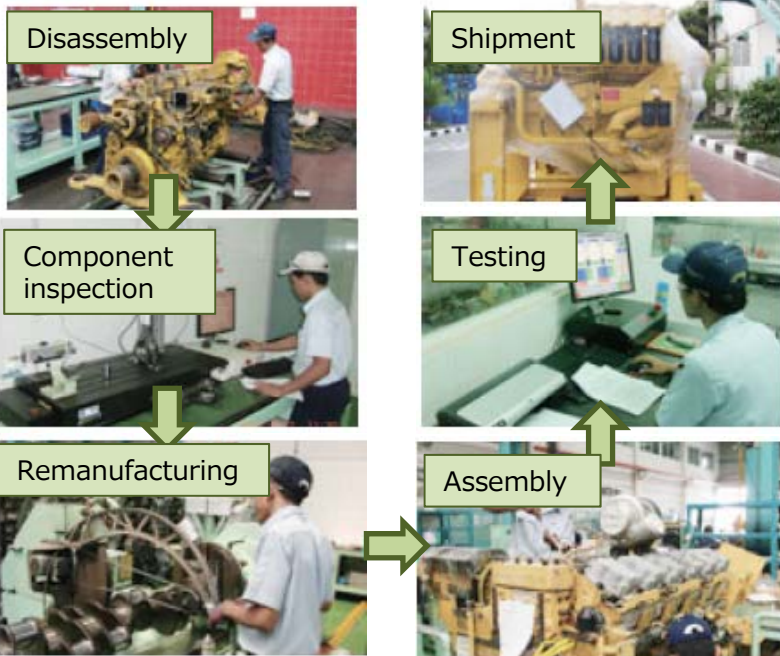
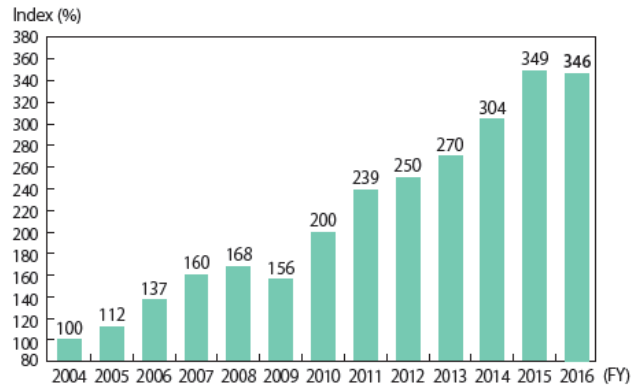
## Autonomous Dump Truck



## Effective Use of Resources (Reman)

- Reman Business(Remanufactured Components) Expanding 3.5 times compared to 2004

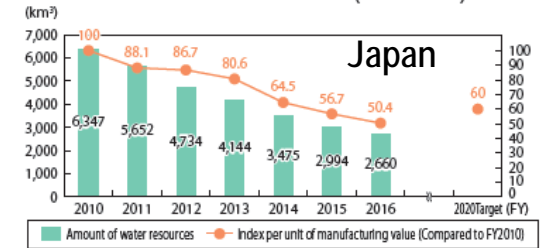
▶ Changes in Reman Sales (base FY2004 = 100)



## Reduction of Water Input

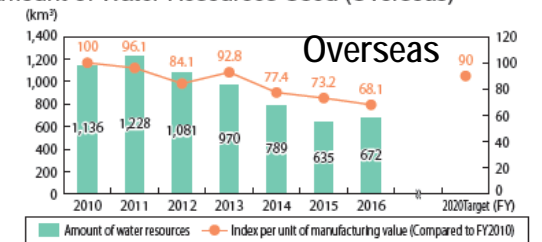
- Index in FY2016  
Japan : -50%  
Overseas : -32%  
(vs FY2010)

▶ Amount of Water Resources Used (Domestic)



Water risk training session for suppliers.

▶ Amount of Water Resources Used (Overseas)



## Biodiversity

- One-site, One-theme Activities

Develop distinctive activities at each site

• For example, Komatsu Castex is implementing ex-situ conservation of rare species in collaboration with universities etc. at the on-site biotope pond



# Society



Komatsu group supports human resource development by teaching technical skills related to construction and mining equipment and passing on manufacturing expertise through alignments with vocational schools and other partners globally.

Objectives of human resource development in communities

1. Support for technical skill training for employment
  - \* Support to close the gap between “school education” and “requirements from communities”
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
  - \* Dispatch 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	Programs for trainees in different regions of the world											
Providing technical skill training needed for employment	Provision of construction equipment courses and establishment of human resource development centers in different regions of the world											
	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 of a case

### Support for Construction Equipment Operator Training

#### Acceptance of trainees from Liberia

In May 2014, Komatsu invited four young **instructors to Japan** and provided basic trainings on operation skills and maintenance & service capability.



#### Follow-up training support in Liberia

Komatsu continues follow-up activities such as **providing construction equipment free of charge, dispatching trainer from Japan and delivering educational tools.**



### Social contribution through demining machines

- Komatsu started Cambodia reconstruction project in 2008



# Governance

**We have reformed corporate governance by positioning the Board of Directors as the core entity of corporate governance.**

1. We have enhanced the functional quality of the Board.
2. We have secured the transparency and soundness of the Board by inviting outside directors.  
⇒ Foundation of **making management “visible”**

## Board of Directors

**28 members**  
(no external director)

**1999: 8 directors**  
(1 external director)

**2003: 8 directors**  
(2 external directors)

**2005: 10 directors**  
(3 external directors)

**2017: 8 directors**  
(3 external directors)

## Auditors

**3 auditors**  
(1 external auditor)

● **Board of Auditors (1994)**

1994: 4 auditors (2 external auditors)

2006: 5 auditors (3 external auditors)

## Other organizations and systems

● **Executive Officer System (1999)**

● **Global Officer System (2016)**

● **Compensation Council (1999)** 1 internal and 4 external members

● **Human Resource Advisory Committee (2015)**  
2 internal and 3 external members

● **International Advisory Board (1995)** 3-4 foreign experts

● **Hi-Tech & Innovation IAB (2015)** 4-6 foreign experts

● **Compliance Committee (2001)**  
Membered by top management and president of the Komatsu Labor union

- ✓ The Board of Directors discussed measures for revised Companies Act of 2015 and Tokyo Stock Exchange's Corporate Governance Code.
- ✓ Implemented measures, including the creation of the Human Resource Advisory Committee, disposal of cross-holding shares and evaluation of Board of Directors' effectiveness, on the assumption of compliance with all laws.
- ✓ Received the Corporate Governance of the Year Award in 2015 and IR Grand Prix Award (2017).

FY2015

## 【Board of Directors】

- Discussed corporate governance-related agendas 30 times.
  1. Responses to Corporate Governance Code (creation of Human Resource Advisory Committee, etc.)
  2. Responses to revised Companies Act (reviews of the establishment of a company with audit and other advisory committees)
  3. Internal control (regularly)
  4. Evaluation criteria of the independence of directors
  5. Cross-shareholdings (regularly)
  6. Full-year agendas (regularly)
  7. Evaluation of the effective of the Board of Directors
  8. Analysis of votes at the annual shareholders' meetings (regularly)
  9. Reports by the Human Resource and Compensation Advisory committees (regularly)
  10. Progress of resolutions by the Board of Directors (regularly), etc.









FY2017

## 【Free discussions】

- Has held five times, concerning the effectiveness of the mid-range management plan, corporate governance, global personnel, etc.

- ✓ Received the **Corporate Governance of the Year Award 2015** (Japan Association of Corporate Directors) (Jan. 2016)
- ✓ Received the Best IR Award (Japan Investor Relations Association) (Nov. 2016)
- ✓ Received the **IR Grand Prix Award** (JIRA) (Nov. 2017) (Second time for the Grand Prix Award)

◆ We have received the following evaluations of independent evaluation organizations related to CSR investment. (As of December 2017)

<p>Dow Jones Sustainability Indices</p>	 <p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p>Analyzes companies in the areas of economic, environmental and social efforts.</p>
<p>MSCI Global Sustainability Indexes</p>	 <p>2017 Constituent MSCI Global Sustainability Indexes</p>	<p>Evaluates companies in the area of ESG efforts.</p>
<p>FTSE Blossom Japan Index</p>	 <p>FTSE Blossom Japan</p>	<p>Excellence in ESG efforts One of indexes selected by GPIF</p>
<p>Euronext Vigeo™ Euro 120</p>	 <p>EURONEXT vigeo eiris</p>	<p>Evaluates companies from the perspective of ESG</p>
<p>Morningstar Socially Responsible Investment Index</p>	 <p>MS-SRI モーニングスター社会的責任投資株指数 Morningstar Socially Responsible Investment Index</p>	<p>Evaluates companies in the main areas of compliance, employment, human rights, consumer relations and social contributions.</p>
<p>“Prime” rated by oekom research AG</p>	 <p>Corporate Responsibility Prime rated by oekom research</p>	<p>Komatsu has received “Prime” rating relating to ESG in the machinery sector.</p>
<p>CDP's A List (Climate change) (Water security)</p>	 <p>CDP A LIST 2017 CLIMATE CDP A LIST 2017 WATER</p>	<p>Given to world's leading companies in the areas of climate change and water security. “A List” in both categories: 27 companies worldwide (6 Japanese companies)</p>
<p>Nadeshiko Brand (selected by Japan's Ministry of Economy, Trade and Industry and Tokyo Stock Exchange)</p>	 <p>NADESHIKO BRAND 2017</p>	<p>Given to excellent listed companies which support job performance of female employees (career promotion and work-life balance)</p>

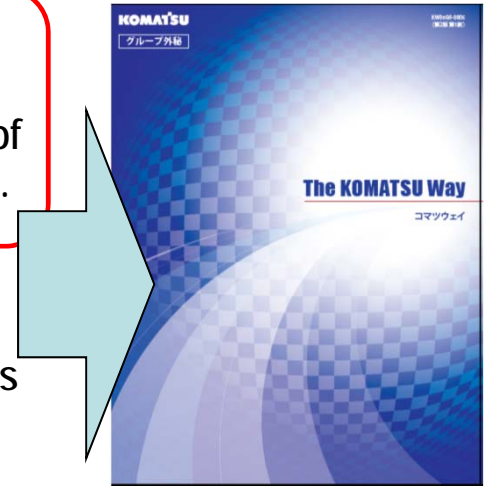
## **II . Global Teamwork**

- 1. The Komatsu Way**
- 2. Progress of Globalization**
- 3. Management Localization**
- 4. HR Development on a Global Basis**



The KOMATSU Way is a statement of values that the Komatsu Group should pass down in a lasting way wherever it operates in the world, including its management. It is built on Komatsu's strengths which are substantiated by the beliefs and code of conduct that our forerunners learned from their experiences of success and failure.

- Values are expressed in writing in order to be shared by all Komatsu Group employees around the world so that they can demonstrate Komatsu's strengths.
- By educating and proliferating The KOMATSU Way, we are improving their talents for Kaizen (continuous improvement), thereby working to vitalize them and their organizations around the world. (Human resource development worldwide)



1. Chapter on top management: Improving corporate governance
2. Chapter on all employees: Strengthening Komatsu's manufacturing competitiveness

Written in English, Spanish, German, French, Italian, Russian, Chinese, Indonesian, Thai and Tamil, in addition to Japanese.

