



ESG Databook 2021

100th
Anniversary





ESG Databook 2021

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Editorial Policy

This publication is the compiled PDF version of Komatsu's webpage "ESG Databook", as of July 20, 2021.

The reports principally cover all our domestic and overseas consolidated Group companies and if the scope is different from the above, we stated the scope of report in each page.

The date of the previous report is July 2020. We publish these reports every July, and the next issue will be published in July 2022.

Please use this form to send us any questions regarding our reports.

The reports contain Standard Disclosures from the GRI Sustainability Reporting Standards. You can see a list of the Standard Disclosures and their location in our report here.

Komatsu has received an independent practitioner's assurance on important quantitative data in environmental reporting, which can be viewed here.



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Materiality(Formulating CSR Themes)

Komatsu formulated its CSR themes in 2010, placing CSR activities as the ones to respond to social needs through core business, upon much discussion on defining initiatives that would both be of value to society and to Komatsu.

Also, in the Mid-Term Management Plan announced in April 2019, we touch upon the growth strategy in our core business in relation with our CSR themes, and are striving for sustainable growth through a positive cycle of improving earnings and solving ESG issues. In addition, even in social contribution activities that do not aim at direct profitability, we strive to contribute to society in a way that draws on the strengths of our core business through initiatives aligned with our CSR themes.

Komatsu's procedure to identify CSR material issues

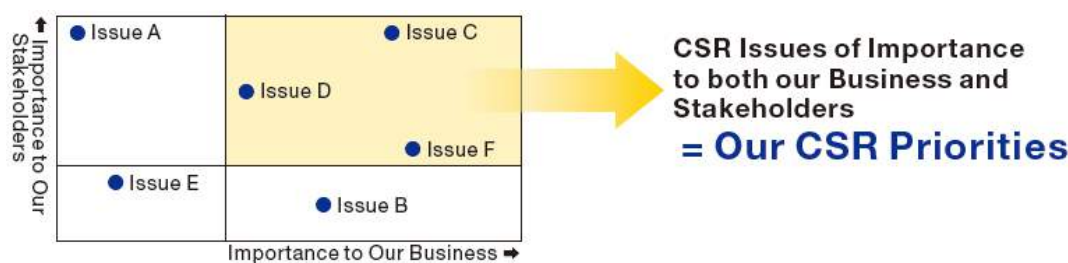
In 2010, with the support of Business for Social Responsibility (BSR), a nonprofit organization, Komatsu undertook a materiality assessment to accomplish the following objectives:

1. Identify a set of CSR issues and prioritize these issues by their relevance to our business and importance to our stakeholders
2. Define a set of global CSR themes and activities

From an extensive list of CSR issues, we selected those relevant to Komatsu as a construction/mining and industrial equipment manufacturer. We then evaluated CSR issues based on their importance to our business. To understand the relevance of CSR issues to our business, we interviewed senior executives across our company, including the heads of regions outside Japan. These interviews helped us in understanding the degree to which CSR issues impact our business priorities and operations. To understand the relevance of CSR issues to our stakeholders, we exchanged opinions with government officials, policy makers, industry experts, media, construction and mining related customers, suppliers and other stakeholders about the problems identified. Based on their opinions, we evaluated the CSR issues. We also took into consideration the BSR's view of stakeholder importance.

Evaluating CSR issues

We evaluated CSR issues based on the degree of importance to our business shown on the horizontal axis, and the degree of importance to our stakeholders shown on the vertical axis.



The CSR issues in the top right quadrant are considered to be priority CSR issues to both Komatsu’s business operations (our core business) and stakeholders. Focusing on these priority issues will, we believe, lead us to resolve CSR issues through our core business most effectively.



Komatsu's CSR Priorities (Material issues)

Products, Services, and Customers	<ul style="list-style-type: none"> Products that enhance safety Responsible marketing and customer support
Environment	<ul style="list-style-type: none"> Environmentally-friendly products Environmental efficiency (facilities, such as plants, and job sites) Remanufacturing
Employees	<ul style="list-style-type: none"> Human resource development Safety and health Respecting employees
Human Rights	<ul style="list-style-type: none"> Respecting human rights Equal employment
Ethics and Governance	<ul style="list-style-type: none"> Cooperation with stakeholders Corporate governance and compliance Collaboration with business partners to comply with social regulation
Local Community	<ul style="list-style-type: none"> Development of local communities Disaster relief Improving local residents' quality of life

Formulating CSR Themes and Key Business Activities

We identified three CSR Themes via a two-pronged approach, basing them on our material issues and through internal/external dialogues within the company and with BSR.

Komatsu's CSR Themes

- Enhancing Quality of Life-Providing products required by society-
- Developing People
- Growing with Society

In order to achieve our goals for each of the three areas, we have determined priority activities that align with the mid-term management plan as “**activities through our core businesses**”. In addition to its main business, Komatsu believes it is the responsibility of a business to engage in “**social contribution activities**” in the local community where business is conducted. Komatsu is engaging in the following social contributory activities that make the most of the know-how developed in our main business.



CSR Themes	Key Business Activities	
	Activities through the core business	Social Contribution Activities
<p>Enhancing Quality of Life -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). 	<ul style="list-style-type: none"> ▪ Promoting environmental efficiency & safety through initiatives not directly related to the business ▪ Providing products, services, know-how required by society for free of charge
<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 	<ul style="list-style-type: none"> ▪ Support the development of people in local communities ▪ Development of next generation
<p>Growing with Society</p>	<ul style="list-style-type: none"> • Offer resolutions for social issues through collaboration with stakeholders. • Act as a responsible corporate citizen ensuring corporate governance, compliance, and human rights. 	<ul style="list-style-type: none"> ▪ Disaster Relief ▪ Social Contribution utilizing core strength and know-how

Komatsu's CSR and SDGs (Sustainable Development Goals)

In light of the emphasis on corporate efforts towards ESG (Environmental, Social, Governance), Komatsu announced the Mid-range Management Plan in April 2016 which stated that Komatsu places emphasis on ESG. In incorporating ESG into the Mid-range Management Plan, we re-examine the relationship between Komatsu's business and CSR initiatives, reveal the direction we are currently taking, and how Komatsu's CSR activities link to the SDGs (Sustainable Development Goals) adopted by the United Nations as a common goal aimed at by the international community.

[SDGs \(Sustainable Development Goals\)](#)

The SDGs, officially known as the 2030 Agenda for Sustainable Development is a set of 17 goals with 169 targets covering a broad range of sustainable development issues, which was adopted at the United Nations General Assembly in September, 2015.



SDG Goals and Selection Process

Based on the discussions, we did a thorough analysis to compare the 17 SDG goals and their accompanying 169 SDG targets with our CSR activities and themes. We evaluated 1) whether there is a relation, and 2) the depth of the relation.

[Table 1: Komatsu's CSR priority areas / Priority activities and SDG goals]

Inter-connections: High Med Low

Figures: SDGs targets

SDGs (Sustainable Development Goals)

Komatsu's CSR key themes	1 No Poverty	2 Zero hunger	3 Good health & well being	4 Quality education	5 Gender equality	6 Clean water & sanitation	7 Affordable & clean energy	8 Decent work & 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 & justice	17 Partnership for the goals
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	1				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

For example, one of our CSR activities is providing products and services that contribute to infrastructure development and improve the quality of life. For each SDG goal and target, we compared our activity: For example, for SDG Goal #1, we compared as follows;

<Example 1> SDG Goal #1 (No poverty)

- SDG Target 1.1 (By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day)
In this instance, we did not see a direct relation.
- SDG Target 1.2 (By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions)
In this instance, we did not see a direct relation.
- SDG Target 1.5 (By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters), we believe there is an indirect relation, and thus colored the cell light blue to indicate the connection. (Refer to ① in the Table 1)
In the same manner, we compared as follows;

<Example 2> SDG Goal #9 (Industry Innovation and Infrastructure)

- SDG Target 9.1 (develop quality, reliable, sustainable and resilient infrastructure, including regional and trans- border infrastructure to support economic development and human well-being).
We colored the cell rich blue because there is a strong relation with our key theme. (Refer to ② in the Table 1)

The same process was followed for all SDG targets and all of Komatsu's CSR activities. On Table 1, the number in the cell represents the SDG target(s) where there is a relation, and the color (dark/medium/light) indicates the depth of the relation (direct or indirect).

According to the team's analysis, five SDG goals have a strong relationship with Komatsu's three CSR Themes. By focusing on these five SDG goals, Komatsu contribute to all the SDG goals comprehensively since it is proved that each SDG goal is mutually intertwined.

■ The five SDG goals are



#8
Decent work and economic growth



#9
Innovation and Infrastructure



#11
Sustainable Cities and Communities



#13
Climate action



#17
Partnerships for the goals

Table 2 explains how Komatsu's business and CSR activities contribute to the five SDG goals and targets that have the strongest ties to Komatsu's business.

[Table 2: Co-relation between SDG Goals and Komatsu Business/CSR]

SDG Goals	Komatsu Business/CSR	SDG Targets (which have strong ties with Komatsu business)
 Decent work & economic growth	<p>We strive for increased employment and job creation in regions where we operate by utilizing our human resource and skills development know-how cultivated in our business.</p> <p>We place top priority in providing a safe and rewarding workplace for our employees and our customers' employees worldwide.</p>	<ul style="list-style-type: none"> Protect the rights of all workers and promote a safe and secure working environment Achieve full and productive employment and decent work Reduce youth not in employment, education or training Achieve higher levels of economic productivity through diversification, technological upgrading and innovation Improve resource efficiency in consumption and production
 Industry Innovation & Infrastructure	<p>We enhance productivity, safety and reduction of the environmental impact of our customers' business by providing innovative and environmentally sound business solutions.</p> <p>We collaborate with business partners and stakeholders, including our customers, towards advanced technology contributing to sustainable infrastructure and energy/resource development.</p>	<ul style="list-style-type: none"> Develop resilient infrastructure to support economic development and human well-being Promote inclusive and sustainable industrialization Upgrade infrastructure with greater adoption of clean and environmentally sound technologies and industrial processes Encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending
 Sustainable cities	<p>We contribute to bringing industrial vitalization and enhancement of quality of life through our Dantotsu (Unrivaled) Products, Services and Solutions which accelerate sustainable infrastructure development and urbanization.</p> <p>We support development of cities resilient to natural disasters and provide disaster relief using Komatsu equipment and core business skills.</p>	<ul style="list-style-type: none"> Provide access to sustainable transport systems (infrastructures, including roads) for all Enhance inclusive and sustainable urbanization Reduce the environmental impact by waste management Reduce the number of people affected by disasters
 Climate change	<p>We commit to reduce carbon emissions and environmental impact throughout our value chain.</p> <p>We increase efficiency and reduce energy use through innovation.</p>	<ul style="list-style-type: none"> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters Raising capacity for effective climate change-related planning and management focusing on women, youth and communities
 Partnerships	<p>We engage with stakeholders to understand societal needs and take action.</p> <p>We foster actions complying with social, environmental and working condition norms including our business partners.</p> <p>We work towards social solutions through open innovation, academic-industrial collaborations, and partnering with customers, distributors, suppliers and local communities.</p>	<ul style="list-style-type: none"> Enhance regional and international cooperation on and access to science, technology and innovation Enhance knowledge sharing through a global technology facilitation mechanism Enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships

Enhancing Quality of Life Developing People Growing with Society

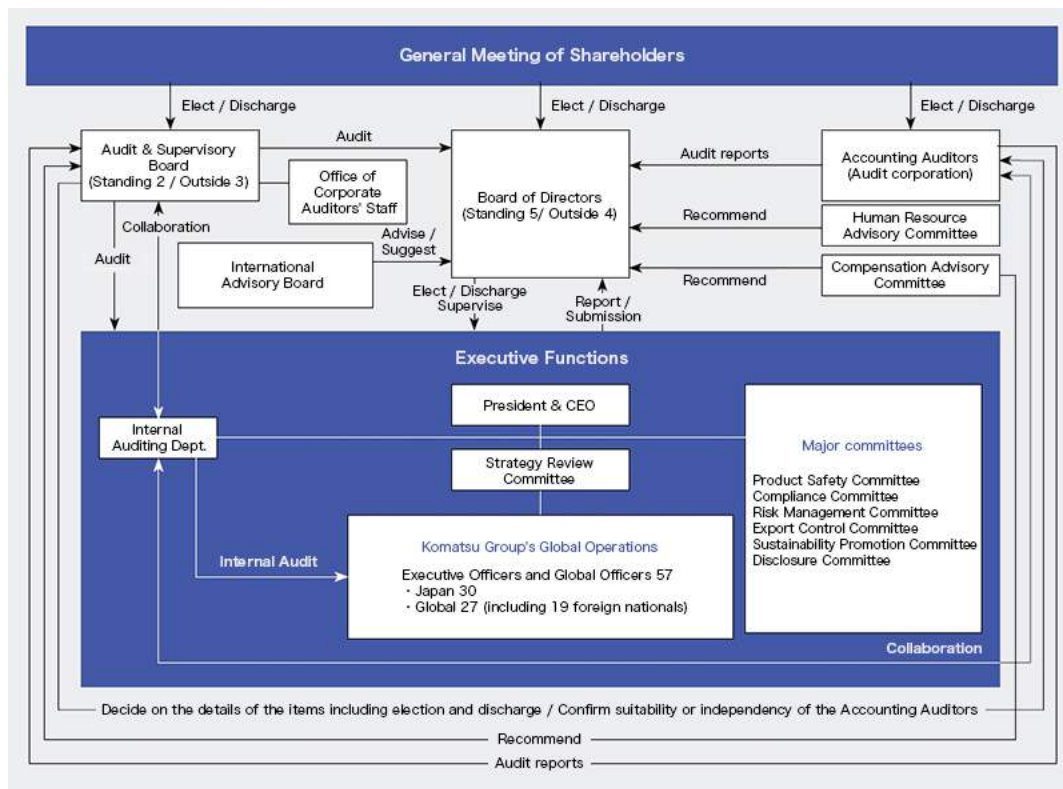
Our next steps are to engage with additional internal and external stakeholders, share this information and follow the Plan-Do-Check-Act method to validate the analysis and establish an action plan.

Following this analysis, we are now reviewing what additional opportunities exist for Komatsu to make an increased contribution to the achievement of the SDGs, focusing on SDGs 8, 9, 11, 13, and 17. We will prioritize opportunities that contribute to the SDGs by creating value for stakeholders and shareholders, and will communicate progress in future Komatsu reports.

Our system to promote Sustainability

In April 2021, Komatsu established the Sustainability Promotion Division under direct control of president to supervise activities relating to the promotion of the Komatsu Group’s sustainability-oriented management. The Sustainability Promotion Division enhances the commitment of the entire Komatsu Group to ESG-oriented management with the goal of building an environment for formulating policies and plans regarding two major areas of ESG management, the environment and society, to ensure the divisions and companies of the Group are able to maintain their commitment to sustainability.

The Sustainability Promotion Committee, chaired by the president, has been established to create opportunities for top management to regularly discuss our direction toward sustainability.



Global Information Sharing

We provide opportunities for people to exchange opinions and frequently share information regarding the things that Komatsu believes is the CSR of today. For example, global CSR meetings and virtual meetings are regularly convened including about 30 managers and other people in charge of CSR activities from our overseas subsidiaries. In the future, by collecting various opinions from various areas of the world, we will create a system to comprehensively understand and share what is required on the front lines of the business sites.

Our concept of environmental activities and promotion system

Komatsu Earth Environment Charter and Environmental Policy of plants in Japan

Komatsu Earth Environment Charter (June 2010 revision)

Corporate Principles

■ 1. Contributions to Realization of Sustainable Society

Mankind must not only promote the further growth of a rich and comfortable society but also pass down this indispensable environment of our planet earth to future generations in a sound and healthy condition.

We, at the Komatsu Group, define environmental conservation efforts as one of the highest priority management tasks, and endeavor to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all our business activities. This is represented by our hybrid construction equipment which features a substantial reduction of CO₂ emissions while in operation and by our superior manufacturing.

■ 2. Simultaneous Realization of Environmental and Economic Performance

We are committed to improving both environmental performance and economic efficiency, as a group of companies working toward superior manufacturing for customer satisfaction. To this end, we constantly take up the challenge of advancing technologies to develop creative products that improve both environmental performance throughout the product's life cycle and the product's economic performance at the same time.

■ 3. Observance of Corporate Social Responsibility

Each company of the Komatsu Group promotes environmental conservation by not only complying with the applicable laws and regulations of the concerned host community, region and country but also by establishing its voluntary standards which consider global and local environmental concerns. Each company of the Group also strives to fulfill its corporate social responsibility by actively participating in local environmental conservation programs and thereby promoting close-knit communication with local communities, while striving to become a company trusted by all Komatsu stakeholders.

Guidelines for Corporate Activity

■ 1. Basic Stances on Earth Environmental Problems

We, at the Komatsu Group, work for sustainable society and earth environment through our global business operations by addressing the following four environmental problems with the stances discussed below.

— 1) Climate Change

We will reduce the use of energy and emissions of greenhouse gas in all phases of our business activities ranging from research and development, procurement, production and logistics to sales and service as well as in the total life cycle of our products and services.

— 2) Establishment of a Sound Material-Cycle Society

Through our business processes, we work to minimize the use of natural resources, such as materials and water, promote their re-use or recycle them as much as possible, and expand Zero Emissions from our manufacturing activities around the world. At the same time we ensure the thorough management of waste materials in all our business domains, including our suppliers and distributors. We also continuously work to increase the recyclability rate of products at the time of disposal.

— 3) Conservation of Air, Water and Other Environments as well as Management of Chemical Substances

We comply with not only local laws and regulations but also with our established standards concerning the conservation of water quality, prevention of air pollution, noise and vibrations.

As much as possible, we also ensure the thorough management of chemical substances for use in our business activities, while continuously reducing the use of potentially harmful chemical substances or replacing them with alternative substances for discontinuation of their use.

— 4) Biodiversity

We recognize biodiversity as one of the important issues concerning the earth environment, evaluate, understand and analyze impact on it in all our business domains, and work on our tasks according to the criteria of the highest impact and/or the most effective actions.

■ 2. Framework of Global, Group-wide Environmental Management System

The Komatsu Head Office, as well as the manufacturing facilities and main companies of the Komatsu Group, already with ISO certifications, will work to maintain and improve their environmental management system, while other manufacturing facilities and suppliers will also work to establish their environmental management systems and reduce their environmental impact.

The Komatsu Environmental Committee develops environmental action plans and common guidelines for the Komatsu Group. Based on these Group-wide plans and guidelines, each division or company sets up its own mid- to long-term targets, develops and implements specific action plans, reviews them regularly and works to continuously improve them.

■ 3. Environmental Education and Communication

We believe that it is important to enhance the environmental awareness of each and every employee and thereby actively promote environmental awareness and education programs for all employees.

We will gather environment-related information concerning not only our manufacturing facilities but also other related entities, such as major affiliated companies and suppliers, and strive to disclose such information, thereby facilitating proactive communication with all our stakeholders, such as customers, employees, local communities and suppliers and further expanding the content of environmental communication.

Environmental Policy of plants in Japan

› Awazu Plant (44KB) 

› Kanazawa Plant (134KB) 

› Osaka Plant (71KB) 

› Oyama Plant (232KB) 

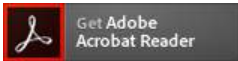
› Ibaraki Plant (13KB) 

› Koriyama Plant (180KB) 

› Himi Plant (194KB) 

› Hiratsuka district (404KB) 

› Environmental Policy Test Engineering Center (59KB) 



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Setting Mid- and Long-Term Targets and Progress

Komatsu has been moving forward under the new mid-term management plan from 2019. We set new ESG targets and expressed our commitment to sustainable growth through a positive cycle of profit improvement through growth strategies and initiatives for ESG issues.

Our targets from fiscal 2019 are to reduce CO₂ emissions from products and production by 50% by 2030. In addition, as a new indicator, we decided to aim for a ratio of 50% of renewable energy power (RE ratio) by 2030.

The new mid-term 2030 targets, including other indicators, are as follows:

Mid- and Long-term targets

Area	Application	Object	Index	Base Year	2030 Targets	FY2020 Achievements and Progress
Products	Construction Equipment Mining Equipment Forest machines	CO ₂	Fuel Consumption Reduction	2010	50% reduction	14% reduction
Production	Domestic and overseas production bases	CO ₂	Improvement rate of basic unit	2010	50% reduction	33% reduction
		Electricity	Ratio of renewable energy in total electricity usage	-	50%	13%
		Water	Improvement rate of basic unit	2010	60% reduction	52% reduction
		Waste	Improvement rate of basic unit	2010	40% reduction	35% reduction
Logistics	Japan	CO ₂	Improvement rate of basic unit	2006	39% reduction	26% reduction
	Overseas	CO ₂	Improvement rate of basic unit	2011	22% reduction	3% reduction
External evaluation	-	-	External evaluation	-	CDP A List (Climate, Water) DJSI World	CDP Climate : A Water : A DJSI World: Selected

SBT (Science-Based Targets) Approved

Komatsu's CO₂ reduction objectives have been certified by SBT as of April 11, 2017.

SBT (Science-Based Targets) is an initiative that involves “setting goals that are compatible with science.”

The COP21 (Paris Agreement) marked the introduction of a new set of CO₂ reduction objectives that were submitted by various countries. However, even with the summation of target values, it was found that it would be impossible for the increase of average global temperatures in 2100 to be stay within 2°C (as compared to temperatures before the Industrial Revolution).

Therefore, after a detailed examination by the businesses of the world, reduction objectives have been reassessed and SBTi (SBT initiative: CDP, Global Compact, WRI, WWF) is supporting and approving SBTs to reach the goal of an increase of less than 2°C.

Komatsu 's SBT meets the requisites of the temperature increase of less than 2°C scenario.



Komatsu 's SBT are as follows

1. SCOPE1+2: Base unit -49% (Target Year 2030; Base Year 2010)
2. SCOPE3: Total -46% (Target Year 2030; Base Year 2012)

Organizational Chart of the Environmental Management Structure

Among our important business challenges, the Komatsu Group includes climate change in the objectives of our business strategies. The Sustainability Promotion Committee and the Risk Management Committee all discuss climate change and provide advice to the Strategy Review Committee and reports to the Board of Directors, who establish a system that realizes appropriate supervision. In addition, the meeting of executive officers controls progress in the achievement of the objectives.

System for reporting and reviewing environment-related issues, including climate change



Main themes regarding the environment, including climate change

Meeting title	Chairperson	Main themes regarding climate change
Board of Directors	Chairman of the Board and Representative Director	<ul style="list-style-type: none"> Report from the Earth Environment Committee Report on research, development, product planning, and CTO Production and procurement report Mid-Term Management Plan progress report
Strategy Review Committee	President	<ul style="list-style-type: none"> Growth strategies at main production plants (including climate change related strategies) Report from the Earth Environment Committee
meeting of executive officers	President	<ul style="list-style-type: none"> Progress in product development and (including climate change related KPI)

Committee	Chairperson	Main themes regarding climate change
Sustainability Promotion Committee	President	<ul style="list-style-type: none"> ESG initiatives, priority issue and KPI-related issue reports and deliberations CSR activity report
Risk Management Committee	Executive officer supervising general affairs	<ul style="list-style-type: none"> Report on measures to address natural disaster risks

*The Earth Environment Committee and the CSR Committee have been merged as the Sustainability Promotion Committee since FY2021.

Acquiring ISO14001

Komatsu has implemented a Group-wide initiative to acquire ISO14001 certification, an international standard for environmental management systems. The objective is to enhance management quality by strengthening systematic steps towards environmental conservation.

《Komatsu ISO Certification Status》 *Except KMC	
From 1997	Production sites in Japan and other countries began to acquire certifications individually.
2008	The Komatsu Group in Japan acquires integrated certification.
2015	Main production sites* in overseas countries achieve 100% certification.
From 2018	Sales and service divisions are added to integrated certification in Japan. 2018: Komatsu Customer Support Japan Ltd. 2019: Four bases (Nagoya, Osaka, Hiroshima, Fukuoka) of Komatsu Industries Corp.

*Except KMC: KMC has been carrying out internal audits by specialists from KMC or Komatsu headquarters.

ISO14001:2015 Domestic Integrated Certification



Scope of the Integrated Certification in Japan

[> Scope of the Integrated Certification in Japan \(152KB\)](#)

Global Operations List of certified sites

[> Global Operations List of certified sites \(108KB\)](#)



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Dialogue with Our Stakeholders

Creating a Variety of Opportunities for Dialogue

Engaging in dialogues with our stakeholders is essential for determining the relative effectiveness of Komatsu's management and business operations in terms of meeting social needs. Every department that has direct contact with our stakeholders strives to create an environment of transparency and integrity by detailing our company's current situation, receiving feedback, and engaging in effective discussions.

Stakeholders	Purposes	Examples of Meetings and Activities	Frequency
Customers	Collaborate to realize customers' goals and fulfill corporate responsibility	› Brand Management Activities	Daily
	Collaborate to resolve issues in society and in the regions where we operate, and participate in local activities		Daily
Business Partners	President explains business performances, policies and strategies	› Various meetings with Midori-kai	2 times a year
	Conduct safety patrols and provide opportunities such as for support of efforts for obtaining certification		As needed
Distributors	Explanation by the President on business performance, policies and strategies	Distributor meetings in each region	Annually
Employees	Explanation by the President business performance, policies and strategies	Meetings with the President	2 times a year
		› Sharing Q&A session content with global employees via the intranet	As needed
	Dialogue with the labor union and employee representatives to improve the workplace environment	Regular Meetings between Management and Labor Union	As needed
Local Community	Explanation of initiatives related to operations, the environment and safety	Meetings with residents of the local community near the plant	As needed
	Activities to resolve local issues based on employee suggestions	Voluntary activities by employees	Daily

Stakeholders	Purposes	Examples of Meetings and Activities	Frequency
Industry-Academia Collaboration Partners	Exchange of ideas and opinions between representatives such as university professors and our Chief Technology Officer	Komatsu Science and Technology Collaboration Council	Biannually
Investors	CEO and CFO explanation of business performance, policies and strategies	› IR Meetings	Japan: Daily USA and Europe: Annually
	Respond to inquiries and SRI surveys	› SRI Surveys	Daily
Individual Shareholders	CEO and CFO explanation of business performance, policies and strategies	› Shareholders Meetings	2 times a year, held in Japan
	Plant tours and explanation of operations	› Plant tours for shareholders	About twice a year in Japan

Major Achievements

ESG Solutions through Three Pillars of Growth Strategies


Komatsu seeks to help resolve ESG issues by promoting the three pillars of growth strategies defined in the new mid-term management plan. We strive to realize a positive cycle of sustainable growth through improvements of earnings and resolutions to ESG issues. Our initiatives include reducing environmental impacts to combat climate change and supplying high-quality, high-performance products, services, and solutions ensuring safety. KPIs have been set to guide these initiatives solving ESG issues through our core business.

CSR Themes	ESG Solutions through Three Pillars of Growth Strategies	Relevant SDGs
Enhancing Quality of Life —Providing Products Required by Society—	<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 a better Earth and future by means of technology and reliability (creation and maximization of customer value). 	

CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance
Enhancing Quality of Life — Providing Products Required by Society—	Reduction of CO ₂ emissions (in comparison to FY2010)			
	● Reduction of CO ₂ emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of Smart Construction use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment)	16% reduction (in comparison to FY2010)	14% reduction	14% reduction
	● Reduction of CO ₂ emissions from production (plants with zero impact on environment and workers)	40% reduction (in comparison to FY2010)	33% reduction	33% reduction
	Plants with zero impact on environment and workers			
	● Rate of renewable energy use (including purchase of renewable energy)	15%	11%	13%

CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance	
Enhancing Quality of Life — Providing Products Required by Society—	● Work environment burden coefficient (particle matter density)	30% reduction (in comparison to FY2018)	10.7% reduction	24% reduction	
	● Water consumption	55% reduction (in comparison to FY2010)	49.4% reduction	52% reduction	
	Value chain reforms and redefinition of the aftermarket business				
	● Spare parts sales	11% increase	3% increase	8% decrease	
	● Reman component lifespan (compared to new components) Actual value: Average operating time from the nth to the n+1st overhaul order	20,000 workhours (100% of new components)	26,866 workhours (134% of new components)	19,106 workhours (95% of new components)	
	Assurance of mine operation safety and productivity				
	● AHS units' population (promotion of mining platform business)	380 units (aggregate)	221 units	352 units	
	DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution				
	● ICT-intensive equipment introduced(United States, Europe, and Australia)	1,590 units (per year)	1,361 units	1,288 units	
	● Sites adopting Smart Construction	4,850 (per year)	2,440	3,348	
	Automation, automamous operation, electrification, and remote-controlling of equipmentntion				
	1. Automation of construction equipment	Test introduction of hydraulic excavators for automated loading	Verification tests conducted on user sites	In-house verification tests	
	2. Automation, autonomous operation, and remote operation of mining equipment	Entry into mining bulldozer market (level 4 automation)	Preparations advanced to launch mining bulldozer with level 2 automation	Domestic pretest of bulldozer with level 3 automation, preparation for proof of concept test in Australia	
	3. Automation of utility equipment	Development of technology for automated forklifts	Development of peripheral safety technologies for supporting automation	Entry into retrofit market for installing peripheral safety functions in preparation for automation	
● Enhancement of mining equipment and hard rock mining businesses	Expansion of product series	Advancement of development projects for expanding product series	Expansion of product series (drills, LHD) Four models		

CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance
Enhancing Quality of Life — Providing Products Required by Society—	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	Japan: Commencement of verification tests at five agriculture business operators Indonesia: Started mass production and sales of D31PLL agricultural bulldozer	Japan: Development and market evaluation of agricultural ATT Indonesia: Confirmation of feasibility of D21 agricultural bulldozer for direct rice planting applications
	<ul style="list-style-type: none"> ● Smart forestry projects 	50	10	19
	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)	865 units	1,447 units



CSR Themes	ESG Solutions through Three Pillars of Growth Strategies	Relevant SDGs
Developing People	<ul style="list-style-type: none"> ■ Develop a diverse workforce with a high level of productivity and technical skills. ■ Strengthen and develop diverse talent with a global perspective to help achieve sustainable workplaces. ■ Develop talent with cross-value chain capabilities. 	

CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance
Developing People	Development of a diverse workforce with a high level of productivity and technical skills			
	<ul style="list-style-type: none"> ● Enhancing employee engagement 	Improvement of global surveys and indexes	Scheduled for FY2020	Preparation for survey in FY2020, global survey in April 2021
	<ul style="list-style-type: none"> ● Work process reforms through expansion of diverse and flexible workstyles 	Total workhours of less than 2,100; introduction of telework system (Japan)	(1) 1,950 workhours per person/year (2) Commencement of trial in August 2019	(1) 1,920 workhours per person/year (2) Revision of telework system in August 2020



CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance
Developing People	<ul style="list-style-type: none"> Promotion of The KOMATSU Way (global dissemination of The KOMATSU Way) 	Training hours and number of participants (Disclosure of results)	<ul style="list-style-type: none"> Training hours: 31,625 hours (aggregate hours for all participants) Number of participants: 1,461 in Japan, 307 overseas 	<ul style="list-style-type: none"> Training hours: 33,188 hours (aggregate hours for all participants) Number of participants: 1,527 in Japan, 0 overseas
	Strengthening and development of diverse talent with a global perspective to help achieve sustainable workplaces			
	<ul style="list-style-type: none"> Revision of role of Japan in global management 	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis	Human resource system revisions started in Japan	<ul style="list-style-type: none"> Revision of domestic retirement, wage, and retirement benefit systems in April 2021 Introduction of elective retirement and R&D staff systems
	<ul style="list-style-type: none"> Foundations for global measures (systems, frameworks) 	Introduction	Preparations advanced for introduction	Commencement of domestic data linkage
	<ul style="list-style-type: none"> 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%	(1) 12.3%, (2) 7.2%, and (3) 4.5%	(1) 12.3%, (2) 7.7%, and (3) 4.9%
	<ul style="list-style-type: none"> Rate of employment of people with disabilities (comply with requirements in Japan) 	Above 2.3% (legally mandated rate)	2.58% (non-consolidated)	2.82% (non-consolidated)
	<ul style="list-style-type: none"> Support for regional human resource development for job creation (regional human resource development with Cummins Inc.) 	Chile, Australia, South Africa, others	<ul style="list-style-type: none"> Human resource development program launched in Chile Ongoing support provided in Peru, South Africa, and Australia Participants' success in finding employment tracked 	<ul style="list-style-type: none"> Ongoing support in Chile, South Africa, and Australia Establishment of scholarship program for students in Chile and Peru as part of COVID-19 relief program
	Development of talent with cross-value chain capabilities			

CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance
Developing People	<ul style="list-style-type: none"> ● Cultivation of Smart Construction consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces) 	430 (aggregate)	396	626

CSR Themes	ESG Solutions through Three Pillars of Growth Strategies	Relevant SDGs
Growing with Society	<ul style="list-style-type: none"> ■ Offer resolutions for social issues through collaboration with stakeholders. ■ Act as a responsible corporate citizen ensuring corporate governance, compliance, and human rights. 	 

CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance
Growing with Society	Resolutions to social issues through collaboration with stakeholders			
	<ul style="list-style-type: none"> ● Promotion of industry-government-academia collaboration as well as of collaboration with customers 	Promotion of Brand Management and activities creating value for customers	Examination of cutting-edge tools through activities with domestic customers and regional dissemination	<ul style="list-style-type: none"> • Posting of past activity documents on Group portal • Shared information on activities in 14 regions on rotational basis • Continuation of activities by headquarters team targeting three customers (two civil engineering, one aggregate)



CSR Themes	Key Initiatives under New Mid-Term Management Plan	FY2021 KPIs	FY2019 Performance	FY2020 Performance	
Growing with Society	<ul style="list-style-type: none"> Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings) 	Number of meetings held (Disclosure of results)	<ul style="list-style-type: none"> Shareholder meetings: 2 times Shareholder factory tours: 10 times Individual investor meetings: 7 times Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic 	<ul style="list-style-type: none"> Shareholder meetings: 1 time (held online) Shareholder factory tours: 0 time (canceled due to COVID-19 pandemic, factory tour videos shared on official Komatsu YouTube account) Individual investor meetings: 4 times (held online) 	
	<ul style="list-style-type: none"> Institutional investors (ESG meetings) 	Number of meetings held (Disclosure of results)	11 (ESG-related meetings)	<ul style="list-style-type: none"> ESG-related meetings: 4 Participation in conferences: 1 (meetings held with 18 investors) 	
	<ul style="list-style-type: none"> Communities (business site fairs) 	One fair held at each of nine factories per year	Business fairs at nine factories (Awazu, Osaka, Ibaraki, Kanazawa, Tochigi, Oyama, Koriyama, Shonan, and Himi); canceled only at Shonan Plant due to impacts of Typhoon Hagibis	All factory fairs canceled due to COVID-19 pandemic	
	<ul style="list-style-type: none"> Employees (meetings) 	Number of meetings held (Disclosure of results)	34 (30 in Japan, 4 overseas)	29 in Japan (canceled overseas due to COVID-19 pandemic)	
	Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights				
	<ul style="list-style-type: none"> 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	Establishment of Human Rights Policy, disclosure in integrated report	Revised Komatsu Code of Worldwide Business Conduct Human rights e-learning programs, etc.	

Comparison with Global Principles

What Komatsu considers to be material issues are listed in our CSR Priorities, each of which are in line with international standards such as the ISO26000 and the United Nations Global Compact.

Details on these standards can be found in "[Komatsu's Worldwide Code of Business Conduct](#)" and the "[CSR Procurement Guidelines](#)".

ISO26000 core subjects /issues	UNGC 10 Principles	Komatsu's CSR Priorities	Incorporation into Komatsu's Internal Guidelines ■ : Items of Komatsu's Worldwide Code of Business Conduct ● : Items of Komatsu Group CSR Procurement Guidelines
Organizational Governance		<ul style="list-style-type: none"> ■ Corporate Governance ■ Compliance ■ Collaboration with business partners to comply with social regulations 	<ul style="list-style-type: none"> ■ "Quality and Reliability" of organizational structure, business operations, employees and management ■ Emphasis on corporate governance ■ ● Compliance with the Rules
Human Rights	<p>Human Rights Principle 1 Principle 2</p>	<ul style="list-style-type: none"> ■ Respecting human rights ■ Collaboration with business partners to comply with social regulations ■ Development of local communities ■ Disaster relief ■ Improving local residents' quality of life 	<ul style="list-style-type: none"> ■ ● Respect for human rights ■ Due consideration to work-life balance
Labour Practices	<p>Labour Principle 3 Principle 4 Principle 5 Principle 6</p>	<ul style="list-style-type: none"> ■ Providing safe products, services and solutions ■ Equal employment ■ Safety and health ■ Human resource development ■ Collaboration with business partners to comply with social regulations 	<ul style="list-style-type: none"> ■ Conversations or discussions with employees or their representatives ■ ● Zero tolerance for child labor and forced labor ■ ● Promotion of equal opportunities for employment, with zero tolerance for discrimination and any kind of harassment ■ ● Ensuring a safe and comfortable work environment ■ ● Human resources management in fair and impartial manner

ISO26000 core subjects /issues	UNGC 10 Principles	Komatsu's CSR Priorities	Incorporation into Komatsu's Internal Guidelines ■ : Items of Komatsu's Worldwide Code of Business Conduct ● : Items of Komatsu Group CSR Procurement Guidelines
The Environment	Environment Principle 7 Principle 8 Principle 9	<ul style="list-style-type: none"> ■ Providing environment-friendly products, services and solutions ■ Environmental efficiency (facilities, such as plants and operation sites) ■ Remanufacturing 	<ul style="list-style-type: none"> ■ Providing products, services and systems that are environmentally-conscious ■ Environmental protection ■ Komatsu Earth Environmental Charter ■ Declaration of Conservation of Biodiversity ● Reducing environmental impact, managing chemical substances and building up environmental management systems
Fair Operating Practices	Anti-Corruption Principle 10	<ul style="list-style-type: none"> ■ Corporate governance ■ Compliance ■ Collaboration with business partners to comply with social regulations 	<ul style="list-style-type: none"> ■ ● Fair and appropriate business operations ● Fair and proper relationship with governmental bodies and agencies ■ ● Never providing, offering or promising inappropriate money, goods or favors
Consumer Issues		<ul style="list-style-type: none"> ■ Providing safe products, services and solutions ■ Responsible marketing and customer care ■ Providing environment-friendly products, services and solutions ■ Remanufacturing 	<ul style="list-style-type: none"> ■ Providing customers with suitable solutions and striving to deliver products, services and systems that are safe, environmentally-conscious and innovative ■ Environmental protection ■ ● Reducing environmental impact, managing chemical substances and building up environmental management systems
Community Involvement and Development		<ul style="list-style-type: none"> ■ Development of local communities ■ Disaster relief ■ Improving local residents' quality of life ■ Human resources development 	<ul style="list-style-type: none"> ■ To fully understand its social responsibilities as a corporate citizen ■ Groupwide social contribution (5 Basic Principles for Social Contribution) ■ ● Good harmony with local communities

External Evaluations (As of November, 2020)

(1) External evaluations for CSR activities (Evaluation for SRI)

[Global]



[CDP]

An NPO that was established in the United Kingdom in 2000 and engages in the surveying and global disclosure of corporate initiatives with respect to carbon dioxide emissions and climate change, while simultaneously analyzing and evaluating the surveyed details. In 2016, it started to run a system aimed at selecting A-list companies, or companies recognized by the organization as global leaders in terms of the implementation of action on climate change.

One of the ESG management goals set by Komatsu in “DANTOTSU Value - FORWARD Together for Sustainable Growth,” the new Mid-Term Management Plan that has been carried out since fiscal 2019, is to be selected as an A-list company in reference to CDP’s areas of focus—climate change and water.

[Trends in the selection of the Company over the last three years]

	2018	2019	2020
CDP Climate Change	A	A	A
CDP Water	A-	A-	A

[Dow Jones Sustainability Indices (DJSI)]

The sustainability indices were provided by U.S.-based S&P Global Inc. They analyze and evaluate corporate sustainability from the three perspectives of the governance & economic, the environment and the society to select high-ranking companies in each industrial sector.

One of the ESG management goals set by Komatsu in “DANTOTSU Value - FORWARD Together for Sustainable Growth,” the new Mid-Term Management Plan that has been carried out since fiscal 2019, is to be included in DJSI World.

[Trends in the selection of the Company over the last three years]

Komatsu has been selected as a component of the “World Index” for consecutive years since 2006.

	2018	2019	2020
DJSI	DJSI World	DJSI World	DJSI World





[MSCI Global Sustainability Indexes*]

The Socially Responsible Investment indexes were developed by U.S.-based MSCI (Morgan Stanley Capital International), Inc.

[Trends in the selection of the Company over the last three years]
Komatsu has been selected for consecutive years.



[ISS-Oekom]

The corporate sustainability rating indexes were developed by German-based ISS-Oekom.

[Trends in the selection of the Company over the last three years]
Komatsu has been consecutively awarded "Prime" status in the machinery sector.



[EURONEXT VigeoEIRIS]

V.E, an affiliate of Moody's, is a global leader in ESG assessments, data, research and analytics.

[Trends in the selection of the Company over the last three years]
Komatsu has been selected for consecutive years.

[Japan]



[FTSE Blossom Japan Index]

The index, which was established by U.K.-based FTSE Russell, selects Japanese companies that implement excellent programs to facilitate ESG.

[Trends in the selection of the Company over the last three years]
Komatsu has been selected for consecutive years.

*FTSE Russell confirms that Komatsu has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



[MSCI Japan ESG Select Leaders Index*]

The index is part of those established by U.S.-based MSCI Inc., aimed at selecting listed Japanese companies with high ESG ratings.

[Trends in the selection of the Company over the last three years]
Komatsu has been selected for consecutive years.



2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

[MSCI Japan Empowering Women Index*]

The index is part of those established by U.S.-based MSCI Inc., aimed at selecting listed Japanese companies that promote a high level of gender diversity.

[Trends in the selection of the Company over the last three years]

Komatsu has been selected for consecutive years.

*THE INCLUSION OF KOMATSU LTD IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HERIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOMATSU LTD BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



[S&P/JPX Carbon Efficient Index]

The index is offered by S&P Dow Jones Indices and the Tokyo Stock Exchange for member companies in the Tokyo Stock Price Index (TOPIX). It decides on the investment weights to be applied to such member companies with a focus on the disclosure of environmental information and level of carbon efficiency (carbon emissions per sales).

[Trends in the selection of the company over the last three years]

Komatsu has been selected as index component for consecutive years.

[Certifications]



[Digital Transformation (DX) Stock Selection 2020 DX Grand Prix 2020]

The Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (TSE) select certain companies listed on TSE as “Digital Transformation (DX) Stocks Selection” for their accomplishments achieved by creating internal systems for promoting digital transformation (DX)* and excellent use of digital technologies leading to the enhancement of corporate value.

Komatsu has been selected for the fourth time including the “Competitive IT Strategy Company” implemented until FY2019, and received its first Grand Prix award given to two of the selected companies in FY2020.

* Digital transformation: A company establishing a competitive advantage by utilizing data and digital technology in response to intense changes in the business environment to transform products services and business models based on the needs of customers and society, and transform operations themselves, organizations, processes and corporate culture.



[SBT]

SBT (Science based targets, namely, science-based emission reduction targets) is an initiative advocated by the CDP, the United Nations Global Compact, the World Wildlife Fund and the World Resources Institute. It certifies companies that have established reduction targets compatible with scientific knowledge aiming to achieve the target established under the Paris Agreement of keeping the average rise in global temperature due to climate change below two degrees from the pre-Industrial Revolution levels in the worst-case scenario.

Komatsu’s CO₂ reduction targets were certified as SBT in April 2017.

[Please click here for further details about Komatsu's CO₂ reduction and SBT.](#)

(2) Evaluations of IR activities

ディスクロージャー
2018年度 優良企業



[Award for Excellence in Corporate Disclosure from the Securities Analysts Association of Japan]

Securities analysts developed objective evaluation criteria to decide on the ranking of companies in terms of its quality, quantity, timing and other factors of corporate disclosures, and based on which established the Award for Excellence in Corporate Disclosure from the Securities Analysts program. The program has been implemented since 1955.

Komatsu received the 2018 Award for Excellence in Corporate Disclosure (first place in the machinery section). This is awarded every two years and Komatsu has received it eight consecutive times-12 times in total.



[2020 Best IR Award]

The Japan Investor Relations Association selects member companies that have conducted excellent IR activities and provides them with the Best IR Awards. In addition, it gives the IR Grand Prix Award to companies that have received the Best IR Award for the third time.

In 2020, Komatsu received the Best IR Award.

This is the seventh time it has received the award, in addition to 2007, 2008, 2010, 2013, 2016 and 2017. Also we have received the IR Grand Prix Award twice in 2010 and 2017.



[Tokyo Stock Exchange (TSE) “the Corporate Value Improvement Award” Grand Prix]

TSE created the Award program in FY2012, designed to annually award the companies which have achieved high corporate value by practicing management of improving corporate value through initiatives that consider capital cost and other investor concerns. Komatsu was selected for the Grand Prix award of the 8th Corporate Value Improvement Award (FY2019) from all listed companies (about 3,650).

(3) Endorsement of initiatives

WE SUPPORT



[UN Global Compact]

The Global Compact, which is an initiative advocated at the World Economic Forum in 1999, requests that companies comply with and practice 10 principles with respect to human rights, labor, the environment and anti-corruption. Komatsu expressed its support for the United Nations Global Compact in November 2008.



[WBCSD]

The World Business Council for Sustainable Development (WBCSD), whose members include more than 200 companies worldwide, is an organization that creates surveys and proposals on the economy, the environment and society with a focus on sustainable development. In addition, it works actively to implement SDGs. Komatsu decided to support WBCSD in 2010 and has been cooperating in its activities.



[TCFD]

The Task Force on Climate-Related Financial Disclosures (TCFD), which is an initiative established by the Financial Stability Board in June 2017, requests that companies disclose climate-related information that may affect financial matters from the four perspectives of governance, strategy, risk management and metrics/targets. Komatsu expressed its support for TCFD in April 2019 and has been preparing information disclosures in compliance with the request.

Green Bond

Komatsu issued a “green bond”, an unsecured straight bond, through a public offering on the Japanese market. Green bonds are designed to raise funds for exclusive use in business which works to help solve environmental problems.

Under the three-year mid-term management plan, “DANTOTSU Value - FORWARD Together for Sustainable Growth” to be completed in the fiscal year ending March 31, 2022, Komatsu is making efforts for sustainable growth through a positive cycle of improving earnings and solving ESG issues. In this management plan, Komatsu upholds ESG management targets of reducing CO₂ emissions to 50% and increasing the ratio of using renewable energy to 50% of total energy use, both by 2030 from 2010. To this end, Komatsu supplies high-quality, high-performance products, services, and solutions, that are designed to reduce environmental impacts, particularly in relation to climate change, and enhance safety. With the proceeds from the green bond, Komatsu is going to further accelerate its efforts to help realize a decarbonized society.

[【Reference】 Press Release\(released on July 10th\)\(Komatsu website\)](#)

Outline of the Green Bond

Issuer	Komatsu Ltd.
Pricing date	July 10, 2020
Issue date	July 16, 2020
Maturity	5 years
Issue amount	JPY10.0 billion
Interest rate	0.130%
Use of proceeds	<p>Applicable to the following projects:</p> <p>Project A: Responses to environmental problems resulting from the use of products Efforts designed to help reduce CO₂ emissions from products in use to 50% by 2030 from 2010 (Specifically, R&D, the provision and wide use of products, services and solutions). 1) Products: hybrid hydraulic excavators, (applicable for low carbon-type construction equipment certification by Japan's Ministry of Land, Infrastructure, Transport and Tourism) and electric construction equipment. 2) Service: Support for fuel-economy machine operation by using IoT. 3) Solutions: Reduction of CO₂ emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole.</p> <p>Project B: Responses to environmental problems resulting from manufacturing. Efforts designed to help reduce CO₂ emissions in manufacturing to 50% and increase the ratio of using renewal energy to 50% of total energy use, both by 2030 from 2010 (capital investment in facilities and equipment, etc.). (1) Energy-savings of factories and equipment in plants. (2) Power generation by using solar panels and biomass as well as purchase of renewable energies.</p>
Lead manager	Nomura Securities Co.,Ltd.
Green bond structuring agent*	Nomura Securities Co.,Ltd.
Rating	"AA-" from Rating and Investment Information, Inc.

*This organization supports the issuance of green bonds by giving advice regarding the formulation of green bond frameworks and on obtaining second-party opinions.

[> Komatsu's green bond frameworks \(216KB\)](#) 

Second-party Opinion of Green Bond Eligibility

With respect to eligibility against the 2018 Green Bond Principles and the Green Bond Guidelines, 2020, Komatsu has obtained a second-party opinion from DNV GL BUSINESS ASSURANCE JAPAN K.K. (hereafter “DNV GL”), an internationally recognized third-party organization with expertise in this field.

[> Second-party opinion \(956KB\)](#) 

The cost of obtaining an independent assessment related to the green bond is subsidized by Japan’s Ministry of the Environment in its 2020 assistance project to promote the issuance of green bonds.

List of Investors Who Expressed Their Intention to Invest

- Asset Management One Co., Ltd.
- OMUTA YANAGAWA SHINKIN BANK
- The Kita Osaka Shinkin Bank
- The 77 Bank, Ltd.
- THE JUROKU BANK,LTD
- SUMITOMO LIFE INSURANCE COMPANY
- Zentouei Shinyokumiai
- Daitokyo Shinkumi Credit Cooperative
- NAGANO SHINKIN BANK
- The Bank of Nagoya, Ltd.
- Nippon Life Insurance Company
- THE HIGASHI-NIPPON BANK,LIMITED
- Hiratsuka SHINKIN BANK
- Fukushima Shinkin Bank
- Sumitomo Mitsui Trust Asset Management Co., Ltd.

Reporting

Komatsu reports on the allocation and environmental and social impacts of the proceeds on an annual basis. In addition, the external review is attached.

[> Komatsu Green Bond Reporting 2021 \(260KB\)](#) 

[> Green Bond Periodic Review 2021 \(960KB\)](#) 



Theme 1 : Enhancing Quality of Life

Improving Product Safety and Solutions	.....	034
Quality and Reliability - Responsible Commitment to Customers -	.....	039
Relationship between Business Activities and the Environment	.....	046
Climate Change	.....	048
Our Challenge to establish Recycling-based Society	.....	057

Improving Product Safety and Solutions

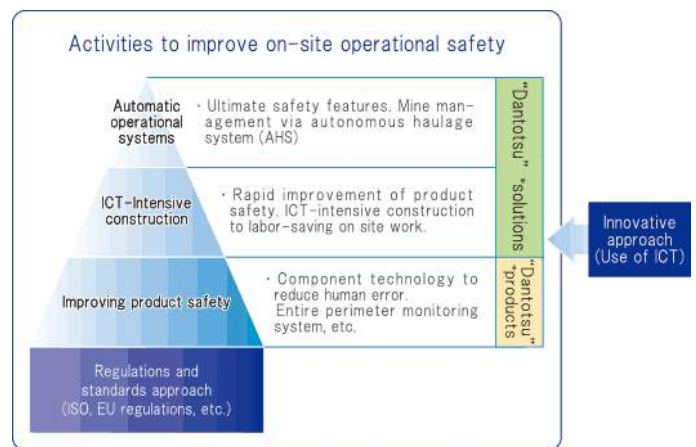
Our innovative processes afford us the ability to consistently conceive valuable ideas in multiple fields, such as environmental design and economic efficiency. Out of these areas, the one which we consider to be of the most importance is that of “Safety”.

From providing safe products to the overall safety of our automatic operational systems, we persistently utilize the full scope of our innovation capabilities to find ways in which safety is used to maximize the value of our products to our customers.

On-site Operational Safety

The provision of profoundly safe products is the most important responsibility of any manufacturer. With that in mind, we strive to exceed what is expected of us by going above and beyond the call of duty. On top of meeting all international standards and regulations, we supplement our products with additional safety features that remain unsurpassed by our competitors.

This commitment, compounded with our innovative drive for safety improvement, also allows our customers to achieve the consummate climate of safety within their operations.



In 2013 and 2014, Komatsu introduced the ICT Bulldozer and ICT Hydraulic Excavator respectively, an innovation that made possible the automatic control of blades and buckets. These systems by-pass the need for manual experience, allowing even fresh or less-experienced workers to perfectly reproduce the same high-level precision construction work of a skilled worker. This has eliminated the past need for ancillary workers and guiding processes, thus enabling our customers to make huge savings on labor costs and improving general safety.

The pinnacle of our safety innovations has birthed a fully automated operational system, known as the Autonomous Haulage System (AHS). This ingenious system has been fully-established in certain major mines in Australia and Chile, which involves the unmanned operation of giant dump trucks that carry over 300 tons of soil and minerals. The mine is an often harsh environment which requires constant vigilance and safety protocols, having multiple construction machines and vehicles that operate around the clock on a 24 hour basis. The AHS system utilizes cutting-edge technologies like satellite communication and various radars and sensors to create a useful system that meets this need in its entirety, responding to the diverse nature of our customer's safety requirements.

Despite these significant achievements, we are fully aware that there is always room for amelioration. We will continue to innovate and improve, furthering the evolution of such safety systems in order to realize the optimal safety environment that our customers require in their respective sites of operation.

Example of Safety Activities

Introducing “KomVision Human Detection & Collision Mitigation System” to the Japanese Market

Komatsu has launched hydraulic excavators*1 equipped with the in-house developed KomVision Human Detection & Collision Mitigation System as a standard feature for the first time in the industry in the Japanese market in 2020.

Komatsu has developed this system by upgrading the “KomVision” bird’s eye view camera system equipped with conventional models as standard in the Japanese market. The system recognizes humans around the excavator and prevents the motion of the excavator when the system detects people when the excavator starts to travel or swing. The system also stops the excavator when it detects humans while the excavator is traveling at slow speeds. With these functions, the system helps curb the possibility of collisions between the excavator and people.

This system comes standard on the PC200-11 model, which Komatsu began selling in December 2019. Concerning the conventional models already equipped with KomVision as a standard feature, customers can update the software and retrofit their existing machines*2. With this new system, Komatsu will continue to expand support for workplace safety as its goal. Komatsu will also this system standard in the future on other models*3, as it works to gather market needs and provide customer support in order to further advance its safety support system.

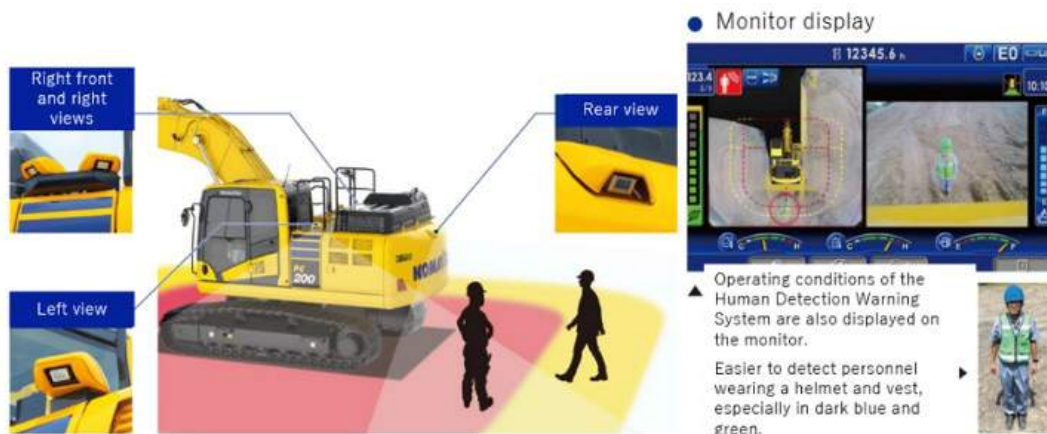


The PC200-11 equipped with KomVision Human Detection & Collision Mitigation System

[Human detection structure of KomVision]

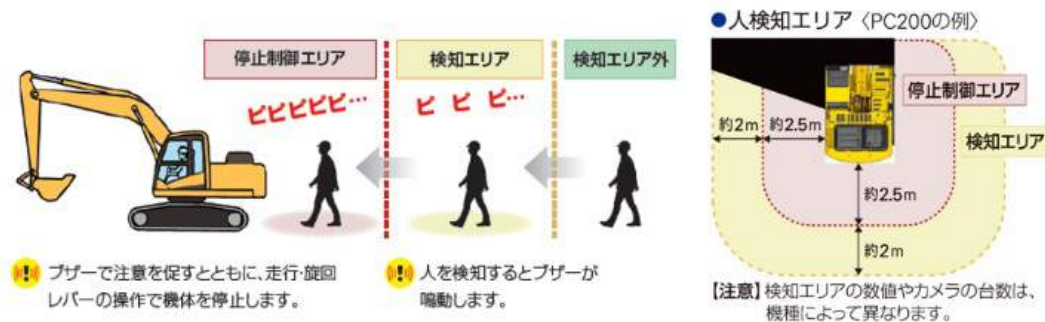
1.All-around machine monitoring with 4 cameras and a monitor

Four monocular cameras capture all-around views of the machine, which are shown on the monitor. The operator can select right, right front, left or rear views.



2. Alerting with buzzer and stopping the machine when people are detected

When human are detected inside the detection or stop-controlled area, the system not only displays markers (yellow or red circles) on the monitor, but also alerts the operator with a buzzer.



*1: Equipped as standard on the PC200/200LC-11, PC210/210LC-11

*2: Limited to the models equipped with KomVision for hydraulic excavators. Changing both cameras and software may be needed in some cases.

*3: Komatsu plans to make the system standard on 12 to 40-ton hydraulic excavators (equipped with KomVision) in Japan. Not applicable to some application-specific models (with a two-piece boom, super-long front boom, slide arm, etc.).

- This system is not a device designed to mitigate collisions or detect human under all conditions. There are limitations on the performance. Accidents are possible when the operator depends too heavily on the system or relies upon it in inappropriate situations. Never rely solely on this system to avoid collisions.
- Before using this system, be sure to read the operator's manual, and understand and use the system correctly.
- This system is not a device to prevent the operator from careless operations, such as operating while looking aside.
- This system does not stop the machine's operation when the machine is travelling or swinging at a high or medium speed, or when the work equipment is in operation.
- The system does not work when work-intended human are located in front or in the working area of work equipment or outside of camera-detectable areas.
- The system may not be able to correctly detect people, depending on the conditions of the detection-intended object (e.g., running, squatted, wearing clothes in colors and tones which are not distinguishable from the surroundings), the conditions of the cameras (something attached on the lens, foggy, etc.) and the conditions of worksites (bad weather, dark, against the light, at night, steamy and smokey, etc.).
- Ensure a safe working area around the machine first and then operate the machine, because the system might stop the machine suddenly and put the machine in unstable positions when it is engaged in lifting and traveling, working on steep slopes, or working on slippery surfaces or soft ground. Turn off this system before loading on or unloading from trailers, because the system might stop the machine suddenly, putting the machine in unstable positions.

Value Creation by means of Innovation

Value creation by means of innovation is one of three pillars of growth strategy in the mid-term management plan. As one of our focus efforts in this area, we engaged in automation, autonomous operation, electrification, and remote controlling of construction, mining and utility equipment (small machinery), while also working to realize digital transformation of construction through both physical aspects (increased automation and sophistication of construction machinery) and non-physical aspects (optimization of customers' construction operations), thereby realizing safe, highly productive, smart and clean workplaces of the future with customers. The Autonomous Haulage System (AHS) for unmanned dump truck operation has already launched in the market, and we have been strengthening it further. As of March 31, 2021, a cumulative total of 352 units are in operation. In addition to automation of mining front lines, we will also advance our building of optimization platforms, aiming to promote increased safety and optimization of operations for our customers in the mining sector. Furthermore, in November 2020, we conducted Japan's first successful joint proof of concept test with NTT DOCOMO INC. for remote operation of a large-scale ICT bulldozer, the D375Ai-8, for mining using a commercial 5th generation mobile telecommunication protocol (commercial 5G).



Remote operation of large-scale ICT bulldozer D375Ai-8 for mining using commercial 5G Left: Bulldozer located in Oita Prefecture Right: Remote control panel in Tokyo

In April 2020, we started to install “SMARTCONSTRUCTION Retrofit Kits” providing aftermarket ICT functions such as 3D machine guidance and payload measurement to conventional construction equipment already operating at construction sites in Japan. The kits can be installed on any hydraulic excavator (6-ton class and above), regardless of the model or manufacturer. From November 2020 onward, the scope of application has been extended to include mini excavators (under 6-ton class) and the kits have been introduced into the domestic market in Japan by installing them on the Komatsu Group's fleet of rental equipment with a view to promoting wider spread use going forward. The Komatsu Group will accelerate the digital transformation of construction sites.

Innovation in Recycling-Oriented Forestry - Contributing to the improvement of safety and productivity in forestry -

Komatsu regards forestry as an important industry that contributes towards the achievement of the SDGs. In forestry, it is important to contribute to realizing woodland management cycle of planting, cultivating and felling forests, and it is required to operate in a way that places due consideration on forest environments. Also, forestry poses challenges in terms of ensuring worker safety while heightening efficiency, given the industry's high rate of occupational accidents. Komatsu is promoting the visualization of the supply chain through the use of IoT and the provision of products in order to contribute to innovation in cyclical forestry.

In the realm of afforestation, we developed the automated tree planter, which is based on our D61 bulldozer, and rolled it out in the Brazilian market in December 2019. Capable of planting 900 trees per hour, the automated tree planter cuts labor hours by approximately 70% and makes it possible to mechanize the task of planting trees, otherwise done manually often in hot weather. The automated tree planter will also most likely contribute to sustainable development of Brazilian forestry, particularly given that it will streamline future plans for timber felling by making it possible to keep a record of where trees have been planted.

Moreover, in the area of timber felling and transport operations where most forestry-related occupational accidents tend to occur, we are making progress in developing and selling forestry equipment that enables harvesters to fell and transport timber located on hillsides without people having to descend to the forest floor. When it comes to equipment for felling and transporting timber within woodlands, we have developed an eight-wheel harvester which exerts lower ground pressure, thereby averting the possibility damaging tree roots.

We have furthermore been working on a smart-forestry concept that makes it possible to visually monitor forestry supply chains. In Japan, we have been using drones to conduct tree planting and growth management surveys including forestry resource quantity estimates. This has enabled us to reduce the labor hours needed for surveys for felling from around five people per hectare per day to one person per hectare per day. Moreover, by using ICT-equipped harvesters for processing and sorting logs, we have been able to reduce the labor hours needed from about 13 people per hectare per day to about 0.5 people per hectare per day. We are also focusing our efforts on developing applications that are capable of drawing on accumulated log processing and timber transport data of the LANDLOG open platform. We will furthermore contribute to streamlining operations in the future by sharing information with forestry business operators on lumber markets as well as lumber consumers.

Going forward, we hope to help promote cyclical forestry around the world by facilitating further safety and productivity improvements in forestry.



D61EM-23M0 automated tree planter



901XC eight-wheel ICT-equipped harvester

Quality and Reliability - Responsible Commitment to Customers -

Komatsu's commitment to quality and reliability is encapsulated within the fundamental principle of “Monozukuri” (manufacturing competitiveness). With this in mind, we are dedicated to maintaining a portfolio of first-class products—both hardware and software—that builds on customer satisfaction. Our basic managerial policies have a strong focus on customer-centricity, creating a manufacturing ecosystem that places customer satisfaction at the forefront of its priorities. We maintain the standards of quality that have become an integral part of our organizational culture through a continuous process of assessment and refinement that takes place across all areas of our production process.

Our quality management systems touch on a number of specific fields, such as the global environment, quality assurance, and the education and training of our personnel. We also evaluate our performance in these areas using a number of key performance indicators.

Our Principles (Komatsu's Principles that govern Quality Assurance)

Komatsu has established the following principles on quality in its products and services, which all subsidiaries and employees are responsible for putting into practice.

General Approach to Quality and Reliability

We provide customers with products, services, and systems that are considered to be environment friendly, safe, and innovative.

Definition of Quality Assurance

The company has a responsibility to take actions that will ensure it is able to provide products and services that the customer can purchase and use with a sense of assurance and satisfaction and use for many years to come.

Principles Governing Quality Assurance

1. Putting customers first, being receptive to the views of the customer, and responding appropriately to the customer, thereby earning the customer's satisfaction, are fundamental to the job of every employee and constitute the responsibility of every employee.
2. Complying with international standards and the legal requirements particular to individual countries as a matter of course, and providing products and services that, from the perspective of the customer, have incorporated proper regard for safety and a sense of assurance and that do not easily malfunction, are fundamental to the job of every employee and constitute the responsibility of every employee.
3. Providing products and services that incorporate proper regard for global environmental conservation is fundamental to the job of every employee and constitute the responsibility of every employee.
4. Providing products and services that are creative and provide benefits to the customer is fundamental to the job of every employee and constitute the responsibility of every employee.
5. Giving the customer a sense of safety, assurance, satisfaction, and the ability to use the product for many years to come is a source of happiness for every employee.

Mechanisms for Quality Assurance

Komatsu employees across all areas of our operations, from product planning to development, manufacturing, sales, and after-sales service, work together as a single cohesive unit to ensure that the products we develop are safe, innovative, and of high quality. Our unique “monozukuri” system enables the creation and subsequent introduction of highly competitive DANTOTSU products into the market, whilst maintaining our significant competitive advantage through goods and services with a wide array of substantial features.

Keeping in line with our commitment to product quality and innovation, a variety of meetings are held at each stage of the development and manufacturing process in order to ensure that our offerings are of the highest possible quality. Through this meticulous step-by-step process, the product's features are enhanced and refined until it meets the high standards that we adhere to.

Through such approaches, the company is able to strengthen safety assurance and satisfaction for customers while simultaneously providing products and services that take the global environment into account and comply with both international specifications and the regulatory requirements of individual countries.



