

Komatsu IR-DAY in 2019

The 4th ESG Meeting

December 11, 2019

10:00-11:30

<Komatsu Participants>

Kuniko Urano	Director and Senior Executive Officer
Takuya Imayoshi	Executive Officer and General Manager of Business Coordination Dept.
Kako Kurasawa	General Manager of CSR Dept.
Yoshie Ideura	General Manager of Environmental Affairs Dept.

I . Solving ESG issues in the New Mid-Term Management Plan<PP3-21>

Takuya Imayoshi, Executive Officer and General Manager of Business Coordination Dept.

II. “Komatsu Report 2019”/Corporate governance<PP22-31>

Takuya Imayoshi, Executive Officer and General Manager of Business Coordination Dept.

III. Komatsu's social contribution activities<PP32-44>

Kako Kurasawa, General Manager, CSR Dept.

I. Solving ESG issues in the New Mid-Term Management Plan

Issued 「Komatsu Report 2019」 (Integrated Report) in Sep.



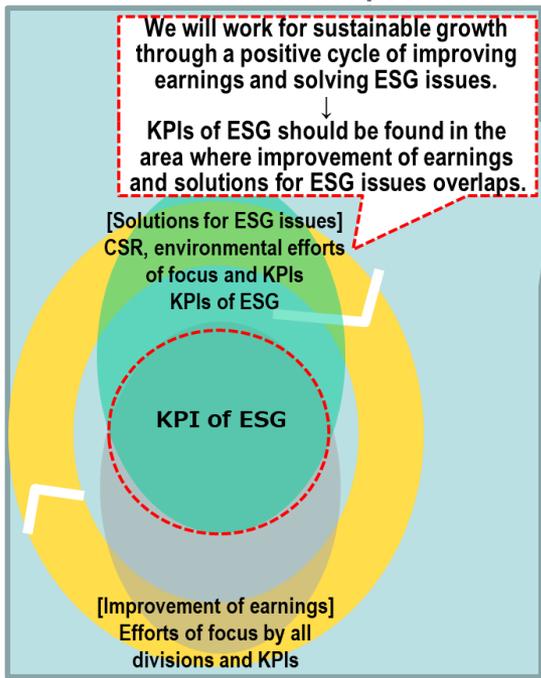
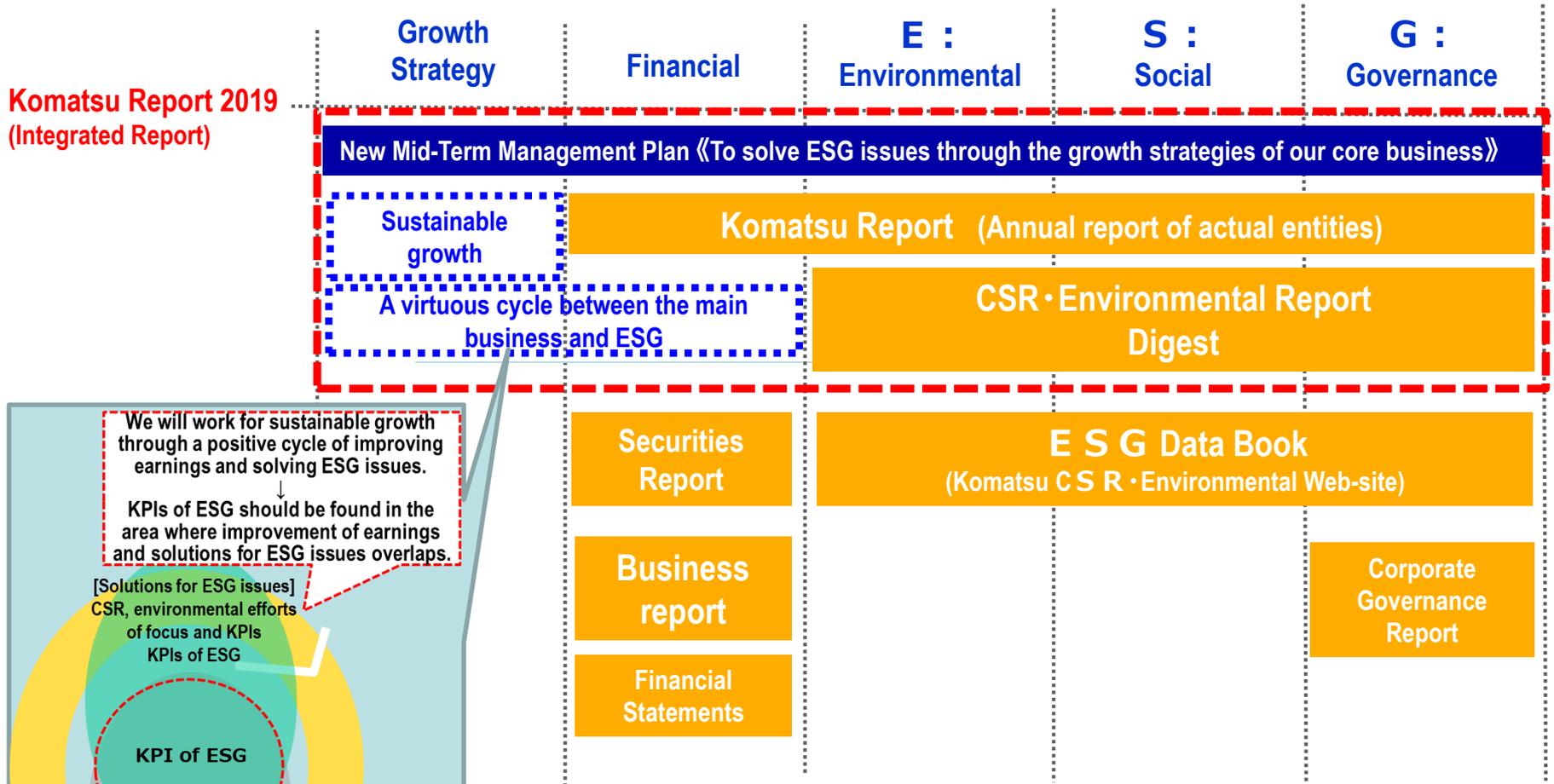
This Integrated Report mainly focuses on the value creation business model of working for **sustainable growth by turning a positive cycle of improving earnings (financial indexes) and solving ESG issues (non-financial indexes)** as it implements growth strategies in the mid-term management plan. It also includes the following,

- the President's message (the mid-term management plan)
- the CFO's message (financial strategy)
- The KPIs designed to track Komatsu's contribution to solving ESG issues
- the human rights policy

The KPIs designed to track Komatsu's contribution to solving ESG issues ⇒ Komatsu will disclose the progress in the next report and onward.

Based on the growth strategy and KPIs of the Mid-Term Management Plan, we have included the conventional Komatsu report, CSR and Environmental Report.

Komatsu Report 2019 (Integrated Report) compiled and issued in Sep. 2019.



(1) Komatsu's Value Creation Model

Mid-Term Management Plan (FY2019 – FY2021)

DANTOTSU Value *FORWARD* Together for Sustainable Growth

Linking every workplace through excellence

Our world is changing.

So are the challenges of our customers and society.

What can we do to help overcome these challenges while remaining sustainable?

Together, we can reach new, unrivaled heights of excellence in our products, services, and solutions to enable a better world. We can link every workplace and generate value with our global teams, customers, distributors, partners and communities.

We can make a difference.

We can do it by delivering DANTOTSU Value.

■ External Environment and Our Tasks

The external environment is changing, as represented by multi-polarization of the world and growing concerns about climate change. To achieve sustainable growth, we need growth strategies that are not affected by changes of market demand.

Changes in the External Environment and of ESG Issues

[Politics & economy]

- Multipolarization of the world
- Emergence of protectionism
- Growth of emerging economies

[Technologies]

- Further spread of IoT, AI, and big data
- The progress of electric and autonomous vehicles

[Environment & energy]

- Climate change
- Growing demand for energy, foods and water
- Decarbonization & renewable energy

[Society & values]

- Acceleration of diversity in advanced countries
- A decline of working-age population
- Achievement of a recycling-oriented society by accelerating the pace of sharing
- Growing pursuit and needs for safety and comfort

Expectations of achieving a sustainable society

Our Tasks in the Growth Strategies

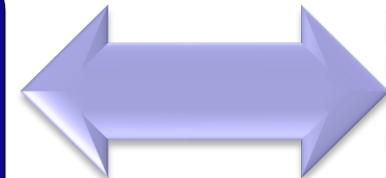
1. To solve ESG issues through the growth strategies of our core business.
2. To promote sustainable growth based on our profit structure which is free of changes in the external environment and market demand.