*Komatsu's manufacturing = Seven Ways of Komatsu\**

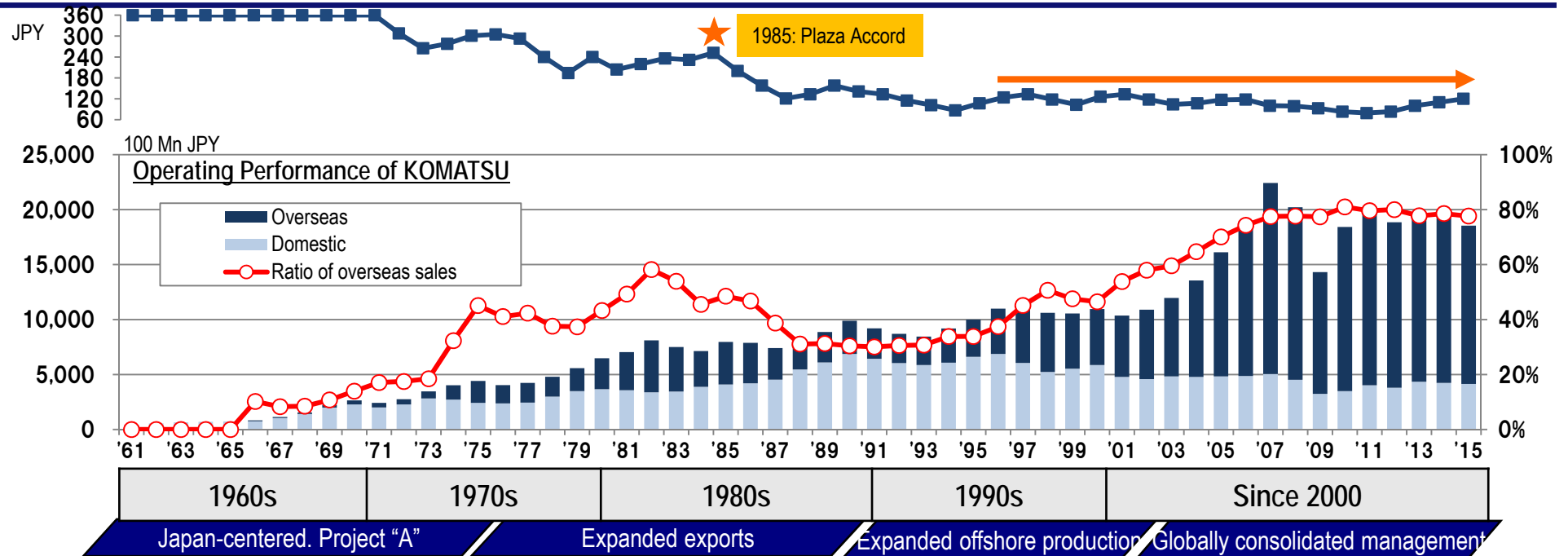
➤ Commitment to Quality and Reliability	➤ Policy deployment
➤ Defining the root cause	➤ Collaboration with business partners
➤ Workplace philosophy	➤ Human resource development
➤ Customer oriented	

### 3. Chapter on brand management

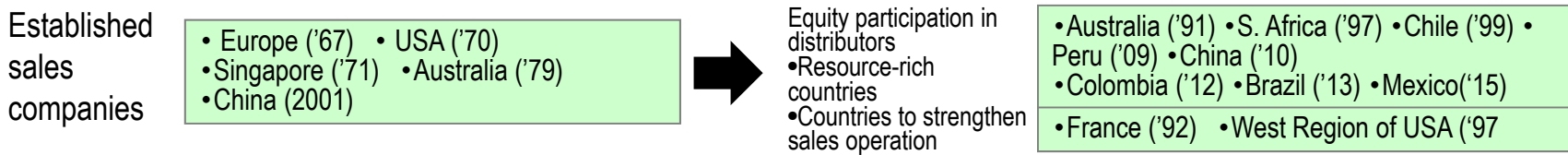
Note: \* Teamwork activities conducted jointly by all internal departments, such as development, production, sales, service and administrative departments as well as with all members of the supply chain, consisting of suppliers and distributors.



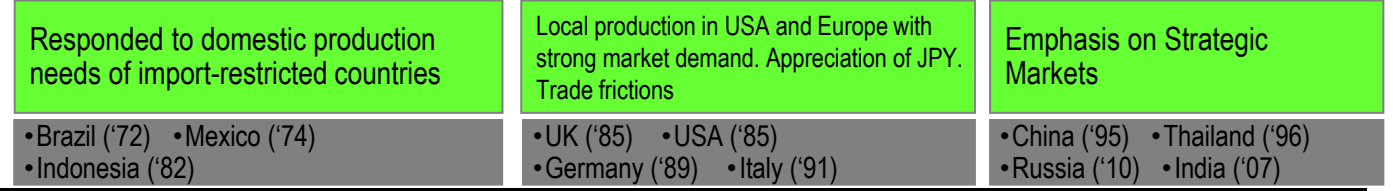
# 2.-1 Komatsu's Globalization Drive



Sales



Production

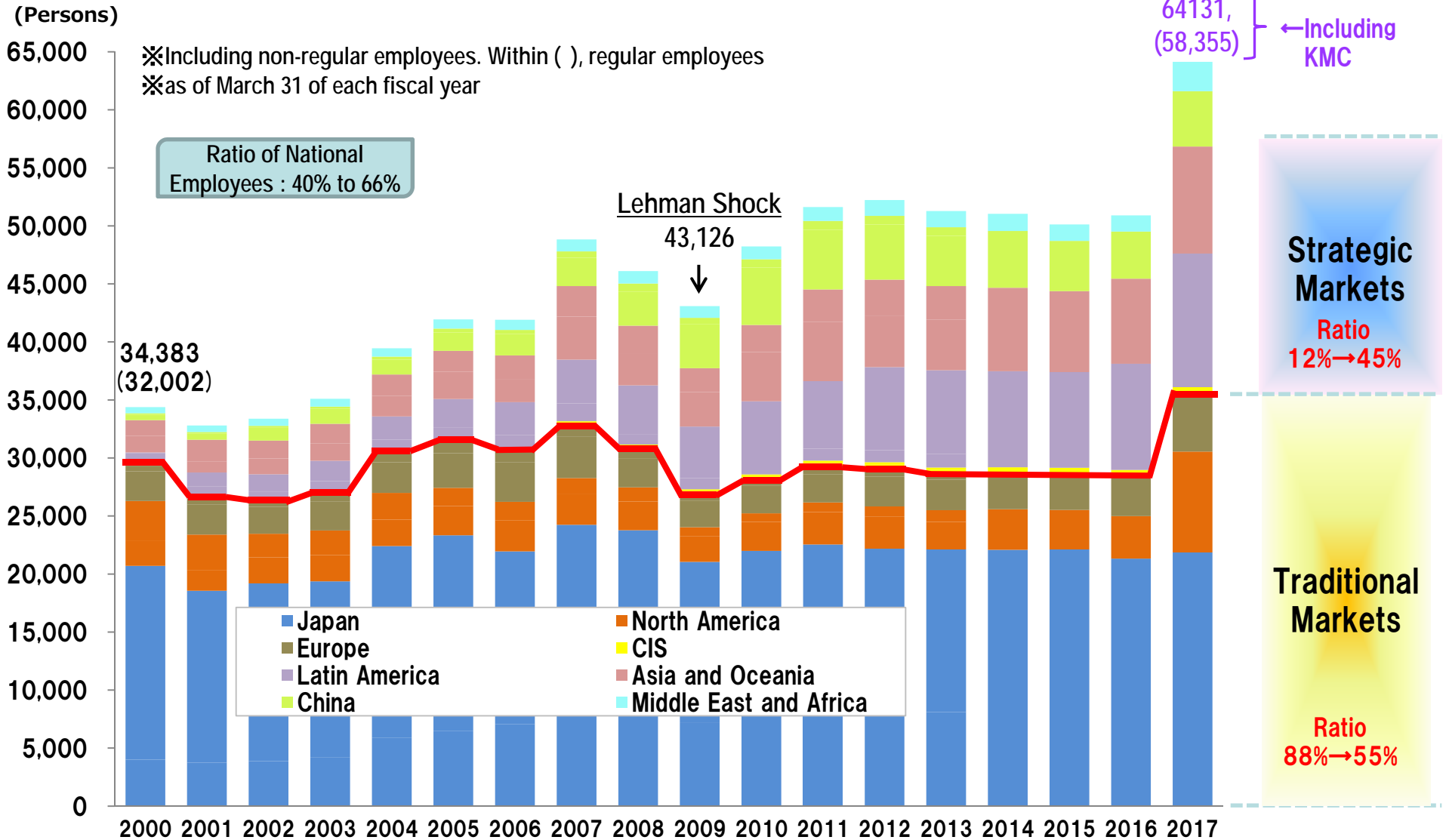


Consolidated management

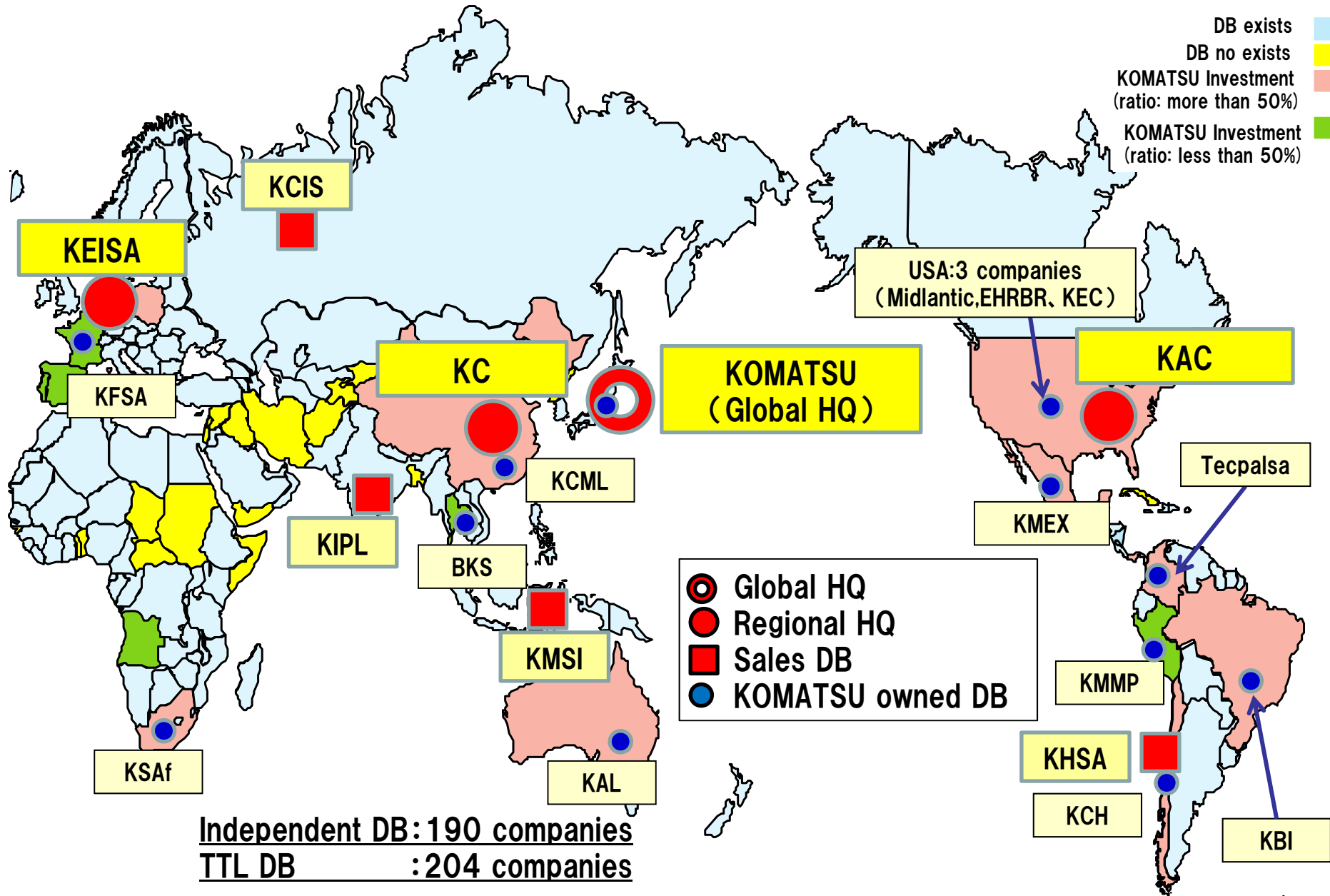


## 2.-2 Transition of Number of Employees (consolidated)

The number of employees was increased by 1.9 times compared with FY 2000 mainly as a result of increase in strategic markets