Structure for Quality Assurance

The majority of Komatsu's product portfolio is made up of manufacturing equipment (construction and mining equipment, presses, and forklifts) that lend value to customer enterprises through enhanced rates of operation and productivity. In order to ensure optimal user experience, Komatsu sales agents engage with customers on both a pre-sale and post-sale basis to provide advice, conduct maintenance, and collect feedback. This collated information is then related back to the relevant Komatsu divisions for evaluation and, if it should be needed, subsequent follow-ups or remedial actions.

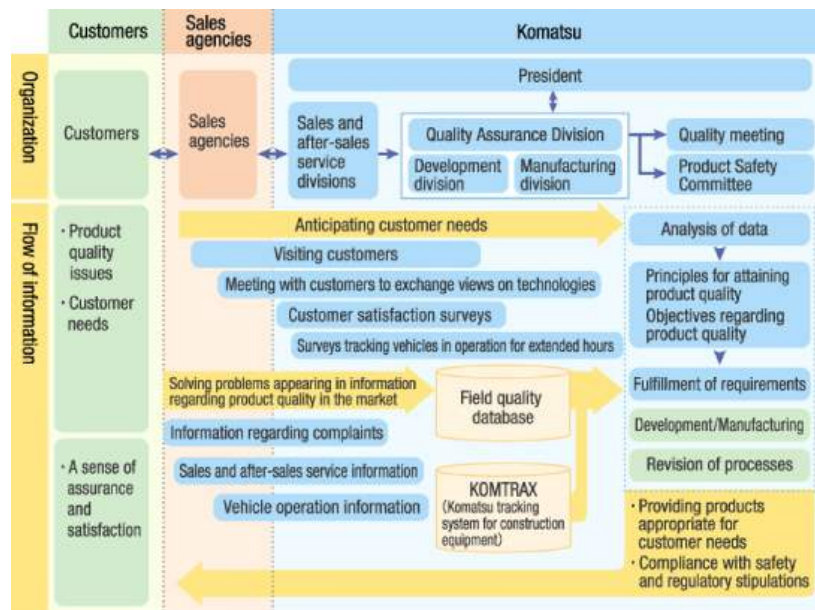
Komatsu also maintains comprehensive databases on market information regarding product quality. Company sales staff are able to utilize this wealth of information to ensure the rapid resolution of quality-related issues, should they be raised.

Increasing the Degree of Customer Satisfaction

In accordance with our Principles that Governing Quality Assurance, Komatsu has introduced a range of initiatives that deal explicitly with increasing customer satisfaction.

We take customer response seriously, and have implemented rigorous feedback mechanisms in order to give due consideration to the views of our consumers. Utilizing regular customer satisfaction and post-launch field surveys, we acquire and collate copious amounts of data. The results from these assessments are used by our analysts to improve upon not only our product quality, but our quality assurance frameworks as well. The surveys help furnish new value to customers as the company develops DANTOTSU products that anticipate customer needs in advance and delivers services with distinct features.

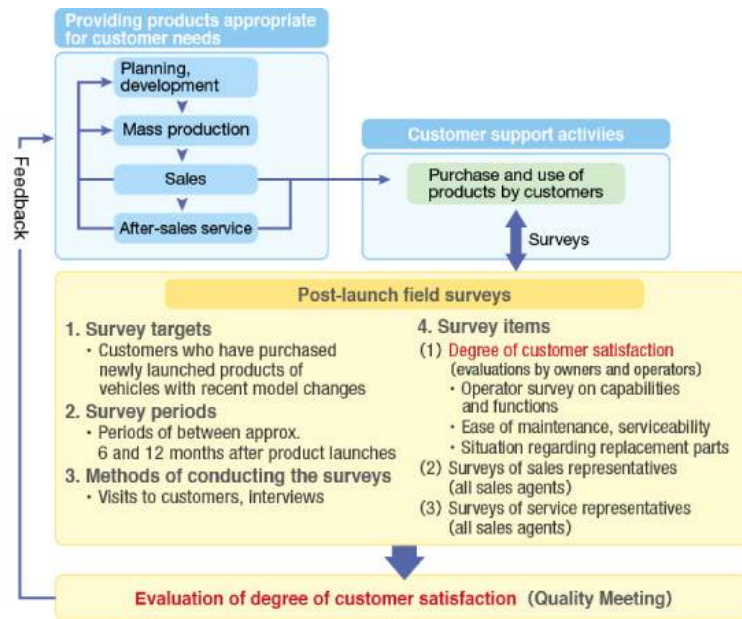
Komatsu is able to raise the level of customer satisfaction through the following approaches.



Post-launch Field Surveys and Feedback of Results

Komatsu's post-launch field surveys are a core component of our customer satisfaction assurance framework, conducted by our employees who visit purchasers of our newly developed products in order to acquire important data regarding product evaluation.

These personnel listen to customer feedback, taking input on all aspects of the product in order to report back to the relevant Komatsu divisions. After careful assessment of operational feedback and customer requests pertaining to service and replacement parts, we process the data into quantified objectives for improvement. The data is also disseminated to all levels of the company in order to ensure an effective understanding of customer needs and potential areas for advancement. With these systems in place, we are able to consistently deliver products and services that generate optimal levels of customer satisfaction.



Tracking Vehicles with Extended Hours of Operation*

Keeping in accordance with our commitment for pursuing product durability and reliability, we track our product vehicles that have seen lengthy periods of operational service. By storing this information, Komatsu is able to predict potential issues with product usability and respond promptly to requests for servicing and other maintenance concerns. In addition to this, we utilize a remote management system named “KOMTRAX PLUS” to monitor equipment operating conditions, allowing us to ensure continued product stability in terms of durability, efficiency, and functionality. Through these assessment systems, we are able to analyze customer expectations and satisfaction in relation to our product quality objectives. Should there be a failure to meet these objectives, Komatsu designs carefully evaluated proposals to rectify problematic areas, later integrating any effective measures into product revisions or development. This process increases product durability and reliability and thus extends product lifecycles, leading to greater customer satisfaction and an overall decrease in resource consumption and waste production.

* Defined as vehicles with an operating history of 5,000 hours or more

Using ICT to Support Customers throughout the Product Life Cycle

Komatsu uses ICT-based remote vehicle management systems in order to track the current status of a vehicle's “health”, its operating status, and other relevant information metrics. The Komatsu Tracking System (KOMTRAX) is used for conventional construction equipment, while the Komatsu Tracking System Plus (KOMTRAX Plus) is used in relation with larger mining equipment.

Quality Assurance Activities at the Global Level

By fully implementing our quality assurance systems on a global level, Komatsu is able to ensure that its products meet a standardized level of high quality across all countries of operation. Regardless of geographical location, our products are subject to strict, uniform standards in relation to technical drawings, manufacturing systems, inspection methods, information collection, and quality management.

Komatsu has a number of manufacturing facilities that it refers to as “mother plants”. These plants have product development capabilities and serve as the central hub for global product development initiatives using cutting-edge technologies and techniques. Any form of progress or advancement that is conceived at a “mother plant” is immediately disseminated to other Komatsu manufacturing locations around the world, creating a uniform ecosystem that promotes technological development and enhances product quality.

Standards for Product Safety

Safety and customer trust are at the forefront of all our quality assurance activities. In line with this dedication, Komatsu has formulated a number of Product Safety Standards and associated principles that all employees are expected to comply with in the execution of their duties. This enables us to live up to our established reputation by delivering products that exceed customer expectations in terms of safety, quality, and longevity.

Information System for Product Safety and Services

While we have utmost confidence in the safety of our products, Komatsu is nonetheless aware of the fact that potential issues could arise in the course of their usage. In order to facilitate a rapid response to any problems that occur, we have established an information system that deals exclusively with product safety concerns.

The system executes a consistent process of education and refinement, making constant improvements and allowing employees at all levels to respond quickly to problems without delay. Using the system, personnel are able to (1) assess the cause of the accident and subsequent procedures to be taken, (2) contact the relevant governing authorities, and (3) decide the best course of action in terms of remedial measures, such as product recalls.

Standards for Product Safety

1. Compliance

The provision of products and services that comply with international standards and the legal requirements particular to individual countries is fundamental to the job of every employee and constitutes the responsibility of every employee.

2. Safety via prevention

The provision of products and services that are safe and provide a sense of assurance, and do no harm to the customer is fundamental to the job of every employee and constitutes the responsibility of every employee.

3. Security regarding accidents

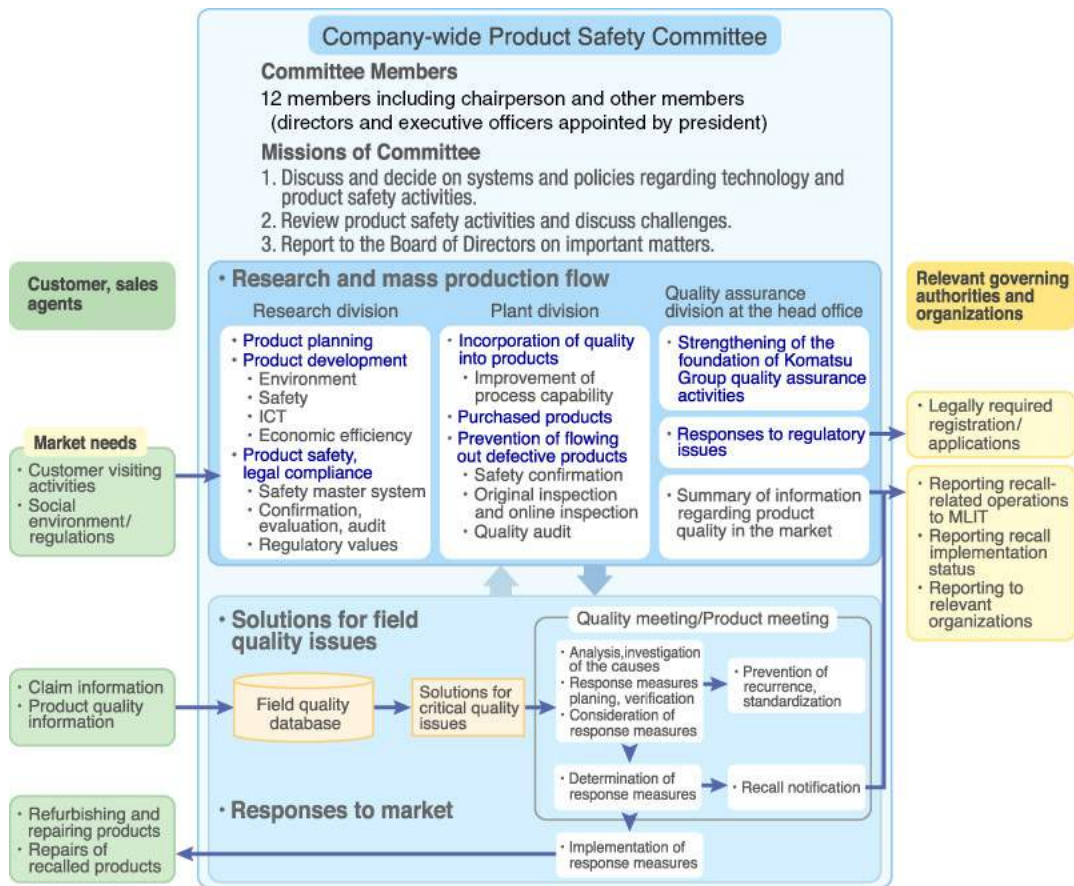
The provision of products and services that minimize any injury that might occur to a customer who has an accident is fundamental to the job of every employee and constitutes the responsibility of every employee.

4. Transparency

The ongoing provision of advance safety warnings after receiving information from the customer and, in the case of a defect arising in a product or service, prompt response measures and the provision of information, are fundamental to the job of every employee and constitute the responsibility of every employee.

5. Improvement of organizational culture

In order to create a corporate culture in which product safety is emphasized, the standardization of the safety management system and safety techniques as well as ongoing efforts to improve them are at all times fundamental to the job of every employee and constitute the responsibility of every employee.



Providing Product Safety Information to Customers

Komatsu meets legal requirements for the provision of safety information through (1) direct indication of information on products or in user manuals, (2) direct explanations by pre-sale and post-sale service personnel, and (3) telephone consultations with pre-sale and post-sale service divisions. In addition to this, we provide further engagement on a case-by-case basis, with engineers or upper-management visiting customers when necessary.

System for Dealing with Recalls

We have noticed a paradigm shift in customer concerns in recent years, with a greater focus on product safety and recalls. To meet these new expectations and ensure product safety in our markets, Komatsu is reinforcing its recall-related organizational strength, comprehensive response capabilities, procedures for prompt corrective measures, and proactive information disclosure whilst conducting increasingly rigorous monitoring activities.

■ Procedure regarding recalls

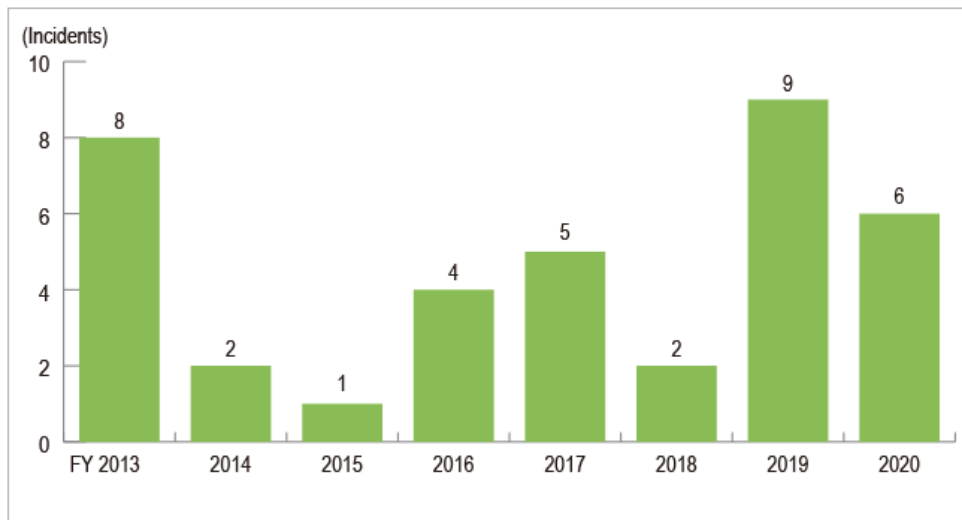
1. Proposal for rectification of the situation based on information regarding the defect; decision regarding what measures the company will take toward the market
2. File a notice with relevant authorities as provided under the law
3. Inform customers through appropriate channels
4. Take appropriate corrective measures including, for example, repairs, replacements, or refunds

■ System to deal with recalls appropriately

1. Strengthening of information collecting systems on product quality in the market
2. Promotion of technical verification of the problem involved in the recall and timely decision making
3. Regular auditing of recall-related operations

Komatsu strictly oversees compliance with legal requirements. Should a defect be found in its products or services, the company initiates prompt correction measures and moves forward with proactive information disclosure. The graph below indicates the number of incidents in which recall notices were filed. The company will continue to pursue safety to the greatest extent possible in the years to come.

Number of Incidents with Recall Notices Filed (including utility equipment products sold in Japan)



Relationship between Business Activities and the Environment

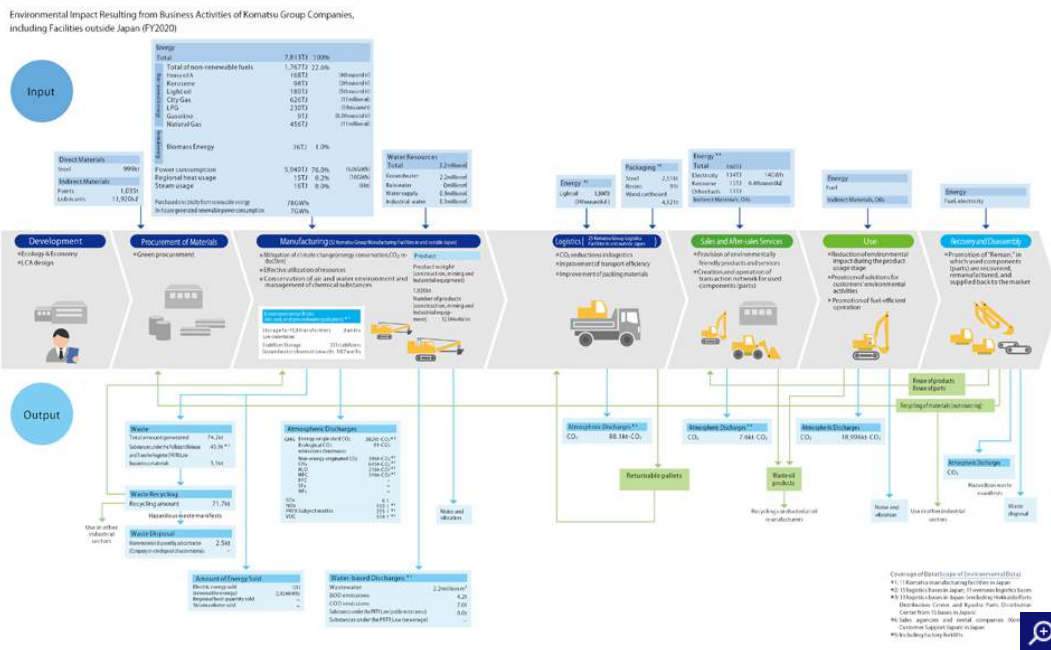
Inputs and outputs in the product life cycle

The Komatsu Group procures various parts and materials and, through the manufacturing process, utilizes the earth's resources, including raw materials, water, energy, and chemical substances, among others, to provide products to customers. Such business activities have the potential to impact the environment at each stage in the process.

The Komatsu Group will continue to provide high value-added products and services while assessing the environmental impacts resulting from its business activities, formulating medium- and long-term objectives, and introducing measures to reduce such impacts.

Environmental Impact Resulting from Business Activities of Komatsu Group Companies, including Facilities outside Japan (FY2020)

Independent Practitioner's Assurance

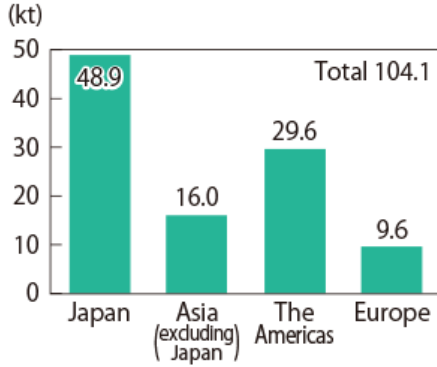


Environmental Impact Resulting from Business Activities of Komatsu Group Companies, including Facilities outside Japan (FY2020) (528KB)

Environmental Impact Indicators by Region

Scope1 : CO₂ emitted directly by manufacturing facilities

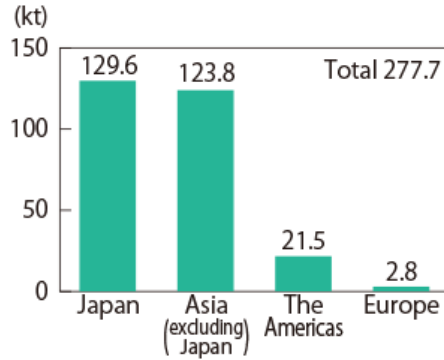
Independent Practitioner's Assurance



(by using generators, boilers, etc.)

Scope2: CO₂ emitted indirectly by manufacturing facilities

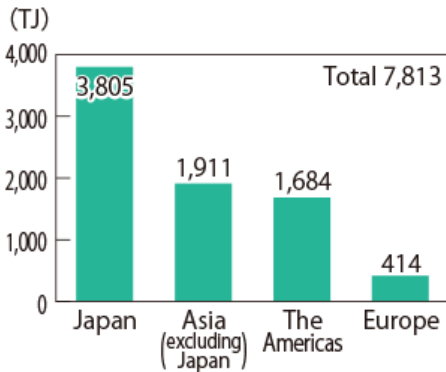
Independent Practitioner's Assurance



(by purchasing electricity, steam and hot water)

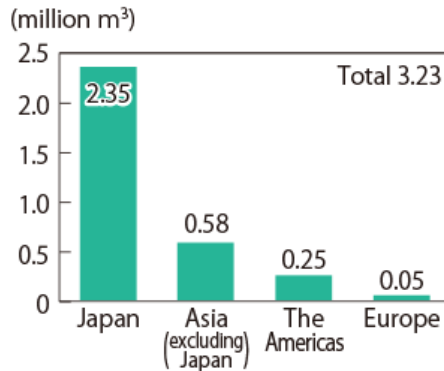
Energy

Independent Practitioner's Assurance



Water Resources

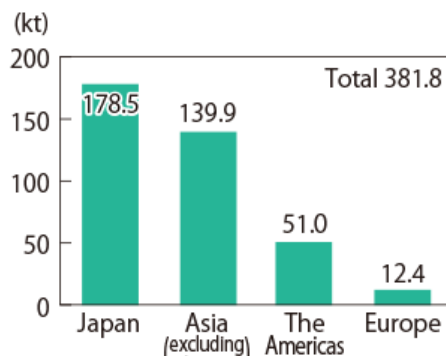
Independent Practitioner's Assurance



CO₂ (Scope1 and Scope2)

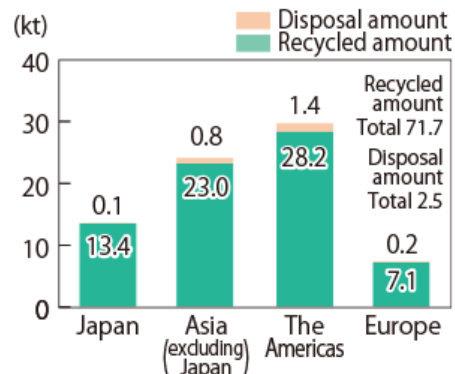


Independent Practitioner's Assurance



Waste

Independent Practitioner's Assurance



Climate Change

Mitigating Climate Change through Products and Service

Reducing CO₂ Emissions from Construction Equipment

The main bulk of CO₂ emissions produced throughout the lifecycle of our construction equipment is centered on product operation, during which approximately 90% of emissions are produced. We have acknowledged this fact, and are working to reduce these operational emissions through three different initiatives: “Dantotsu Products”, “Dantotsu Service”, and “Dantotsu Solutions”.

Step1: Reduction of CO₂ Emissions through Dantotsu Products

We provide products which have been designed to operate with great fuel efficiency while reducing gross CO₂ emissions. Komatsu pioneered the creation and introduction of the hybrid hydraulic excavator, marked as the first of its kind to be introduced into the market.

These hybrid construction machines have been certified by the Ministry of Land, Infrastructure, Transport and Tourism of Japan as a “Low Carbon Type Construction Equipment.”

As of April 2021, a total of 16 of our hybrid models have received such certification, such as the HB215-3, HB205-3, HB335-3, and HB365-3.

In addition to this, another 23 of our product models (including the bulldozer D71PX-24, the hydraulic excavator PC78US-11, the wheel loader WA150-8) have been certified to meet the Ministry of Land, Infrastructure, Transport and Tourism's “Construction Machines Fulfilling Fuel Economy Standards” signifying these products as construction equipment with great fuel efficiency.



HB335-3

Step2: Reduction of CO₂ Emission by Products through Dantotsu Service (KOMTRAX)

The Komatsu Tracking System “KOMTRAX” is a system developed by Komatsu that automatically gathers the operational information/health information of our construction vehicles that operate all over the world, making it possible to then monitor/manage/analyze the vehicles remotely. Information with regards to operation times, fuel consumption, and other such relevant data is communicated to our customers via the internet, which is then analyzed to create opportunities for improvement. This enhanced operational efficiency helps to reduce fuel consumption, which results in a reduction in overall CO₂ emissions.



Step3: Reduction of CO₂ Emissions for Overall Construction Work through Dantotsu Solutions (SMART CONSTRUCTION using ICT Construction Equipment)

In 2013, Komatsu introduced the world’s first automatic blade control ICT bulldozer, D61PXi-23, to the North American, European, and Japanese markets. Following this, in 2014, Komatsu developed and released a hydraulic excavator with semiautomatic control functions (PC210LCi-10 for North America and Europe, and PC200i-10 for Japan). Preliminary calculations based on in-house testing were promising, with construction data for ICT hydraulic excavators showing that fore-slope shaping work using the PC200i-10 resulted in an approximate reduction of 30% in fuel consumption. In addition, the same testing showed that ICT bulldozers (like the D61DXi-23) used in land preparation work resulted in an approximate reduction of 25% in fuel consumption. Our testing with hydraulic excavators also showcased a significant decrease in CO₂ emissions.

To consolidate our efforts in this sector, Komatsu is implementing “SMART Construction”, a system that uses ICT-type construction machines alongside drones and 3D scanners to take real-time topography measurements. This initiative helps showcase the efficiency of our machines by recording progress in construction sites and other relevant performance indicators.

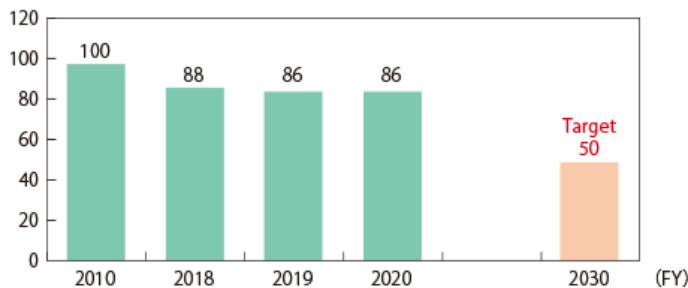
Reducing CO₂ Emissions from Product Operation

Komatsu has set the target of reducing the CO₂ emissions from the operation of products (construction, mine, and forestry equipment) by 50% by FY2030 (compared to FY2010).

To evaluate progress toward this goal, we compared the performance of the current year’s products to the products of the reference year (FY2010) and estimated CO₂ reductions through the improvement of fuel consumption and work efficiency. The products of FY2020 achieved a CO₂ reduction of 14%, compared to the reference year.

CO₂ emission index for product operations

Independent Practitioner's Assurance



The PC1250-11R Large Hydraulic Excavator Featuring Excellent Productivity and Fuel Efficiency

In December 2020, Komatsu launched the PC1250-11R, a large hydraulic excavator that incorporates the latest technologies. Equipped with a new engine that was developed in-house, this launch signifies a transition to a new model of Komatsu 120-ton hydraulic excavator that inherits its core performance and strength on the market from its predecessor, the PC1250-8, while also achieving improvements in fuel efficiency, safety and ICT features such as KOMTRAX Plus, in addition to greater productivity and safety. The introduction of a new engine increases the power output of the excavator's engine. The work modes include the conventional Power (P) and Economy (E) modes, and the excavator also includes a new Power Plus (P+) mode, which is suitable for high-load operations. This increases the excavator's productivity (workload) by 8% over the previous models in the P mode. The engine's fuel efficiency has been improved, along with a reduction of the losses in the hydraulic circuit and the incorporation of a highly efficient cooling system and an automatic idling stop function. This has led to a 6% improvement in fuel efficiency versus conventional models even when used in Power (P) mode. The PC1250-11R is equipped with the KomVision camera system enabling multi-directional visibility around the machine to increase safety and comfort for operators in harsh stone crushing and mining worksites. Hydraulic stairway is also available as a new optional feature.



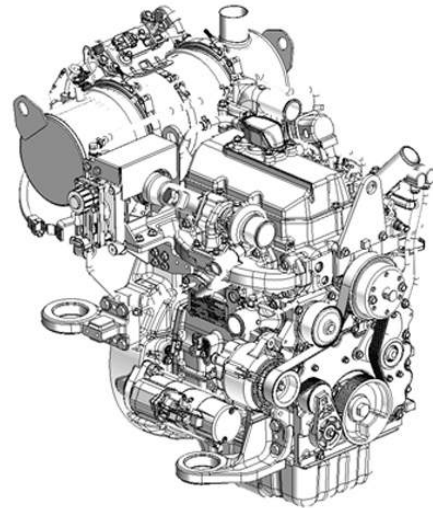
PC1250-11R

Development of the 3D95 Engine for PC78US-11/PC88MR-11 - New Engine Significantly Improves Environmental Performance -

Komatsu has brought PC78US-11/PC88MR-11, a new seven-ton-class small hydraulic excavator to market. This high performance, highly functional and fuel efficient vehicle is equipped with an all new, high-performance 3D95 engine. Developed in-house for the first time in 35 years, this engine significantly improves vehicle performance. The 3D95 engine complies with the latest exhaust gas regulations imposed in Japan, the United States and Europe. Further, it enables the vehicle to achieve dramatic fuel efficiency and reduced CO2 emissions through the 8% reduction of fuel consumption at its rated output versus conventional engines. The smaller size of the engine helps decrease the number of components by 27%. The creation of a maintenance free exhaust gas aftertreatment device that requires no cleaning in Japan and the United States and significantly extends the cleaning interval in Europe contributes to the reduction of the environmental impact of the engines throughout their lifecycles. We also conduct more than 10,000 hours of tests to ensure the superior quality and reliability that Komatsu engines have traditionally been known for. The machine's downtime has also been reduced to increase the productivity of worksites where they operate.



PC78US-11



The new 3D95 engine

Reducing CO₂ Emissions in Manufacturing Operations

As a part of our efforts to mitigate climate change, Komatsu aims to proactively reduce the amount of CO₂ emissions per unit, using CO₂ emissions per unit of manufacturing value as our main indicator for the amount of electricity, gas, oil and other types of energy used in research/development at our offices and in manufacturing operations.

In FY2019, we set new mid- and long-term objectives globally and have been promoting improvement activities.

Until the third quarter of FY2020, production decreased both in Japan and overseas due to decreasing demand for construction/mine machinery and COVID-19, resulting in a decrease in CO₂ emissions. Despite this, the sharp expansion of production in the fourth quarter led to a slight increase in the unit per internal manufacturing value versus the previous year.

Thanks to energy-saving activities in casting and forging processes, which emit a lot of CO₂, new solar power plants, and green electricity purchases, the CO₂ emission intensity per internal manufacturing value was reduced 33%, compared to FY2010, which achieved the FY2020 objective of a 31% reduction.

In addition, the usage rate of renewable energy increased to 13%, achieving the FY2020 objective (12% or higher) due to purchases of green electricity mainly in Europe and the U.S.

We aim to reduce CO₂ emission intensity in FY2021 and later, focusing on the CO₂ emission reduction project for casting and forging processes.

Item	FY2019	FY2020	Target of FY2030
CO ₂ Emissions Basic Unit (compared FY2010)	67	67	50
The rate of renewable energy use	11%	13%	50%



Major Achievements in the previous fiscal year

Japan

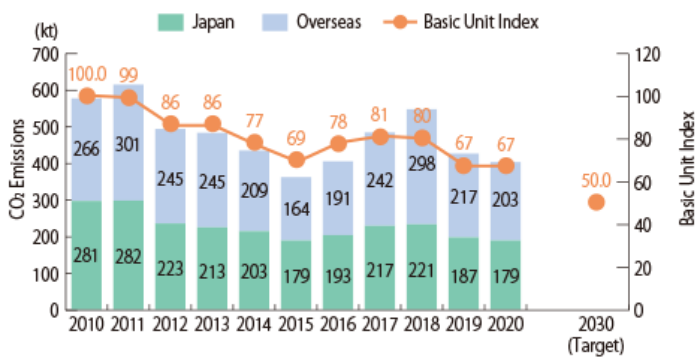
- Saving energy by renovating component plants
- Addition of new biomass boilers

Overseas

- Increased purchasing of green electricity
- Saving energy by optimizing melting furnace operations

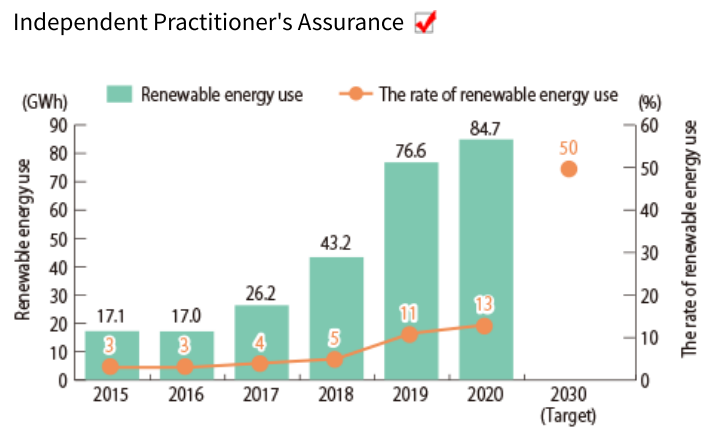
CO₂ emissions, energy indicators in production activities

CO₂ Emissions Independent Practitioner's Assurance

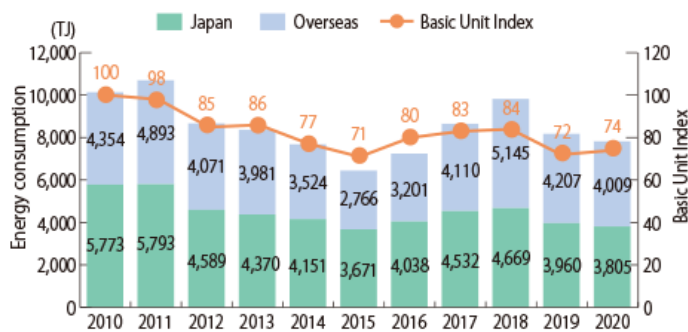


Note: Partially revised as a result of revisions to past data.