Mid-term Management Plan: Concepts and Stance

We will strive to maximize our corporate value and achieve sustainable growth through a positive cycle of improving earnings and solving ESG issues. We will achieve this by working on our three strategic pillars: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth.

<< Expectations of society and stakeholders >>

<< Growth Strategy Aligned with Management Principles >>



Solutions for ESG issues
Sustainable growth



Shared growth
based on growth
strategies



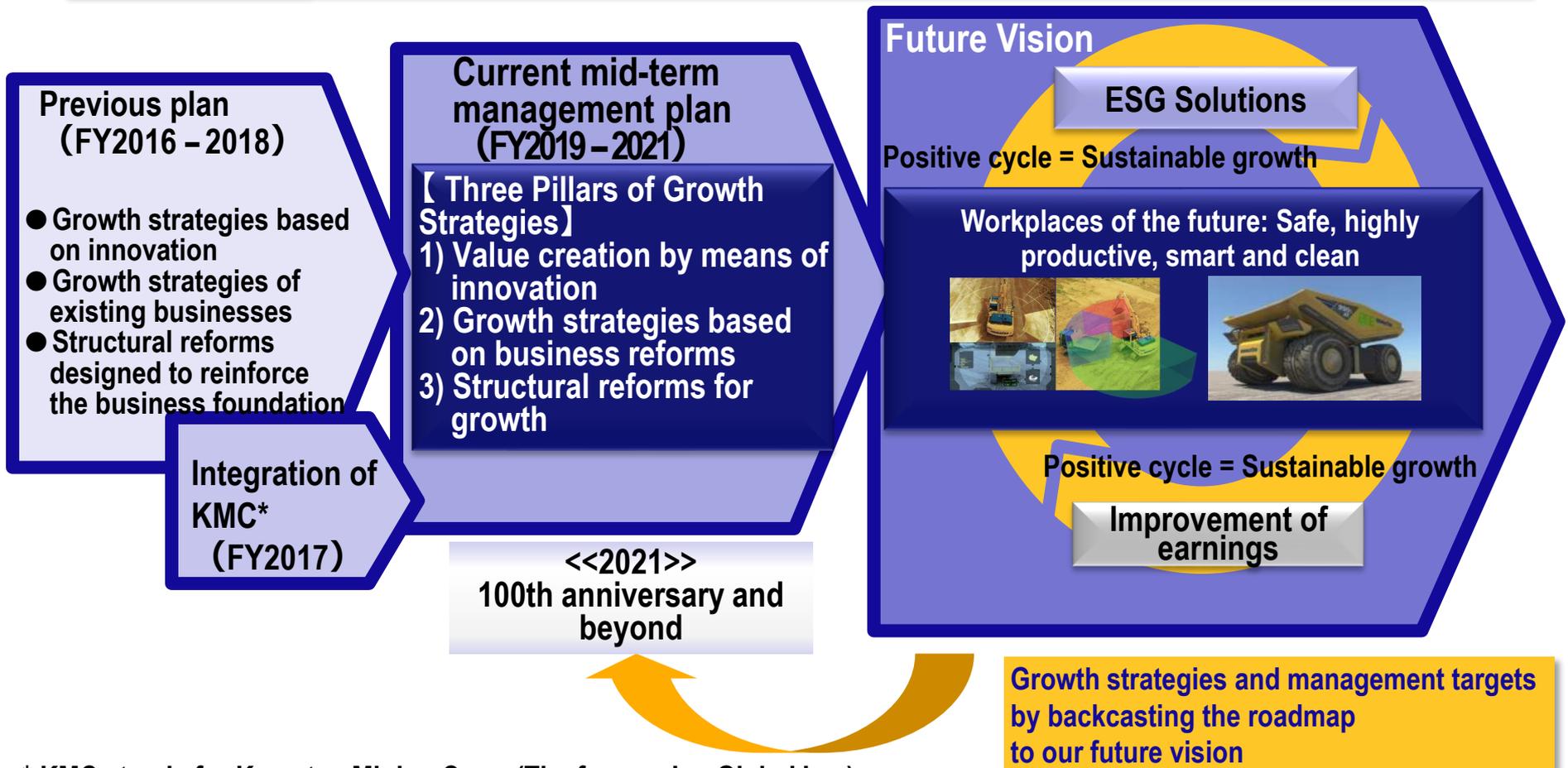
Sustainable increase
of earnings



■ Outline and Status of Mid-term Management Plan

To maximize corporate value (the total sum of trust) , we will work for sustainable growth. In developing this mid-term management plan, we have defined growth strategies and management targets by backcasting the roadmap to our future vision.

Management principle Make commitment to Quality and Reliability and maximize corporate value (the total sum of trust from society and all stakeholders)



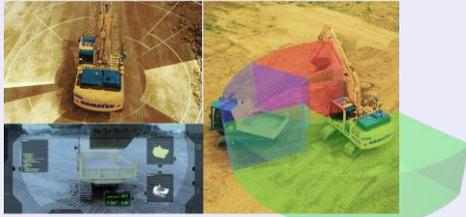
* KMC stands for Komatsu Mining Corp. (The former Joy Global Inc.)

(2) Solving ESG issues with three strategic pillars

■ Three Pillars of Growth Strategies to Achieve Sustainable Growth

We will achieve sustainable growth in the face of changing external environment and challenges by focusing efforts on the following three pillars of growth strategies.

Value creation by means of innovation



- ◆ Optimization platform and solutions business strategies
 - * SMARTCONSTRUCTION, Autonomous Haulage System (AHS), and platforms (LANDLOG and IntelliMine)
- ◆ Automation, autonomous operation, electrification and remote controlling of construction, mining and utility equipment
- ◆ Smart forestry and agriculture

Growth strategies based on business reforms



- ◆ KMC integration synergies and business reinforcement
- ◆ Value chain reforms and redefinition of the aftermarket business
 - * Preventive maintenance by applying IoT and AI, and Lifecycle support under serial number-based management
 - * Logistics reforms * Next-generation key components
- ◆ Next-generation KOMTRAX
- ◆ Stronger focus on aggregate & cement, forestry, agriculture and other segments
- ◆ Efforts for “DANTOTSU NO. 1 in Asia” and in the growing markets of India and Africa
- ◆ Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)