## 2.-3 Komatsu Operation (Structure of Overseas Sales DB)





《Initial advance into overseas market》  
Globalization of Japanese mainly in the field of sales and service

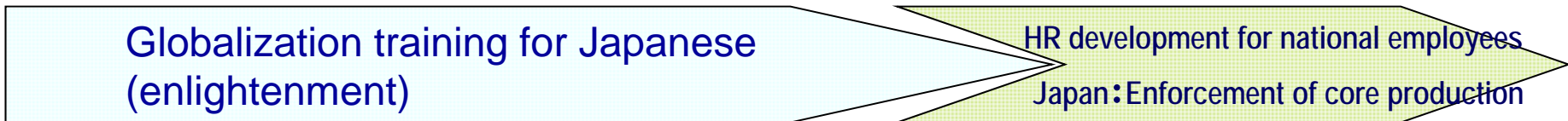
《Offshore Production》  
Expand Komatsu' know-how of production and R& D to overseas

《Management Globalization》  
Management localization of national employees

- Advance into overseas market
- Introduction of technologies of US and Europe

- Consider exchange risk
- Intend to be a partner for overseas countries

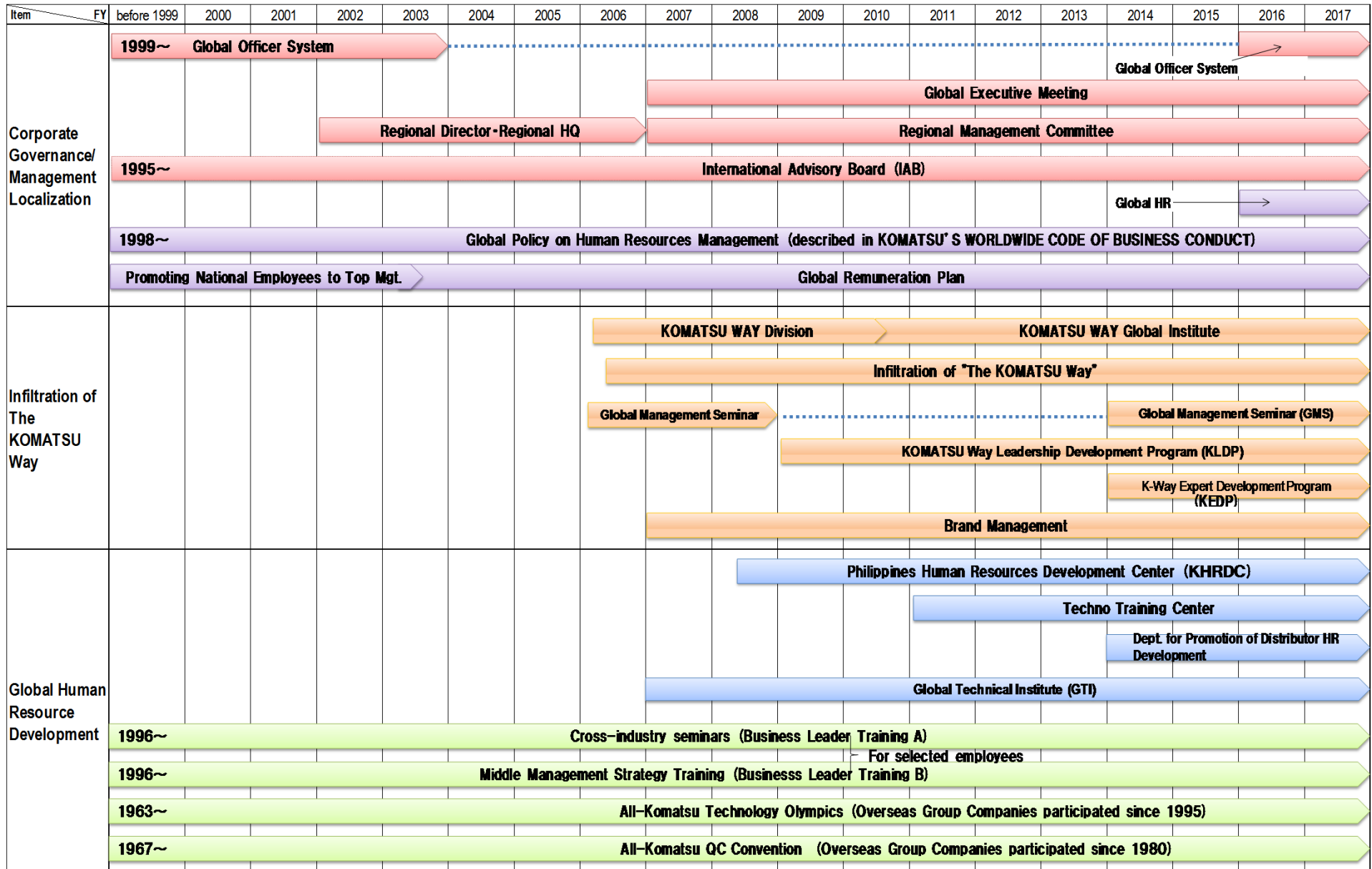
- Teamwork to share value
- Responsibility classification between Japanese expats and national employees



- English Training
- Study overseas, overseas inspection (mind change)

- Registration system for Japanese expats  
⇒ Increase of candidates
- Education for national employees in Japan

- Education of Komatsu Way
- Global management seminar
- Business leader training for selected employees



(KOMATSU'S WORLDWIDE CODE OF BUSINESS CONDUCT)

Systems of human resources management differ from one region to another reflecting the differences in historical and cultural backgrounds, which are differences we should respect and duly take into consideration.

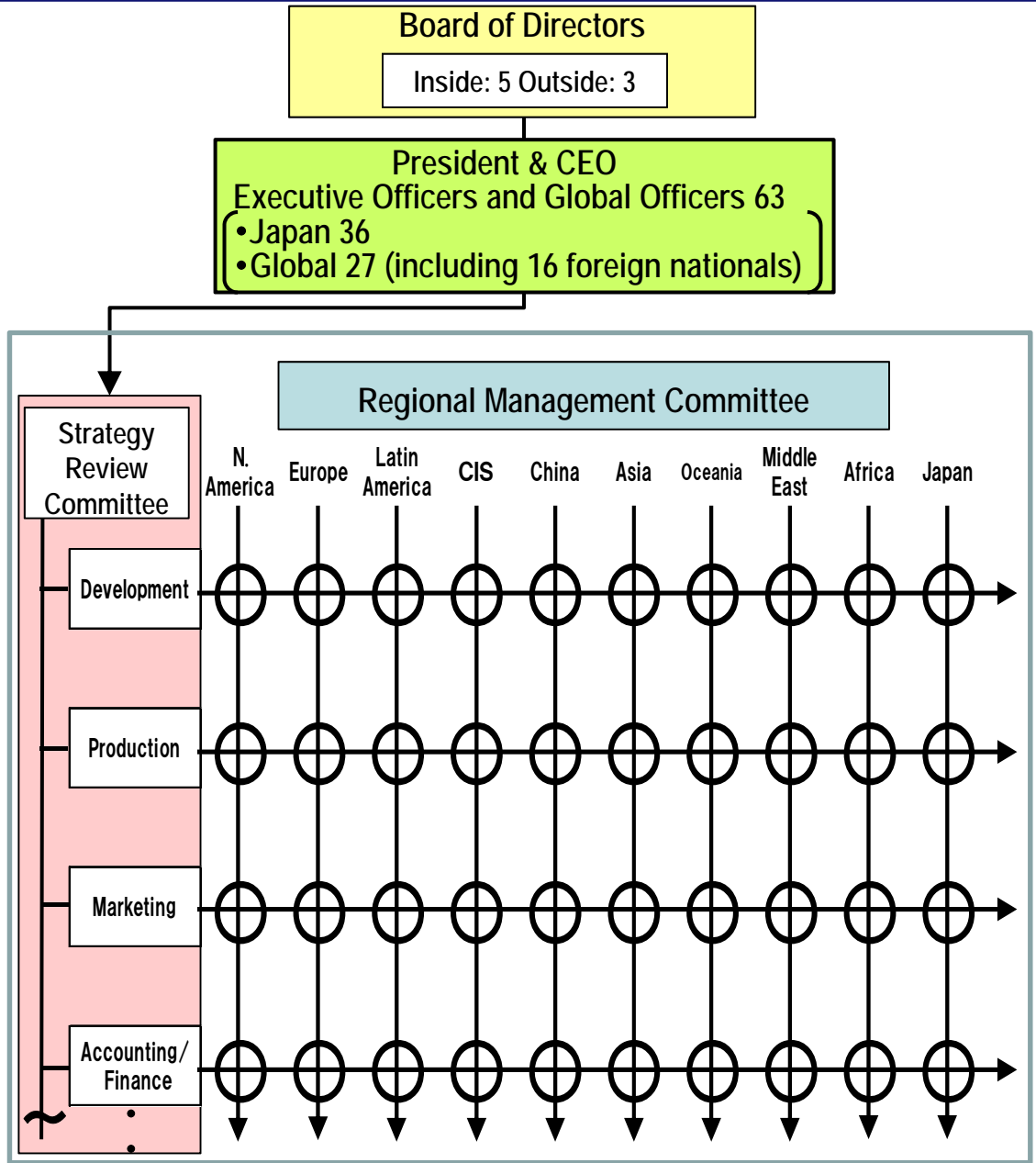
Komatsu group companies shall establish system of human resources management that are **most suitable for their respective region reflecting the local characteristics and in accordance** with the following basic principles.

### Basic Principles

- ✓ Employee's fundamental human rights, inherent personality, individuality and privacy shall be respected
- ✓ Fairly treated. No discrimination against nationality, race, religion, age, gender, physical or mental disability, etc.
- ✓ Providing satisfactory workplaces and Work Life Balance
- ✓ HR systems should be reasonable and persuasive. Make them open and explain clearly to employees.
- ✓ Compliance
- ✓ Faithful conversations with employees or their representative
- ✓ No tolerance to child labor or forced labor
- ✓ Competitive working conditions for each region must be established



# 3.-1 Regional Management Committees



**<Strategy Review Committee (once a month)>**  
 It of the members is the headquarters special titles Executive Officer.  
 In the meeting will consider the basic policy, basic plan and basic strategy on important matters on the company management

**<Management Committee (MC)>**  
 The leader of the conference is the headquarters Board of Directors / Managing Executive Officer  
 MC will be held in the abroad. The discussions and decisions about the individual management issues of deployment and the local headquarters strategy

**<Executive Meeting (once a year)>**  
 President collects the top management of each subsidiary. At the meeting, promote mutual understanding and horizontal development of the deployment and the local corporate strategy of the head office policy

# 3.-2 Management Localization

◆ We have decentralized authorities, promoting localization of management.