The amount and ratio of renewable energy Independent Practitioner's Assurance



Energy consumption Independent Practitioner's Assurance



Reducing CO₂ Emissions Using Biomass and Contributing to Local Forestry (Ibaraki Plant)

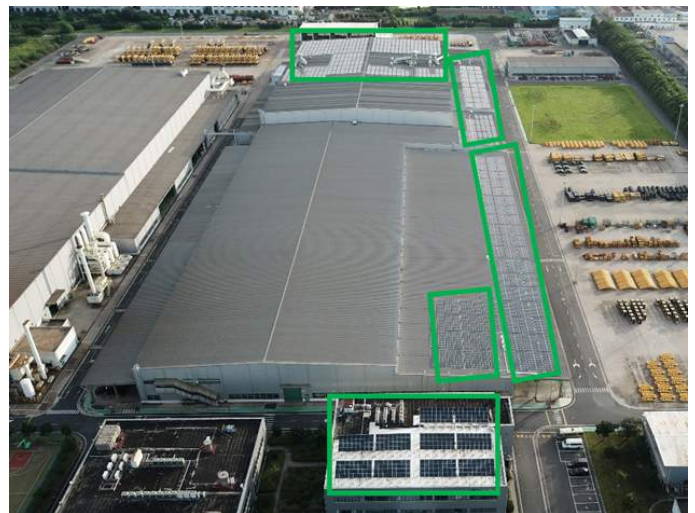
Komatsu is also introducing renewable energy with the goal of reducing CO₂ emissions. In 2015, a biomass cogeneration system began operating fully at the Awazu Plant in collaboration with the local forestry cooperative. After that, in 2020, the Ibaraki Plant also started using biomass in its biomass boiler that uses high-quality wooden chips with lower water content. The heat obtained from combustion is used to control the air temperature at welding worksites. By doing this, the plant has shifted from conventional, electricity-based air temperature control and reduced CO₂ emissions by about 138 tons a year. The plant partners with the Ibaraki Pref. Federation of Forest Owners' Co-operative Association for the wood chips that it uses, utilizing the prefecture's underutilized timber from forest thinning. This is a sustainable business practice that helps revitalize the local forestry industry. Going forward, the plant is planning to introduce a power generation facility that uses biomass gasification to further reduce CO₂ emissions. This will involve obtaining fuel by gasifying the wooden chips to generate power. In this way, the plant will stimulate the utilization of local forest resources and increase the percentage of renewable energy in its production activities as it pushes forward with efforts to reduce CO₂ emissions and address ESG issues at the same time.



Ibaraki Plant biomass boiler

Reducing CO₂ Emissions Through Photovoltaic Power Generation (KCCM in China)

About 88% of the CO₂ emissions from the Komatsu (Changzhou) Construction Machinery Corp. (KCCM) plant in China are from the consumption of electric power. KCCM continues its power conservation efforts and believes that the introduction of renewable energy is a mid- and long-term priority activity for the reduction of CO₂ emissions. KCCM requested a specialist to calculate the strength of its plant's roof and has implemented five projects to install 3.2-megawatt photovoltaic power generation systems from 2019 to 2021. In 2020, the plant completed the installation of equipment at three facilities capable of generating a total of 1.6 MW. The three facilities began generating power in January, May, and October. As of March 2021, a total of about 1,010 MWh has been generated since the facilities began operating in January 2020. In FY2020, about 13% of all electricity consumed by the plant was generated by photovoltaic power generators, contributing to significant reduction of CO₂ emissions. KCCM will install an additional 1.6-megawatt photovoltaic power generation facility and continue to encourage the use of renewable energy.



Photovoltaic power generation equipment installed on the roof of the KCCM plant in China

Reduction CO₂ Emissions in Logistics

CO₂ Emissions Reduction Conditions in Global Transport

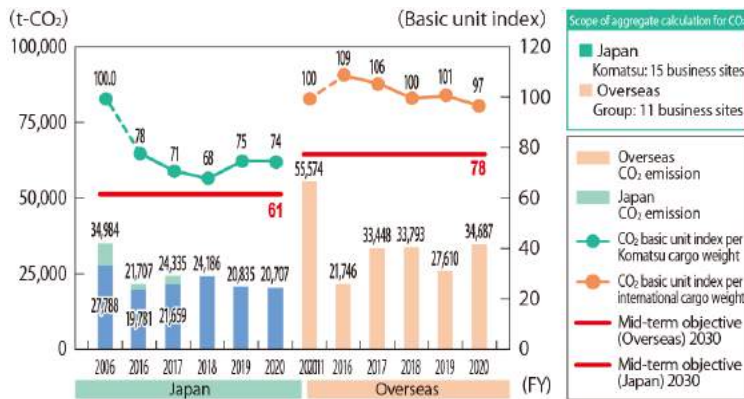
(Basic Unit of CO₂ Emissions per Cargo Weight: kg-CO₂/ton)

Domestically, we have continued to focus on reducing transportation distance by increasing the utilization rate of Kanazawa and Hitachi Naka Ports (which are located adjacent to manufacturing plants), as well as improving long distance and overland transportation through the use of coastal vessels and railways (modal shift). In FY2020, these efforts led to an improvement in the basic unit index (CO₂ emission intensity per workload) of 1.5% versus FY2019.

Overseas, we had a 3.6% improvement versus FY2019 as the modal shift progressed well in North America.

CO₂ Emissions in Transport

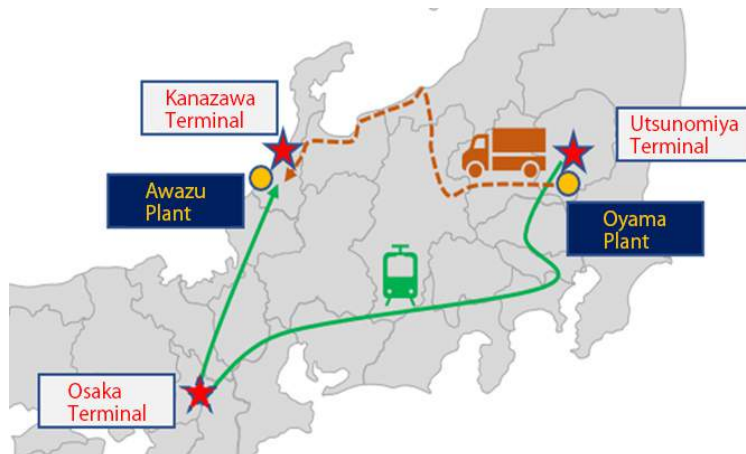
Independent Practitioner's Assurance



* A basic unit index is an index relative to the CO₂ emissions per cargo weight in a reference year (2006 for Japan, 2011 for Overseas) as 100.

Improvement of CO₂ Emissions from Domestic Transportation Accelerating the Modal Shift Through the Use of JR Freight for Interplant Transportation

Komatsu strongly promotes the modal shift. This fiscal year, we reviewed the way components are sent from the Oyama Plant to the Awazu Plant. We resumed JR freight transportation (Utsunomiya Terminal → Osaka Terminal → Kanazawa Terminal), which we expect will substantially reduce the burdens on truck drivers and significantly reduce CO₂ emissions. Consequently, about 35% of the components bound for Awazu have been switched to transportation via JR freight by the end of the fiscal year. This led to a 421 tons/year reduction of CO₂ emissions and emissions from domestic transportation were reduced by 2.1%.

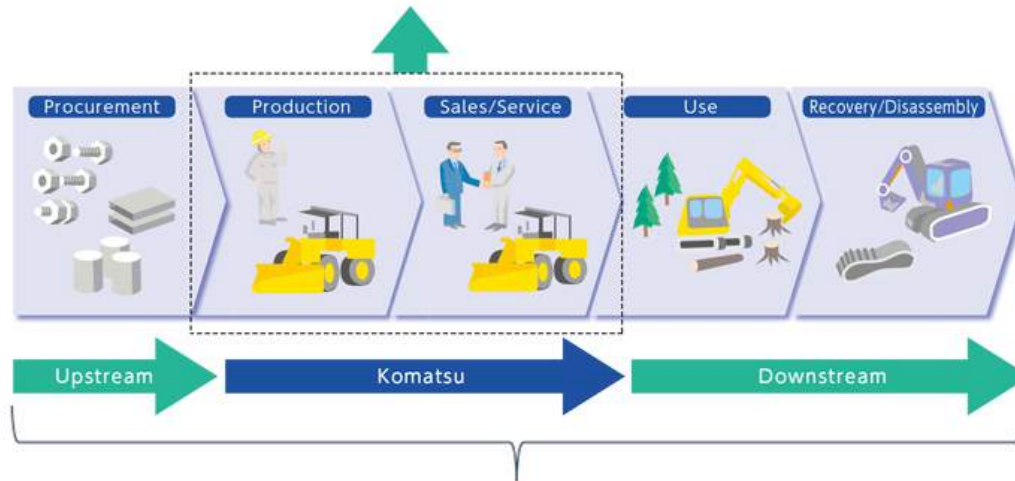


Amount of CO₂ Emissions by Scope 3

In addition to CO₂ emissions from production / sales / service etc., Komatsu aims to collate data regarding CO₂ emissions from our entire supply chain, and reduce CO₂ emissions. For that purpose, Scope 3 CO₂ emissions are calculated each year.

Scope1:CO₂ directly discharged from Komatsu (e.g. CO₂ emissions during fuel combustion)

Scope2:Indirect emissions of CO₂ due to energy use in Komatsu (e.g. CO₂ emissions produced at power generation due to use of purchased electricity)



Scope3:Other indirect CO₂ emissions

(Example) Upstream: CO₂ etc. generated during manufacturing of purchased items

Komatsu: Transportation • CO₂ emissions occurring during commuting, business trips etc.

Downstream: CO₂ emissions produced when using products, such as construction machinery

From live data gathered by KOMTRAX, Komatsu has gained perspective on the amount of CO₂ emissions (Scope 3 Category 11) produced by our products manufactured in reported fiscal year in operation world-wide.

The calculation was performed as follows.

Calculation of Emissions from Customer Use

(1) Calculate the following by each model

CO₂ emissions over the life of each model

$$= (\text{Production Volume for reported fiscal year}) \times (\text{Fuel Consumption; L/kWh}) \times (\text{Engine Output; kW}) \times (\text{Engine Life; as product life; h}) \times (\text{CO}_2 \text{ Conversion Factor})$$

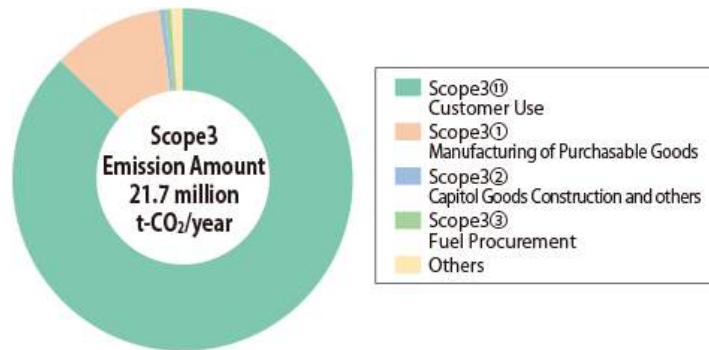
※Data for fuel consumption (L/KWh) was collected using KOMTRAX as a representative model.

(2) Total these values, calculated for each model in (1) above

For others, including the 14 remaining categories, general CO₂ emissions was calculated. The result is shown in the pie chart below.

(Amount of CO₂ Emissions by Scope3)

Independent Practitioner's Assurance



- *1 LCA refers to the environmental impact assessment method for individual products at each stage, from manufacture, transportation, sale, use, disposal, to reuse
 - *2 Scope 1 refers to direct CO₂ emissions by operators (ex: fuel consumption)
 - *3 Scope 2 refers to indirect CO₂ emissions by operators (ex: power purchase)
 - *4 Scope 3 refers to CO₂ emissions by operators from within our supply chain (ex: emissions of product during operation, emissions from suppliers, transportation, business trips and commuting)
- * Calculating each category, the amount was calculated domestically and overseas. The amount of category (4): "Upstream Transportation disposal" was total of domestic and a part of overseas. In category (3): "Fuel Procurement", a part of data in overseas was estimated. The amount of category (13): "Downstream Leased Assets Operation" was included in category (11).

As evident from the results above, emissions during product use make up approximately 90% of total emissions.

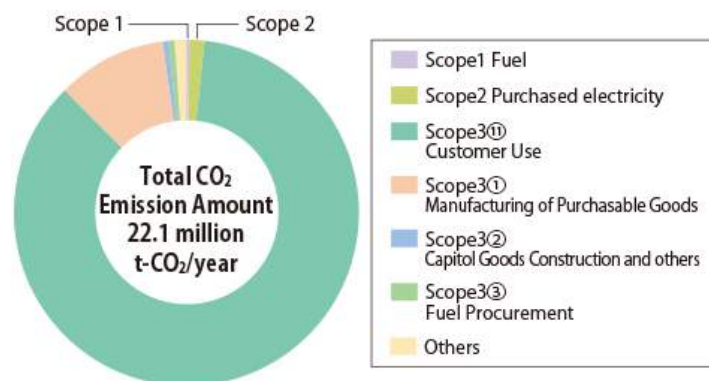
From this, we can see that fuel-efficient products have a significant effect on reducing CO₂ emissions.

Komatsu is committed to developing hybrid construction machinery (improving fuel efficiency by 25%) and DANTOTSU products (over 10% improvement in fuel efficiency). In addition to this, we are accelerating the development and implementation of our ICT-based SMART CONSTRUCTION business.

In addition, the results of our assessments regarding LCA * 1 (Life Cycle Assessment) can be found in the pie chart below.

«Reference» Pie Chart of Scope1, 2, 3

Independent Practitioner's Assurance





Our Challenge to establish Recycling-based Society

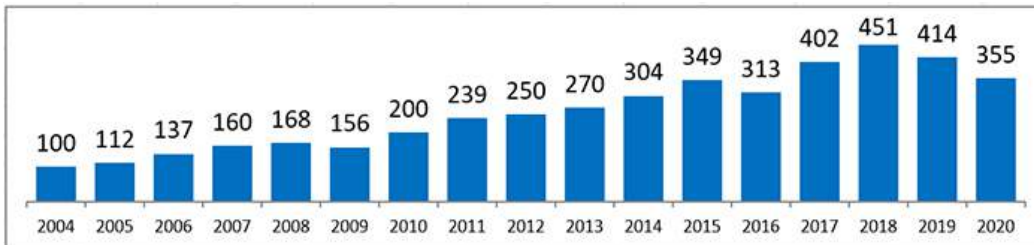
Development of our “Reman” Remanufacturing Business

Our “Reman” business involves the remanufacturing of used engines, transmissions, and other key components of construction and mining equipment into “Remanned” components. After confirming that these remanufactured parts are possessed of the same quality as newly manufactured components, we inject them back into the market. We currently promote the “Reman business at 14 “Reman” Centers worldwide.

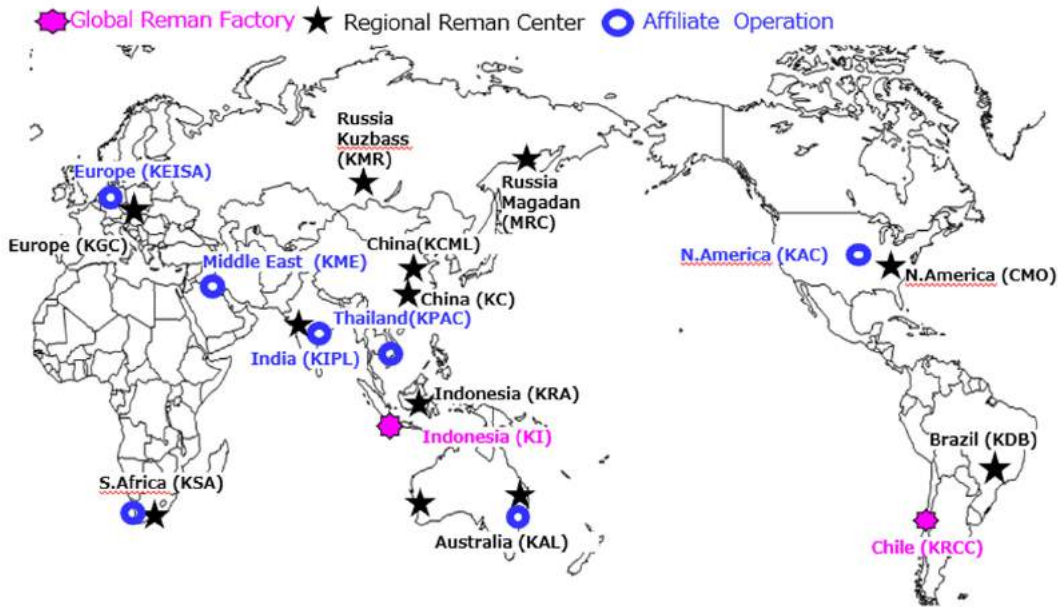
We have established the Reman-Net, which connects Reman centers with one another, and K-WINS, which shares Reman technological information, and are actively using them for the global expansion of Reman operations and reuse/recycling. In addition, by using IC tags and two-dimensional codes, we manage the recycling history of remanned components to control quality and obtain durability data, and then provide feedback that is important for Komatsu to develop components with optimal lifespans.

- Quality and performance that matches new components
- Lower cost for "remanned" components
- Reduced idle time for construction equipment because of adequate inventory of "remanned" components
- Resource conservation and waste reduction through reuse and recycling of components

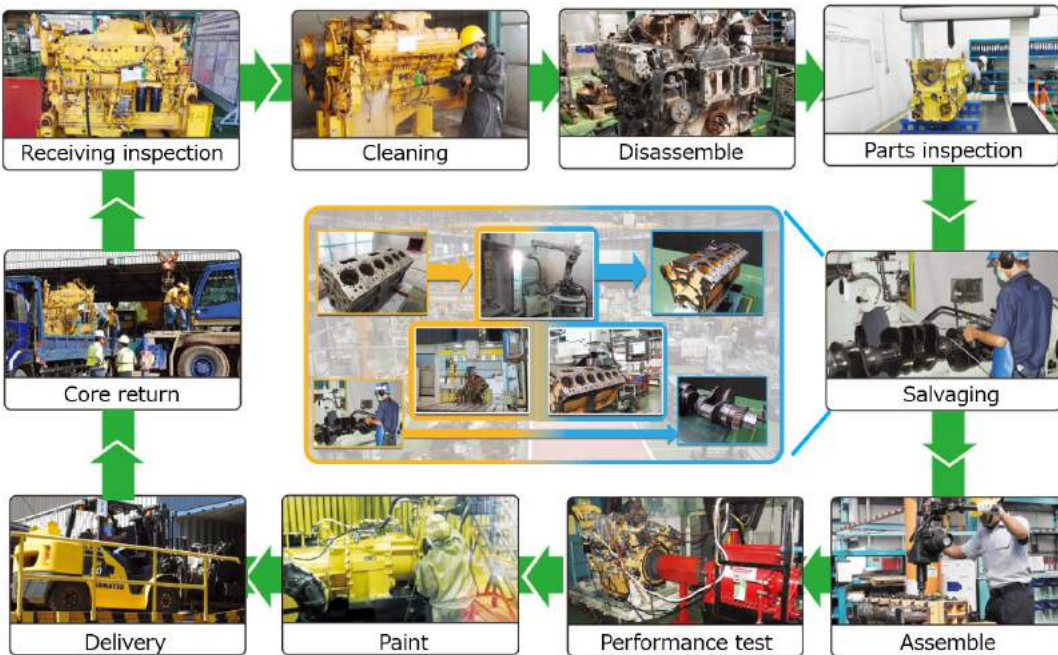
Changes in Reman Sales (base FY2004 = 100)



Reman Factories and Centers map



Reman Process



Reman Advances Resource Recycling - A New Reman Plant Opens in South Africa to Strengthen Komatsu's Recycled Components Business -

Komatsu opened a new Reman (remanufacturing) plant on the head office campus of Komatsu Africa Holdings (Pty)* in Johannesburg, South Africa. The plant will be a central hub for Reman's remanufacturing business in Southern Africa and will provide high-quality, efficient recycled components to customers in the region. The Reman Plant pursues the improvement of quality by clearly separating the areas, one area for the cleaning, disassembling, and testing of soil- and oil-smear components from machines that have operated in mines to handle soil- and oil-smear components, and the other for the assembly area which requires a high level of cleanliness. At the same time, the plant increases the readiness to efficiently undertake the entire process of receiving, cleaning, disassembling, testing, reassembling and shipping components, so that it can quickly provide high-quality remanufactured components. The Reman business also engages in 3R (reduce, reuse and recycle) activities to reduce waste by reusing and recycling components and contributes to resource recycling. The plant recycles and reuses about 14 of the 16 tons of components in the rear wheel transmissions of super size dump trucks in service in Southern Africa. Annually, it remanufactures about 14 thousand tons of components.

* The head office campus of Komatsu Africa Holdings is the collective term for the head office building, component depot, workshop, training center, Reman and many other discrete functions in a single location



Komatsu Africa Holdings' new Reman building



Supersize electric dump truck

Effective Use of Critical Materials in Products

Komatsu is working on the conservation and effective use of limited resources by reusing critical materials used in products, etc. An increasing number of diesel engines, which are used in construction machines, are now equipped with exhaust gas processing devices to reduce the density of NOx (nitrogen oxide) and PM (particulate matter) in exhaust gases. The exhaust gas processing devices use noble metals as a catalyst to reduce the density of NOx and PM. To effectively use these resources, Oyama Plant in Japan, for example, collects the exhaust gas processing devices of construction machines that have been replaced and recycles the noble metals in them. They are also recycling other critical materials to make them reusable, ensuring their effective use and aiming to reduce the consumption of new critical materials.



Activities to Effectively Utilize Resources in Production (1. Waste)

Komatsu promotes activities to reduce waste discharged from its production activities while also implementing "zero emission" activities to recycle and effectively use the generated waste.

We set a new medium-term global goal in FY2019 and began waste reduction activities mainly at bases with metal-casting processes, which generate approximately 70% of the entire waste volume. By turning waste into a valuable commodity and improving the methods for management of metal-casting waste sand, the waste generated per unit of production recorded a 35% reduction from FY2010 levels. After 2021, we will promote waste reduction activities primarily at foundries in Japan and overseas to meet new medium-term targets.

Item	FY2019	FY2020	Target of FY2030
Index of waste generated per unit (Reference year: 2010)	77	65	60

Major achievements in the previous fiscal year

《Japan》

- Reduction of wood chips through packing mode improvements for items procured overseas
- Expansion of activities to turn waste plastics, oils, etc. into valuable commodities
- Expansion and promotion of waste sorting through the establishment of a recycling center
- Recycling of forge scale

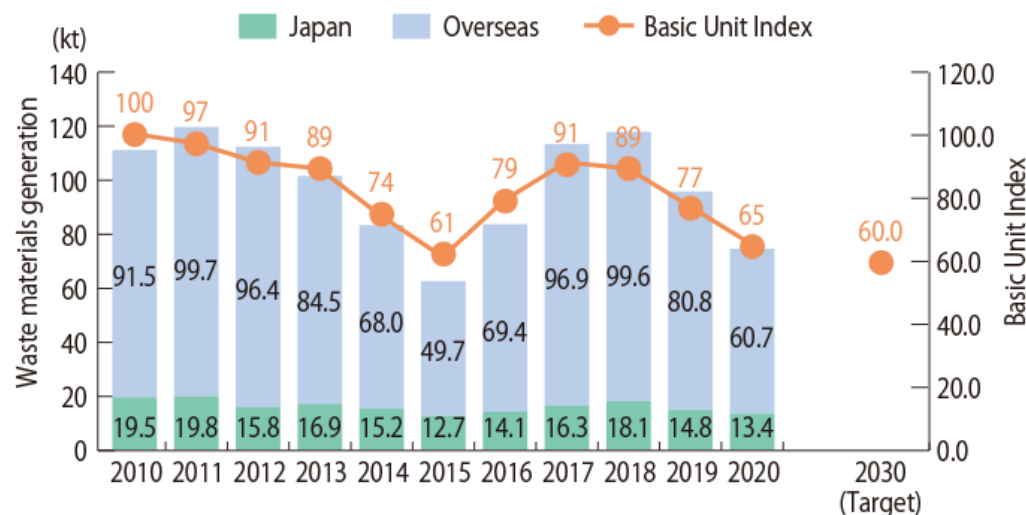
《Overseas》

- Reduction of sand waste by sorting waste containing dust

Waste indicators in production activities

Amount of Generated Waste

Independent Practitioner's Assurance



Note: Partially revised as a result of revisions to past data.

Recycling Forge-scale from Awazu Plant for Use as Raw Material for casting at Himi Plant

Forge-scale is the iron oxide that develops on the surface of a forged product during the forging processes performed by the Defense Systems Division at the Awazu Plant. In the past, this scale was entirely regarded as industrial waste and was disposed of accordingly. To reduce the amount of waste, the Himi plant focused on the fact that forge-scale is iron oxide and began to recycle it to use it as raw material in the Himi Plant's casting processes. To use forge-scale (iron oxide) as raw material in the dissolution processes during casting, the AwazuHimi Plant began to simultaneously add aluminum and, through a thermite reaction (reduction of metallic oxide by aluminum), use the iron oxide as raw material for casting. This generates reaction heat when the aluminum reduces the iron oxide, and simultaneously saves energy in dissolution processes. Repeated experimentation with due consideration for safety led to the reduction of the entire amount of forge-scale produced annually to zero. This eliminated about 15 tons of waste that would have been generated by the Awazu Plant. Further, the reaction heat from thermite reaction helped to reduce the power consumption of the melting furnace by 27,000 kWh annually, leading to the reduction of CO2 emissions. The Awazu and Himi Plants cooperated with each other to achieve a significant reduction of the amounts of waste disposed and power consumed for heating.



Recycled forge-scale (iron oxide)

Activities to Effectively Utilize Resources in Production (2. Water Resources)

In FY2019, we set new global mid-term targets for water usage in our domestic and overseas manufacturing facilities and launched initiatives to reduce water consumption.

In FY2020, We reduced water use per unit of internal manufacturing by 52% compared to FY2010 by reducing waste through the re-use of water within processes and daily management with a focus on sites in the Hokuriku area that use a lot of groundwater.

We will promote further water usage reduction activities domestically and overseas to meet a new medium-term target after 2021.

Item	FY2019	FY2020	Target of FY2030
Index of water input volume per unit (Reference year: 2010)	49	48	40

Major achievements in the previous fiscal year

《Japan》

- Reduction of water leakage by renovating aged aboveground and underground water piping
- Reduction of wash water through the use of membrane filtration devices

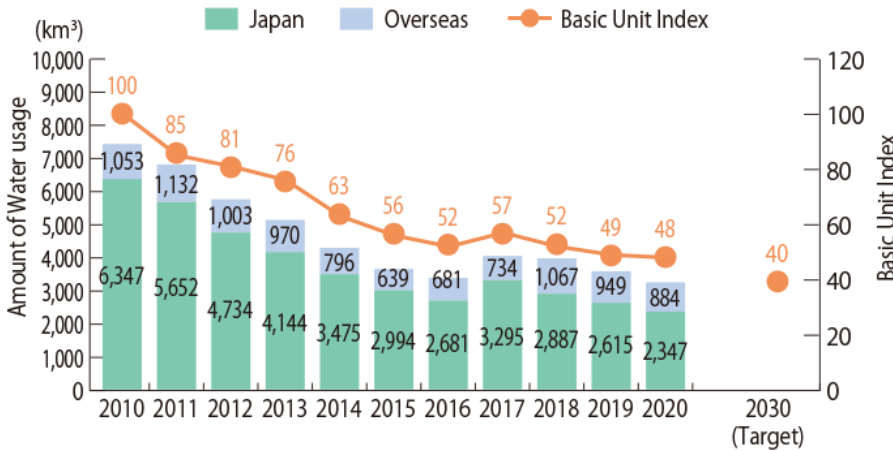
《Overseas》

- Reduction of clean water consumption through the use of recycled water

Water Use Indicators in Production Activities

Water Input Volume

Independent Practitioner's Assurance



Note: Partially revised as a result of revisions to past data.

Using a Membrane Filtration Device to maintain the cleanliness of Cleaning Liquids longer (Reducing Waste and Water Consumption at the Koriyama Plant)

The Koriyama Plant operates about 39 washing machines to remove dirt and oil from components before assembly, coating and after the processing hydraulic machines and other pieces of equipment. This required the cleaning liquids to be changed regularly to maintain their cleanliness. The replaced liquids were collected as alkaline industrial waste, which accounted for nearly 30% of industrial waste of the entire plant. The introduction of a membrane filtration device enables the removal of oil and impurities within the membrane module while recirculating the cleaning liquid back to the tank. The filtered cleaning liquid maintains cleanliness, thus decreasing the frequency of changing the liquid and reducing the amount of alkaline industrial waste. The decrease in the frequency of changing the liquid also reduces water consumption and burdens on the water supply. In the plant's activities, different washing machines share the membrane filtration device and the extended cleanliness of the machines' cleaning liquids helps reduce environmental impact.



Membrane filtration device

Recycling Water to Reduce Tap Water Consumption (Komatsu Indonesia)

Komatsu Indonesia believes that it bears social responsibilities in the efforts to provide clean water to support urban living in the rapidly growing city of Jakarta and to preserve water resources for future generations. For this purpose, Komatsu Indonesia recycled the wastewater, which is from the washing machines used in its production activities and from mosques, toilets, staff restaurants and other sources, by physical, chemical, and biological treatment to make it available for use as domestic water and commercial recycled water used in production activities. Since FY2012, Komatsu Indonesia has recycled wastewater under the management of the environmental safety division. During dry season, when it runs short of water, the company also uses water from the reservoir, provided that certain conditions have been met. This has helped reduce the consumption of city water in 2020 by 69% compared to 2010 and the percentage of water recycled has reached 73%.



Komatsu Indonesia's wastewater recycling facility



Theme 2 : Developing People

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Personnel Policy and Performance Appraisal System

Here at Komatsu, we consider many aspects of our business to be valuable assets. Goods, money, information, and time are all irreplaceable facets of our day-to-day operations. However, the one resource that stands above all others in terms of value would be our employees. We are proud to maintain a culture that places our people at the forefront of our priorities, recognizing the importance of their roles in maintaining the quality of our products and the reputation of our company. Komatsu is thus dedicated to the development of our workforce, striving to foster an engaging work environment that provides opportunities for creativity and challenges to stimulate growth, all the while building on a relationship of mutual trust with our employees.

Global Personnel Policy

Komatsu is acutely aware of the differences pertaining to history and culture for each of the regions within which it operates. We are thus engaged in the creation of a personnel management system that tailors to the unique needs and circumstances of each region, whilst maintaining compliance with a set of basic policies as outlined below:

- a. We shall respect each employee's human rights, personality, individuality and legally-protected privacy;
- b. We shall respect diversity and treat and appraise each and every employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability, marital status or other legally protected status. We shall vigorously promote equal opportunities for employment;
- c. We shall give due consideration to work-life balance and physical/mental health, and endeavor to provide the employees with workplaces where they can effectively accomplish their tasks with satisfaction and pride;
- d. We will not tolerate inappropriate behavior and speech which prevents employees from working effectively and comfortably. In particular, all Komatsu employees must not do any type of harassment including harassment of subordinate personnel, sexual harassment, or harassment related to pregnancy, childbirth, parenting, or nursing care, in and outside of workplace;
- e. In designing and implementing Komatsu policies on employment conditions (such as wages, fringe benefits, performance appraisal, promotions), we shall assure that such policies are, and are understood to be, fairly and clearly implemented. Such policies shall be accurately communicated to employees and, to the extent practicable, made open and accessible;
- f. We shall comply with all applicable laws and regulations governing employees' rights and faithfully accommodate, whenever applicable, conversations or discussions with employees or their representatives;
- g. We shall not tolerate child labor or forced labor; and
- h. We shall offer terms and conditions of employment that are sufficiently competitive in their respective regions.

"Any action violating human rights (harassment of subordinate personnel, sexual harassment or other harassment related to pregnancy, childbirth, parenting or nursing care)" is specified as grounds for disciplinary action.

Personnel System that Accurately Recognizes Employee Abilities and Achievements

Komatsu recognizes the importance of providing an engaging workplace environment that recognizes and accurately rewards the achievements of its employees. This allows our people to take pride in the work that they do, motivating them to strive for greater heights within and without the workplace. To that end, we have incorporated an advanced system of evaluation that disregards age, gender, or nationality while assessing individual performance and abilities in order to provide a framework for fair recompense.

Fair and Appropriate Evaluation

The most important aspect in the creation of a workplace that promotes wellbeing and effective working is the fair treatment of employees. As mentioned above, Komatsu's personnel management system accurately evaluates our employees, granting recompense based solely on merit. This system of assessment is enforced through multiple channels, such as evaluation training for both management and lower-level employees. An evaluation committee has also been established that works closely with labor unions in order to confirm that evaluations are fair and appropriately conducted. Finally, Komatsu provides individual feedback on evaluations to employees at both management and non-management positions, and has set up a consultation office through which employees can express complaints and concerns.