Structural reforms for growth

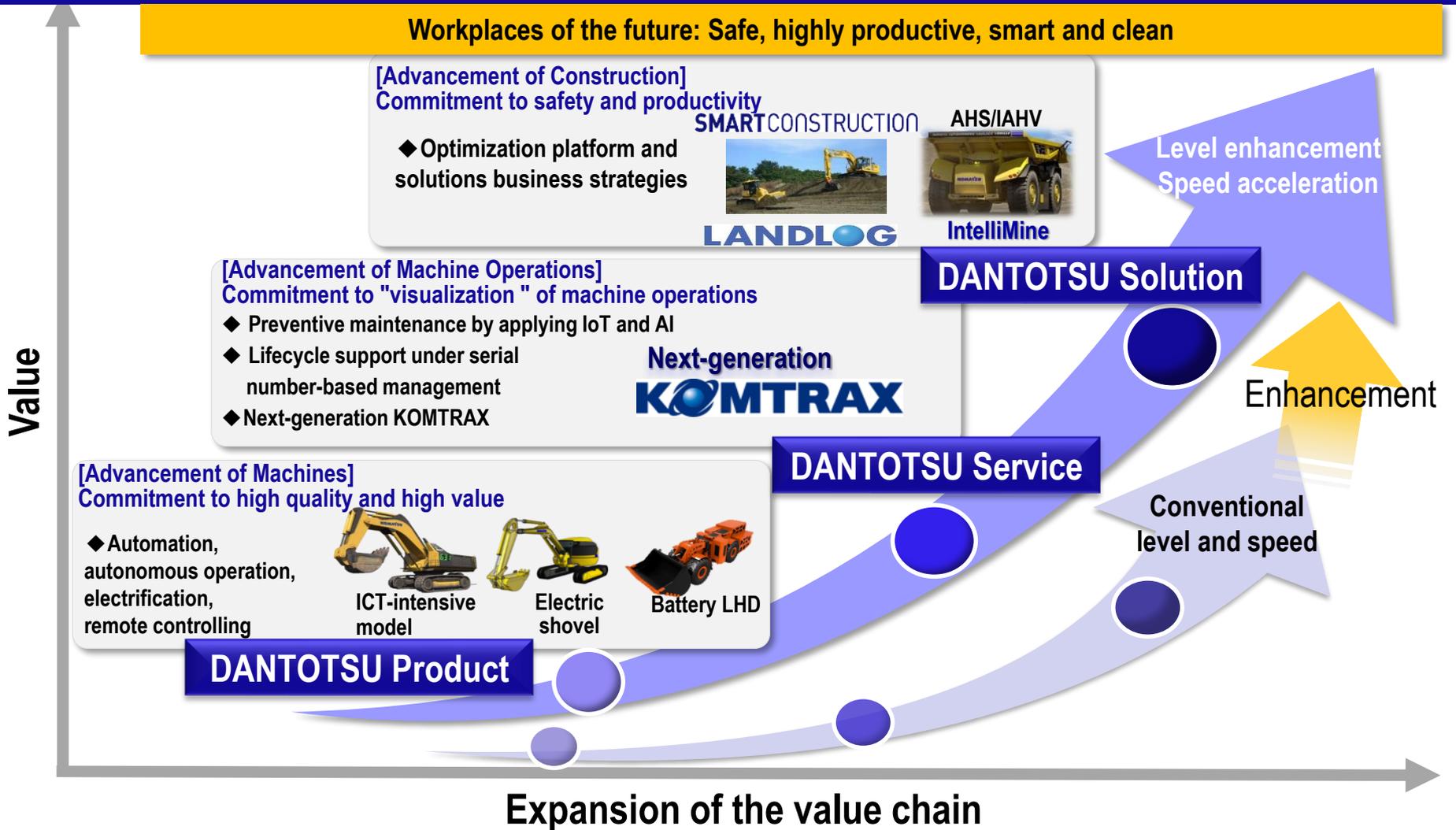


- ◆ Business reforms by means of ICT and IoT
- ◆ Structural reforms of development operation
 - * Model base development
 - * Open innovation
- ◆ Connected plants with Zero impact on environment and workers
- ◆ Global human resource development

DANTOTSU Value

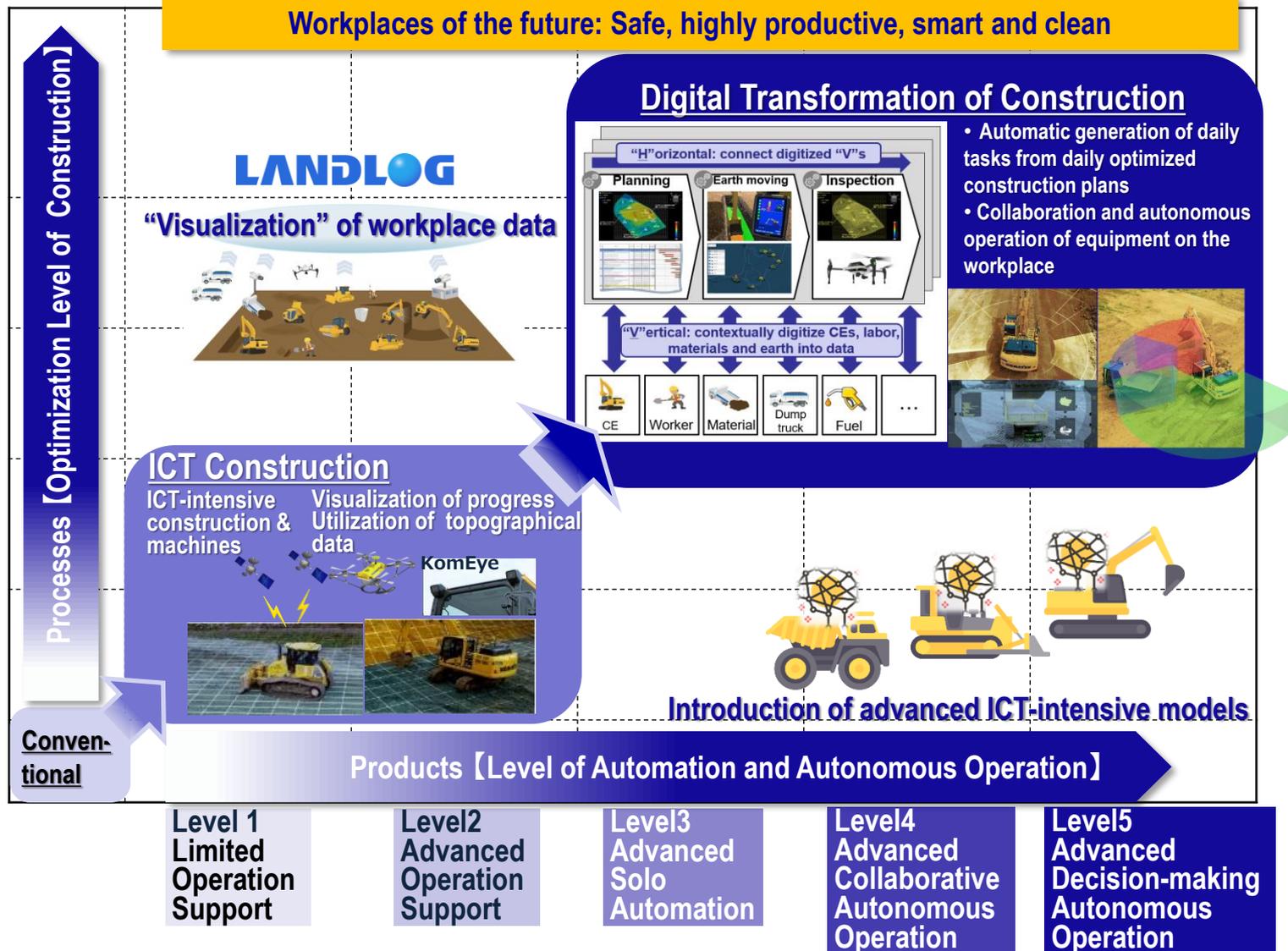
We will accelerate the speed of advancing the level of DANTOTSU products, DANTOTSU services and DANTOTSU solutions, and create DANTOTSU Value (ESG solutions through the creation of customer value and improvement of earnings).

DANTOTSU Value (ESG solutions through the creation of customer value and improvement of earnings)



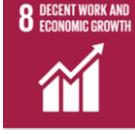
Roadmap to Construction Workplaces of the Future

We will achieve digital transformation of construction by advancing products (automation and autonomous operation) and processes (optimization) to help create safe, highly productive, smart and clean workplaces of the future.



■ ESG Solutions through Core Business

We will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

CSR Themes	ESG Solutions through Core Business	Relationship with SDGs
<p>Enhancing Quality of Life</p> <p>-Providing products required by society-</p>	<ul style="list-style-type: none"> ➤ Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). ➤ Improve productivity, efficiency, safety and environmental impact (lower CO2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. ➤ Make commitment to DANTOTSU value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value). 	<p>Innovation and Infrastructure Sustainable Cities and Communities</p>   <p>Climate action Partnerships for the goals</p>  
<p>Developing People</p>	<ul style="list-style-type: none"> ➤ Develop a diverse workforce with a high level of productivity and technical skills. ➤ Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces. ➤ Develop talent with cross-value chain capabilities. 	<p>Decent work and economic growth</p> 
<p>Growing with Society</p>	<ul style="list-style-type: none"> ➤ Offer solutions for social issues through collaboration with stakeholders. ➤ Act as a responsible corporate citizen ensuring corporate governance, compliance and human rights. 	<p>Sustainable Cities and Communities Partnerships for the goals</p>  

Further Disclosure of Information

Express Support for TCFD*
(April 2019)