- ✓ Development and promotion of national employees to top management
- ✓ Japanese expats as Number Two, supporting national employees as top management
- ✓ Appointment of national employees who have worked for Komatsu over the years and understand The KOMATSU Way.

## ●History of Top Mgt.

— — — Japanese      — — — National Staff

Company	Country	Establishment	1980s	1990s	2000s
KAC	USA	1985: 1988 J/V →Subsidiary	CEO/COO		
KMC	USA	2017: Acquisition (Joy Global)			CEO/COO
KEISA	BEL	1967: Establishment			
KG	DEU	1989: Subsidiary 2016: Merge KOHAG with KMG			
KIM	ITA	1995: J/V → Subsidiary			
KUK	GBR	1985; Establishment			
KI	IDN	1982: J/V			
KAL	AUS	1991: J/V			
KC	CHN	1996: Establishment			
KSC	CHN	1995: J/V			
KSA	ZAF	1997: J/V			
KCC	CHI	1999: J/V			
KIPL	IND	2007: Establishment			
KDB	BRA	1973: Establishment			
KCIS	RUS	2005: Establishment			

Challenges: Early promotion in India, Brazil and Russia



## 3.-3 Establishment of Global Officers (April, 2016)

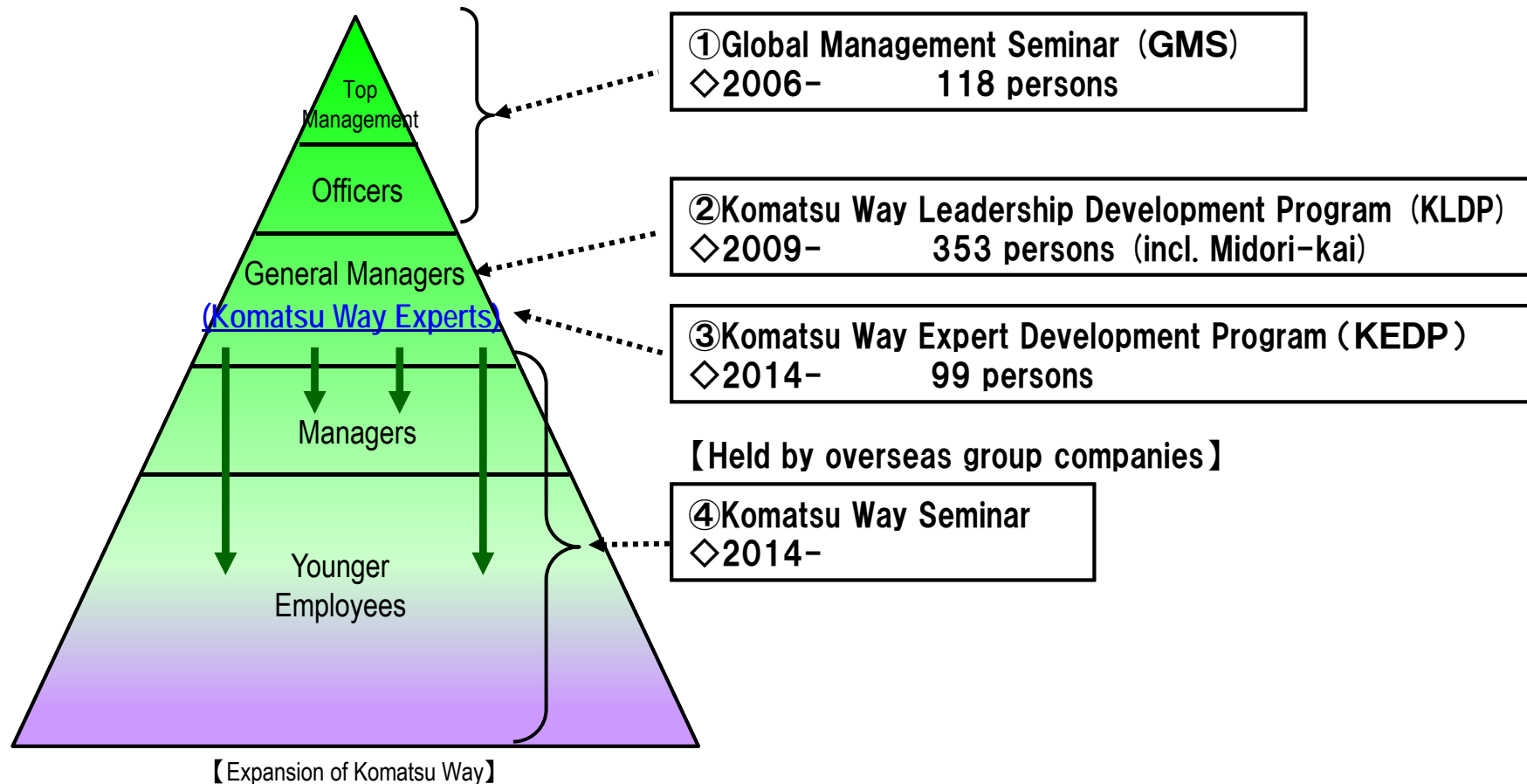
- ◆ Has appointed top management officers of major overseas subsidiaries: 27 employees (including 16 foreign citizens).  
⇒ Performance evaluation by President of Komatsu Ltd.
- ◆ Has appointed 16 Global officers (including 5 foreign citizens) as **Executive officers** who have important roles.  
⇒ Involve in decision making of global strategies.

Region	Company	Title	KLTD Executive Officer
North America	Komatsu America Corp.	Chairman & CEO	○
		President & COO	○
		Executive Vice President & President, North America R&D	○
		Executive Vice President, CFO	○
	Komatsu Mining Corp.	President & CEO, Vice President, Mining Business Division, KLTD	○
		Executive Vice President & COO	○
		Modular Mining Systems, Inc.	President & CEO
Hensley Industries, Inc.	President & CEO		
South America	Komatsu Cummins Chile Ltda.	Representative of All Latin America Operations, President & CEO	○
	Komatsu Brazil International Ltda.	Representative of All Brazil Operations, President	○
Europe	Komatsu Europe International N.V.	Chairman, President & MD, Komatsu UK Ltd.	○
		President & CEO	○
		President & MD, Vice Chairman, Komatsu Europe International N.V.	○
	Komatsu Germany GmbH	Executive Vice President, President, Construction Equipment Division	
		Executive Vice President & President, Mining Division	
		Komatsu Italia Manufacturing S.p.A.	President & MD
Komatsu Forest AB	President & CEO	○	
Asia Oceania	Bangkok Komatsu Co., Ltd.	President	
	Bangkok Komatsu Sales Co., Ltd.	President	○
	PT Komatsu Indonesia	President & CEO	
	Komatsu Australia Pty. Ltd.	President & MD	
	Komatsu (China) Ltd.	Representative of All China Operations, Chairman	○
		President & CEO	○
		President, Production & Procurement Division	○
	Komatsu Shantui Construction Machinery Co., Ltd.	President	
	Komatsu (Shandong) Construction Machinery Corp.	President	
Africa	Komatsu Africa Holdings (Pty) Ltd	President & MD	

: Foreign Citizens

# 4.-1 Komatsu Way Promotion (National employees)

Continually implement stratified training programs for Overseas Group Companies' employees



### 1) Objectives

To promote a better understanding and information sharing of a) The KOMATSU Way and Komatsu's history and culture, b) Komatsu's strategies and leadership, and c) Komatsu's strengths and weaknesses among non-Japanese executives of overseas subsidiaries through discussions with Komatsu's executives and in-house and outside lecturers.

### 2) Eligibilities

- Non-Japanese candidates to lead management of overseas subsidiaries.
- Employees selected for their talents of future leadership and applicable to the succession plan.

### 3) Frequency    Once a year

### 4) Main curriculum

- 1) Komatsu's history and The KOMATSU Way
- 2) Komatsu's business strategies
- 3) Group discussions and presentations



### 【All-Komatsu Technology Olympics】

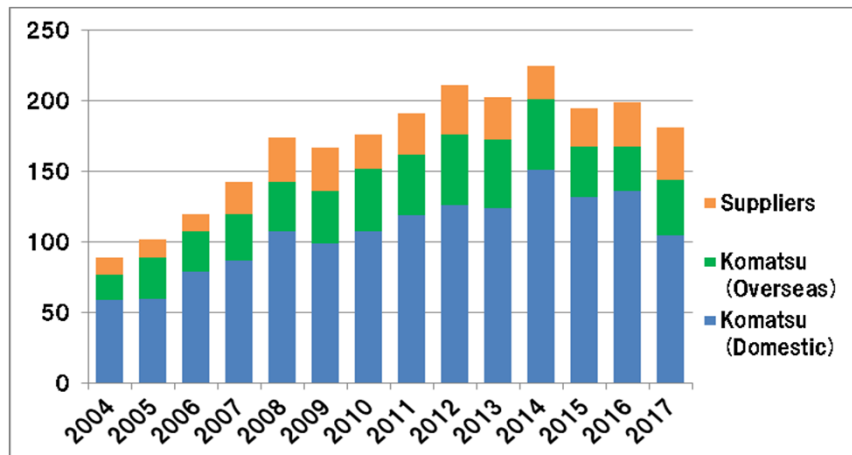
- ◆ Began in 1963
- ◆ We designated the third Saturday of October as Komatsu's Day of Technical Skills.
- ◆ 180 contestants participated in this annual event in FY2016.
- ◆ Many participated from overseas subsidiaries and suppliers.



Inspection

Thin Sheet Welding

### 【Number of Contestants】



### 【All-Komatsu QC Convention】

- ◆ We Designated the third Saturday of November as Komatsu's Day of QC.



### <Result in FY2017>

1. Held in November 18, 2017
2. Place: Awazu Plant
3. Number of presentations: 94  
(incl. 33 from overseas subsidiaries)
4. Number of participants: About 2,000 people
5. Objective of this annual event;  
Develop and proliferate TQM activities of Komatsu Group through presentation by QC circle and staff representatives of each region, aiming for business improvement and commendation for high achievers.



## 4.-4 Strengthen Training Structure for Distributors (Overseas) 41

### [Start-up of Asia Training & Demonstration Center in Thailand]

Komatsu support distributors' HR development with same as training programs in Japan by direct operated training center.