Condition of Labor Unions

Having signed the United Nations Global Compact, Komatsu recognizes that freedom of association and the right to collective bargaining are intrinsic human rights that must be respected. Our engagements with labor unions thus reflect this commitment, showcasing our dedication to ensuring the best for our people. We have a labor contract with the Komatsu Labor Union, which is organized by approximately 11,100 of our employees across 8 of our Japanese branches. The Union employs a union-shop system, and the percentage of employees who are union members (number of unionized employees / total number of employees including management and other non-unionized employees) is 79.7%.

The Komatsu Labor Union is a member of its superior body, the All Komatsu Workers Union and a superior industry labor union, the Japanese Association of Metal, Machinery, and Manufacturing Workers. 12 of our consolidated subsidiaries and affiliates in Japan have labor contracts with a labor union that has joined the "All Komatsu Workers Union", making up a total of approximately 6,800 employees.

In addition to this, Komatsu continues to comply with legislation related to labor rights, while responding in an honest and transparent manner to all dialogues and discussions with individual employees and their representatives.

Harassment Prevention Initiative

Komatsu Group is committed to eliminating and preventing every type of harassment. Each of our offices has a consultation desk to handle harassment-related issues and we are developing our readiness to promptly react to problems whenever they occur. Regularly providing harassment prevention training to all employees deepens each employee's understanding of harassment and helps to build workplaces that enable employees to work safely and healthily and to stay considerate of each other's perspectives.



Facts about the initiative in FY2020

Number of harassment-related reports received (in Japan)	50
Harassment prevention training (in Japan) (e-learning and group learning)	<ul style="list-style-type: none"> ■ Basic education *Based on the revision of the Act on Comprehensive Promotion of Labor Policies ■ Stratified training ■ Director and executive officer training ■ Managerial-level refresher training ■ New managerial-level employee training ■ Deputy manager training ■ Third- and seventh-year employee training ■ New employee training

Creating a vibrant workplace with rewarding jobs

Ensuring employees stay engaged is essential for the sustainable growth of a company. In April 2021, a global engagement survey of the domestic and overseas companies of the Komatsu Group was conducted as part of the Group's efforts to regularly identify and analyze employee engagement and reflect these findings in our HR measures to address ever-changing challenges. Through the analysis of survey results by region and organization, we will identify Komatsu's strengths and problems and reflect these results in our HR measures, training programs and other related activities in pursuit of our being company where people are vibrantly empowered.

Overview of employee awareness survey in FY2021

Number of respondent	72% of the Employees of Komatsu and its Group companies in Japan and other countries responded
Objectives	To regularly identify and analyze employee engagement, clarify our strengths and challenges at that time and take them into consideration when discussing and deciding plans for the future
Survey overview	Sixty questions about employee engagement and subjects that may influence it, such as vision, strategic and competitive advantages, leadership and corporate climate and work environment
Methodology	Anonymous online survey

DATA

* Above data are on the non-consolidated basis except item (2).

Numbers of employees for item (11) are as of April 1 and all other numbers shown are as of the end of the year, except as otherwise noted.

(1) Number of employees (Non-consolidated basis)

	FY2018	FY2019	FY2020
Total	11,537	11,692	11,795
Male	10,175	10,305	10,404
Female	1,362	1,387	1,391

(2) Number of employees (Consolidated basis)

	FY2018	FY2019	FY2020
Consolidated	61,908	62,823	61,564
Non-Japanese (consolidated)	42,349	42,948	41,573

(3) Average age

	FY2018	FY2019	FY2020
Total	39.6	39.5	39.8
Male	39.7	39.6	39.8
Female	39.3	39.3	39.2

(4) Years of continuous employment

	FY2018	FY2019	FY2020
Total	14.3	15.1	15.3
Male	14.7	15.4	15.6
Female	11.9	12.8	12.8

(5) Annual total remuneration (average)

	FY2018	FY2019	FY2020
Total(Yen)	7,608,424	7,467,775	7,186,395

*Minimum wages set by age

(6) Number of employees by age

	Total	Male	Female
Under 30	2,194	1,799	395
30-39	3,793	3,521	272
40-49	3,163	2,808	355
50-59	2,645	2,276	369
Total	11,795	10,404	1,391

(7) New graduates employment

Year (April)	College graduate			Junior college graduate			High-school graduate		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
2019	195	169	26	25	22	3	132	99	33
2020	221	194	27	27	18	9	114	86	28
2021	157	135	22	16	14	2	81	62	19

(8) Mid-career employment (As of May 10th, 2021)

	Total	College male	College female	Other male	Other female	The ratio of the number of Mid-career employment to the number of total employment
April 2018- March 2019	140	55	15	59	11	31%
April 2019- March 2020	200	74	16	97	13	36%
April 2020- March 2021	57	14	5	30	8	14%

(9) Employee turnover (April 2020-March 2021)

	Total	Male	Female
Number of employee turnover (Total employee turnover rate/Voluntary employee turnover rate)	141 (1.08%/0.86%)	122	19

(10) Retention of new employees

	Male	Female
New employees (April 2018)	248	61
Enrollment (April 2021)	239	59

Turnover rate: 3.6%; 9 males, 2 females

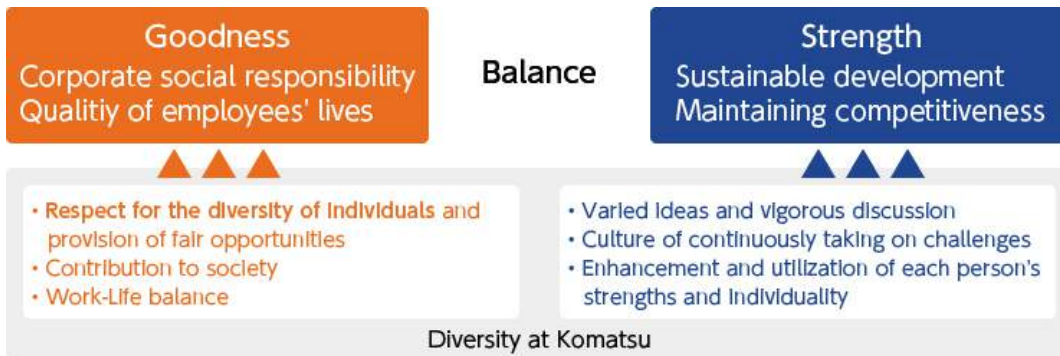
(11) Diversity of management

	Male	Female	Female Percentage	Foreign employees
Management position	1,606	143	8.2%	14
General managers	377	13	3.3%	0
Directors and officers	45	3	6.7%	7
Executive officers (Domestic)	26	2	7.1%	7
Executive officers (Overseas)	15	0	0%	0

Diversity Initiatives

Komatsu recognizes diversity as a significant corporate asset, and respects the basic human rights of every employee while striving to offer career development opportunities that enable each individual to fully demonstrate their abilities with a sense of fulfillment and pride. We also make efforts to incorporate the integration of both individuality and diversity into the sustainable growth of the entire company.

Komatsu's Approach to Diversity



* Respect for personality diversity

We shall respect diversity and treat and appraise each and every employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of nationality, race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability, marital status or other legally protected statuses. We shall vigorously promote equal opportunities for employment; (From "KOMATSU'S WORLDWIDE CODE OF BUSINESS CONDUCT")

Strengthening the Development of Global Talent

Approach and Goals

Behind the advancement of its global management, Komatsu set strengthening the development of global talent as a key initiative in the Mid-Term Management Plan. Aiming to realize an environment where diverse talents can work as one team to contribute to growth of our business globally, we are proactively promoting the localization of management, the establishment of a foundation for global human resource management, and exchange with global talent and also working to employ experts in growing fields.

Along with the globalization of business expansion, approximately 70% of our employees are of nationalities other than Japanese. We are currently working on the localization of management, and the top management of major local companies are already local employees. In the future, aiming to foster cultivation of the next-generation of top management who will be responsible for global management, we will strengthen the systems and measures necessary for the establishment of global career paths.

Systems and Status in FY2020

■ Human Resource Development

Komatsu's human resources development programs include the two following programs:

1. Global Engineer Training Program

The Komatsu Human Resources Development Center was set up in the Philippines in November 2008 to be an educational institution specialized in the development of engineers capable of globally providing product support. It became a local affiliate and was renamed Komatsu Philippines Corporation in November 2019 to expand the engineer development system. The affiliate has trained more than 150 engineers. A nearly six-year training program is provided around the world and the graduates who complete the program become Global Engineers employed by the company that are active around the world.

2. AI Human Resources Development Program

Domestically, artificial intelligence (AI) will become increasingly indispensable in the delivery of DANTOTSU Service and DANTOTSU Solutions to customers and the reform of our development and production processes. To facilitate the use of AI, we started the AI Human Resources Development Program in 2019. The program uses our original curriculum with the goal of developing human resources with the technical skills in AI, business acumen and problem-solving capabilities necessary to put projects into practice.

■ Management System

In order to effectively promote global management, Komatsu runs various global meetings, including the Komatsu Global Executive Meeting convened for the top management of all Komatsu Group companies in Japan and overseas, management committees for each region and business area, and other global meetings for specific purposes, such as the Quality Meeting, Occupational Safety Meeting, Health Meeting, Legal Meeting and Human Resources Meeting.

Since the senior management of our main overseas subsidiaries were assigned to the Global Officer System established in 2016, they play a significant role not only as the senior management in each region, but also as executive officers in the Komatsu Group through involvement in these important meetings.

DATA

		FY2019	FY2020	FY2021
Number of Officers (Internal Directors and Executive Officers)	Total	53	50	48
	Foreign Nationals	5	6	7
Number of Global Officers (Including Executive Officers)	Total	26	29	27
	Foreign Nationals	18	19	19

*As of April 1

Promoting Women's Careers

Approach and Goals

Komatsu is promoting various measures including stimulating employment and developing the capabilities of female employees, and the development of favorable environments for continuous career development after maternity leave. Speaking only of Komatsu on the non-consolidated basis, a female executive officer was assigned for the first time in April 2011 and a female director was appointed for the first time in June 2018. However, we are aware that the relatively small number of female managers, compared with male managers, is an issue that we particularly need to improve and we should actively promote female employees to more responsible positions of higher authority, including promotion to managers, and not just supporting work-life balancing events such as giving birth, childcare and nursing care with work.

System and Status in FY2020

We believe that measures to promote the active participation of female employees will lead to the development of a system and the creation of an environment in which every employee can work comfortably and realize their full potential, so we continue promoting these measures across the Komatsu Group.

We have held a Diversity & Inclusion Development Seminar for female managers of Komatsu and its overseas subsidiaries since FY2018. In this seminar, those that participated deepened their understanding of the history of Komatsu, the KOMATSU Way and management strategies, and we supported their efforts to be leaders promoting diversity initiatives in their companies. The seminar will also be held online as many of our training programs have been shifted to the internet due to the COVID-19 pandemic. Also in Japan, as a measure to nurture female employees, we have held a career plan training in which participants think about their future and their work styles. The CDP (Career Development Program), in which female employees formulate their mid to long-term career plans discussing with their supervisors has also been implemented since 2015. Starting from 2016 onward, networking/training workshops for female employees have been held jointly with other companies in the same manufacturing industry. Furthermore, we have provided female managers with external training regularly since FY2015 for the cultivation of senior management.

In FY2020, career plan training was also held online. In prior years it was difficult for some colleagues to attend training programs that required spending many days away from home because of reasons such as raising children. Moving career plan training online has made it possible for these colleagues to participate at their workplace or at home and makes it possible for more employees to receive training. The training program is currently designed to be a half day x three days program in an effort to help the employees balance work and training.



Scene of DIDS training

DATA

	FY2019	FY2020	FY2021
Number (ratio) of women employed	1,463 (12.3%)	1,482 (12.3%)	1,486 (12.4%)
Number (ratio) of women junior managers	172 (11.4%)	178 (11.4%)	179 (10.6%)
Number (ratio) of women in management positions *Including junior managers	302 (9.1%)	315 (9.5%)	324 (9.4%)
Number (ratio) of women in executive positions	2 (5.7%)	2 (6.9%)	2 (7.1%)
Number (ratio) of women hired	24 (12.8%)	26 (13.3%)	27 (12.2%)

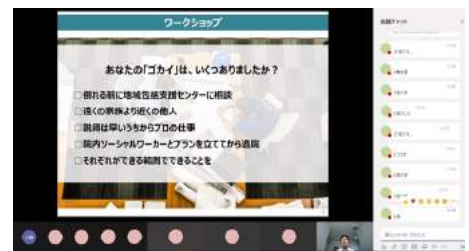
* The data for Komatsu Ltd. (non-consolidated) (in Japan). The numbers and rates are for newly hired university graduates. Data as of April 1.

Support for balancing childcare, nursing care and medical treatment with work

Flexible work styles are spreading, where employees who are involved in childcare or nursing care can telecommute or take advantage of a short-time work system. As part of its efforts to support the balancing of childcare and work, the KOMATSU Way Global Institute, in-house training center in Komatsu, Ishikawa Prefecture, provides a day-care center service and since 2016, we have been hosting a networking event on the 19th every month cooperating with labor unions as a place for communication among employees who are involved in childcare. In addition, at the headquarters, we invited employees' children for a Work Site Tour which provided work-experience opportunities.

With respect to nursing care, we hold seminars conducted by experts, providing opportunities for employees to develop their mental attitudes toward nursing care and think about balancing it with work. In FY2020, seminars were also held online, making it easier for people from many different backgrounds and from all around the country to participate. This helped deepen people's understanding of nursing care. Since 2018, we have held monthly consultations for each employee with an expert from outside the company, providing support in line with the situation of each employee.

Moreover, from the standpoint of health and safety, a consultation service has been established at each office so employees can seek advice on the balancing of medical treatment and work. In 2019, a fertility treatment leave system was introduced, which has increased options for employees finding a balance between social life and fertility treatment, and developing a work environment where employees who require medical care can work with safety and security.



A photo from the online nursing care seminar

Employing Persons with Disabilities

Approach and Goals

Komatsu actively seeks to employ persons with disabilities across the Group. Our goal is to achieve the employment ratio of 2.5% on a consolidated basis by 2021 for the Group in Japan (the current statutory employment ratio is 2.2%).

In March 2008, Komatsu established the Business Creation Center (BCC) within the Human Resources Department in Japan as a dedicated organizational entity for promoting the hiring of persons with disabilities. Persons with mental or developmental disabilities are employed by the BCC in eleven business units in Japan. Advisors are assigned to each business unit to provide training and advice on daily tasks. Each BCC staff member meets with an advisor every six months to discuss goals, instead of simply handling a delimited set of tasks. Linking salary to individual performance assessments, we encourage employees with disabilities to work on their goals toward achieving independence and self-reliance. Through these efforts Komatsu is not merely focused on achieving a targeted employment ratio. Rather, it is seeking to create a workplace that provides a sense of fulfillment for all individuals, where employees with disabilities work alongside other staff members.

Status in FY2021

As of April 2021, the employment ratio of persons with disabilities is 2.89% (non-consolidated basis). With regards to BCC, there are 156 people working at 11 business units. With the expansion of its organization, BCC has taken on matters that had previously been outsourced, as well as tasks that had been taking up time and effort internally, thereby contributing to efficiency and cost cutting for the company as a whole.

DATA

	FY2019	FY2020	FY2021
Employment ratio of persons with disabilities	2.55%	2.79%	2.89%
Number of BCC locations	11	11	11
Number of BCC staff members	125	144	156

* The data for Komatsu Ltd. (non-consolidated). As of April 1st.

Promoting Hiring of Retired Employees

Approach and Goals

As the aging of Japanese society accelerates, Komatsu is committed to maintaining its efforts to hire more elderly workers.

Komatsu(non-consolidated) introduced a re-employment program in 2006 and revised this system from April 2013 so that as a general rule all those who desire to do so can work until the age of 65. We also established a Second Career Support Program for employees who desire to play an active part outside the group, and provide training opportunities, paid leave and monetary aid.

DATA

	FY2018	FY2019	FY2020
Number of retired employees	185	206	201
Number of retired employees who were rehired by Group companies	155	167	174

LGBT Compatibility

Concept and system

In "KOMATSU'S WORLDWIDE CODE OF BUSINESS CONDUCT" October 2017 revision, we stipulated the prohibition of unfair discrimination against sexual minorities (not only nationality, race, religion, age, sex, presence or absence of disability, but also sexual orientation and gender identity) as sexual harassment including discriminatory remarks subject to disciplinary action. In addition to implementing a number of initiatives, such as setting up an in-house counseling desk for LGBT individuals, the certification of same-sex partnership and expansion of scope of welfare benefits, we also worked to promote understanding of LGBT to all employees through a number of approaches like e-learning.

Work-Life Balance and Diverse Workstyles

Past Endeavors and Status in FY2020

The maintenance of a healthy work-life balance is an integral component in bringing the best out of our employees. Studies have shown that individuals who are able to nurture a fulfilling personal life alongside their work commitments are both more motivated and driven, while being able to draw out the full potential of their abilities. With this understanding in mind, Komatsu is working to reduce the total number of required working hours for our personnel by setting up a number of work-life balance systems to improve workplace sustainability. We are currently engaged in co-operative undertakings with labor unions in order to formulate specific quantifiable targets to reduce the total number of working hours for our employees. We establish commendable goals of less than 2,100 working hours per year, along with the provision of an average of at least 19 days of paid leave per year for each employee. In addition, based on compliance with the Article 36 Agreement or agreement on overtime, we are working to realize an efficient way of working. In FY2018, we began an interval system that enforces a minimum of 10 hours of rest following long periods of work in order to promote safe and healthy workstyles.

We will stay committed to helping employees establish new and diverse workstyles so that they are able to balance work and their personal lives.

DATA

* Information on this page is non-consolidated with the exception of certain programs, which encompass not only Komatsu Ltd. but also our subsidiaries in Japan.

Main Programs and Measures Designed to Enhance Work-Life Balance

Programs and Measures		Content
Child-care support	Child-care leave program	Available for a maximum of three years from the birth of the child to the time the child enters nursery school. Also available for a maximum of three years for children up to the third grade of elementary school in cases where a spouse is transferred, etc.
	Part-time work	Shortening of working hours by a maximum of three hours per day to allow for care of children up to the third grade of elementary school
	Telework program	Option to work at home in order to care for children up to the third grade of elementary school
	Allowance toward the cost of using child-care services	Allowance toward the cost of childcare for infants up to age two before entering nursery school (10,000 yen/month)
	Child-care leave	Five days for nursing care of one child up to the third grade of elementary school, and ten days for the second child onward (paid leave) Allowance granted to cover the cost of using child-care services
Family-care support	Family-care leave program	A maximum of three years available for employees taking care of family members (possible to take in installments)
	Part-time work	Shortening of working hours by a maximum of three hours per day (possible to take in installments)
	Family-care leave	Five days per year for attending to one family member in need of nursing care, and ten days for the second family member onward (paid leave)
Other types of leave	Life support leave	Can be used as sick leave, pregnancy leave, child-care leave or for care of family members. An employee may add five new days of accumulated leave per year. A maximum of 40 days of unused annual leave may be accumulated. Child-care leave may be used for school events for children aged up to third grade in junior high school
	Flexible leave for refreshment	Provided to encourage employees to take five consecutive days of leave for mental and physical refreshment Employees receive an additional five days of annual leave and a travel voucher upon completion of their 15th, 25th and 35th year of continued service
	Volunteer incentive program	Long-term paid leave of up to two years, or short-term paid leave of 12 days per year
	Spousal transfer occupational leave system	Acquisition for up to three years per spousal transfer (Acquisition up to one per employee)
	Leave for infertility treatment	Each employee is permitted leave of up to a whole year for infertility treatment.

Flexible Working Style

- Flexible working hours (core time; 11:00 am-2:45 pm)
- Part-time work (child and other family-care)
- Half-day paid leave
- Maximum of five consecutive days of paid leave for refreshment
- System and facility for supporting child-care (nursery payment and use of in-house nursery)
- Discretionary work system (employees in development, design and R&D section)
- Telework program

Various Incentive Programs

- Subsidizing the expense of taking a certification course
- Job posting system
- Studying in domestic college or study abroad program
- Employee awards program for distinguished achievement
- In-house language school and subsidizing the expense
- Stock option (directors, officers and some executives)

Work-Life Balance Data

Parental leave

	FY2018	FY2019	FY2020
Pregnancy leaves	63	59	57
Child-care leaves (total)	137	161	163
Child-care leaves (paternal leave)	23	43	51
Child-care leaves (within one week leave)	1	3	1
Return rate of employees from Childcare leave	98.6%	99.4%	98.8%

Family-care leave

	FY2018	FY2019	FY2020
Family-care leaves	7	5	7



Paid vacation

	FY2018	FY2019	FY2020
Days granted	20.0	20.0	20.0
Days taken	19.5	19.9	19.8
Ratio	97.5%	99.3%	98.8%

Volunteer Time Off (VTO)

	FY2018	FY2019	FY2020
Number of VTO users	92	58	14
VTO in long-term	0	0	0

Employee Training Structure

Approach and Goals

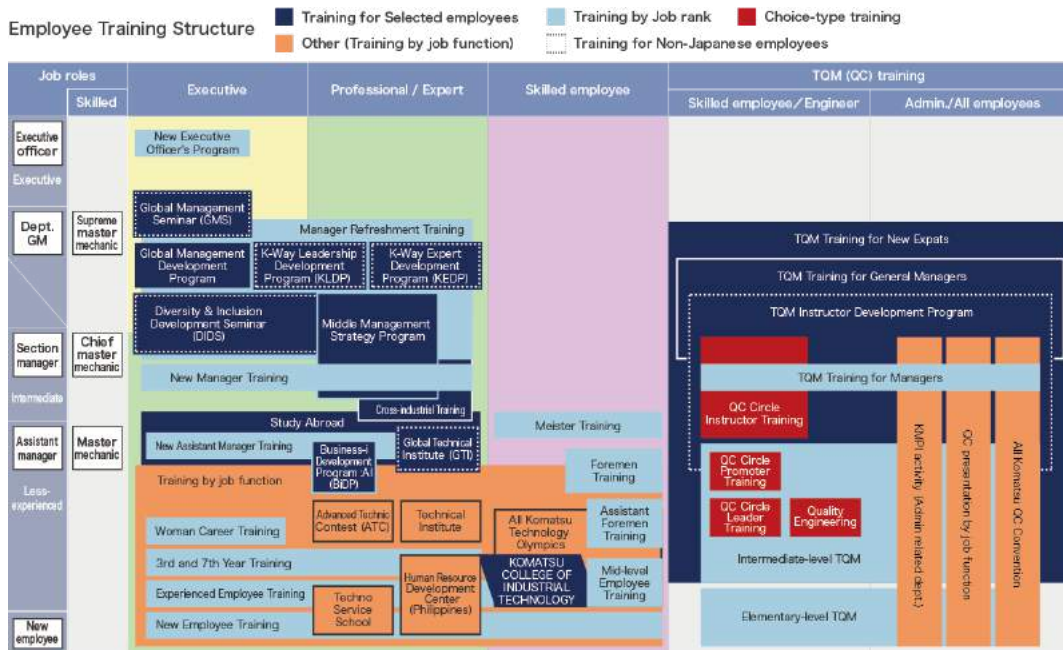
Komatsu strives for the sustainable growth of both the company and employees through human resource development. We believe that each employee is responsible for the setting of high individual goals, and the subsequent fulfillment of these goals. Each employee should thus be self-reliant and highly motivated in seeking the knowledge and skills necessary for the fulfillment of personal objectives, while relying on company support through our educational programs. Komatsu supports the career development of each employee focusing on the education required to company management and employees.

While we promote the education of professionals in a wide variety of proficiencies, Komatsu is aware of the importance for the dissemination of knowledge and skills at every level within the company. Regular explanatory sessions and discussions are convened at Group companies to propagate the KOMATSU way, ensuring that it is incorporated as an integral component of our human resource development on a group-wide scale.

System and Status in FY2020

In 2020, due to the influence of covid-19, all training was conducted online.

In 2021, the training curriculum will be divided into lecture-based and group work-based ones, and the lecture-based ones will be distributed as videos to create a learning environment that suits the convenience of the students.



A Case of Employee Training: Manager Refreshment Training

Since 2017, Komatsu has been conducting a specific training program for manager-level personnel, activating a 360 degree feedback system which requires evaluations from each participant's supervisors, colleagues and other team members. Through the system, we aim to promote improvement of communication at the workplace, encouraging all the participants in the training to recognize the gaps in perceptions with others.

All manager-level personnel in Japan are eligible to attend the program. A total of 3,604 managers attended the training program so far with an attendance rate of over 98%.

The program contributes to preventing abuse of authority and sexual harassment at work from happening by having senior employees realize that they are apt to have an inter-generational perception gap with employees, especially the younger generations. Managers who attended the program commented like, "It was a good chance for me to realize how I am perceived by others," "The program helped me to understand the gap in generational thinking," and "The program provided a heads-up, and it helped us to address the issues that we face in the office." We aim to achieve a 100% attendance rate for the program as soon as possible.

FY2017	FY2018	FY2019	FY2020	Total
1,185	655	985	779	3,604 (Attendance rate:98%)

Please refer to the following websites for the contents of programs that were held in 2020

Educational training pertaining to the
KOMATSU Way

Technical Capability of the manufacturing
workplace

Service Personnel HR development

DATA

Employee Training

		FY2018	FY2019	FY2020
Average hours per FTE	Non-consolidated	58	53	55
	Consolidated	-	-	45
Average spent per FTE	Non-consolidated	JPY245,000	JPY244,000	JPY195,000
	Consolidated	-	-	JPY72,000

* Calculation of consolidated data started from the FY2020 survey.

Enhancing the KOMATSU Way

Approach of The KOMATSU Way

The KOMATSU Way is a statement of values and standards that all workers at every level of the Komatsu Group are expected to meet and uphold. The KOMATSU Way is a written statement of our corporate strengths, beliefs that support those strengths, the basic attitude of mind and perspective, and a manner of action (style), which our predecessors created based on the founder's spirit, throughout the history of our growth and development. We aim to spread this knowledge to all employees and maintain it into the future.

System and Status in FY2020

The KOMATSU Way finds its roots in the corporate strengths that Komatsu has cultivated over time, culminating in a system of integrity and strength that is disseminated to group companies on a global scale. This propagation is achieved through the KOMATSU Way Global Institute, which conducts various publication and human resource development activities.

Employee understanding of the KOMATSU Way is deepened via training sessions and the creation of opportunities for exposition and group debates. We foster interpersonal communication between employees at such sessions to minimize generational gaps, allowing for a more effective "trickle-down" spread of this knowledge. We have also considered the intrinsic differences of foreign cultures, and have worked to craft the KOMATSU Way in a manner that is both easy to understand and relevant for the international community at large. This allows us to promote the KOMATSU Way in domestic and foreign settings, allowing for uniformity across the group.

In FY2020, our overseas affiliates translated the third revision of the KOMATSU Way so that it would be possible for employees to read and understand it in their native languages. Now it is available in nine different languages.

In FY2020, KOMATSU Way and TQM (Total Quality Management) training had to be cancelled in many countries due to the COVID-19 pandemic. However, in the Asian region they were held online, where they would be less affected by time differences. In the training program divided by job level in Japan, we provided an e-learning program and online training as a part of efforts to prevent infection.

We will stay committed to the development of human resources and will strive to systematically ensure the spread of the KOMATSU Way and TQM so that they take root globally.

We believe that through these activities, we will be able to foster employees who practice the KOMATSU Way and pass it on to the next generation, leading to the sustainable growth of the entire Komatsu Group.

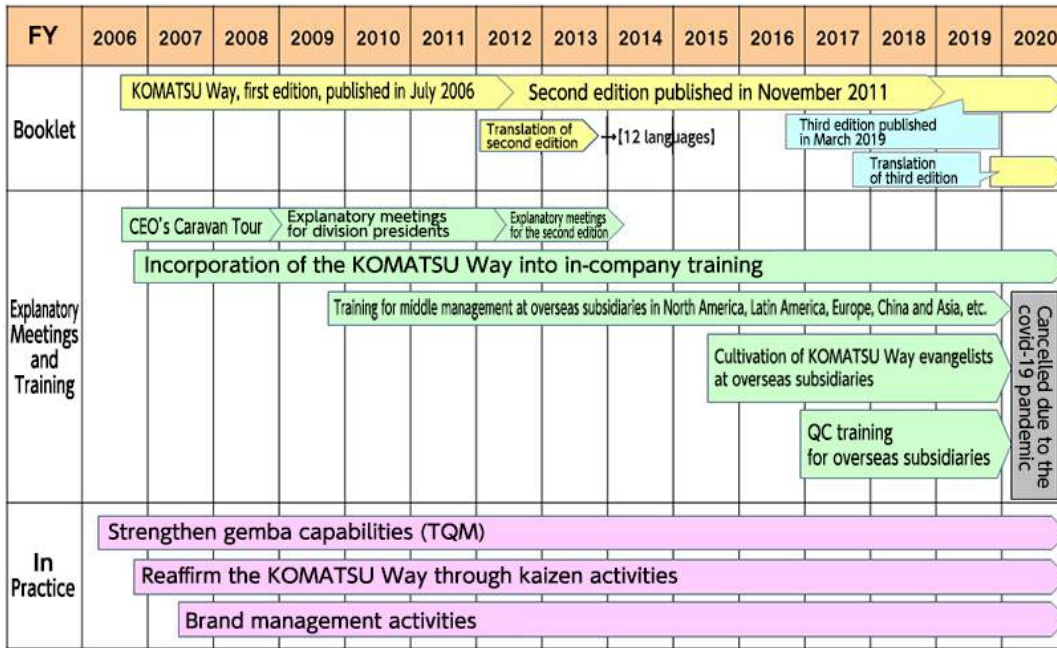
DATA

Educational Training that pertains to KOMATSU Way

Name of Training Course	Course participants	Targets	Training dates	Number of participants/cases
Education for top management personnel of overseas subsidiaries (Global Management Seminar)	Overseas subsidiaries' management level personnel or candidates	To train managers at our overseas subsidiaries who have comprehensive understanding of the KOMATSU Way	Cancelled	0
Education for mid-level managers of overseas subsidiaries (KOMATSU Way Leadership Development Program)	Mid-level managers of overseas subsidiaries expected to be responsible for the core business/functions	To train up local leaders who understand and practice the KOMATSU Way	Cancelled	0
KOMATSU Way Expert Development Program	Mid-level managers of overseas subsidiaries with aptitude	To train up 'evangelists' responsible for spreading the KOMATSU Way in our overseas subsidiaries	Cancelled	0
TQM instructor training	Mid-level managers of overseas subsidiaries with aptitude	To promote understanding of QC at overseas subsidiaries	Cancelled	0
Training by Job Level	New employees, assistant managers, newly appointed managers, etc.	To promote the understanding and practice of the KOMATSU Way	Year round	1,343 people
All Komatsu QC Convention	Selected from the Komatsu Group in Japan and overseas	To present improvement activities as OJT and strengthen awareness of the KOMATSU Way practices	November 2020 (held online)	Approximately 9,000 access



The KOMATSU Way-History of Dissemination Activities





Strengthening Our "Gemba" Capability

Komatsu employees are our most valuable assets because they support sustainable corporate growth.

Developing every employees all over the world through a variety of our human resource development programs enhances Gemba capability (employee-driven continuous improvement capability).

Enhancing the Technical Capabilities of Our Manufacturing Operations

Systems and Status in FY2020

With major advancements in technologies and globalization within our production operations, the need for a high level of technical capability has become all the more relevant. As such, we have designated the third Saturday of every October as "Technical Day", holding technical competitions for employees from all areas of Komatsu. These include personnel from overseas subsidiaries and business associates, who come together to maintain and improve the overall technical capabilities of the Komatsu Group through mutual dedication to studying.

In FY2006, Komatsu established the Meister system that focuses on the passing down of technical know-how from production sites. Techniques and skills that we have judged to be worth passing on are divided into 9 fields that each comprise of 15 specific competencies, with a "First Meister" certified for each competency. Under Komatsu's Mother Plant System, production plants with product development capabilities are specified as "Mother Plants". These plants are responsible for the purveyance of product safety, quality, cost, and delivery of their "Child Plants" (plants that produce the same product). Meisters who have been certified in accordance to their high proficiency in specific technical areas are tasked with guiding and nurturing engineers at both domestic plants and overseas "Child Plants".

Komatsu also conducts vigorous improvement activities by holding all-Komatsu quality control competitions on the third Saturday of every November. Much like our technical competitions, employees from our overseas subsidiaries and business partners across our value chain are welcome to participate.

DATA

■ Status of Human Resource Development at the Manufacturing Gemba

		FY2018	FY2019	FY2020
All-Komatsu Technology Olympics	Number of participants	198	200	195
	From overseas	39(11 countries)	38(10 countries)	55(2 countries)
All-Komatsu QC Competition	Number of participants	93	96	94
	From overseas	36(14 countries)	36(14 countries)	35(11 countries)

■ Countries of Dispatch in FY2020 to All-Komatsu Technology Olympics and All-Komatsu QC Competition

— All-Komatsu Technology Olympics

No contestants were sent to Japan due to COVID-19 pandemic. Russia and China were the only countries where contestants gathered in person.