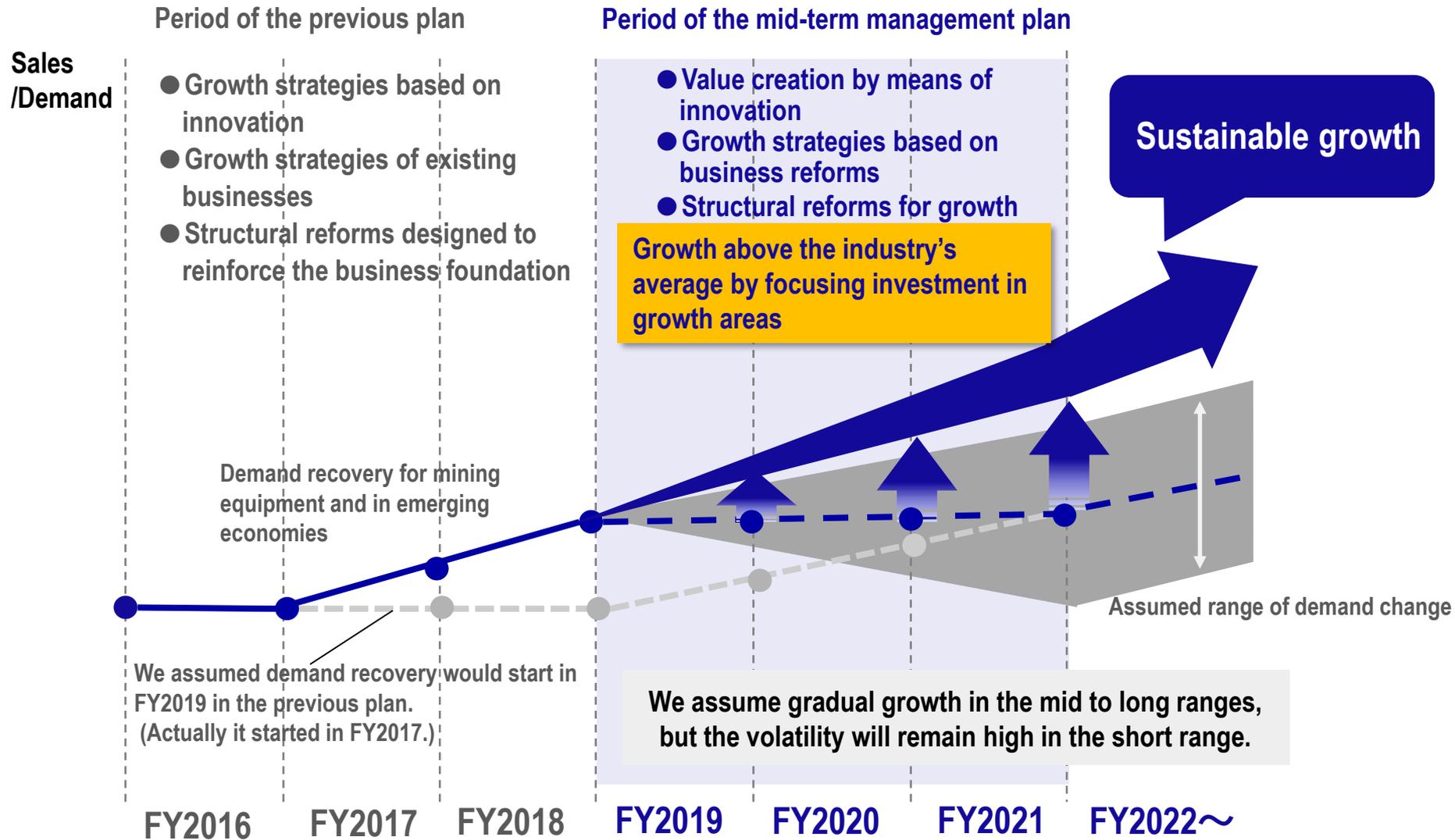
Komatsu Report 2019 (Integrated Report)
(September 2019)

*Task Force on Climate-related Financial Disclosures

(3) Management Targets

Sustainable Growth by Focusing Investment in Three Pillars

We will strive for growth above the industry's average by making priority investment in growth areas, as we assess cost effectiveness and strategic value under the three pillars of growth strategies.



■ Management Targets and Profit Distribution

In addition to striving for the industry's top-level growth, profitability, efficiency, and soundness, we have newly set up ESG indexes. Placing priority on investment for growth strategies, we will work to maintain stable dividends and keep 40% or higher for consolidated payout ratio.

	Index	Targets
Growth	<ul style="list-style-type: none"> Sales growth rate 	<ul style="list-style-type: none"> Growth rate above the industry's average
Profitability	<ul style="list-style-type: none"> Operating profit ratio 	<ul style="list-style-type: none"> An Industry's top-level operating income ratio
Efficiency	<ul style="list-style-type: none"> ROE 	<ul style="list-style-type: none"> ROE of 10% or higher
Financial position	<ul style="list-style-type: none"> Net D/E ratio 	<ul style="list-style-type: none"> Industry's top-level financial position
Retail finance business	<ul style="list-style-type: none"> ROA Net D/E ratio 	<ul style="list-style-type: none"> ROA: 1.5-2.0% 5.0 or under for net debt-to-equity ratio

[New] ESG	<ul style="list-style-type: none"> Reduction of environmental impact Evaluation by external organizations 	<ul style="list-style-type: none"> Reduction of environmental impact <ul style="list-style-type: none"> CO₂ emissions: Decrease by 50% in 2030 from 2010. Renewal energy use : Increase to 50% of total energy use in 2030. Evaluation by external organizations: Selected for DJSI ^{*1} (World & Asia Pacific) and CDP^{*2} A-list (Climate Changes and Water Risk)
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Shareholder return	<ul style="list-style-type: none"> Dividend payout ratio 	<ul style="list-style-type: none"> Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment. Set the goal of a consolidated payout ratio of 40% or higher.
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Notes: 1) Dow Jones Sustainability Indices: SRI indices operated by S&P Dow Jones Indices of U.S.A. and RobecoSAM of Switzerland

2) International non-profit organization, protecting water resources and forests by advocating the reduction of greenhouse gas emissions by companies and governments

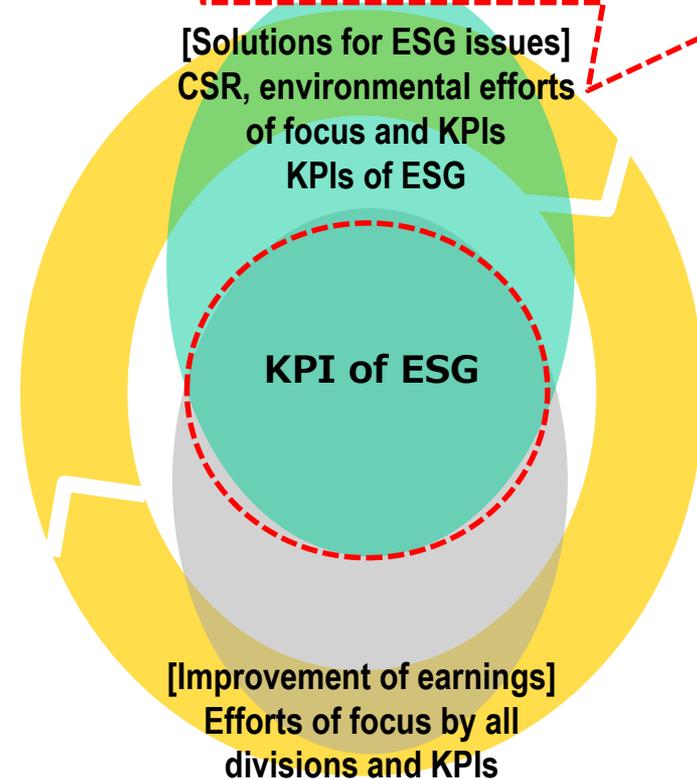
Relationship between Growth Strategies and ESG Issues

• In our next mid-range management plan, we uphold the approach of promoting sustainable growth through a positive cycle of improving earnings and solving ESG issues. Accordingly, we will find and define KPIs of ESG in the area where the two major efforts of improving earnings and solving ESG issues overlap.



We will work for sustainable growth through a positive cycle of improving earnings and solving ESG issues.

↓
KPIs of ESG should be found in the area where improvement of earnings and solutions for ESG issues overlaps.



■ Resolving ESG issues with the three pillars of growth strategy-priority activities and KPIs (1)

- Follow KPIs that integrate financial and non-financial measures in order to measure the effects of solving ESG issues through the three pillars of the growth strategy.
- KPI was published in the integrated report issued in September. Each year, the degree of achievement is reported in an integrated report.