Name	Asia Training& Demonstration Center		
Open	Nov.18, 2016	Size	77,392m <sup>2</sup>
Major Facilities	Training room, Workshop, VIP Center, Operator training field, Forklift driving		
Functions	For DB: Service, Sales, PSSR Training, Operator Training etc. For Customer: Demonstration, Test Driving, Operator Training etc.		
Staffs	16 (THI, PHL, SGP, JPN)		

### [Major Facilities]



Work Shop & Component OV



Training Room



Demonstration Area

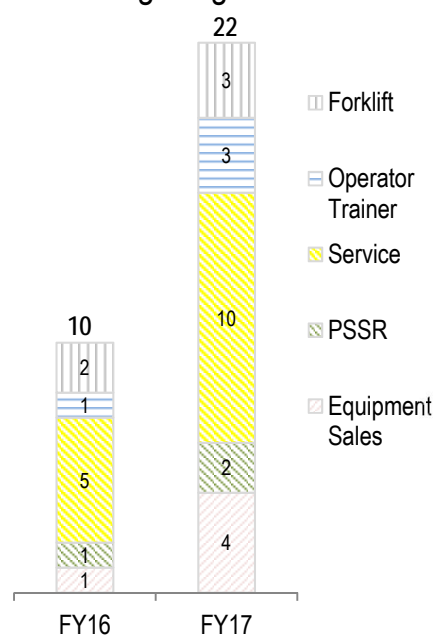


Operator Training Area



Forklift Driving Area

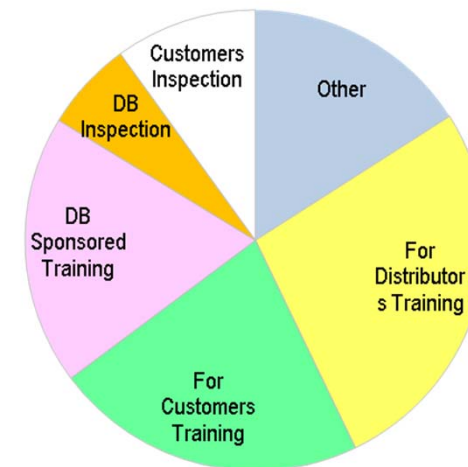
### <Training Programs>



\* 5 months in FY16

### <Number of Users>

N=301  
\* November, 2016 - January, 2017



## 4.-5 Komatsu Human Resources Development Center (Philippines) 42

- Japan: Aging population and lower birth rate, stability & domestic orientation;  
Can't find a person who can be sent tough environment country.
- It is necessary to develop talents who can practice the Brand Management in customer sites and distributors worldwide. ⇒ **Established KHRDC in Philippines**

### 1. Overview of KHRDC Facilities

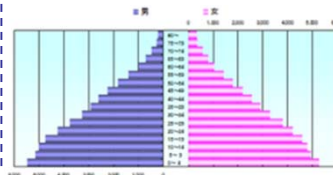
- Location: Province of Cavite, Philippines  
(50 min. from Manila by a car)
- Established: July, 2008
- Major Facilities: Office, Training room, Workshop, Operator training area, Canteen, Pool etc.



#### <The reason why KHRDC was established in Philippines>

- Highly education back ground of Mechanical Engineering.
- Good English communication skills.
- Toughness to accept overseas assignment.

Population distribution by age and gender in Philippines

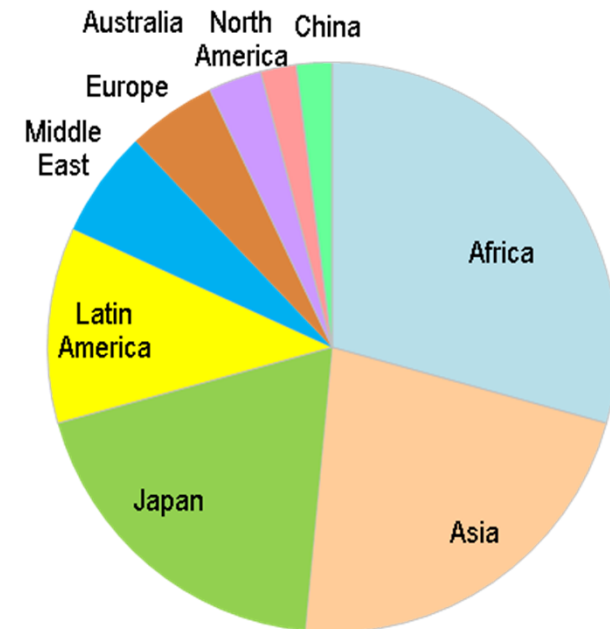


### 2. Training Programs

7mos.	Training In KHRDC • Safety, Tool (Basic), Assembly (Engine), Trouble shooting etc.
9mos.	On job training in Philippines • Maintenance, trouble shooting in distributors and mine sites In house training in KHRDC • Product knowledge or Mining, Japanese language (2 months)
7mos.	Training in Japan
4yrs.	Overseas job site training (2 sites, each 2 years) • On job training in mine site, distributors and service support center.

### 3. Work Placement (as of the end of April, 2017)

Worked in abroad (out of Philippines): about 100 people



### **Ⅲ. Social Contribution by Demining Anti-personnel Landmines**

# **Komatsu's Stance on CSR and Position of Demining Efforts**



- In 2010, we defined and declared CSR as CORE BUSINESS.

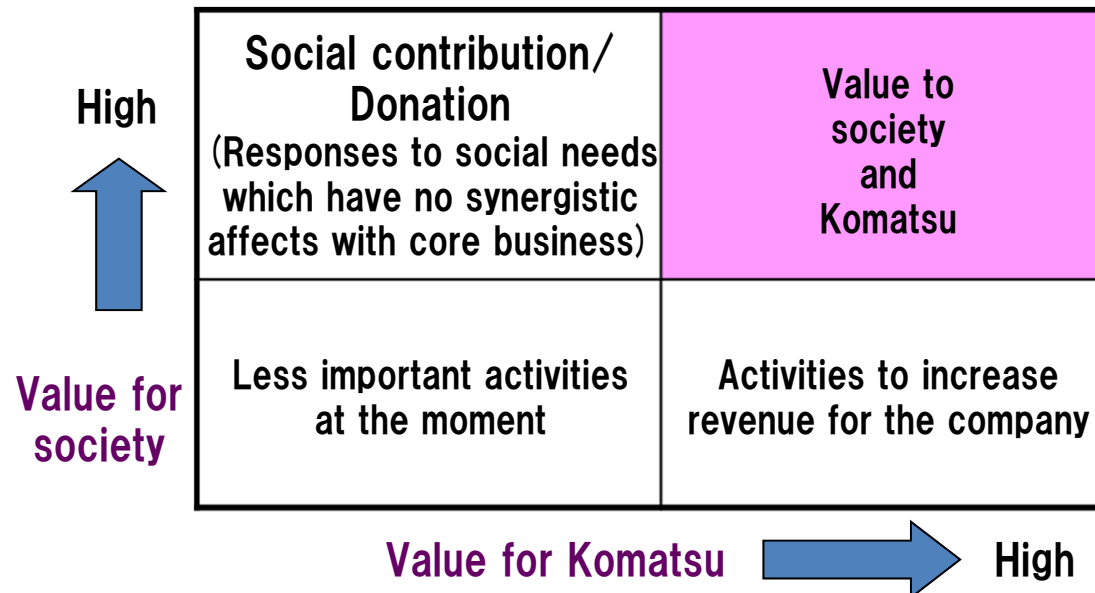


“Komatsu recognizes that the business activities which embody our strength are in fact CSR activities.

We strive to respond to the demands of society, through our core business.”

(Stated in Environmental & Social Report 2010)

- Evaluation of our CSR priorities (Materiality)



## 1. Enhancing Quality of Life -Solving social issues through business-

- Provide products and services that contribute to infrastructure development and improving the quality of life
- Improve production/safety as well as promote efficiency and energy conservation through innovation
- Improve environmental efficiency at operation sites and facilities
- Reduce the environmental load throughout product life cycle
- Improve safety (for customers, society, employees, business partners)

## 2. Developing People

- Human resources development through the KOMATSU Way (employees, business partners)
- Human resources development through brand management (employees, distributors)
- Support for developing people of local community
- Respect employees, diversity

## 3. Growing with Society

- Engage in dialogue with our stakeholders
- Strengthen our corporate governance and compliance
- Promote compliance with environmental, labor and social norms within our group and among business partners
- Social Contribution utilizing core strength and know-how  
(Support for local communities, **Clearing anti-personnel landmines and cultivating safe villages**)
- Disaster relief

Inter-connections: ■ High ■ Med ■ Low

## SDGs (Sustainable Development Goals)

No Poverty	Zero hunger	Good health & well being	Quality education	Gender equality	Clean water & sanitation	Affordable & clean energy	Decent work & economic growth	Industry, innovation & infrastructure	Reduced inequality	Sustainable cities & communities	Responsible consumption & production	Climate action	Life below water	Life on land	Peace & justice	Partnership for the goals

### Komatsu's CSR key themes

#### Enhancing Quality of Life

Providing products required by society

Provide products and services that contribute to infrastructure development and improving quality of life	1.5					7.1 7.b	8.4	9.1	10.1	11.1, 11.2, 11.a, 11.c			14.5	15.3		
Improve production/safety as well as promote efficiency and energy conservation through innovation				5.b		7.a 7.3	8.2 8.4	9.2 9.5	10.2	11.3		13.1				17.6 17.7
Improve environmental efficiency at operation sites and plants		3.9				6.3 6.4	7.2	8.4	9.4	11.6	12.4	13.1		15.1, 15.2, 15.4, 15.6		17.7, 17.14, 17.15
Reduce environmental load throughout product life cycle		3.9				6.3 6.4	7.a	8.4	9.4	11.6 11.c	12.4 12.5	13.1		15.4 15.5		
Enhance safety for society, customers, employees and business partners							8.8	9.5		11.2, 11.3, 11.b						

#### Developing People

Enhance our employees and suppliers through the KOMATSU Way				4.4			8.5 8.8									17.16
Enhance our employees and distributors through brand management							8.5	9.5								17.6
Local HR education in the area of construction equipment and manufacturing	1.a			4.3 4.4	5.1		8.6 8.8	9.5	10.2 10.b	11.a						17.9
Respect for employees (Diversity)			3.d	4.4	5.1, 5.5, 5.c		8.5		10.2							
Develop the next generation				4.1			8.5		10.2			13.3				

#### Growing with Society

Engage in dialogue with stakeholders	1.a		3.d		5.5 5.b		7.a	8.7	9.1 9.5		11.b		13.b		16.7	17.6 17.17
Strengthen our corporate governance and compliance					5.1 5.5	6.3		8.8	9.4	10.2 10.3	11.b	12.6	13.3	15.1	16.3 16.5	17.14
Promote compliance with environmental, labor and social norms with the group among business partners					5.1		7.a	8.5 8.7, 8.8	9.4	10.2	11.6		13.b	15.1	16.3 16.5, 16.b	17.16
Social contribution utilizing core business (support for local communities, clearing land mines and cultivation of safe villages)	1.a	2.3	3.9	4.1 4.3, 4.4		6.6		8.5	9.a	10.2 10.b	11.6 11.7			15.2	16.7	17.16
Disaster relief	1.5		3.9								11.5 11.b		13.1	14.5	16.7	17.14

# **Problems Caused by Landmines**

A massive amount of landmines has been left active in the ground around the world, resulting from international and civil wars.