— All-Komatsu QC Competition

Because of the COVID-19 pandemic, no contestants were sent to Japan and the competition was prerecorded. The United States, Brazil, Chile, Germany, Italy, Australia, Thailand, Indonesia, India, China and Russia (11 countries)

Service Personnel Human Resource Development

Framework Promoted by Department for Promotion of Distributor HR Development

Our service personnel, who support the operation of our products delivered to customers, take essential responsibility for the Komatsu values of “Quality and Reliability.” Komatsu thus has been focusing on the human resource development of employees in the company and of our distributor service personnel.

As means for internal training and human resource development, we established the “Techno Service School” for training our Japanese staff, and the “the Komatsu Philippines” for training our Filipino staff, to conduct planned training by applying a job rotation system within the company including our overseas offices.

As for the human resource development of distributors' service personnel around the world, Komatsu plans and supports each program depending on the content. Komatsu provides curricula and training materials for basic training courses on products and services, and the local companies (Komatsu subsidiaries or distributors) conduct actual training. We also provide advanced training courses by inviting managers and senior service personnel to Japan, as well as special technical training courses provided by the training centers (mother training centers) which have specialized skills.

Having set up these training environments and assessing the quality of our distributors through small exams sometimes, we have been providing practical training opportunities that bring synergy to sales promotion activities.

TOPICS

Continuing to provide training during the COVID-19 pandemic

Due to the COVID-19 pandemic, almost all group sessions at training centers were cancelled or postponed in FY2020. We organized many lecture activities, mainly including online lectures and the distribution of videos, to develop and improve digital learning.

When training sessions were held involving the gathering of people from different places, it was necessary to limit the number of trainees. The use of digital learning has made the training program available anytime and anywhere to more people.

As we head toward a post-COVID era, the training centers will be able to combine socially distanced group sessions with digital learning to improve the training they provide.

Training activities at the Dubai Training & Demonstration Center in Dubai, UAE

“Dubai Training & Demonstration Center” established in Dubai, UAE, aiming at enhancing training functions for distributors in the Middle East and Africa regions, has provided the training necessary for construction equipment distributors, including training in sales promotion, parts, services, and machine operations since April 2019.

At the center, Komatsu certified instructors work, and conduct (1) practical training to develop understanding by seeing and experiencing real machines and equipment, and (2) systematic training globally equivalent in quality. The center not only provides product and technical training for distributors, but also accommodates a wide range of services such as product demonstrations and test operations for customers as sales promotion activities, as well as training for operators.

Brand Management Initiatives

What are Brand Management Initiatives?

Becoming Invaluable to Our Customers, who Both Create and Assess Our Corporate Value

Komatsu embodies this concept in our statement "our corporate value is the total sum of trust given to us by society and all stakeholders." With this in mind, Komatsu's basic management policy is focused on increasing our corporate value through customer engagement initiatives. Having grouped our various stakeholders into two distinct categories, while the former is responsible for employees, affiliate companies, sales / service shops, etc., the latter includes society, shareholders, investors, media, etc. We have come to the conclusion that it is only our customers who take on both of these roles. Customers create corporate value by purchasing our products, and assess our corporate value through the use and evaluation of our products (which returns to us via feedback). We have thus redefined the meaning of "heightening the trust placed in us from our customers", into a commitment to "increase the trust placed in us to a degree at which our company is indispensable to our customers, in order to guarantee complete customer loyalty and retention". As of FY2007, we have begun initiatives designed to mold our brand into one that conceptualizes this vision.

Realizing Our Customers' Vision and Mission "from the Customer's Perspective"

Our brand management (BM) activities are built on the fundamental principle of "from the customer's perspective". One of the most common misconceptions regarding marketing activities is that such initiatives involve finding means to differentiate a product from the competition, or about finding a unique position within the market. Komatsu believes, however, that the crux of marketing involves working from the customer's perspective, discovering what customers want and responding specifically to those needs.

To realize this grand vision, we are engaged in activities designed to create sustained development and refinement in our management resources and capabilities. In the past, these initiatives tended to rely on experience and intuition, but in the context of Komatsu's BM activities, we have replaced them with a variety of tools and methods designed to develop case studies and accumulate validated experience that can be disseminated to a new generation of employees.

Through discussions over time with our clients, we clarify their Vision (the ultimate future ideal state), Mission (Requirements that must be achieved in realizing the Vision), and Goals (specific items that need to be accomplished). Once we have a good grasp of what our customers are looking for, Komatsu implements a plan that utilizes our management resources and abilities efficiently to achieve said goals. Ultimately, we believe that strong determination is the key aspect in governing the implementation and subsequent success of our BM initiatives.

This chart serves as a summary for the flow of processes involved

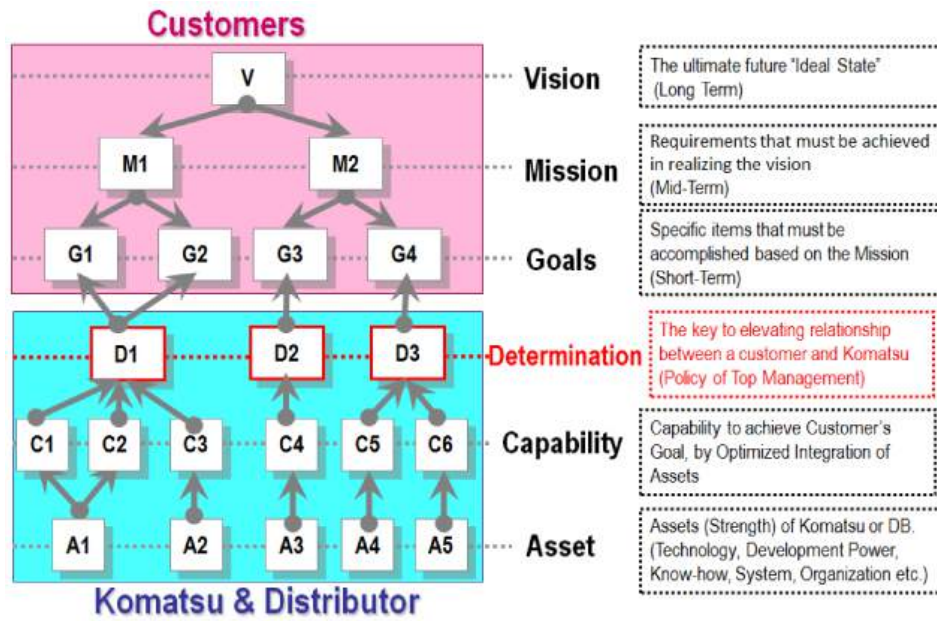


Figure 1: Customer relationship chart

In addition, as a way to confirm the results of our activities, we have developed an evaluation tool (Figure 2) that evaluates the relationship between customers and Komatsu, separating them into seven different categories. These seven categories range from "no use for us (Level 1)" to "Komatsu is indispensable for us (Level 7)". As a company, we strive to create good relationships with our customers and are thus using this tool to provide a clear indicator of what we must do to climb towards a higher level of satisfaction. With that said, we are aware that the levels on this chart make use of self-evaluations based on the subject matter provided by local agents, and thus take that fact into consideration when evaluating the rise and fall of relationship levels with individual customers. We continue to improve on our customer relationships while carrying our daily BM activities, so that Komatsu will become an indispensable partner of customers' continuous choice.

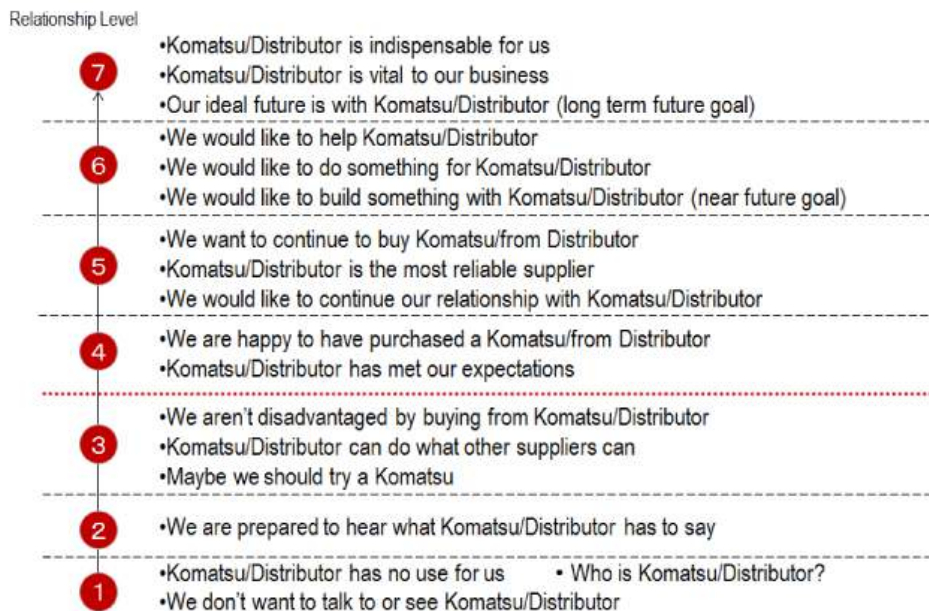


Figure 2: Relationship level model

Recent Activities and Future Plans

In addition to the initial activities in Japan, North America, Chile, South Africa and Australia, we have expanded these activities to include China, Southeast Asia, Europe, South America, Oman, the Commonwealth of Independent States and the forestry businesses. In the process, we have incorporated the above ideas into KOMATSU Way, which is a value that all KOMATSU Group employees should inherit permanently in the field and workplace, compiling the "KOMATSU Way of Brand Management."

In FY2017, we developed a customer needs stratification sheet to further deepen our insight into "customer perspectives". Through this useful tool, we have become able to review customer needs in a clear, hierarchical format, enabling us to perceive what customers wish to achieve. We also hold workshops on a global scale, focusing on the theme of customer needs.

Brand management activities that began with a focus on stakeholders by our marketing department have expanded into company-wide activities that involve our production and development divisions. Owing to the positive strengthening effects it has on our various departments and human resource development circles, Komatsu will continue to promote brand management activities for the foreseeable future.



Global BM Workshop (Komatsu in Japan, October 2019)



Theme 3 : Growing with Society

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Corporate Governance Indicators

* As of March 31, Fiscal-Year end

Corporate Governance								
			Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of Directors *Entering the number of people after the ordinary general meeting of shareholders	Number of Internal Directors	Women	Members	0	0	1	1	1
		Men		7	5	4	4	4
		Total		7	5	5	5	5
	Number of Independent Directors	Women		0	0	0	0	0
		Men		3	3	3	3	3
		Total		3	3	3	3	3
	Total				10	8	8	8	8
Number of Corporate Executive Officers on the Board			Members	6	4	4	4	4
% of Corporate Executive Officers on the Board			%	60	50	50	50	50
% of Independent Directors on the Board				30	38	38	38	38
% of Women on the Board				0	0	13	13	13
Number of Audit & Supervisory Board Members	Number of Internal Members	Women	Members	0	0	0	0	0
		Men		2	2	2	2	2
		Total		2	2	2	2	2
	Number of Independent Members	Women		1	1	1	1	1
		Men		2	2	2	2	2
		Total		3	3	3	3	3
	Total				5	5	5	5
% of Independent Audit & Supervisory Board Members			%	60	60	60	60	60
% of Female Audit & Supervisory Board Members				20	20	20	20	20
Average Age of Board Members			Age	61.8	63.2	63.2	60.6	61.6
Term Limits for Board Members			Years	1	1	1	1	1
Number of Board Meetings			Times	17	15	15	15	15
Board Meeting Attendance			%	99	100	100	99	100
Attendance of Independent Directors at Board Meetings			%	98	100	100	100	100
Number of Directors Attending Less Than 75% of Board Meetings			Members	0	0	0	0	0
Number of Audit Committee Meetings			Times	15	15	15	15	15
Audit Committee Meeting Attendance			%	97	100	99	100	100



Corporate Governance								
			Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Attendance of Independent Auditors at Board Meetings			%	96	100	98	100	100
Number of Auditors Attending Less Than 75% of Board Meetings			Members	0	0	0	0	0
Number of Executive Officers *Excl. Board Members	Women		Members	2	2	1	2	2
	Men			32	30	29	31	26
	Total			34	32	30	33	28
Ratio of Female Executive Officers			%	6	6	3	6	7
Number of Executive Officers (Global Officers)	Women		Members	0	0	0	0	0
	Men			26	27	29	26	28
	Total			26	27	29	26	28
Human Resource Advisory Committee Members	Number of Internal Members	Women	Members	0	0	0	0	0
		Men		2	2	2	2	2
		Total		2	2	2	2	2
	Number of Independent Members	Women		0	0	0	0	0
		Men		3	3	3	3	3
		Total		3	3	3	3	3
	Total			5	5	5	5	5
Number of Human Resource Advisory Committee Meetings			Times	1	1	2	3	2
Human Resource Advisory Committee Meeting Attendance			%	100	100	100	100	100
Number of Compensation Advisory Committee Members	Number of Internal Members	Women	Members	0	0	0	0	0
		Men		1	1	1	1	1
		Total		1	1	1	1	1
	Number of Independent Members	Women		1	1	1	1	1
		Men		3	3	3	3	6
		Total		4	4	4	4	7
Total		5	5	5	5	8		
Number of Compensation Advisory Committee Meetings			Times	2	2	1	1	1
Compensation Advisory Committee Meeting Attendance			%	100	100	100	100	100



Compensation							
		Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Compensation of Chief Executive Officer	Basic Remuneration	Millions of Yen	100	100	102	103	103
	Performance-Based Bonus in Cash		36	73	93	41	28
	Performance-Based Remuneration (Stock-Based)		19	19	99	46	35
	Total		155	192	294	190	166
Compensation of Directors *Excluding External Directors *Including those who retired during the term	Basic Remunerations		427	357	357	345	331
	Stock Options		0	0	0	0	0
	Performance-Based Bonuses in Cash		154	246	310	130	88
	Performance-Based Remunerations (Stock-Based)		83	68	300	147	108
	Total		664	671	967	622	527
Compensation of Audit & Supervisory Board Members *Excluding External Audit & Supervisory Board Members *Including those who retired during the term	Basic Remunerations		86	86	87	87	87
	Stock Options		0	0	0	0	0
	Performance-Based Bonuses in Cash		0	0	0	0	0
	Performance-Based Remunerations (Stock-Based)		0	0	0	0	0
	Total		86	86	87	87	87
Compensation of External Directors and External Audit & Supervisory Board Members	Basic Remunerations		85	85	103	108	109
	Stock Options	0	0	0	0	0	
	Performance-Based Bonuses in Cash	9	9	0	0	0	
	Performance-Based Remunerations (Stock-Based)	4	5	0	0	0	
	Total	98	99	103	108	109	

Shareholder Rights	
Anti-Takeover Measures	None

Compliance		
Clawback provision	Yes	The individual agreement for allocation of the stock-based compensation (shares with restriction on transfer) stipulates that if the board of directors decides that it is appropriate to return the stock, it shall be returned.

	Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Political Contributions	Millions of Yen				8	8

Compliance

Promoting Compliance

Komatsu considers the maximization of corporate value with the pursuit of Quality and Reliability as a core component of our management principles. The Company believes its corporate value is the total sum of trust given to the Company by society and all our stakeholders.

In order to raise the total sum of reliability, it is necessary not only to improve business performance and to enhance the soundness and transparency of management, but to also become a company that has acquired societal trust. Thus, it is increasingly important for any company to comply with the rules of business society.

Frameworks for Promoting Compliance

To make certain that the entire Komatsu Group complies with the rules of the business community, Komatsu has appointed an executive officer at the head office in charge of compliance, and established the Compliance Department to handle this issue exclusively. The Compliance Committee, chaired by the president and CEO, deliberates the Group's action policies and important issues while regularly reporting the state of compliance-related activities to the board of directors.

Komatsu's Worldwide Code of Business Conduct

The company has formulated Komatsu's Worldwide Code of Business Conduct (established in 1998 and revised ten times to date) as a compilation of best business practices to be observed by officers and employees of Komatsu Group companies around the globe.

While Komatsu is expected to achieve its own sound and sustainable growth as a global corporation, a growing number of stakeholders also expect Komatsu to give due consideration to the environmental and social impacts of its business activities, products and services, and to make positive contributions to the sustainable development of society. Komatsu believes that meeting these expectations is our social responsibility as a good corporate citizen, while we seek to find solutions for ESG (Environmental, Social and Governance) issues through our core business activities. In addition, a positive cycle of solving ESG issues and improving our earnings is expected to facilitate sustainable growth for Komatsu. Part 1 of “Komatsu’s Worldwide Code of Business Conduct” (the “Code”) provides principles and standards for responsible business conduct that Komatsu follows to fulfill its social responsibilities. For Komatsu to continue to earn the trust of society, each and every employee of Komatsu is required to act in good faith, ethically and in compliance with laws, regulations and other rules generally recognized and respected by society (the “Rules”). Accompanied by examples, Part 2 of the Code contains select universally applicable rules which set the code of conduct that must be followed by all employees of Komatsu.

“Komatsu’s Worldwide Code of Business Conduct” consists of two major parts. The first part clarifies the Komatsu Group's compliance policy and declares that executives and managers of each Komatsu Group company comply with it. The second part specifically describes what all Komatsu employees worldwide should and should not do in order to comply with the rules of the business industry as individuals. We explain easy-to-understand examples of basic ethics in business operations, antitrust laws and anti-corruption.

Komatsu considers CSR as a key responsibility, which is shown by Komatsu's Worldwide Code of Business Conduct clearly focusing on the importance of CSR. Turning a PDCA cycle of (1) formulating a code of conduct, (2) implementing the code, (3) determining whether and how the code is following and (4) reacting to contingencies for corrections and preventing recurrences of problems is the pillar of Komatsu's compliance activities.

Komatsu's Worldwide Code of Business Conduct is available at:

[Komatsu's Worldwide Code of Business Conduct](#)

Process for Compliance Activities

1. Formulate the Code:

Formulate the Code and the Five Principles of Compliance as a foundation for compliance activities and revise the Code (currently in its 11th edition) as required to reflect social change.

2. Implement the Code:

Implement the Code through education that corresponds to employee rank and their respective duties, and by communicating information in accordance with the Code.

3. Determine the current status:

Determine whether we comply with rules of business society by having all business units regularly report on their use of the Code, implementing compliance and risk audits, conducting "visualization survey" of potential risks and enhancing Komatsu's internal reporting system.

4. Reacting to contingencies:

Any issues identified during the above activities or otherwise will be addressed in accordance with the Code and be rectified through implemented preventive measures.

Upholding Thorough Compliance

So that employees remain acutely aware of compliance all the time, the Group is working to cultivate their consciousness of best business practices by displaying business unit posters in every Komatsu Group listing The Five Principles of Compliance (a condensed version of Komatsu's Code of Worldwide Business Conduct). For employee education, we have been expanding global e-learning since the 10th edition of Komatsu's Code of Worldwide Business Conduct to help employees around the world understand the Code. Preparations are also underway for education on the 11th edition issued in April 2021. In addition, group training on compliance is conducted in Japan and is divided into managers and general employees. In addition, we are expanding business-specific compliance training, and individual training in response to requests from departments. Furthermore, as training for risks for overseas operations, education on anti-corruption, antitrust laws, export control and more is provided to prospective employees to be based abroad.

We have established a "Compliance Portal" on our intranet to ensure wide-spread awareness. The monthly magazine "Everybody's Compliance" provides explanations of important laws, lessons learned from other companies, and articles on human rights, harassment prevention and traffic rules for general business-related practices. Articles on anti-corruption, antitrust laws, and export control have been repeatedly published as particularly important fields. By issuing compliance-related journals, we also expand awareness-raising activities for our overseas affiliates. In this way, we are committed on a global scale.

The Group strives to detect risks early and implement reforms at Komatsu business units and Group companies through monitoring during financial audits and compliance and risk audits. The monitoring covers compliance in highly important areas such as safety and environmental practices.



Internal Reporting System

Komatsu has established the Global Compliance Hotline in its HQ to offer counselling to and handle reports from employees of Komatsu Group companies pertaining to the rules in the business world. In this way, we strive to detect and correct problems early. In addition, Komatsu companies establish and maintain Regional Compliance Hotline that properly handles compliance of alleged or suspected violation of the Rules so that whistleblowers can raise claims in their native languages. Please note that reports directed to Global Compliance Hotline will be forwarded to the corresponding Regional Compliance Hotline for investigation and application of the Rules. The Global Compliance Hotline will monitor how the report is handled by the employee in charge of the Regional Compliance Hotline, with the goal of assuring global possess across the globe. The Group actively encourages consultations and reporting through Komatsu's Worldwide Code of Business Conduct, the Five Principles of Compliance, and Group companies' workplace rules, making it clear that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of their action.

The contact persons on the Global Compliance Hotline discuss the handling of all consultations and reports to ensure they are handled appropriately. They also participate in training sessions and workshops to improve their skills in handling reports.

Status in FY2020

No incidents of note occurred during 2020.

DATA

1. Number of Internal Reports

	FY2018	FY2019	FY2020
Number of Internal Reports (number of serious cases)	134 (0)	141 (0)	89 (0)

2. About Komatsu's Worldwide Code of Business Conduct

Established	January 1, 1998
Last revised	April 1, 2021 (11th edition)
Languages	20 languages (Planning) Japanese, English, Chinese, Spanish, Portuguese, German, Dutch, Italian, Polish, French, Swedish, Finnish, Indonesian, Thai, Russian, Turkish, Persian, Tamil, Taiwanese, Korean


3. Compliance Education in FY2020

Global training on the code of conduct (e-learning and group training)	Approx. 13,400 people
<Group training (mainly Japan)> <ul style="list-style-type: none"> Level-based training Individual training by request(offices and related companies in Japan) 	Approx. 1,600 people Approx. 1,300 people

4. Compliance violation in FY2020

No compliance violation had a significant impact on the management of the company.

5. With regards to anti-corruption

Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)	Fiscal Year 2020: Zero
Fines imposed on Komatsu related to corruption / Amount of penalties (global)	Fiscal Year 2020: Zero
Number of employee training sessions on anti-corruption prevention (in Japan)	Fiscal year 2020: 12 times Target audience: Approximately 90 (planned to be transferred overseas)
	
Establishment of internal reporting system related to corruption (global)	Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Global Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.

Human Rights Policy

In September 2019, Komatsu established our Human Rights Policy and declared that we endeavor to conduct our business respecting human rights in compliance with the United Nations Guiding Principles on Business and Human Rights, and to apply respect for human rights in accordance with international standards throughout our global organization. Based on this policy, Komatsu develops and implements measures to prevent and mitigate negative impacts on human rights, and further improves its processes to correct potential negative impacts on human rights.

This human rights policy has been incorporated into the Komatsu Code of Conduct (revised in 2021) and is thoroughly communicated by all Komatsu Group employees worldwide.

Human Rights Policy

1. Respect for Human Rights

The Komatsu Way describes the values that all officers and employees in the Komatsu Group, including those at top management level, should inherit in a lasting way. To implement the Komatsu Way, it is necessary that we act responsibly in accordance with the expectations of society. Komatsu believes that it is essential to ensure that respect for human rights is firmly embedded within our company and therefore applies the human rights policy to Komatsu's worldwide operations to conduct its business. This policy is formulated based on international human rights principles encompassed by the Universal Declaration of Human Rights. In addition to promoting business activities in line with this philosophy, Komatsu promotes activities that respect human rights such as the prevention of child labor and forced labor and the elimination of excessive working hours, the prevention of discrimination and harassment, the right to freedom of association, the right to collective bargaining, minimum wage, health & safety, etc., in accordance with the "United Nations (UN) Guiding Principles on Business and Human Rights" and the "ILO Core Labour Standards". Komatsu Group will comply with the laws and regulations of all countries where it conducts its business activities. Where established international human rights norm exists as well as national laws, we will follow the higher standard; where they are in conflict and will seek ways to respect internationally recognized human rights to the greatest extent possible.

2. Stakeholder Engagement

When we talk about "stakeholders", we refer collectively to all parties that are affected by our business activities. Stakeholders include customers, shareholders, investors, distributors, suppliers, local communities and employees. We will consult with independent external knowledge on human rights issues and respect dialogue and discussions with internal and external stakeholders to understand human rights related issues. We will regularly and publicly communicate our activities on human rights based on this policy through our reports and/or Group website.

3. Local Communities

Companies cannot continue to exist without maintaining good harmony with the local community. Komatsu wishes to be the most transparent company which actively seeks harmonious balance of interests with the local communities through close communication and contributes to the local communities as a valued corporate citizen.

4. Human Rights Issues (Assessment and Due Diligence)

In our effort to apply the major principles for protecting human rights, we conduct human rights risk assessments for our existing and new construction/mining equipment and forestry machinery businesses worldwide with the help of external experts. In addition to risk assessments, we will conduct CSR procurement assessments for suppliers and promote CSR procurement through improvement activities based on the results of the assessments.

5. Guidance for Employees, Distributors and Suppliers

In order to ensure the effectiveness of this policy, we will conduct appropriate training and activities to raise awareness in employees throughout the Group. We will also expect and encourage our distributors and suppliers to comply with this policy in their own operations.

6. Remedy

We have established and maintained a Global Compliance Hotline at our headquarters to take reports relating to non-compliance, including regarding human rights issues and make this Hotline number known to all Komatsu Group employees. Any employee who believes a conflict arises between this policy and the laws, customs or practices of the place where he or she works, or who has questions about this policy or would like to confidentially report a potential violation of this policy, should raise those questions and concerns with the Hotline anonymously. In addition to the Hotline for Komatsu Group employees, anyone other than Komatsu Group employees who become aware of any circumstance or action that violates or appears to violate this policy or applicable law with respect to human rights, can file a report anonymously. They can contact us at <https://www.komatsu.jp/en/inquiry/> or call at +81-3-5561-4711.

Business and Human Rights

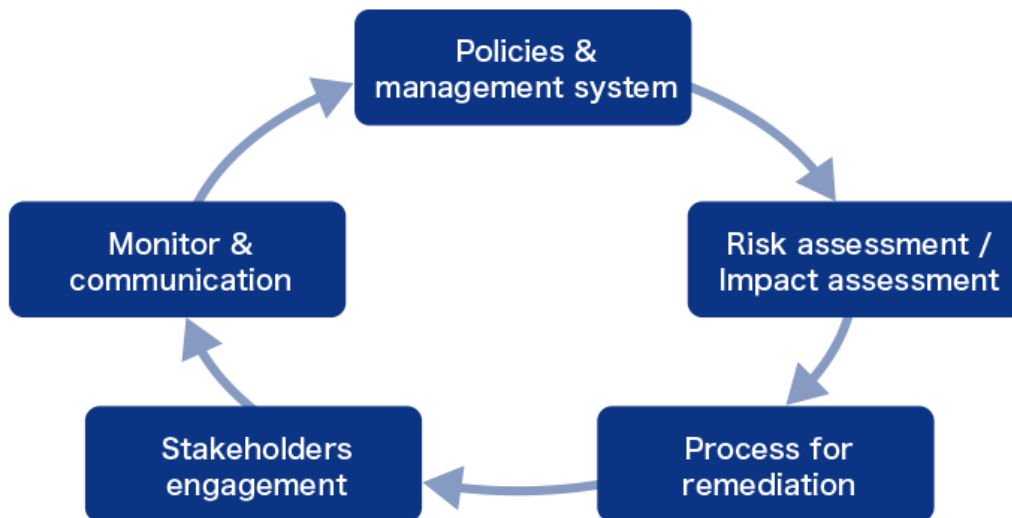
1. Formulation of human rights policy

In September 2019, Komatsu established our Human Rights Policy and declared that we endeavor to conduct our business respecting human rights in compliance with the United Nations Guiding Principles on Business and Human Rights, and to apply respect for human rights in accordance with international standards throughout our global organization. Based on this policy, Komatsu develops and implements measures to prevent and mitigate negative impacts on human rights, and further improves its processes to correct potential negative impacts on human rights.

This human rights policy has been incorporated into the Komatsu Code of Conduct (revised in 2021) and is thoroughly communicated by all Komatsu Group employees worldwide.

2. Implementation of human rights due diligence

By continuing to implement the following human rights process, we will identify human rights issues in our business, and clarify specific operational procedures for dealing with each issue.



(1) Human rights risk assessment and impact assessment

Risk assessment is a step in assessing and identifying human rights risks that may be affected by business activities and has been conducted as follows.

2014	With the support of BSR (Business for Social Responsibility), an external expert, we conducted a risk assessment of human rights issues for our global construction, mining, and forestry equipment business.
2017	Conducted the second human rights risk assessment with the cooperation of BSR. In conducting the assessment, we referred to the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.
2020	With the support of CSR Europe, an external expert, we conducted a systematic global human rights risk assessment of our downstream business (sales of equipment and spare parts) in construction, mining, and forestry equipment business. Based on the characteristics of our business, we assessed and prioritized risks from multiple perspectives, including discrimination based on race, ethnicity, and country of origin, and forced labor, freedom of association, and fair labor conditions to identify and prioritised potential issues for each business sector and region.

(2) Implementation of screening

In our global operations, we have established a screening system to check and regulate transactions with partners designated specified in our sanction lists and other documents. We are ensuring compliance with international laws and regulations (such as embargoes). We are currently investigating ways to expand the scope of this system to include responsible sales approaches and policies.

(3) Deployment to employees and agents

To inculcate our human rights policies within our employees and to raise awareness of preventive and mitigation measures against negative impacts, we have launched an e-learning program in July 2020 and starting with employees in Japan and the United States, we will expand this to our employees worldwide.

We do not have ownership in many of our distributors that sell and service our products worldwide, but we added the clause in our distributorship agreements in which our partners will "respect human rights in the business". We are also engaged in dialogue with these business partners on the formulation of human rights policies and the implementation of voluntary due diligence in line with the realities of their respective regions and businesses.

(4) Deployment to the supply chain

As part of its efforts to ensure that its suppliers respect human rights, we endeavour our CSR Procurement Guidelines to penetrate into our daily procurement operations. And in fiscal 2020, we also started to conduct SAQ (Self Assessment Questionnaire) on CSR activities including human rights, among our primary suppliers in Japan and overseas, in order to further promote CSR in our supply chain. In fiscal 2020, we started the survey on 156 companies of "Midori Kai" suppliers in Japan, and we have received responses from 77 companies so far.

For more information, please visit <https://komatsu.disclosure.site/en/themes/185>.

[Conflict Minerals]

In line with our corporate social responsibilities, Komatsu does not condone the use of conflict materials produced by the Democratic Republic of Congo (DRC), or its neighbors (Angola, Republic of Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia). We have informed our business partners of this policy through the Komatsu Green Procurement Guidelines. Working hand-in-hand with suppliers, we conducted a country-of-origin survey to determine the location of origin of our materials and to ensure that none of them are sourced from areas of conflict.

[UK Modern Slavery Act]

In response to the "Modern Slavery Act 2015" being enacted by the UK in October 2015, Komatsu UK Ltd. revised its "Slavery and Human Trafficking Statement for the Financial Year 2015." disclosed on the web site. Recognizing the possibility of the risk of human rights violations occurring in Komatsu's business operations and its supply chains, this statement reports how such an issue will be properly managed.

[> Komatsu UK Ltd. website](#) 

(5) Remedies

Komatsu has established a "Global Compliance Hotline" at its head office, which can be used to report any violation of human rights issues, and has made this hotline known to all Komatsu Group employees. The hotline also accepts reports of violations or suspected violations of human rights policies and laws, as well as reports of non-compliance or suspected non-compliance in procurement activities, to whom anyone can contact anonymously if he or she becomes aware of facts that may indicate a violation or suspected violation.

The "Five Principles of Compliance," which all Komatsu Group companies and their employees must follow, making it clear that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of their action.

(6) Monitoring and communication

In the "Komatsu Code of Conduct," we declare that we shall disclose appropriate information on Komatsu's business operations to our shareholders, investors and other stakeholders to the extent permissible under the relevant laws, regulations and contracts with third parties, and subject to appropriate protection of trade secrets and other confidential information. We will also proactively disclose relevant information on human rights issues to improve transparency and fairness.

In addition, we believe that an approach to regional and economic development in those areas will also contribute to remediation. Through human resource development utilizing our core skills, we continue to focus on education at training centers around the world, and support regional vocational training schools through our social contribution programs in ways such as providing curriculums and training tools. This will also support the safe deployment of the machines and reduces further the risks for accidents and misuse.

Examples of specific activities

Since 2019, we have conducted due diligence on Myanmar with the support of external experts, to identify the issues and discuss how we approach those issues. As a result, we made a decision in 2019 to terminate sales of mining equipment to the jade mining market in Myanmar. We also terminated the operations of "Komatsu Manufacturing Myanmar", our subsidiary engaging in mining equipment maintenance. We have since been in the process of liquidating the company. We will continue to work further with our distributors and external experts in Myanmar to take effective measures to strengthen respect for human rights in our operations.