CSR Themes	Key Initiatives under New Mid-Term Management Plan(FY2021 KPIs)	
Enhancing Quality of Life –Providing products required by society–	Reduction of CO ₂ emissions (in comparison to FY2010)	
	<ul style="list-style-type: none"> • Reduction of CO₂ emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of SMARTCONSTRUCTION use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment) 	16% reduction (in comparison to FY2010)
	<ul style="list-style-type: none"> • Reduction of CO₂ emissions from production (plants with zero impact on environment and workers) 	40% reduction (in comparison to FY2010)
	Plants with zero impact on environment and workers	
	<ul style="list-style-type: none"> • Rate of renewable energy use (including purchase of renewable energy) 	15%
	<ul style="list-style-type: none"> • Work environment burden coefficient (particle matter density) 	30% reduction (in comparison to FY2018)
	<ul style="list-style-type: none"> • Water consumption 	40% reduction (in comparison to FY2010)
	Value chain reforms and redefinition of the aftermarket business	
	<ul style="list-style-type: none"> • Spare parts sales 	11% increase
	<ul style="list-style-type: none"> • Reman component lifespan (compared to new components) 	16,000 workhours (80% of new components)
	Assurance of mine operation safety and productivity	
	<ul style="list-style-type: none"> • AHS units' population (promotion of mining platform business) 	380 (aggregate)
	DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution	
	<ul style="list-style-type: none"> • ICT-intensive equipment introduced 	1,590 units (per year)
	<ul style="list-style-type: none"> • Sites adopting SMARTCONSTRUCTION 	4,850 (per year)
	<ul style="list-style-type: none"> • Automation, autonomous operation, electrification, and remote-controlling of equipment 	
	1. Automation of construction equipment	Test introduction of hydraulic excavators for automated loading
	2. Automation, autonomous operation, and remote operation of mining equipment	Entry into mining bulldozer market
	3. Automation of utility equipment	Development of technology for automated forklifts
	4. Enhancement of mining equipment and hard rock mining businesses	Expansion of product series
Agricultural solutions and smart forestry		
<ul style="list-style-type: none"> • Creation of construction equipment demand in agricultural field 	Japan: Expand lineup of agricultural loaders Indonesia: Increase number of users of agricultural techniques employing agricultural bulldozers	
<ul style="list-style-type: none"> • Smart forestry projects 	50	
IoT and ICT work reforms		
<ul style="list-style-type: none"> • Sales in KOM-MICS platform business (visualization of production equipment operation) 	1,900 units (including for internal use)	

■ Resolving ESG issues with the three pillars of growth strategy-priority activities and KPIs (2)

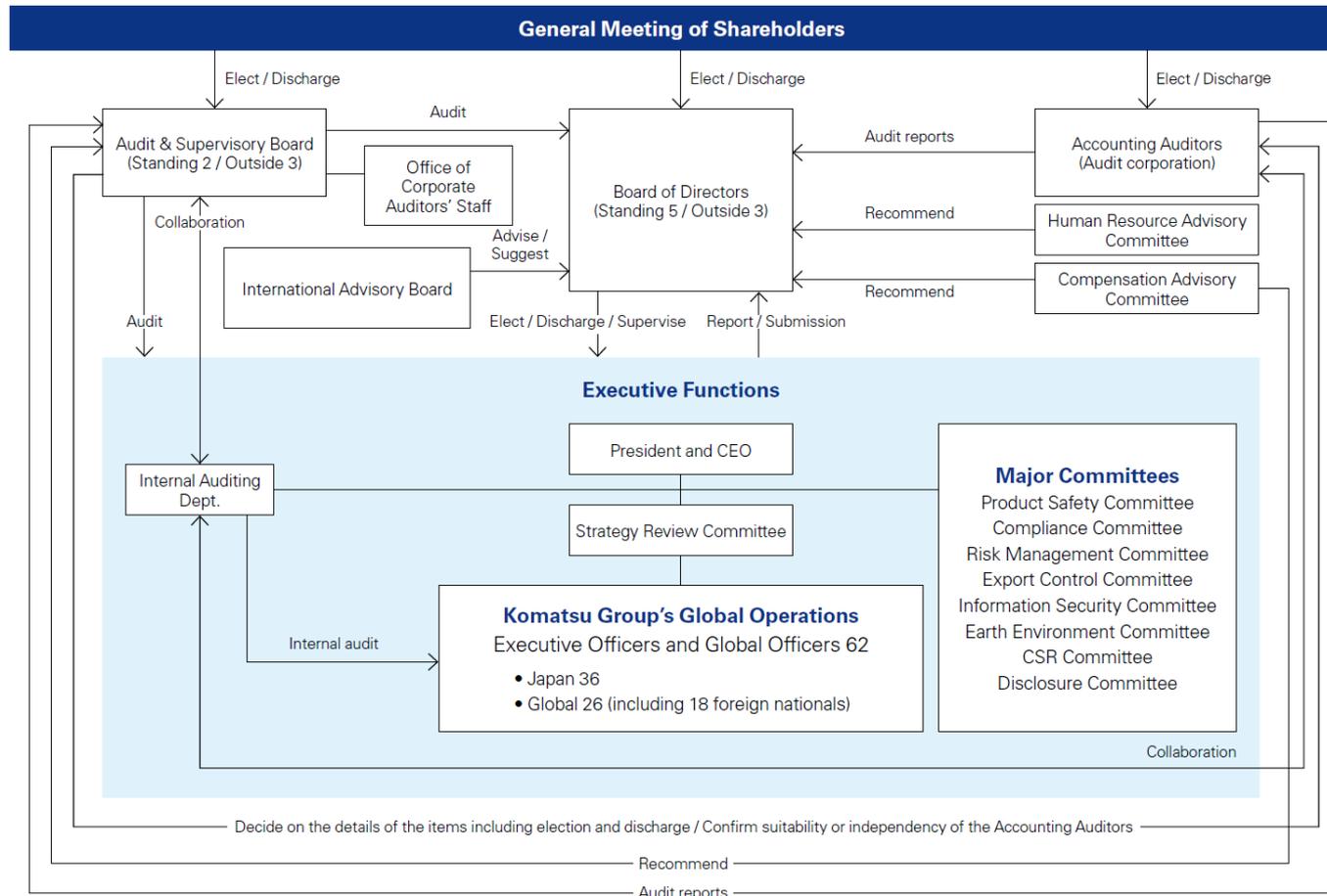
CSR Themes	Key Initiatives under New Mid-Term Management Plan(FY2021 KPIs)	
Developing People	Development of a diverse workforce with a high level of productivity and technical skills	
	• Enhancing employee engagement	Improvement of global surveys and indexes
	• Work process reforms through expansion of diverse and flexible workstyles	Total workhours of less than 2,100; introduction of telework system (Japan)
	• Promotion of KOMATSU Way (global dissemination of KOMATSU Way)	Training hours and number of participants
	Strengthening and development of diverse and global-scope talent to help achieve sustainable workplaces	
	• Revision of role of Japan in global management	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis
	• Foundations for global measures (systems, frameworks)	Introduction
	• Empowerment of female employees ((1) non-consolidated ratio of female employees, (2) non-consolidated ratio of female managers, (3) consolidated ratio of female managers (Japan))	(1) 12.5%, (2) 10.0%, and (3) 5.0%
	• Rate of employment of people with disabilities (comply with requirements in Japan)	Above 2.3% (legally mandated rate)
	• Support for regional human resource development for job creation (regional human resource development with Cummins Inc.)	Chile, Australia, South Africa, others
Development of talent with cross-value chain capabilities		
• Cultivation of SMARTCONSTRUCTION consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)	430 (aggregate)	
Growing with Society	Resolutions to social issues through collaboration with stakeholders	
	• Promotion of industry-government-academia collaboration as well as of collaboration with customers	Promotion of Brand Management and activities creating value for customers
	• Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings)	Number of meetings held
	• Institutional investors (ESG meetings)	Number of meetings held
	• Communities (business site fairs)	Number of fairs held
	• Employees (meetings)	Number of meetings held
	Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights	
	• Occupational health and safety, support for establishing environmental and safety systems at suppliers, response to Japan's Corporate Governance Code (corporate governance reports), evaluations of effectiveness of Board of Directors, internal control, and internal audits	Ongoing improvements made in reflection of relevant laws and regulations and social expectations