[ World War I (1914 – 1918) and World War II (1939 – 1945)  
Indochina War (1960 – 1975), Civil war in Cambodia (1970 – 1993)  
Civil war in Angola (1975 – 2002), Afghanistan conflict (1978 – 2001) . . . . . ]





# Damages by Landmines

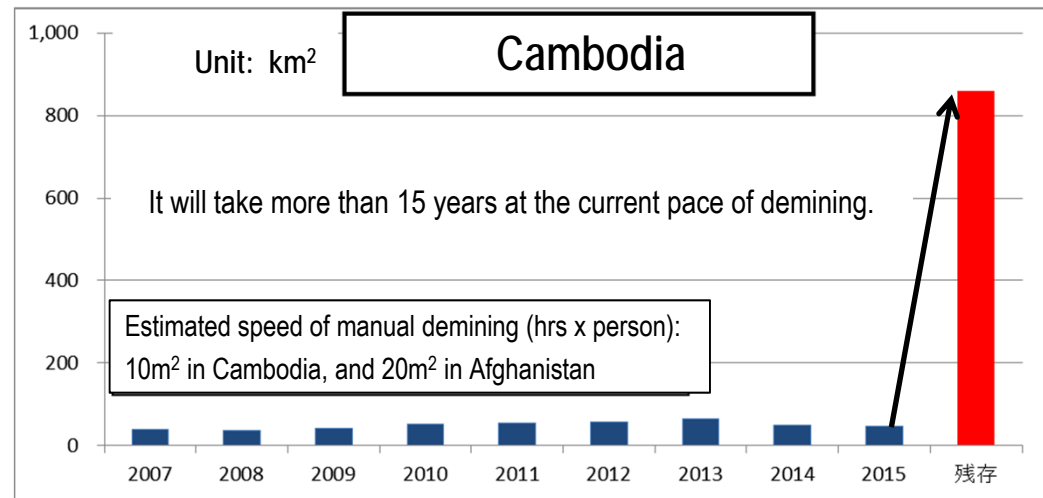
1. In some countries where wars were over even decades ago, residents have continued to suffer from anti-personnel landmines left in the ground, becoming a serious obstacle of reconstruction to date.
2. Many farmers and children are often hit by landmines. Recently, the number of cases in which operators of tractors are hit by anti-tank landmines is growing for agricultural land development. Some residents can't help but live on landmine-contaminated land, even when they know the place is contaminated.





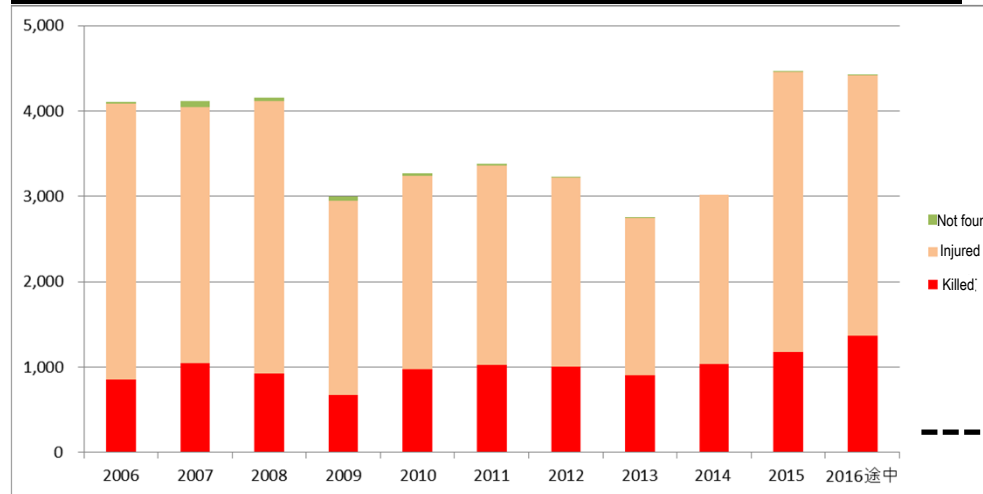
# Issues of Demining

Demining is often undertaken manually, which is dangerous and takes many hours. It's also a fact that the roads to demining areas are very bad and schools are sometimes situated next to contaminated land.



1. Many countries are affected in Asia, the Middle East, Africa and other emerging countries, where 3,000 to 4,000 citizens are injured per year.
2. To eliminate anti-personnel landmines, the U.N. supported the Convention and the Ottawa Treaty became international binding law in 1999.

		Placed in the past*	Existing Area: km <sup>2</sup>	Ottawa: Signed	Recent casualties	GDP/US\$
Asia	Cambodia	600	800+	2020	83	1,278
	Sri Lanka	150	50+	None	21	3,789
	Vietnam	350	66,000?	None	24	2,172
	Myanmar	?	3600?	None	159	1,232
Middle East	Afghanistan	1000	600+	2023	1943	582
	Iraq	1000	1,200	2018	109	4,533
	Egypt	2300	2,460	None	22	3,685
	Syria	?	?	None	435	No Data
Africa	Angola	700	100+	2018	44	3,485
	South Sudan	100	100+	2021	75	244
	Libya	?	?	None	1610	3,205
Latin America	Chile	?	100	2020	2	13,576
	Colombia	?	51?	2021	222	5,792
CIS	Tajikistan	?	13	2020	4	800
Europe	Bosnia	300	23	2019	12	4,298
	Croatia	300	294	2019	2	12,165



**Ottawa Treaty 1977**

- International agreement to ban the use, stockpiling, production and transfer of anti-personnel landmines and to dispose of them.
- It became law in 1999 and was signed by 162 countries, including Japan.

From 2015 to 2016 (ongoing), the number of anti-personnel landmines has been increasing in Afghanistan, Libya and Syria, affected by terrorism.

\*Source: All these figures above are based on ICRC and UNMAS databases and data of about 40 countries. IMF and ICBL's website (<http://www.icbl.org>).

# Development of Demining Machines and Their Use for Social Contribution

## **JMAS**

JMAS stands for Japan Mine Action Service and is a specified nonprofit corporation, mainly staffed by those who have worked for Japan's self-defense forces.

As demining is extremely dangerous, overseas demining organizations, which have engaged in successful demining, are also staffed by those with experience in military service. JMAS has also a history of successful demining, supported by the active participation of former defense force personnel with extensive know-how.

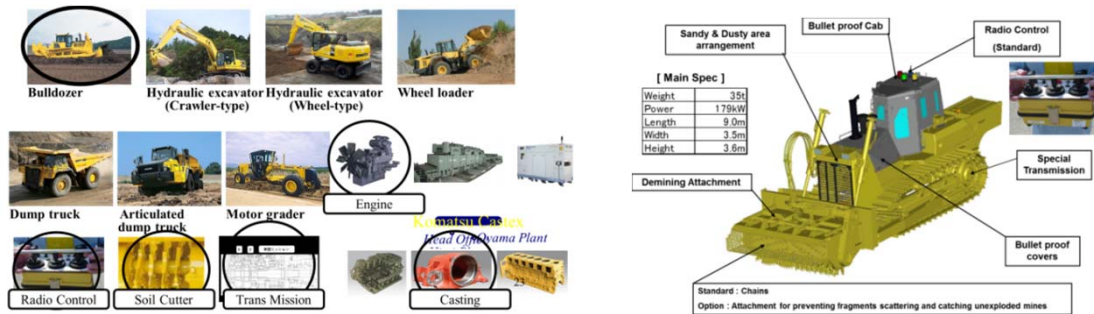
1998: Developed shrub removal machines for use in landmine-contaminated fields.

1999: Ottawa Treaty came into effect (treaty to ban anti-personnel mines)

2002: Japanese government announced that demining machines were exempted from the Three Principles of Arms Exports.

Underlined: international treaty and Japanese government's efforts.

2003: **Began the development of demining machines for anti-personnel mines under subsidies of Japan's Ministry of Economy, Trade and Industry and NEDO.**



2004: Conducted tests in Afghanistan with Japan's Ministry of Foreign Affairs' assistance.

2006: Conducted tests in Cambodia with Japan's Ministry of Foreign Affairs' assistance.

2007: Delivered the first machine to Afghanistan (Japanese government's ODA)

2008: **Began a reconstruction project in Cambodia with JMAS, a nonprofit corporation of Japan.**

2009: **Began a reconstruction project in Angola with JMAS.**

2010: Convention on Cluster Munitions came into effect.

2015: **Developed demining machines for anti-personnel mines.**

2016: **Began a reconstruction project in Laos with JMAS.**

2017: Completed a reconstruction project in Angola.

Continuing reconstruction projects in Cambodia and Laos.





We apply our efforts to social contribution, not an ODA business.

- We provide our demining machines free of charge.
- We use construction equipment to reconstruct local communities.

How our demining machines are being used.

1. A foreign government purchases needed machines and materials by using Japanese government's ODA money, and have local institutions use them.

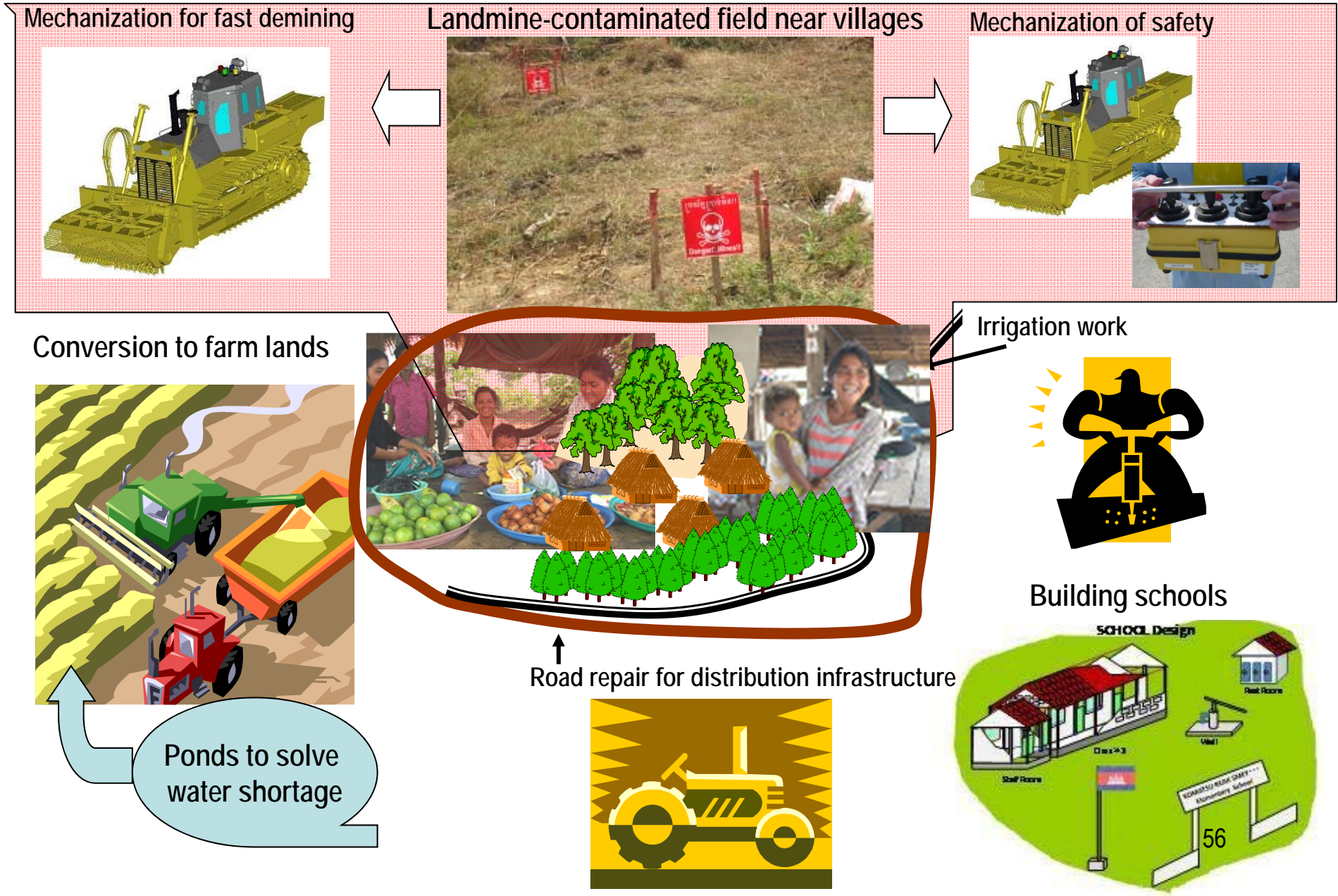
✘ Machines and materials are sold and used by them at their discretion.