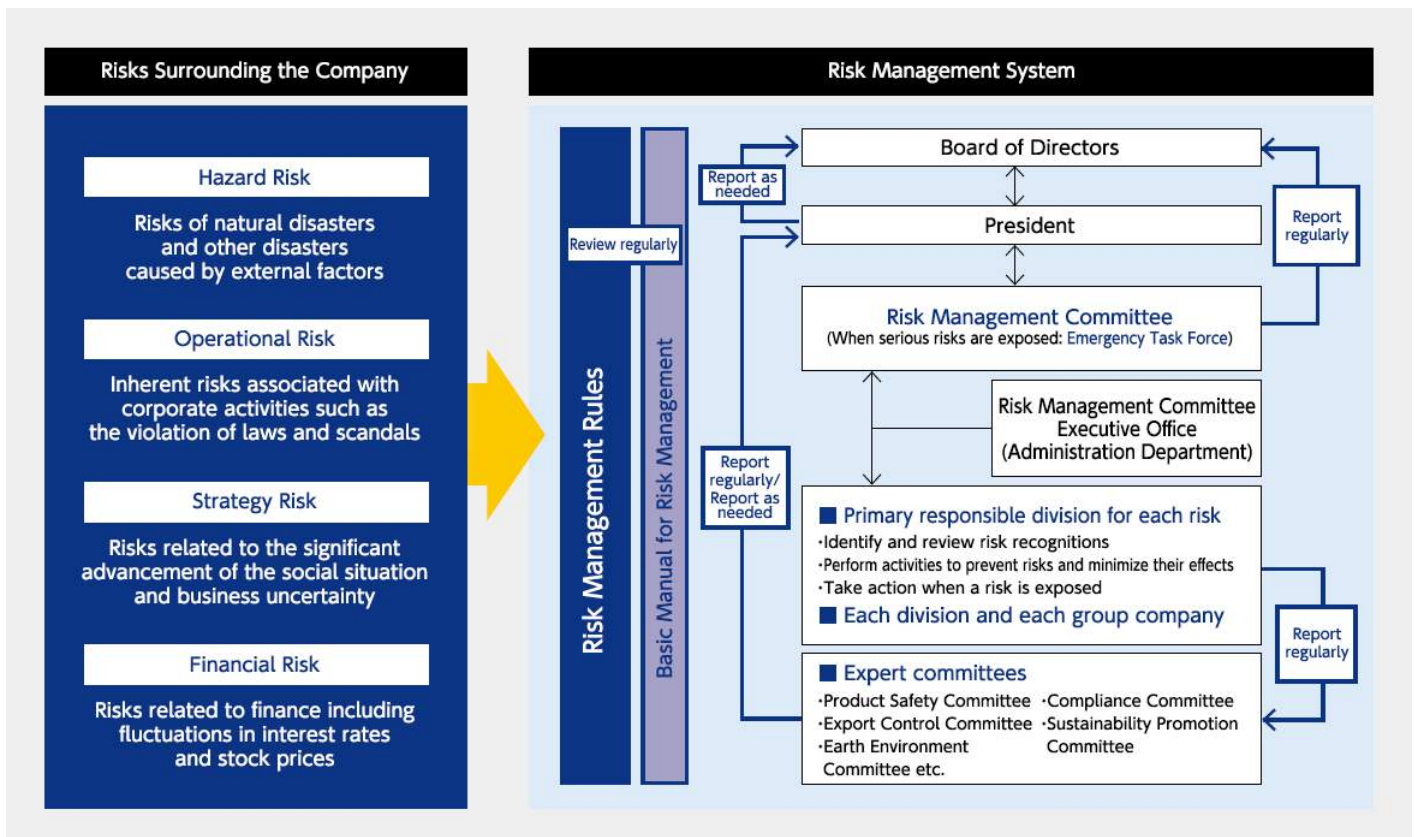
Risk Management

The Komatsu Group recognizes all uncertainties that could threaten the Group's sustainable growth to be major risks, particularly compliance, environmental issues including climate change, product quality concerns, accidents, infectious diseases, information security issues and anti-social forces. The company has adopted the following measures to counter these risks.

1. Basic Principles and Structure for Risk Management

- In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.
- Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the board of directors.
- Komatsu will establish an emergency headquarters when serious risks occur and implement appropriate measures to minimize damage.
- We are developing risk reporting lines, preparing related manuals and making other efforts to further improve the risk management system of the entire Group, including overseas subsidiaries.

■ Risk Management Structure



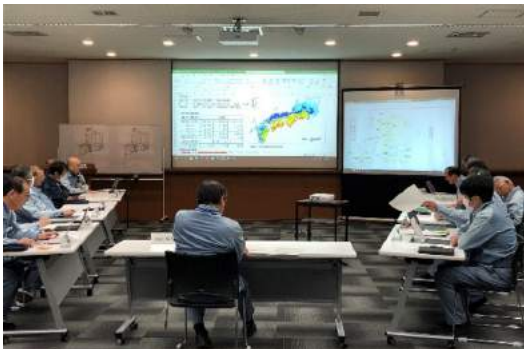
2. Specific initiatives in FY2020

Establishing a business continuity plan (BCP) and providing training

Komatsu has established a BCP to continue or quickly restore important operations. We implemented initial response training at each base in Japan to improve their risk management level and their ability to respond to disasters. We have introduced the safety check system to promptly check the safety of employees and their families when a disaster or accident occurs as well as wide-area wireless devices and other tools at each base of the group. Through regular safety reporting and communication training, we are enhancing the emergency communication capabilities of the entire group. Each base in Japan also conducts regular training to ensure that appropriate actions are taken during a disaster by role-playing the occurrence of a large earthquake or flooding, in an effort to ensure that appropriate actions are taken in the event of a disaster.

Furthermore, considering the recent frequent occurrence of large natural disasters, each of our bases is seismically reinforcing buildings and facilities and enhancing countermeasures against concentrated heavy rains based on their own plans. We are focused on not only strengthening the BCP of each base of the Komatsu Group but also strengthening the supply chain system through our support of our business partners as they establish and improve their BCPs. In FY2020, we held three remote seminars for our business partners with the participation of about 70 companies. The seminars were mainly about the first actions to take in the event of a disaster and the standard efforts for increasing emergency preparedness. Komatsu will continue to promote and enhance our Group-wide BCP initiatives.

BCP training



BCP training at Osaka Plant



BCP training at Awazu Plant

Response to the COVID-19 coronavirus

To fulfill its responsibilities to its customers engaged in essential businesses supporting social infrastructure, the Komatsu Group takes thorough measures to prevent infection as it continues to supply of products, parts and services to its customers. In March 2020, an emergency task force led by our president was established. The task force met, shared information globally and reviewed and expanded policies to prevent the spread of infectious diseases. (The emergency task force met a total of 79 times as of March 2021.)

(1) COVID-19 and fluctuation of demand

COVID-19 triggered the declaration of a state of emergency in many countries and led to restrictions being placed on economic activities that have impacted the operations of Komatsu and its customers. The degree of infection and recovery is different in each country. In China, one of the first countries to domestically manage the pandemic, we capitalized on the demand that was growing significantly and, in the first period of FY2020, our sales outperformed those of the same period of the previous year. In other regions, however, the stagnation of economic activity caused a significant downturn in demand and overall sales fell below those of the same period of the previous year. From the second period of FY2020, the status of operation of machinery has returned to a usual level in many different regions despite some variation. In Indonesia, Thailand and Malaysia, the steady recovery of demand was recognizable mainly for general construction equipment. In Oceania, mine construction equipment for iron ore and general construction equipment enjoyed steady demand and their sales increased year-on-year. However, overall sales for the full business year fell below the level of the previous business year.

Demand for construction and mine resources, which support social infrastructure, is recovering despite some variations among regions. Demand for our products is estimated to return to its previous level. But the impact of COVID-19 may last longer than expected. There has been a resurgence of COVID-19 infections in Europe and India and there is no telling when the pandemic will end.

(2) Efforts to continue business activities

The production activities of some Komatsu plants were affected by the lockdowns and other measures ordered by local governments. To adapt to regional variations in demand and to exchange rates, Komatsu has implemented cross-sourcing enabling its production activities to be flexibly performed at plants around the world. This initiative functioned effectively as the COVID-19 pandemic began. We took measures to address risks relating to the supply of parts from our suppliers, such as leveraging our global network to preferentially allocate stock in the supply chain to underserved regions. Further, we developed alternative products and secured suppliers to ensure that sales opportunities were not missed, a potential result of a stockout of parts.

(3) Measures to prevent infection at workplaces

We prioritize the safety and health of our customers, business partners, community, employees and their families as we work to prevent COVID-19 infections in compliance with the related policies of national governments.

In Japan, we encourage employees to telework, and about 70% of the employees at our head office divisions teleworked during the states of emergency. In those times, domestic travel, events, training and seminars were basically canceled or postponed, and all in-house training programs were basically shifted online.

Our production sites took measures including providing thorough ventilation using placed fans and open windows, increasing the number of lounges and staggering break times, to prevent infections from spreading inside a workplace.

(4) Providing information to stakeholders

To prevent COVID-19 infections, Komatsu has aggressively encouraged the use of online communications. In December 2020, we had our first-ever online shareholder meeting and engaged in dialog with shareholders and answered questions in real time. In June 2021, our General Meeting of Shareholders was held online for first time.

Our website includes video of virtual tours of the Awazu and Ibaraki Plants, enabling viewers to drag the image displayed on the screen to view a 360° image of the process of assembling a construction machine from any angle they wish. The video conveys the atmosphere of Komatsu's worksites as they engage in monozukuri.

Virtual plant tour video



Awazu Plant

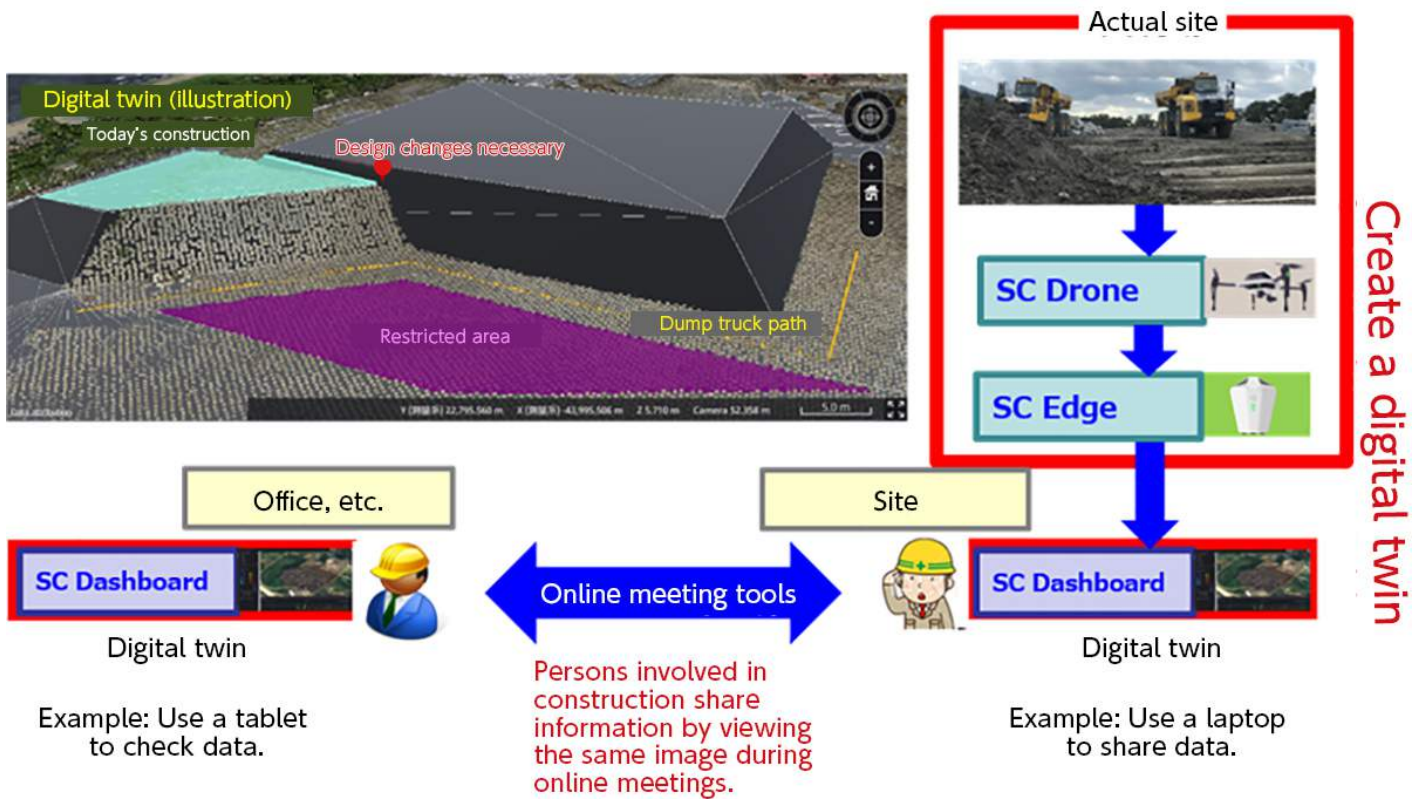


Ibaraki Plant

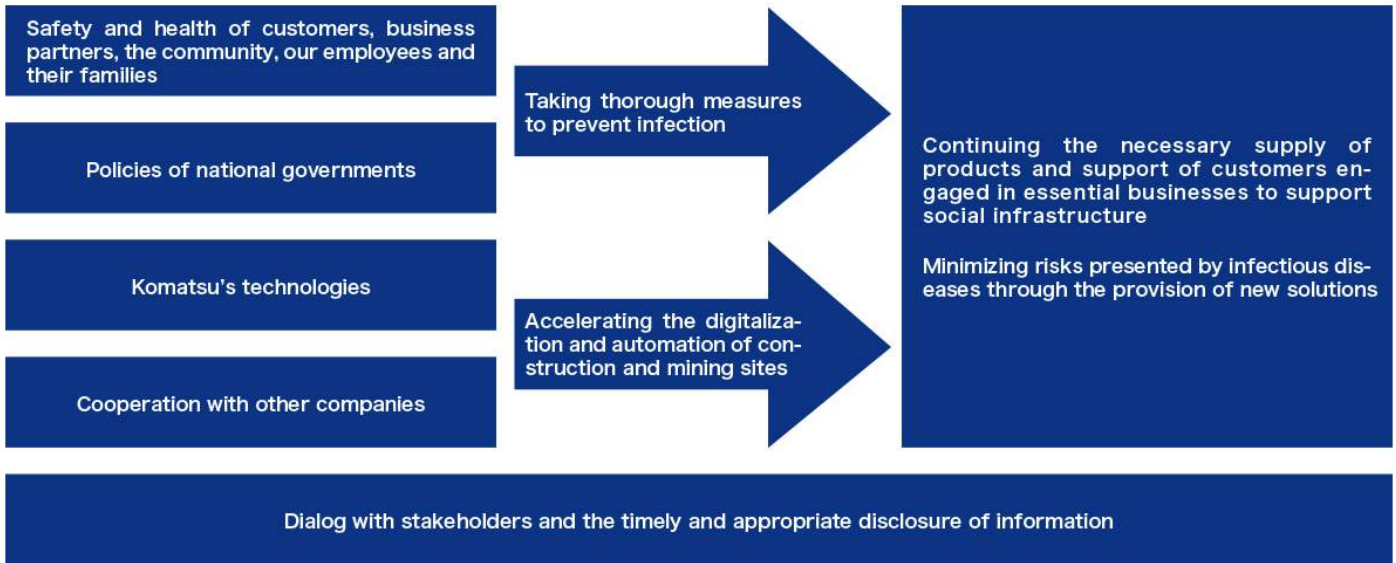
(5) Digitally transforming construction sites to protect customers from infection

Through its solution business, Komatsu has increased the productivity and safety of our customers' construction sites using digital construction technology. Our customers' need to avoid the three Cs (closed spaces, crowded places, and close-contact settings) on their worksites during and after the pandemic may tangibly impact us in ways such as the increase demand for remote control products, automation and unmanned operations, and there may be intangible aspects such as the rapid acceleration of the digitalization of construction and digital twin technology.

Japan's Ministry of Land, Infrastructure, Transport and Tourism recommended measures to avoid the three Cs at construction sites, and as a part of these efforts, Komatsu believes that on-site digital twins are a solution for the prevention of COVID-19 infections at its customers' sites. It involves a digital transformation to leverage smart construction to enable people involved to stay on top of what is happening at the site remotely, so that it is not necessary for workers to gather in one location.



Quickly create point-cloud data of the current topography of a worksite and create a digital twin from 3D topography data in the app provided by Komatsu to enable the people involved to stay on top of the progress of construction, even when they are far away from the site, and to take action when presented with problems.



Conducting Compliance and Risk Audits

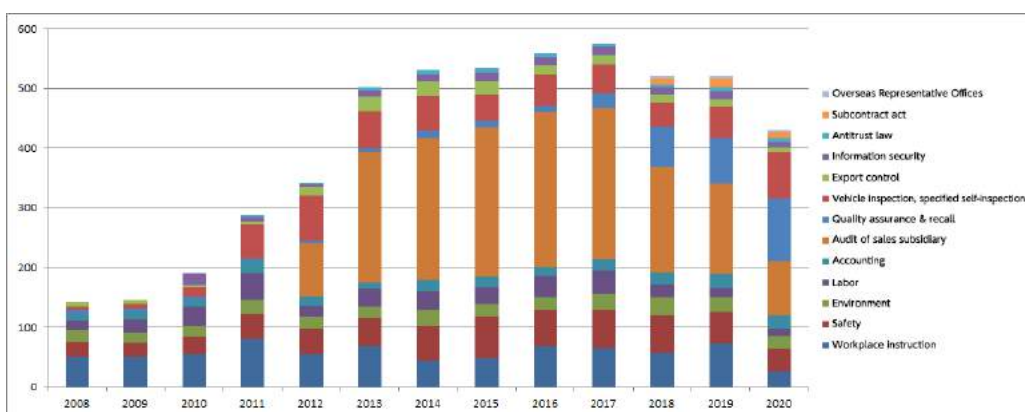
As a part of its risk management activities, Komatsu has been conducting compliance and risk audits (CR audits) since FY2008. These covered areas are not included in J-SOX audits, which are conducted in accordance with the Financial Instruments and Exchange Act of Japan to evaluate the internal controls related to financial reporting, and identify potential compliance risks within the company, with a particular focus on confirming and evaluating the status of legal compliance. Our internal specialist team conducts the internal audits at Komatsu and its Japanese/overseas affiliates, as well as at independently owned distributors and business partners. Through these audits, we strive to raise control and compliance awareness levels at each company and in every department. We are improving our audit method according to changes in the business environment and raising the operational level of CR audits as a part of our risk management functions.

The audited items are:

1. Safety, 2. Environment, 3. Labor, 4. Finance and Treasury, 5. Quality Assurance and Recall, 6. Vehicle Inspections and Specific Voluntary Inspections (inspections required by law), 7. Export Control, 8. Information Security, 9. the Anti-monopoly Act, 10. the Subcontract Act

In addition, as CR audits that cover areas across the above items, we implement field instructor audits (Safety, Environment) and audits of sales office bases (Finance and Treasury, Labor, Information Security), which are implemented at each distributor base, as well as audits of overseas representative offices (Finance and Treasury, Labor, Information Security), which are implemented for overseas offices.

Implementation of Compliance and Risk Audits



Information Security

Cyberattacks and other threats to Information security are growing more advanced and sophisticated. They highlight the increasing importance of information security measures. Komatsu's Worldwide Code of Business Conduct states that, based on the understanding that information and information infrastructure are valuable assets of the Komatsu Group, the companies of the Komatsu Group must follow applicable laws and in-house rules and ensure that each individual employee properly protects and manages information. Komatsu takes measures to comply with the Information Security Regulations and other rules and regulations. In FY2020, no serious incidents concerning information security, such as the leakage of personal data, occurred within the Komatsu Group.

1. Risk management and its promotion

As a part of the management system led by the risk management supervisor, the Risk Management Committee shares and discusses company-wide information security issues. The president of the Information Strategy Division, who is also a leader in charge of ICT, is the vice-chairperson of the Risk Management Committee so that it is able to address more specialized areas of information security. The Committee shares and resolves more important information security issues. Whenever a serious issue emerges, it will be swiftly reported to officers including the president and directors, the Board of Directors and other organizations concerned, and appropriate actions will be taken.

The Information Strategy Division formulates measures to address information security risks as necessary and annually presents them to the Strategy Review Committee consisting of officers including the president and directors. These measures would be included in the mid-term ICT investment plan.

2. Protection of personal data

Komatsu believes that appropriately protecting the personal data of its customers, business partners, employees and others is a social responsibility it bears. Komatsu formulates and publishes its principles for the protection of personal data. Through the e-learning opportunities, internal audits and other activities, we thoroughly ensure the appropriate handling of personal data. Overseas, we adapt our efforts to protect personal data to national and regional laws such as the EU's General Data Protection Regulation (GDPR) and the expectations of society.

3. System measures

Komatsu has built a multilayer defense system combining many system measures to protect information from unauthorized access, virus infection and other threats and to prevent the leakage of data resulting from these threats. For example, we have multiple required processes whenever a person accesses the system from the outside to telework to strictly authenticate individual users.

4. Education and training

All Komatsu employees must take regular e-learning courses to increase the knowledge and awareness of all employees handling data and to ensure they are able to handle data properly.

To address the risk of suspicious emails, we organize multiple drills every year where employees simulate the handling of targeted email attacks. Suspicious email drills are also conducted at some affiliates both in Japan and overseas. We are working globally to raise the level of our information security.

Course title	Target (in Japan)
e-learning data security (basic)	New employees including new graduates and mid-career workers
e-learning data security (reacting to new threats)	All employees using computers and other information devices
Targeted email attack drill	All employees using computers and other information devices (partly including overseas employees)

5. Information security auditing

The information security of Komatsu Group companies is audited to increase the level of information security throughout the Komatsu Group. Komatsu employees with specialized knowledge audit and advise to increase the effectiveness of these efforts. Conducting audits as a third party with no direct interests helps to ensure independence and impartiality.

In principle, the information security of each group company is audited every three years and Komatsu stays updated on the status of the information security of the group companies.

6. Efforts to improve information security throughout the supply chain

Komatsu asks its employees, Komatsu Group companies and other companies that cooperate in our supply chain with whom we share confidential business information to follow Komatsu's information security principles as we continue to effectively support them. Komatsu and everyone involved in its businesses that handles confidential business information share an understanding of the importance of properly managing data. We all work to minimize risk in pursuit of stable business continuity. To this end, we engage in activities such as regular interviews of cooperating companies regarding the status of their data management, presenting, where appropriate, inspection items regarding the business data kept in information technology equipment and recommending information security teaching materials.

Occupational Safety and Health

Occupational Safety and Health is a core component in Komatsu's business operations. In line with this commitment, Komatsu thus enhances safety at the workplace for our employees and business partners.

Our Approach to Safety and Health at the Workplace

Komatsu communicates the message of “Safety First” to the Komatsu Group and addresses occupational safety and works on mental and physical health care to create a safe and comfortable work environment.

Message from the President 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 employee 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 expand the safety and health activities of not only our group companies but also our partners (such as our customers, distributors and business partners).
4. Each and every person in a senior management position of the Komatsu Group shall acknowledge the above two matters as top priority tasks and shall take the initiative in demonstrating the execution of daily duties accordingly.

Considering our obligation to occupational Safety and Health, we have implemented the following guideline: All the Komatsu Group companies, including all top managers and employees, shall promote occupational Safety and Health activities so that everyone can work in a safe and comfortable work environment in accordance with the policies described below.

Occupational Safety and Health Policies

(Released as a part of the Komatsu's Worldwide Code of Business Conduct on April 1, 2011)

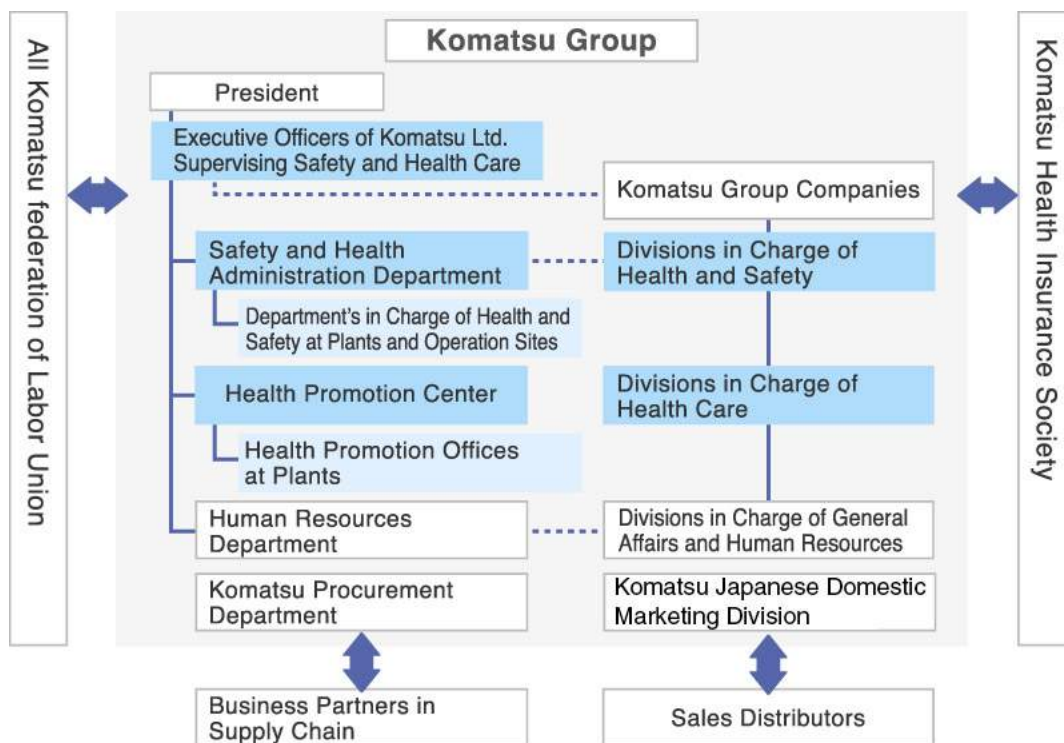
1. Observe the laws and regulations concerning occupational safety and health as well as internal rules, key items common to the Komatsu Group about occupational safety and health, and particularly items agreed as a result of labor-management consultations in each workplace.
2. Set up targets for activities based on occupational safety and health policies, review their progress, and endeavor to continuously improve and enhance occupational safety and health activities.
3. Carry out occupational safety and health activities in management-and-labor partnership on a full participation basis and keep good communication with stakeholders with regard to occupational safety and health.
4. Identify and evaluate the risk for occupational safety and health of a workplace and take appropriate actions accordingly.
5. Actively promote employees' healthcare management and support the maintenance and promotion of employees' health.
6. Actively promote education, training and qualification acquisition necessary for employees' occupational safety and health activities, and endeavor to develop human resources for safely carrying out their responsibilities in the workplace.
7. Subject to appropriate protection of personal information, publicly offer the knowledge and information about occupational safety and health activities obtained through the business activities in order to secure safety and health in society.

In addition to our existing health management programs, the Komatsu Group strives to create a corporate Health Culture and has been promoting its Five-Year Health Development Plan, a medium-term health development plan that was established in FY2014 and the Second Health Development Plan which was established in FY2019. The goal of the Health Culture is: to look after one's own health and the health of one's colleagues, and to consider and take action on what is necessary for leading a better life. The president announced the Komatsu Health Declaration in June 2014 to effectively promote this goal. The declaration was revised in April 2019.

Overview of Safety and Health System

The Komatsu Group enforces strict compliance with Safety and Health management through the following system structure.

Organization



Meeting Committee Structure

■ **Group Safety and Health Conference (Safety conferences at Group companies, presentations by small groups which implement “zero accidents” activities, etc.)**

This conference convenes with the aim to increase awareness regarding Safety and Health for employees of the Komatsu Group and partner companies while raising the level of Safety and Health activities. The conference engages in activities that help all the participants to share the policy, priorities and best practices of Safety and Health activities, and incorporate these practices into the daily operations at other divisions. This is also the administration of presidential awards related to Safety and Health.

■ **Group Safety and Health Committee (Safety and Health Committees at Group companies, Plants and Operation Sites)**

This committee was formed to enhance cooperation between labor and management to examine, discuss and make decisions on measures aimed at eliminating risks in workplaces and preventing health risks. This committee formulates regulations concerning Safety and Health, examines, debates and decides on related policies for the fiscal year. This is also the occasion to manage the progress of these activities.

Major items to be examined and discussed:

The formulation of safety and hygiene regulations.

An action plan for the fiscal year, and activity progress management.

■ Conference for Safety and Health in the Community

We shall share and discuss information on safety, health, and the environment in each region globally, leading it to the safe and healthy activities of each overseas subsidiary. In FY2020, we held the conferences in North America, Europe and China.

■ Group Health Representatives Meeting

- Formulates and makes proposals for all company policies related with safety and health practices.

- Promotes and implements practices based on company policies in locations of each business operation.

■ Health Promotion Committee

This committee consists of business owners and employees (organized by Komatsu Union) as well as the Health Insurance Society. This occasion affirms a common recognition of "Health", and formulates measures and policies aimed to enhance the health care for employees and their families.

Safety and Health Key Initiatives of Komatsu Group in FY2020

[Safety and Health Management]

1. Activities to maintain and raise the management system for labor safety and health
2. Promoting risk management activities
3. Promoting the improvement of work and working environments
4. Promoting daily activities with the participation of all employees
5. Enriching safety and health education
6. Promoting Global and Group-wide safety and health activities
7. Enhancing compliance risk management
8. Enhancing safety and health activities at sales bases
9. Preventing traffic accidents

[Health Management]

We are promoting health management activities for the following in accordance with the Second Health Development Plan:

1. Cancer and lifestyle diseases
2. Tobacco-related diseases
3. Mental health
4. Occupational diseases
5. First aid and infectious diseases
6. Diversity tasks
7. Lifestyle improvement

Working to achieve the Second Health Development Plan

In FY2020, we pushed forward the Second Health Development Plan established in April 2019. The Second Health Development Plan, while continuing the activities of the previous medium-term plan, has promoted the creation of a life-long culture of health by establishing a system that helps the employees voluntarily practice "healthy actions" through the enhancement of support structures for the balance of work and health, primary preventative actions (lifestyle improvement), and the introduction of ICT tools, etc. Major accomplishments in FY2020 are listed below:

Item	Initiative	Initiative	FY2019 result	FY2020 result	Goals (FY2019- FY2021)
Cancer and lifestyle diseases	Increase the percentage of employees using the various health checkup consultations for the early detection and treatment of cancer and lifestyle diseases and the prevention of severe diseases	Milestone checkup consultation percentage	93.9%	89.7%	95%
		Female cancer checkup consultation percentage	55.4%	59.4%	80%
Tobacco- related diseases	Reduce secondary exposure to cigarette smoke and smoking percentage	Percent of the Komatsu Group in Japan that smokes	32.0%	29.8%	Not more than the national average of smokers (16.7%)
Lifestyle improvement	Establish a system or environment that leads to the improvement of motivation to improve or promote the healthy lifestyles of employees (e.g. diet and exercise)	Percent of employees with Healthy Action Competency*	45.7%	49.8%	50%
Mental health	Reduce the number of individuals with mental disorders, provide early care, appropriately support their return to workplaces, and create a happy and vigorous workplace	Percentage responding to our recommendation to interview employees under high stress	100%	100%	100%
		Percentage responding to high-stress workplaces	100%	100%	100%

(Scope of FY2020 results aggregation: All employees of the Komatsu Group in Japan)

* Capability of voluntarily practicing healthy actions (lifestyle improvement/maintaining an appropriate exercise regimen and diet, etc.)

Improvement activities in the company cafeterias

We are improving the company cafeterias at domestic plants, using the Komatsu Healthy Checklist we prepared to improve health through diet. In FY2020, the cafeterias at our plants in Awazu, Ibaraki, and Tochigi obtained Smart Meal certification from the Healthy Meal and Dietary Environment Consortium. Our activity was introduced as an example of a Smart Life Project led by the Ministry of Health, Labour and Welfare. We will continue to improve in cooperation with the cafeteria business operators while considering the situations and the past efforts at the plants.



One of the popular Smart Meal combos (Ibaraki Plant)



Our response to the COVID-19 pandemic (e.g., support of employee health and sharing of information)

The COVID-19 pandemic greatly impacted our working environment, including the increase of teleworking. In these circumstances, we continue to focus on supporting health and sharing information in FY2020. For example, we began holding health-related webinars and sharing information about wellbeing. We will continue to share information with our employees to support their health beyond COVID-19-related information.

Our major responses inside Japan

- An intranet website about life during the COVID-19 pandemic was created.
- Health-related webinars were held
- The improvement of lifestyles using wearable devices was promoted
- Pulse oximeters were lent to employees who contracted COVID-19
- Infectious disease specialists were invited to lecture

Our major responses outside Japan

- The number of nurses at subsidiaries in South America where the spread of infection was significant was increased
- Questionnaire-based surveys of our expatriate employees was conducted
- Leaflets distributed to the families of our expatriate employees

Supporting Supplier's Safety Activities

For details on the safety activities for the member companies of Midori-kai, an organization made up of our business partners (suppliers), please click "[Support for Member Companies of the Komatsu Midori-kai](#)".

Status in FY2020

Educational Training for Labor Safety and Health (in Japan)

■ Education regarding Mental Health

Contents	FY2020 Practice
Based on the rules of the Industrial Safety and Health Act, educational training for mental health is conducted. Stress tests were started in FY2006, and stress awareness training were started in FY2007 and is being held for the employees of all Group companies in Japan.	<ul style="list-style-type: none"> Stress tests/awareness training implemented in 14 companies, with approximately 22,789 employees “Support Letter for the Heart”, which is motivational material for management personnel, is distributed every other month (even months) to management personnel within the Group.