II. “Komatsu Report 2019” / Corporate governance

Corporate Governance Framework

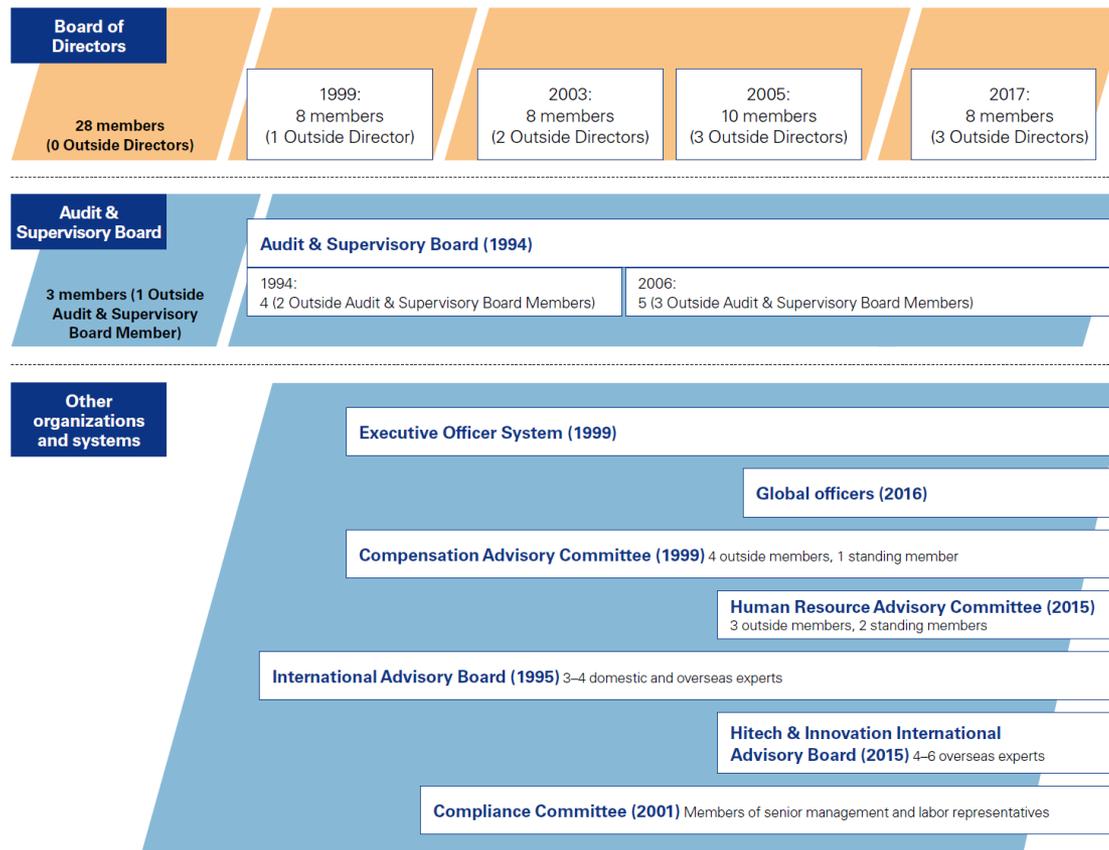
At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision making, and reform their operational aspect. Having introduced the Executive Officer (Shikko Yakuin) System in 1999, the Company has separated management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations, and while appointing both Outside Directors and Outside Audit & Supervisory Board Members, limits the Board of Directors to a small number of members.

Corporate Governance of the Company (As of June 30, 2019)



Corporate Governance Reforms

The Company has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to decision making, management and supervision, such as separation of corporate management from business execution, enhancement of corporate management decision making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit & Supervisory Board to appropriately audit Directors’ execution of duties. As a means to supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions. Going forward, the Company will pursue increases to the effectiveness of the Board of Directors while appointing Outside Directors to ensure transparency and soundness and promoting openness and accountability in management.



Efforts should be made to ensure that the composition and operation of the board of directors' function substantially

<Directors' Execution of Duties>

In FY2018, the Board of Directors met 15 times. The Board made decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors, and reported on business execution.

Business execution reports cover virtually 100% of businesses on a consolidated net sales basis. Even extremely small-scale businesses are reported at a meeting of the Board of Directors, mainly with respect to safety, compliance, and risk.

Sufficient time is secured to ensure full discussions at a meeting of the Board of Directors and the Company has adopted a process of raising important matters for discussion and decision-making on predetermined days over two meetings of the Board of Directors.

The Board of Directors also receives a monthly report from the President regarding recent important matters and topics, such as safety, compliance, and risk. The CFO also reports each month on the status of sales, profits and losses, orders received, and borrowings.

Human Resource Advisory Committee :

The Human Resource Advisory Committee, consisting of three (3) Outside Directors (one of them as Committee Chairperson), Chairperson of the Board and President, discusses appointment and discharge of senior management officers including President (CEO), and reports the results to the Board of Directors. Based on the report, the Board of Directors discusses and decides appointments of the candidates for directors and Audit & Supervisory Board Members as well as appointments and discharges of executive and other officers.

Members of the Human Resource Advisory Committee**Chairperson: Masayuki Oku****Members: Mitoji Yabunaka, Makoto Kigawa, Tetsuji Ohashi, Hiroyuki Ogawa****Compensation Advisory Committee :**

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee, which consists of four (4) external members (one (1) outside expert, two (2) Outside Audit & Supervisory Board Members and one (1) Outside Director) and one (1) internal member. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders.

Members of the Compensation Advisory Committee**Chairperson: Tsuguoki Fujinuma****Members: Hirohide Yamaguchi, Eiko Shinotsuka, Masayuki Oku, Tetsuji Ohashi**

Komatsu’s Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company emphasizes independence when selecting Outside Directors and Outside Audit & Supervisory Board Members, and has therefore established its own “Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members.” In addition, through its departments engaged in business transactions with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), the Company reviews the business relationship of these companies by making direct inquiries to the concerned companies and implementing other means, thereby evaluating their independence from the Company.

Basic Stance

Independent Outside Board Members are defined as Outside Board Members who have no potential conflict of interest with ordinary shareholders of the Company. In the event that they are critically controlled by the top management of the Company or they can critically control the top management of the Company, they are deemed to have a conflict of interest with ordinary shareholders of the Company. Therefore, the Board of Directors determines that they have no independence from the Company.

◆ Aims

To provide objective advice and suggestions concerning Komatsu Group's management and business operations to the Board of Directors.