2. We provide machines to landmine-affected countries free of charge.

We also develop infrastructure after demining and work to reconstruct local communities.

✘ Corporate social contribution efforts





Komatsu lends machines free of charge and offers technical and financial assistances.

1. Lends demining machines, hydraulic excavators and bulldozers free of charge.
2. Offers technical assistance.
3. Provides spare parts.
4. Offers financial assistance for demining efforts (donations).



Country	Donation	Free-of-charge machine	Model	Units
Cambodia	2008 – 2017 JPY396 million (cumulative)	Demining machine	D85MS-15	2
		Hydraulic excavator	PC200-7	1
		Bulldozer	D41P-6	1
			D65EX-15	1
		Vibratory roller	JV100-WA2	1
Angola	2008 – 2010 JPY8 million (cumulative)	Demining machine	D85MS-15	1
		Hydraulic excavator	PC200-7	1
		Bulldozer	D41P-6	1
Laos	2016 – 2017 JPY6 million (cumulative)	Demining machine	PC130-8	1
Total	JPY410 million			10



To locally anchor the efforts and make assistance efforts continuous, under the leadership of JMAS\*, we have built a joint assistance system of public and private sectors, together with the Japanese government.

\* JMAS: a nonprofit corporation, mainly staffed by self-defense retirees, specializing in disposal of landmines and unexploded bombs.



All began with a landmine-contaminated village in Cambodia





1. Demining 1) Converted mine-contaminated fields of 41ha to farm lands and school yards.

2) Removed 111 landmines.





## 2. Road construction/repair

Constructed 2km + Repaired 2km = 4km



## 3. Construction of ponds (for agriculture and living)

1) 10 locations (15x20x3m) 2) Focused efforts on areas with disabled and families without fathers



## 4. Irrigation work

Repaired and installed water ducts to prevent roads from being flooded.



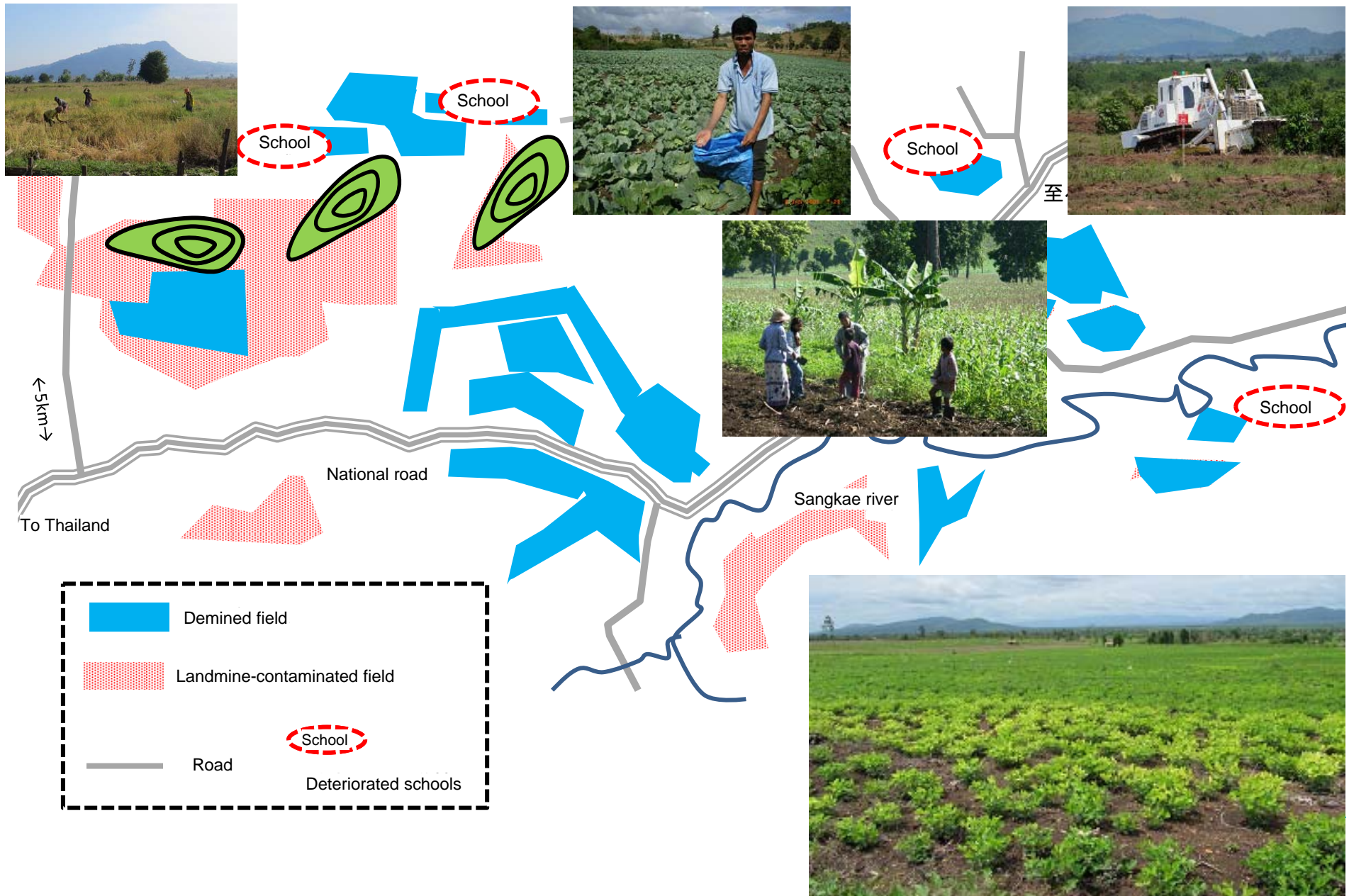
## 5. Construction of schools

1) Reconstructed iron-reinforced and brick schools. 2) Equipped with 3 classrooms, playground equipment and school yard of 2ha.

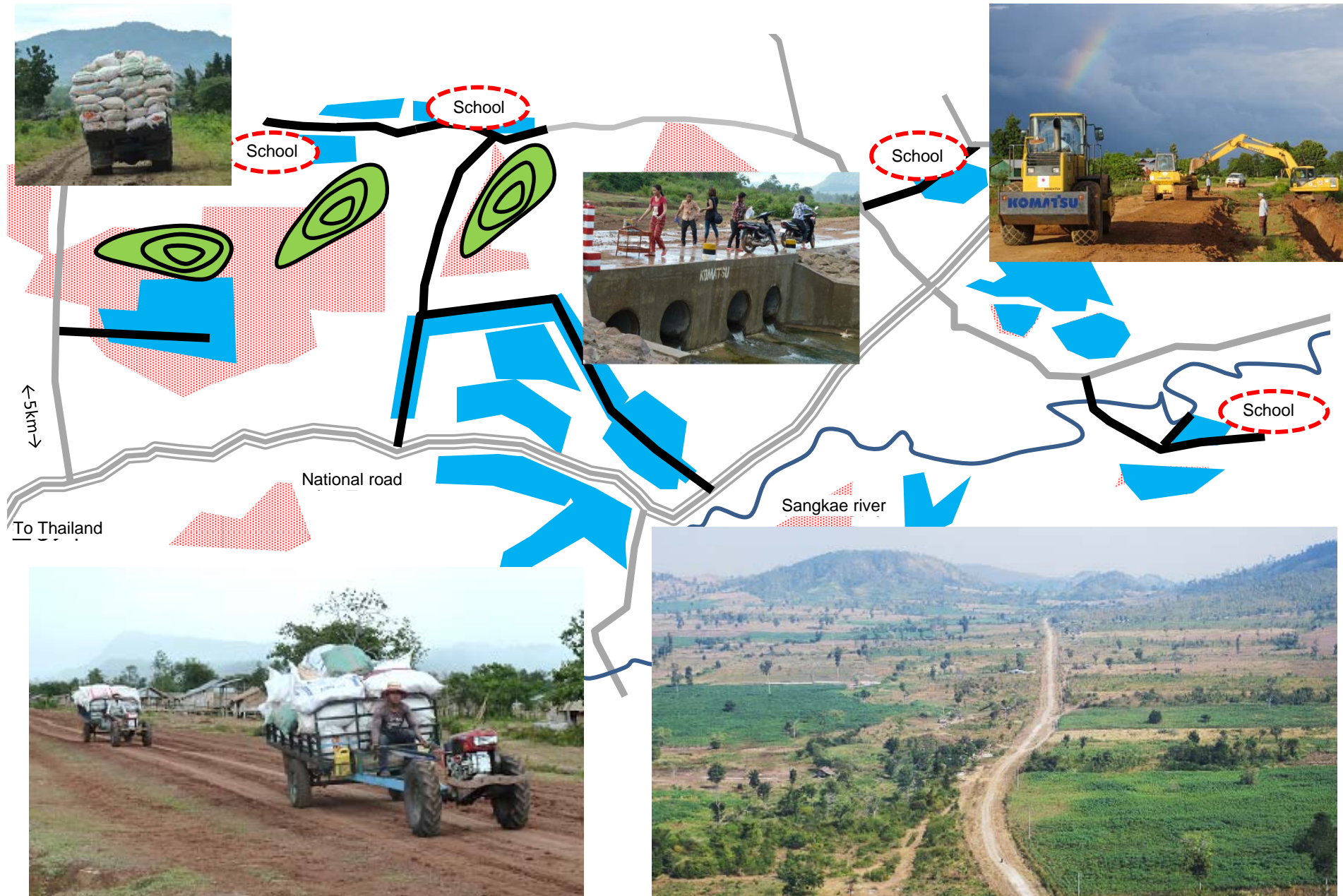










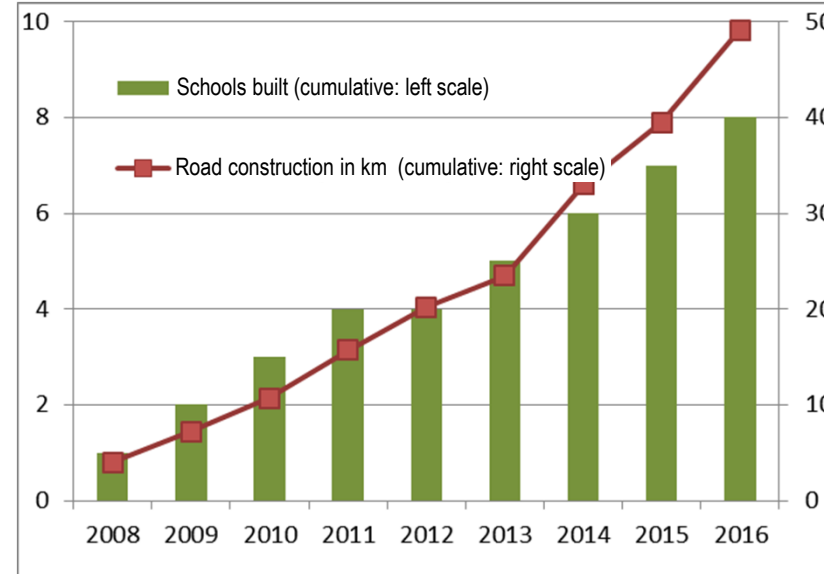
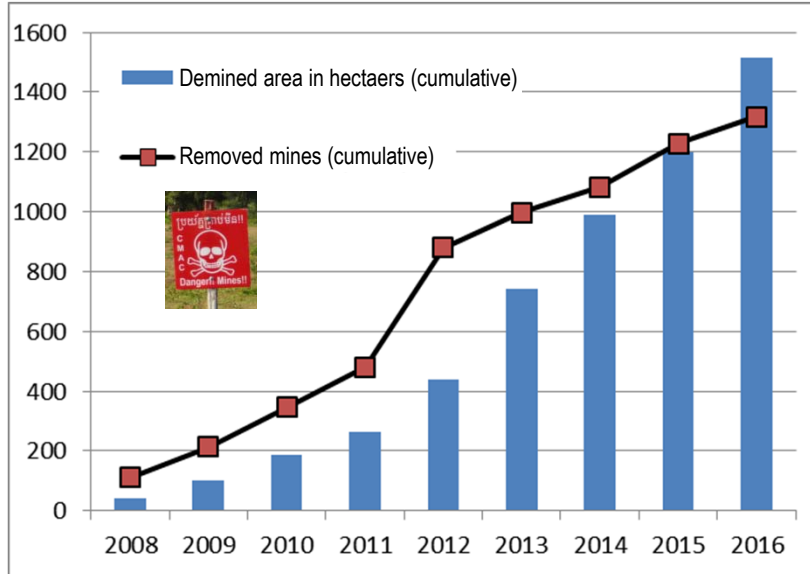