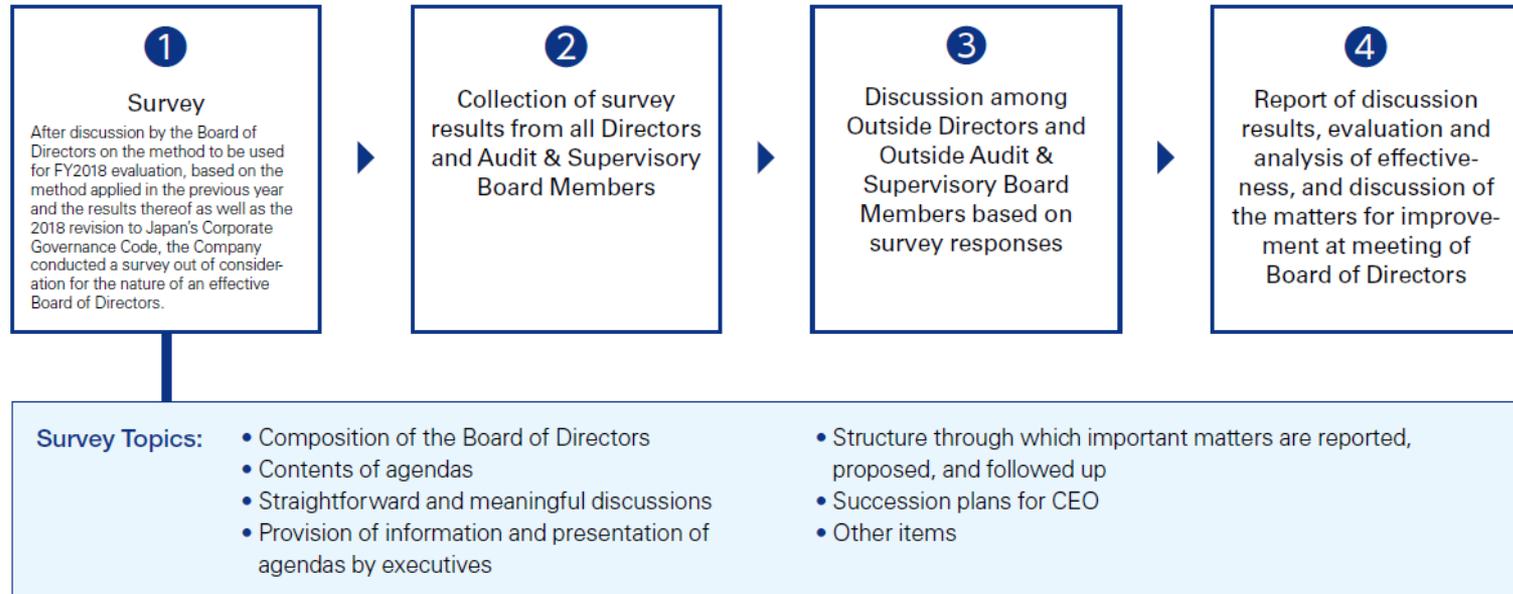
◆ Three advisers

	<i>Mr. John Bellinger</i>	<i>Mr. Theodore Solso</i>	<i>Mr. Jouko Karvinen</i>
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"> Chairman, Board of Directors of Finnair Member, Foundation and Supervisory Board, IMD (a Swiss business school)
Background	<ul style="list-style-type: none"> Legal Adviser, US State Department Senior Associate Counsel to the President and Legal Adviser to the National Council 	<ul style="list-style-type: none"> CEO, Cummins, Inc. 	<ul style="list-style-type: none"> CEO, Stora Enso Oyj (a Finnish paper manufacturer) Member, Supervisory Board of Nokia

Evaluation of the Effectiveness of the Board of Directors

Komatsu is working to improve the effectiveness of the Board of Directors and performs annual evaluations and analyses of the effectiveness of the Board of Directors for this reason.

Evaluation Process



Overview of Results of FY2018 Evaluation

The assessment shows a generally high level of achievement for each item and confirms that there were no serious problems concerning the effectiveness. As in the case of the previous survey, the Company received excellent evaluations for monthly reports by the President himself in Board meetings. The Company also enjoyed high marks for new efforts, such as improved diversity of the Board with a female inside director, the holding of the Board meeting at Komatsu Mining Corp. (acquired in 2017) as part of Board of Directors' visit and discussions and reviews held four times by the Board when the Company was developing the new mid-term management plan.

With respect to the conducting of Board meetings, there were a few suggestions for improvement. The Company will make those improvements and work to make the Board of Directors further effective in the future.

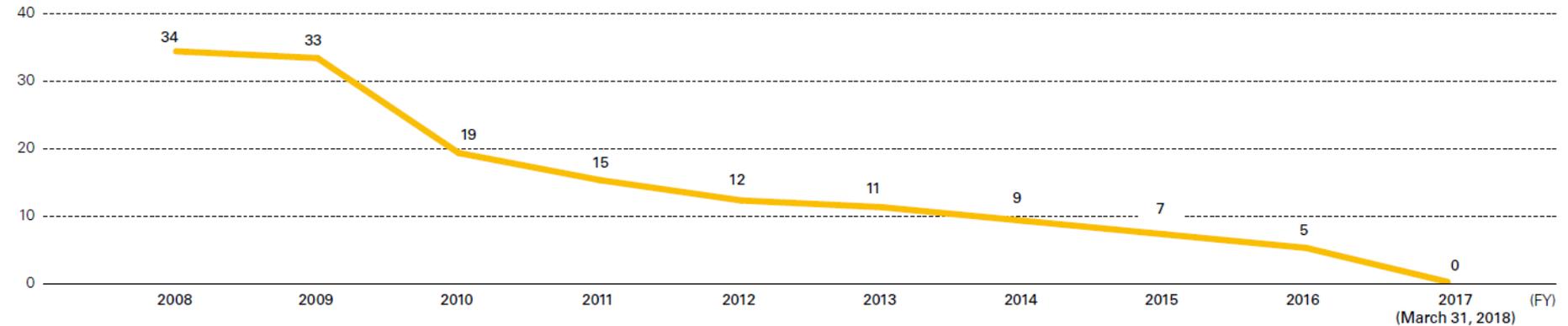
Message from CFO

For shareholders and investors, we are working to become a company, which they can invest in at ease, by improving IR programs and information disclosure. We are also working to reduce cost of shareholders’ equity through a positive cycle of solving ESG issues and improving and stabilizing earnings in our core businesses, as we strengthen our governance in compliance with Japan’s corporate governance code, and provide high-quality, high-efficiency products, services and solutions, reducing environmental impact and ensuring safety.

Concerning cross-shareholdings, unless they are necessary due to business relations or collaboration with Komatsu, under the policy of not owning stocks of listed companies in light of avoiding the risk of stock price fluctuation as well as ensuring the efficiency of assets, we had sold all concerned stocks by the end of FY2017 (ended March 31, 2018).

Cross-Shareholdings (Non-Consolidated)

(Number of holdings)



“Message concerning Occupational Safety and Health” ”Five Principles Compliance”

As a supplement to Komatsu's Code of Conduct, we have created the President's “Message concerning Occupational Safety and Health” and the “Compliance 5 Principles”, then posted them in workplaces around the world.

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. The Komatsu Group shall proactively strengthen occupational safety and health efforts not only within the Komatsu Group but also at our partners, such as customers, distributors and suppliers.
4. Each and every person in a senior management position of the Komatsu Group shall acknowledge as top priority tasks the above three 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.

April 1, 2019
Hiroyuki Ogawa
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.)

To be fully trusted by society, every Komatsu member must adhere to the above Principles, using the priorities of Safety, Law, Quality, Delivery, and Cost. Each member, including top management, should observe the actual workplace (Gemba), the real thing (Gembutsu), and the real situation (Genjitsu) to find the solution.

Hotline : Compliance Department, Komatsu Ltd.
(Compliance Hotline)
Phone: +81-3-3582-2506
Fax : +81-3-5581-1837
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April 1, 2019
Hiroyuki Ogawa
President and CEO, Komatsu Ltd.



◆SLQDC's concept



III. Komatsu's social contribution activities

Komatsu's Social Contribution Activities

1. Our Approach for Social Contribution Activities

2. Case Study

- **Technical Education for Communities (Collaboration with Cummins Inc.)** -

December 11, 2019

Kako Kurasawa

General Manager, CSR Dept.

1. Our Approach for Social Contribution Activities

Startup



Founder's Philosophy

Technology

Human Resource Development

Community Support

1990 -

1990's Activities as good corporate citizen

2000's Enhancing governance and compliance

2010

Announcing that our business activities are in fact CSR activities.

Top messages

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.

Social Contribution
Giving back to society leveraging our know-how and resources of our core business

2011

Identifying our CSR Priorities (Materiality Analysis)



CSR Themes

1) Enhancing Quality of Life
- Solving social issues through business -

2) Developing People

3) Growing with Society

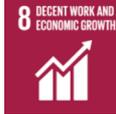
We will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

CSR Themes	ESG Solutions through Core Business	Relationship with SDGs
<p style="text-align: center;">Enhancing Quality of Life</p> <p>-Providing products required by society-</p>	<ul style="list-style-type: none"> ➤ Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). ➤ Improve productivity, efficiency, safety and environmental impact (lower CO2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. ➤ Make commitment to DANTOTSU value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value). 	<p>Innovation and Infrastructure Sustainable Cities and Communities</p>   <p>Climate action</p>  
<p style="text-align: center;">Developing People</p>	<ul style="list-style-type: none"> ➤ Develop a diverse workforce with a high level of productivity and technical skills. ➤ Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces. ➤ Develop talent with cross-value chain capabilities. 	<p style="text-align: center;">Decent work and economic growth</p> 
<p style="text-align: center;">Growing with Society</p>	<ul style="list-style-type: none"> ➤ Offer solutions for social issues through collaboration with stakeholders. ➤ Act as a responsible corporate citizen ensuring corporate governance, compliance and human rights. 	<p>Sustainable Cities and Communities Partnerships for the goals</p>  

Social Contribution Activities

We will promote social contribution activities to address social issues in regions throughout the world, by leveraging Komatsu technologies, management resources, potential, and people.

Leveraging Komatsu technologies, management resources, potential, and people, we promote social contribution activities to address social issues in regions throughout the world.

CSR Themes	ESG Solutions	Specific Programs	Relationship with SDGs
<p>Enhancing Quality of Life - Providing products required by society -</p>	<ul style="list-style-type: none"> ➤ Providing products that apply know-how and technologies developed through our core business for communities ➤ Social contribution programs addressing environmental issues and improving safety 	<ul style="list-style-type: none"> ➤ Support for Agriculture (using our equipment) and Consortium (in Ishikawa Prefecture/Japan) 	<p>Innovation and Infrastructure and Sustainable Cities and Communities</p>   <p>Climate action</p>  
<p>Developing People</p>	<ul style="list-style-type: none"> ➤ Contributing to human resource development in communities 	<ul style="list-style-type: none"> ➤ Contributing to human resource development for job creation ➤ Support in training/education for the next generation 	<p>Decent work and economic growth</p> 
<p>Growing with Society</p>	<ul style="list-style-type: none"> ➤ Support in resolving social issues in areas where we operate ➤ Social contribution through partnerships with stakeholders (customers, employees, local communities, business partners) 	<ul style="list-style-type: none"> ➤ Programs for regional development through partnerships with customers and employee participation ➤ Clearing anti-personnel landmines and community developing support ➤ Support in disaster relief 	<p>Sustainable Cities and Communities and Partnerships for the goals</p>  

Our affiliates **respond to the needs of local communities** through their social contribution activities. We are seeing more programs which **promote employee's participation** and **collaboration with our customers**. The following are just some examples:

Environment



Reforestation of previous mine land
(Komatsu America, Komatsu Mining)

Community Support



Support for community development
(Komatsu America, Komatsu Mining)

HR Development



STEM education by employees
(Komatsu UK)

HR Development



STEM education support for teachers
(Komatsu Germany)

HR Development



Support for skills training & education
(Affiliates in China)

HR Development



Support for vocational training
(Affiliates in Indonesia)

HR Development



Rehabilitation Program
(Komatsu Cummins Chile)

HR Development



Technical skills development with Cummins
(Komatsu South Africa)

Community Support



Support for PC training at mining areas
(Komatsu Brasil Int'l)

Disaster relief



Demining and reconstruction
(Komatsu HQ)

Community Support



Company supports employees make a worthy cause come to life
(Komatsu Australia, Komatsu Mining)

2. Case Study

**Technical Education for Communities
(Collaboration with Cummins Inc.)**

1. Komatsu's Concept of Support

Supporting human resources development of communities by leveraging Komatsu's unique skills

- Areas related to Komatsu's business
 - ✓ Construction equipment that is needed for local economic and infrastructure development
 - ✓ Passing along the culture of manufacturing
- Practical support through engagement of our people (Participating in running a program, dispatching instructors, receiving apprentices, etc.)
- Support to vocational schools, support in collaboration with customers

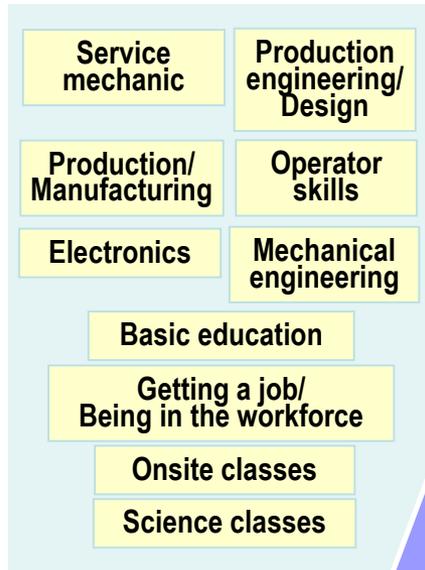


Needs of local communities

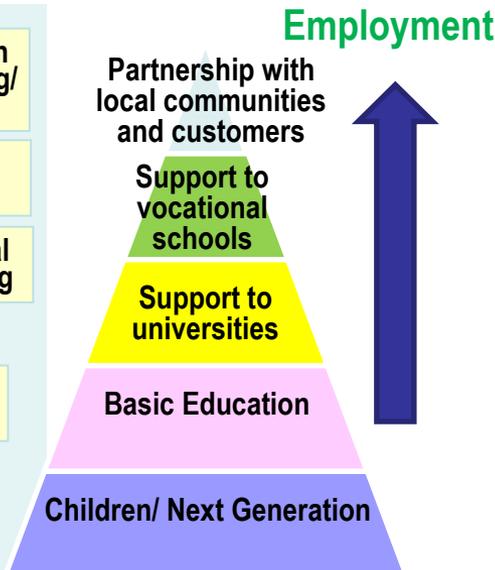
- Local residents: Acquire skills that lead to employment
- Local companies: Acquire good talent
- Local needs are diverse according to the region
- Unemployment is high despite a large number of students finishing high education

Support must be provided to fill the gap between school education and skills needed at companies. Support must be provided that leads to employment based on local skills needs.

2. Areas



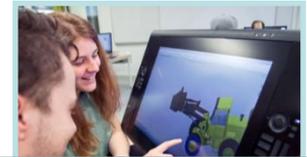
Levels of Support



3. Methods



Donations/ Scholarships



Provide school materials and equipment



Provide facilities/ Support operations



Dispatch instructors



Accept trainees



Provide onsite classes

- In April 2016, Komatsu and Cummins concluded a cooperation agreement for “TEC,” skills development utilizing their existing business partnership.
- Both companies comprehensively utilize each other’s management resources and best practices to provide opportunities to learn about mechanical and electrical engineering to address their shared focus of “support for development of people in local communities.”
- Improves job opportunities in local communities and supports the vitalization and advancement of local industries.

Peru

- Launched program for developing maintenance engineers for vehicles and construction equipment collaborating with both companies’ common distributor.
- Both Komatsu and Cummins provided teaching materials, as cutaway engines.
- The first students graduated in June 2019.

United States (Utah)

- Diesel engine technology program has been established, being introduced as vocational curriculum at many high schools and junior colleges.
- 175 students advanced to the next grade in 2019.
- The number of applicant exceeds the capacity in every program .

Australia

- Train engineers to be employed in the local community.
- 50 students in total graduated in December 2018.



Chile

- Launched maintenance training program for construction equipment in March 2019.
- Workshops for development of lecturers held as well, in January and February.
- 56 students have joined the program, including 6 females.

South Africa

- 3-year curriculum launched at Sedibeng Technical College in Johannesburg in May 2018.
- In the first year, 31 students (14 females) were selected from 120 applicants for enrollment. They will graduate in December 2021.

Three-year vocational curriculum launched at Sedibeng Technical College in Johannesburg in May 2018. There are 31 new students to learn about engine maintenance skill and how to operate construction and mining equipment. Both companies' local subsidiaries will dispatch dedicated instructors, provide teaching materials, and support to prepare curriculum, etc.



Above: First cohort of 31 students

Left: Minister of Higher Education and Training Naledi Pandor delivers the keynote address

Right: Leaders of local education institutions, Komatsu and Cummins



Objectives

1. Information sharing about Komatsu's Global CSR and best practices
2. Discussions towards setting Komatsu's Global CSR policy, deciding on focus areas/programs, and aligning future direction
3. Clarification of communication structure as a team, for enhancing sustainable CSR initiatives globally

Outline

Date: November 22, 2019

Attendees: CSR managers/members of each country: 32 persons representing 24 companies from 17 countries

Subjects

1. Komatsu's approach to CSR
2. Communicating the concept "Solving ESG issues through Core Business" to employees
3. Group discussion

"One Komatsu"

Review of (global common social contribution activity themes in line with Komatsu's core businesses that all employees worldwide can participate in with a sense of unity)

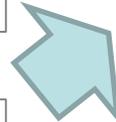


Opinions of CSR Managers

Requests from customers

"Customer strongly requesting for CSR"

- Important customers are asking to discuss CSR strategy and requesting for clarity on our sustainability goals.
- Relationships with customers or business partners can be improved through CSR initiatives.



Employee Engagement

"We (the company) should encourage employees to actively participate in CSR."

"CSR can motivate employees worldwide and can be used to create a sense of unity."

- Employees want to feel useful and do good.
- Good initiatives can create "Team Komatsu" connection among employees.
- Through CSR, employees can be felt motivated and a sense of belonging.



Requests from employees

"Employees seeking a sense of belonging"

- Many employees in their 20s/30s are seeking a sense of belonging to the Komatsu brand.
- Establishing an identity for regional employees is a must.

Encourage employees to participate in CSR

- Establish global common pillars (HR development, local community support, etc.)
- When promoting employee participation, it should be voluntary
- Quantify and measure the progress (volunteer hour, ratio, etc.)
- Company (management)'s role is to motivate and support.

Thank you