## Summary of Achievements in Cambodia from 2008 to 2016 65

For nine years from 2008, we demined an area of 1,517ha (15km<sup>2</sup>), built 8 elementary schools and constructed roads with a total distance of about 50km.





Demined area of 213ha



Neighborhood clean-up (appreciation for a clean environment)



Road construction



OJT of local staff at the base camp



OJT of local staff for machine maintenance and repairs



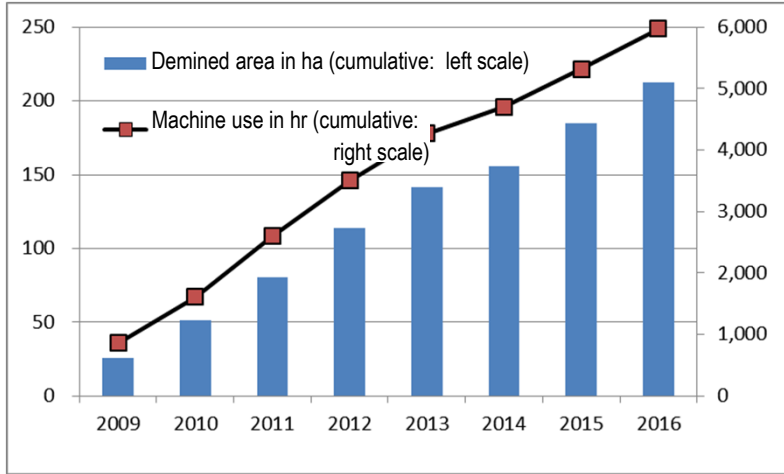
Agri/floricultural awareness and support for soccer





# Achievements in Angola from 2009 to 2016 (2/2)

The capital of Bengo Province is planned to be relocated to a demined area of 300ha. Urban development is under way.  
 Note: We completed our efforts in Angola in May 2017.



**Demined area in ha**

**Legenda**

- Área de Resíduos Perigosos
- ESTRUTURA RESIDENCIAL EXISTENTE
- ESTRUTURA RESIDENCIAL PROPOSTA
- Área a Reabilitar
- Área de Bacia
- Instalação de Bacia (2 Phases)
- Instalação de Bacia (1 Phase)
- Instalação de Bacia (2 Phases)
- Instalação de Bacia (1 Phase)

**Quarteirão Tipo B - Vista 2 e 3**



Housing for 6,000 residents to escape from flooding.



Water filtration plant

Elementary school



Residences	56	Government. bldgs	1	Schools	12
Roads	25	Medical facilities	1	Others	104
Greening	77	Police & fire station	2	Total	278



# New Attempt: Disposal of Cluster Munitions in Laos

1. During the Indochina Wars, a massive amount of bombs were dropped, including 270 million submunitions of cluster munitions. It is estimated that about 80 million or 30% of them remain unexploded in the ground, resulting in a serious obstacle to national land development of affected countries.
2. International momentum gained for disposal of cluster munitions, and the Convention on Cluster Munitions came into effect in 2010. Both Laos and Japan signed the Convention.
3. Manual disposal is very slow, and the cleared area accounts for under 1% today. The government of the Lao PDR has set a target of 200km<sup>2</sup> per year, but the actual progress is about 60 to 70km<sup>2</sup> per year.

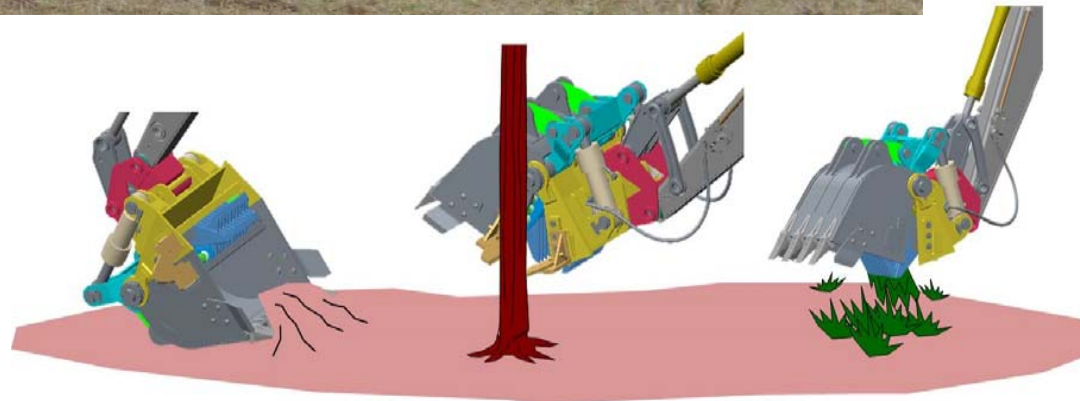
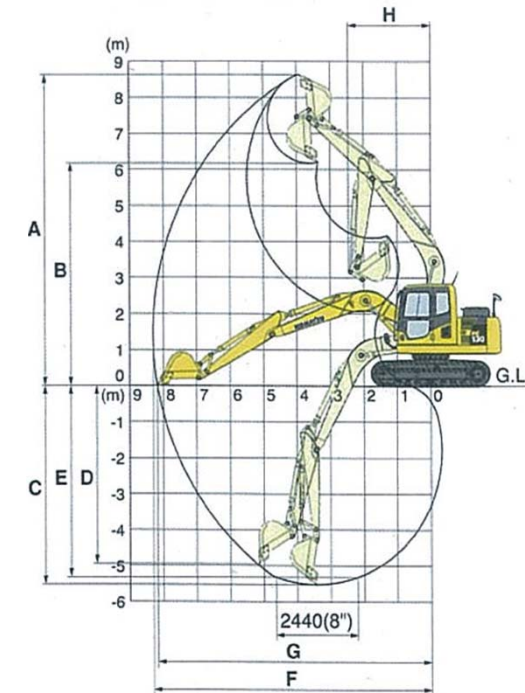




1. We have developed a new demining machine for unexploded munitions, based on a hydraulic excavator.
2. As it is highly versatile, it can remove shrubs and excavate earth.



1. Shrub removal bucket
2. Protective plate
3. Safety glass



### [Specs]

Base machine: PC130-8  
Weight: 14.4 tons  
Engine output: 68.4kW(92HP)  
Transport dimensions Length: 7.6m  
Height: 2.9m  
Width: 2.5m

# **Reconstruction and Roles of Construction Equipment**

**Our Core Business**

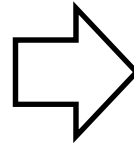








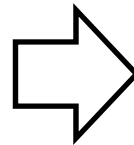
Road destroyed by floods



Restoration work completed



Discharged Hume pipe



Box culvert (small)







**Before**

1. Completed the construction of a new settlement for 500 households on the demined land.
2. Two "KOMATSU" elementary schools opened.

**After**





**JMAS says, "Change people's living conditions. Change people's awareness. That's our work."**



# **Ripple Effects of Our Efforts**

## 1. Teaching at schools

We visit mainly elementary schools in Ishikawa Prefecture to introduce our demining efforts to next generation (pupils). (About 40 lectures for about 4,000 pupils (cumulative) since 2009)



## 2. Exhibition at annual shareholders' meetings

Since 2008 annually, we have explained to shareholders our efforts with panel and video presentations at our annual shareholders' meetings. (Exhibited a real machine in 2010 and 2013.)



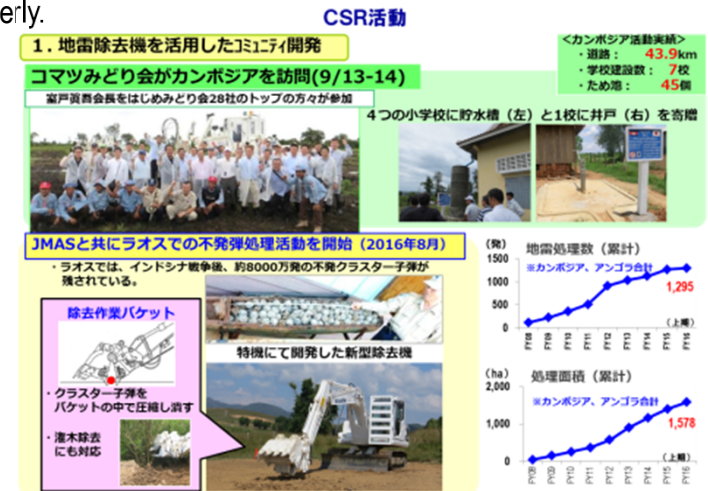
## 3. Collaboration with Komatsu Children's Museum (science class)

Museum staff members have visited Komatsu elementary schools in Cambodia and offered science classes (Senior executive also participated in the program.) Also make cultural exchange efforts by bringing art works by pupils of elementary schools in Komatsu.



## 4. Demining efforts reported by the President as part of CSR in internal meetings.

President reports the progress of demining efforts as part of CSR in internal meetings quarterly.





5. Interviewed by mass media

Japanese and foreign mass media interview and introduce our demining efforts.



6. Tours of JMAS jobsites

Japanese college students have visited jobsites in Cambodia. In Angola, many people from the local embassy of Japan and Japanese companies have visited jobsites.



7. TOMICA miniature model of demining machine

Takaratomy sells miniature models of our demining machine as part of its TOMICA series. We donate sales amounts to purchase school supplies. (Regrettably, their production ended in 2014. Sold a total of 530,000 units and donated JPY2,2 million.)



8. Reporting to employees (Weekly Demining)

We disclose demining jobsite reports to employees. By sharing stories about Komatsu construction equipment and other interesting local topics, we motivate

**週刊 地雷除去**

カンボジア SVC.PJ &  
ラオス クラスタ子弾処理機械化事業  
ショートレポート編 8. 2号



困ったときに知恵が出る、協力者もできる

助っ人の仕事



**We will continue our social contribution efforts by disposing of anti-personnel landmines into the future.**

**KOMATSU**