■ Education based on Job Levels

Contents	FY2020 Practice
Safety and Health education and mental health education is provided to each level of Komatsu Group companies in Japan including new employees.	New Employees (1 time, 420 people) 3rd year of employment with the company (11 times, 343 people) 7th year of employment with the company (2 times, 80 people) Mid-career recruitment (as necessary, 53 people) New Assistant Managers (9 times, 300 people) Foremen/Senior Foremen (6 times, 168 people) New Managers (6 times, 207 people)

■ Education based on Function

Contents	FY2019 Practice
Safety and health education is provided according to function to the production managers, Production Engineering Division, and workplace safety and health promoters of Komatsu group companies in Japan.	Safety and health practical training for production managers (1 time, 10 trainees) Education for production engineers (1 time, 16 trainees) ISO 45001 standards understanding training (33 trainees) ISO 45001 internal auditor development training (205 trainees)

Number of major work-related accidents (fatal)

Komatsu group consolidated companies: 3 incidents

- August 2020: A local employee died after falling into a pit in Indonesia.
- December 2020: A local employee died after being struck by a large rolling component and falling during assembly in Brazil.
- March 2021: A local employee in Brazil died after being electrocuted while handling a welding machine.

The number of accidents at non-consolidated domestic sales companies: 1 incident

- November 2020: An employee of the sales company run by the founding family died when pinched in a machine while replacing a component



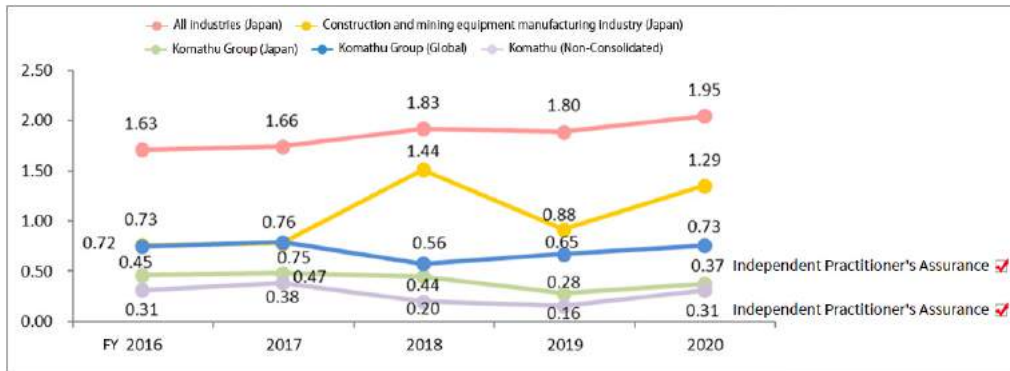
The number of accidents at overseas consignees: 1 incident

- February 2021: An employee of a contractor died in China after being pinched by an automatic carrier.

We take these accidents very seriously, and will continue to actively engage in appropriate safety and health activities to ensure that such accidents will not occur again.

DATA

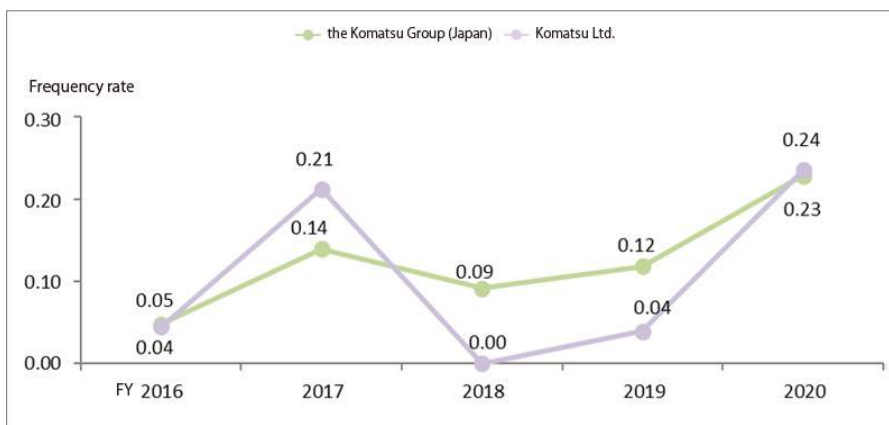
Incidence Rate of Occupational Accidents (Frequency Rate of Lost Worktime)



Note: Partially revised as a result of revisions to past data.

1. The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) are provided by the Ministry of Health, Labour and Welfare.
2. The scope of the Komatsu Group (Japan) includes Komatsu Ltd. and group companies in Japan. (Excluding Komatsu Safety Training Center, KCS and KBS)
3. The scope of the Komatsu Group (global) includes "Komatsu Group (Japan)" and overseas production plants.

Frequency of occupational accidents (occupational illness frequency rate)



1. Occupational illness frequency rate (OIFR): Number of occupational illness absences (times) / Total of working hours (hours) x 1,000,000
2. Occupational illness: Back problems, heat illnesses, chemical poisonings, infection, etc. specified by the Ministry of Health, Labour and Welfare
3. Komatsu Group (Japan): Komatsu alone + group companies in Japan (Excluding Komatsu Safety Training Center, KCS and KBS)

The Osaka Plant acquired ISO 45001 integrated international standards certification for the first time in April 2019, and other divisions and Group companies acquired integrated certification in April 2020.

OSHMS (Occupational Safety and Health Management System) Certification and Renewal of Certification in Japan

(The legends: ◇ JISHA OSHMS ● ISO 45001 OSHMS Certification and Renewal)

	FY	~2018	2019	2020
Komatsu	Osaka Plant	◇	●	●
	Head Office			●
	Awazu Plant	◇		●
	Kanazawa Plant	◇		●
	Ibaraki Plant	◇		●
	Oyama Plant	◇		●
	Tochigi Plant	○		●
	Koriyama Plant	◇		●
	Shonan Plant	◇		●
	Himi Plant	◇		●
	Advanced and Fundamental Technology Center			●
	Field Testing Department			●
	Group Company	Komatsu Cabtec	◇	
GIGAPHOTON		◇		●
KELK		◇		●
Komatsu NTC		◇		●

Note: Integrated international standards certification acquired for FY2020 onward.



Overseas OSHMS (Occupational Safety and Health Management System) Certification and Renewal of Certification8.2
 (The legends □ : OHSAS18001 ● : ISO45001)

FY	~2018	2019	2020
Komatsu America Chattanooga Manufacturing Operation	□	●	●
Komatsu America Peoria Manufacturing Operation	□		●
Komatsu America Newberry Manufacturing Operation		●	●
Komatsu Mining Wadeville			●
Komatsu UK		●	●
Komatsu Germany (Construction Division)	□		●
Komatsu Germany (Mining Division)	□		●
Komatsu Italia Manufacturing		●	●
Bangkok Komatsu	□	●	●
PT Komatsu Indonesia	□		●
PT Komatsu Undercarriage Indonesia	□		●
Komatsu Shantui Construction Machinery Co., Ltd.			●

* OHSMS: Occupational health and safety management systems
 * OHSAS 18001: Occupational health and safety assessment series

Outline of Procurement Policy and Supply Chain

Our business partners are important members of our value chain, who supply the materials, parts and components necessary for the continued operation of our manufacturing enterprise. At Komatsu, we aim to build a Win-Win relationship with our business partners by making interactive efforts under a relationship of mutual trust. Along with the expansion of our global operation, our supply chain has also been expanding all over the world. Taking seriously the recent gain of momentum for the spread of CSR in the overall supply chain, we are working to realize CSR procurement globally by being proactive in providing intense support for the CSR initiatives of our business partners.

1. Basic Policy for Procurement

Komatsu's procurement policy is based on the philosophy of aiming to build a Win-Win relationship with our business partners, who are on an equal footing with us, and encouraging each other. The policy aims to evaluate and select suppliers in a fair and equitable manner from a SLQDC (Safety, compliance with the Law, Quality, Delivery and Cost) perspective.

In addition, to promote CSR activities in the supply chain, we established and released the CSR Procurement Guidelines in 2011. In accordance with international guidelines such as ISO 26000 and the 10 principles of the United Nations Global Compact, the guidelines specify the items we would like our business partners to address, while reflecting the concepts of our code of conduct and the KOMATSU Way. We have released the guidelines on our website so that they are known and we also work to ensure the guidelines penetrate into our daily procurement operations.

In order to decide whether or not to begin transactions with a new business partner, we use a check sheet to evaluate the company not only in terms of basic SLQDC items but also from the viewpoints of environmental protection, employee training and others. In the basic transaction agreement that we conclude before beginning transactions, we include articles on compliance, environmental protection activities, elimination of anti-corruption and anti-social forces and other elements, thereby encouraging the business partner to promote CSR activities. In addition, in the annual evaluation of Midori-kai member companies to be described later, we evaluate them in terms of the business attitudes of their top management and their systems for promoting activities in areas such as safety and health, environmental protection and human resource development, in addition to their full-year QDC performance. We provide feedback on the results of the evaluation to business partners to help them make improvements.

2. Component Category and Procurement Policy

Komatsu's general production policy is to manufacture products directly within the area of demand. We have 71 of our 85 plants related to construction or mining equipment overseas.

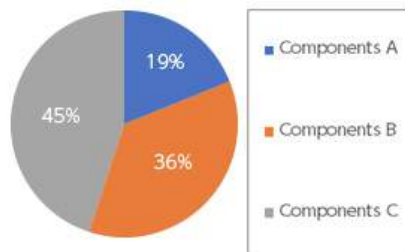
Concerning components, parts, materials and other items, we are promoting local procurement proactively based on production and procurement policies that we set in accordance with the characteristics of each. Above all, for Components B and C listed below, we are expanding cross sourcing between regions to respond flexibly to changes in the international trade environment such as exchange rate fluctuations, FTA and EPA, aiming for globally optimal procurement.

Policy on Production and Procurement of Components and Parts for Construction and Mining Machinery

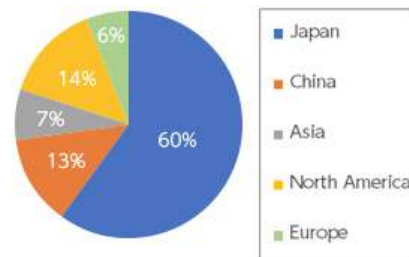
Category	Definition	Production and procurement policy	Examples of parts
Components A	Key components for differentiation that determine product quality and functions	Permanent development and production in Japan (supply from Japan to the world)	Engines, transmissions, axles, hydraulic equipment, and electronic equipment
Components B	Components that we need to purchase intensively from certified suppliers from the viewpoints of functions, quality, and investment	Optimal procurement from 2 or 3 regions in the world	Floor parts of cabin, cooling parts, undercarriage parts, cylinders, high-pressure hoses, tires, rims, and operator's seats
Components C	Parts with relatively low levels of technological difficulty, which should desirably be produced or procured close to the assembly plant	Local procurement	Thick/ thin sheet-metal parts, machined parts, and cast and wrought products as materials

The breakdown of procurement in monetary terms in the construction and mining equipment business of the Komatsu Group in FY2020 is shown below.

Components Types by Percentage of Procurement in Monetary Terms



Origin of components by Percentage of Procurement in Monetary Terms



3. The Komatsu Midori-kai Supply Chain

In the construction and mining equipment business, Komatsu has agreements with approx. 2,700 business partners (primary suppliers) all over the world. From amongst them, we have established the Komatsu Midori-kai which consists of particular business partners who are deemed especially important or critical for the Komatsu Group. The members are selected through evaluation from the viewpoint of management culture including the management philosophy of top management, SLQDC* performance including development and proposal capabilities in business transactions with Komatsu, the level of importance of the supplied items in light of our procurement strategies and technologies, the track record and the size of business transactions with Komatsu, and other elements. At present, the Komatsu Midori-kai operates in five regions -- Japan, China, Thailand, North America and Europe. Procurement from members of the Komatsu Midori-kai account for approx. 77% of total procurement in monetary terms. The Komatsu Midori-kai in each region collaborates with Komatsu's manufacturing plants in promoting activities that take advantage of characteristics of the region. It also holds regular meetings to promote understanding of Komatsu's businesses and activate communication between Komatsu's executives and top management of member companies. Many overseas member companies, as well as those in Japan, participate in the general meeting, which is held in November every year. At this meeting, executives of Komatsu give business briefings, and explain our global procurement policy and priority activities. In Japan and China, as a measure to support the improvement of member companies' competitiveness, the Komatsu Midori-kai divides its members into some groups (subcommittees) based on the items they supply, and promotes improvement activities in cooperation with Komatsu by selecting common themes such as safety, the environment and cutting-edge production technology. Information about actual improvements that have been made is shared by companies in the same group to promote the horizontal spread of information.

* SLQDC: abbreviation for Safety, compliance with the Law, Quality, Delivery and Cost



General meeting of Midori-kai (Japan)



Inaugural ceremony of Midori-kai in Thailand

Detail of Critical Suppliers

Region		Number of companies						
		Total	Sub-contracted*1		Proprietary parts*2			
			Invested by Komatsu	Highly depend on business w/t Komatsu	Invested by Komatsu	Highly depend on business w/t Komatsu	Big enterprise	Trading rm, Material
Midori-kai member companies	Japan	156	7	86	2	7	43	11
	China	59	2	33	1	4	14	5
	Thailand	31		18	1		10	2
	USA	44	1	15		1	19	8
	EU	39		6			30	3
	sub total	329	10	158	4	12	116	29
Non- members of Midori-kai	Japan	1	1					
	USA	2						2
	Indonesia	4	1	1				2
	India	12		11				1
	Vietnam	3		2		1		
	Philippines	1					1	
sub total	23	2	14	0	1	1	5	
Total		352	12	172	4	13	117	34

*1 Business partners who manufacture goods based on drawings and/or specifications from Komatsu (mostly medium and small enterprises)

*2 Business partners who manufacture goods based on their own drawings and/or specifications (mostly major companies)

Classification of Critical Suppliers

Categories		Number and Percentage of Total (The numbers of higher-level companies are included in those of lower-level ones.)		Percentage of procurement in monetary terms
1	All Tier 1 suppliers	2,666	100%	100%
2	Critical suppliers	Level 3 352	13%	77%
3		Level 2 201	8%	67%
4		Level 1 16	1%	8%

The level of critical suppliers is determined by the degree of Komatsu's involvement in each.

Level 1: Companies in which Komatsu or the Komatsu Group companies have invested

Level 2: Companies in which Komatsu or the Komatsu Group companies have not invested but which are highly dependent on business transactions with Komatsu

Level 3: All critical suppliers

CSR Procurement Guidelines

Request to Business Partners Regarding the Guidelines

In accordance with the Komatsu Code of Worldwide Business Conduct (established in 1988), all companies of the Komatsu Group have worked together in pursuit of thorough compliance. Moreover, Komatsu has focused on corporate social responsibility (CSR) in its business management with the aim of coexisting with society and achieving sustainable growth. As part of this effort, Komatsu has participated in the Global Compact, a voluntary principle of action in relation to “human rights, labor, environment and prevention of corruption” advocated by the United Nations, since November 2008 and has also expressed its position as a global enterprise on critical issues confronting international society faces.

Against this backdrop, ISO26000 was officially issued in November 2010 to provide international guidance on social responsibility. Komatsu sincerely reacts to the issues set forth in ISO26000 and will exercise leadership so that social responsibility will be borne throughout the entire value chain.

According to the Komatsu Code of Worldwide Business Conduct, we shall “seek to establish long-lasting stable relationships on the basis of mutual trust” by considering business partners to be important partners of the Komatsu Group. The revision in April 2011 added statements that we shall encourage business partners to follow the spirit of Komatsu Code of Worldwide Business Conduct and that the criteria for the selection of business partners shall include their compliance with rules of business society.

The CSR Procurement Guidelines contain a list of practices recommended for our business partners in line with the basic policy above, covering compliance and CSR. Companies of the Komatsu Group are kindly requested to take note of and incorporate the guidelines into their management principles and unfailingly promote CSR. Moreover, we hope that these companies make similar requests to their suppliers.

April 1, 2021

Masaki Nobuhara, President of Komatsu Procurement Division

Komatsu Group CSR Procurement Guidelines

(Established on August 30, 2011; Revised on April 1, 2019 and on April 1, 2020)

1. Operations for Sound Management

1. Build a system or operational structure designed to meet various risks.
2. Establish legal and transparent decision-making processes concerning management.
3. Conduct appropriate accounting procedures, tax filing and settlement of accounts.
4. Place importance on communication with stakeholders (customers, shareholders, business partners, employees, etc.).
5. Ensure that top management will be notified promptly when any abnormal condition develops and that your company will be able to promptly and accurately respond to the situation(s).
6. Fulfill accountability to society through active disclosure of corporate information.
7. Properly handle the personal information of customers, business partners and employees. Take appropriate measures for information security to ensure that the confidential business information provided by Komatsu or by business partners will not be leaked, lost or destroyed.
8. Create an effective BCP so that, even in the event of large-scale natural disaster, infectious disease pandemic or any other emergency, we can appropriately take initial measures to ensure the safety of employees, quickly restore business operations and fulfill our responsibility to supply customers with products.

2. Thorough Enforcement of Compliance

1. Engage in business operations while complying with the laws and regulations, as well as the rules of the business community in the countries and regions where we conduct business operations. In addition, make efforts to respect internationally accepted standards.
2. Define a code of conduct, comprising company rules, under the leadership of senior management, and develop a corporate climate that places top priority on compliance.
3. Establish a compliance regime, in accordance with the scale and characteristics of the company, that prevents the company, executives, and employees from engaging in illegal conduct, and promptly addresses situations where issues have occurred (e.g. a whistle-blowing system).

3. Product Safety, QCD and Technology Innovation

1. Comply with the laws and regulations concerning product safety and deliver products and services which will offer safety and peace of mind to customers.
2. In addition to maintaining the quality and cost competitiveness of products and services which your company delivers to customers, stand by the agreed upon date of delivery and supply your products in a stable manner.
3. Establish a quality management system and make efforts to maintain and improve it.
4. Constantly engage in technology development and provide innovative, safe and environmental-friendly products and services.

4. Considerations for the Environment

1. Continue efforts to reduce environmental impact resulting from business operations.
2. Appropriately manage chemical substances contained in products.
3. Build up environmental management systems such as the ISO14000 series and "Eco Stage."

5. Measures to Respect Human Rights, Appropriate Labor Conditions and Occupational Safety and Health

1. Respect human rights including the rights to freedom of association and collective bargaining.
2. Never get involved, directly or indirectly, in any child or forced labor.
3. Create a work environment where there is no discrimination or harassment in any aspect of employment.
4. Respect the rights of workers, through payment of fair wages and proper working hours management.
5. Establish a system for occupational labor health and safety, under the leadership of top management, and create a working environment where all employees can work safely and healthily.
6. Establish fair and equitable human resource system, and pay attention to human resource development and employee education as well.
7. Give consideration to improving communication between top management and employees.



6. Fair Business Practices

1. Comply with all related laws and regulations and engage in free and fair competition and business transactions.
2. Respect intellectual properties of other parties and work to prevent infringement thereof.
3. Never accept inappropriate cash, gifts or other favors from any civil servant or stakeholder (customer or business partner) either domestically or internationally.
4. Carry out proper foreign trade transactions (goods and technologies) while complying with the related laws and regulations.
5. Never have any relationship with antisocial forces or groups.

7. Social Contributions and Co-existence with the Local Community

1. Engage in social contribution activities based on your company's management principle(s) and support employees' volunteer activities.
2. Place importance on co-existence with local communities which is the foundation of your business, and proactively support the growth of local communities.

8. Spread of the guidelines throughout the Entire Supply Chain

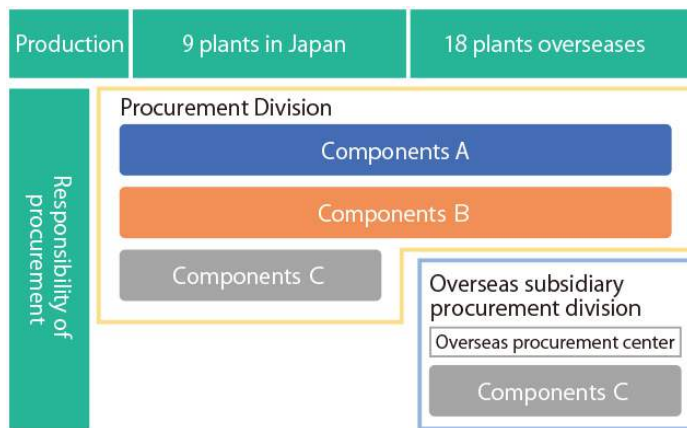
1. Encourage business partners of the company to observe the items stipulated in the guidelines. Make efforts to encourage the spread of these guidelines into the entire supply chain.

* These guidelines will be revised as needed.

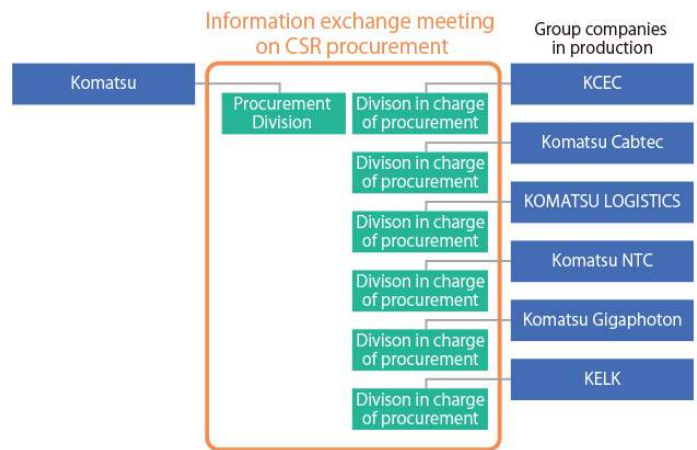
Komatsu Group's Supply Chain Management and Promotion of CSR Procurement

1. Promotion System and Human Resource Development in Procurement Departments

Komatsu employs a centralized procurement system where the Procurement Division deals with almost all the components and materials used in multiple plants in Japan. For overseas production, A- and B-category components as specified in the component categories described above are dealt with by the Procurement Division, and the C components are dealt with by the procurement departments of overseas subsidiaries. In addition, we have established an overseas procurement center within each site in the U.S., Europe, China, and Asia to ensure the penetration of the policies of the Procurement Division and ensure the consistency of the procurement activities of each overseas subsidiary. We are also using this system for global supply chain management and the promotion of CSR procurement. Furthermore, we hold meetings to exchange information with the procurement departments of production-related group companies on a regular basis to respond to common issues on a group-wide basis.



Categories for the division of roles for procurement departments



Meetings for the exchange of information with group companies

The development of the procurement staff who will be responsible for CSR procurement is also an important issue. We have compiled basic matters that purchasing departments must not forget in promoting global procurement - in particular, the basic philosophy and code of conduct that should be kept in mind when working with business partners -- in the KOMATSU Way (Procurement). In addition, we have been facing significant changes in laws and regulations of Japan and other countries on business transactions, employment and labor, environmental protection, export control and other matters. Responsible persons from the procurement department are required to understand these trends and reflect them appropriately in their daily procurement activities. At Komatsu, we strive to inform all employees of the trends by providing group training and e-learning designed for each one of the job classes, from new employees to managers.

KOMATSU Way procurement

1. Relationships with cooperative companies
 - (1) Cooperative companies are equal partners
 - (2) Keep communication
2. Improvement of the level of cooperation with companies
 - (1) Procurement in the style of agricultural peoples
 - (2) Maintain tense relationships with cooperative companies
3. The Mind Set of Buyers
 - (1) The procurement division is a representative of our company and related companies
 - (2) Suppliers shall be selected based on fair-mindedness and competition
 - (3) Do not return externally produced products to the company
 - (4) Do not reduce costs unreasonably
 - (5) Buyer's work sites are within cooperative companies

KOMATSU Way procurement

2. Partnership Declaration

The Partnership Declaration is our voluntary code of conduct and states that a large company, or parent enterprise, shall partner and cooperate with small and medium companies with the aim of facilitating their coexistence and coprosperity and shall, in fair dealing with the small and medium companies, enhance the added value of the supply chain overall.

Komatsu announced the declaration in August 2020, expressing its support for the activities implemented by the Cabinet Office, the Small and Medium Enterprise Agency and different economic organizations.

Komatsu complies with the rules and regulations stated in the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and in the promotional standards of the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises. Moreover, Komatsu will continue to help its business partners to become organizationally stronger by providing support for their efforts to enhance productivity and streamline work with the use of ICT and by providing training programs.



Logo of Partnership Declaration

Please access the following website to read the Partnership Declaration.

National Association of Small and Medium
Enterprise Promotion Organizations

3. Risk Assessment in the Supply Chain

Procurement from business partners accounts for a substantial percentage of our production costs. It reaches nearly 90% in middle-sized hydraulic shovels, a typical piece of construction machinery. Therefore, for the stable continuation of our business activities, it is essential to identify and respond to risks in our supply chain at an early stage. There are a wide range of risks in the supply chain, including the management of business partners, their SLQDC status, natural disasters, international trade conflicts, and import/export regulations. Komatsu visualizes risks through regular risk assessments that we conduct, particularly for critical suppliers, and we are carrying out activities to reduce those risks. In FY2020, no serious violation of labor-related laws or of environment laws or regulations was reported by critical suppliers.



• List of risk assessments conducted regarding suppliers

Scope		Methods of supply chain risk assessment (○: Subject of the assessment)								
		General	Management			CSR			BCP	
		Two-way Communication through Midori-kai activities	Periodic monitoring on Management & Financial status (*1)	Evaluation on SLQDC(*2) Performance & Capability	Monitoring of level on Safety activities	CSR SAQ survey	Audit on Environmental Management(a), including acquisition of EMS certification(b)	Compliance Risk (CR) Audit on important process(*3)	Check the damage & ability of supply in case of occurrence of natural disasters	Check risk of plant location against flood, heavy rain, etc
Frequency of check		As needed	Annually/Quarterly/Monthly	Annually	Once every 6 months	Annually	Annually	Once every 2 years	As needed	Once every 3 years
Method		<ul style="list-style-type: none"> Lecture & Q&A Discussion Group activity 	<ul style="list-style-type: none"> Written survey 	<ul style="list-style-type: none"> Monthly & Annual performing data Management interview 	<ul style="list-style-type: none"> Written survey Management interview Site visit 	<ul style="list-style-type: none"> Written survey On-site audit 	<ul style="list-style-type: none"> Written survey On-site audit 	<ul style="list-style-type: none"> Written survey Site visit Check documented evidence 	<ul style="list-style-type: none"> telephone/e-mail check through supply chain management system 	<ul style="list-style-type: none"> check with hazard map issued by MLIT confirm the status of BCP against risks
1	Total of Tier 1 suppliers	-	○	-	-	○	-	-	○(*5)	○(*5)
2	Level 3	○	○	-	-	○	○(a)	-	○(*5)	○(*5)
3	Critical suppliers Level 2	○	○Quarterly	○(*4)	○	○	○(a,b)	-	○(*5)	○(*5)
4	Level 1	○	○Monthly	○	○	○	○(a,b)	○	○(*5)	○(*5)

*1: In case of listed company on stock exchange, use published financial statement as a substitute.

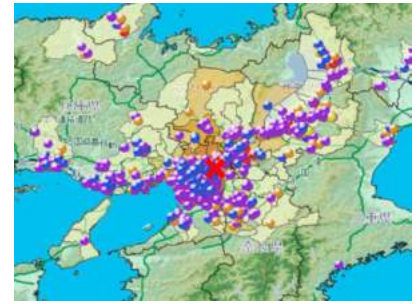
*2: S(Safety), L(Compliance), Q(Quality), D(Delivery), C(Cost)

*3: Accounting, Human Resource Control, Purchasing, IT Security

*4: Sub-contracted suppliers only

*5: only companies locating in Japan

To respond to natural disasters which recently have occurred frequently and become diversified, we have begun to operate a supply chain management system in Japan linked to disaster information from the Japan Meteorological Agency. This is aimed at quickly inspecting damage to our business partners and assessing the impact on our supply chain after a natural disaster, such as an earthquake, tsunami, or typhoon. We have built a database of locations and production items with over 20,000 sites managed by 7,662 business partners, including secondary and subsequent suppliers, thereby visualizing the risks of interruption in product supply that can be expected to be caused by a disaster. This enables us to take focused countermeasures promptly. In the event of a disaster, we first check the damage to our suppliers at high risk which have been assessed through the system. Where necessary, we dispatch security maintenance personnel to the companies to support their activities for the prompt recovery of production.



Epicenter of the Northern Osaka Earthquake in June 2018 and the Cooperative Company Distribution Map

In 2019, our supply chain was greatly impacted by the flooding of rivers caused by Typhoon Hagibis (No. 19), which damaged multiple business partners. In light of this, we linked the Komatsu supply chain management system to the hazard maps released by the Ministry of Land, Infrastructure, Transport and Tourism to understand the potential location-related risks faced by our business partners. We take measures for our business partners with location-related risks, for example, increasing our safety stock or securing alternative suppliers, in accordance with how they handle their business continuity planning. In 2020, the COVID-19 pandemic, container shortages and other problems disrupted international logistics and significantly impacted our exporting and importing. We are also taking actions to address these emerging risks.



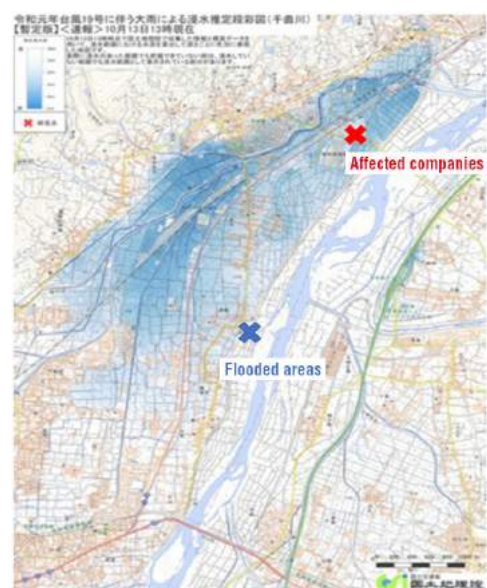
Disaster recovery support (lending electric generators)



Disaster recovery support(assisting the centering of working machines)



River flooding caused by Typhoon Hagibis No. 19



Hazard map and disaster-stricken business partner (in the Chikuma River basin)

4. Awareness Building Activities to Ensure the Penetration of CSR into the Supply Chain

To raise our business partners' awareness of Komatsu's CSR procurement guidelines, we are carrying out awareness building activities around Compliance and BCP at the Komatsu Midori-kai meetings and monthly business meeting held in each office. In addition, the CSR Report issued for Midori-kai member companies shares CSR-related "Everybody's Compliance" articles which are published for the employees of the Komatsu Group, and information regarding the revision of related laws and regulations in Japan and other countries. Starting from FY2020, to ensure the further penetration of CSR into the supply chain, we began an SAQ survey about CSR activities for our primary suppliers in Japan and other countries. Based on the standard survey tool released by the Global Compact Network Japan (GCNJ), in which Komatsu also participates, the survey involves the use of a form complementing the items Komatsu considers to be important. Business partners use the form to as a self-check of the degree to which they recognize CSR issues and the status of their actions. In FY2020, the survey was designed to gather responses from 156 Midori-kai member companies and 77 have submitted their responses to date. To increase survey participation, we will continue to explain the goals of the survey to the companies and provide follow-up support to our business partners who we wish would increase their awareness of CSR issues.

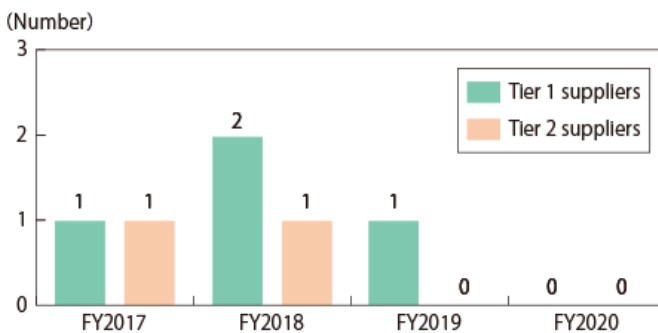
In line with our corporate social responsibilities, Komatsu does not condone the use of conflict materials produced by the Democratic Republic of Congo (DRC), or its neighbors (Angola, Republic of Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia). We have informed our business partners of this policy through the Komatsu Green Procurement Guidelines. Working hand-in-hand with suppliers, we conducted a country-of-origin survey to determine the location of origin of our materials and to ensure that none of them are sourced from areas of conflict. Moving forward, we will continue to take steps to enforce strict adherence to this policy, which will serve to restrict funding for military groups situated in such areas. Any conflict materials discovered to be within our supply chain will be immediately discontinued from use.

5. Komatsu's Whistleblowing System for Suppliers

At Komatsu, we launched a whistleblowing system for suppliers in March 2017 to accept whistleblowing reports from suppliers on acts in procurement activities of the Komatsu Group which are violating or alleged to be violating laws and regulations. Matters reported via dedicated contacts, which we set up inside and outside the company, are handled by a department in a neutral position. This department investigates and verifies facts to take corrective measures promptly. We have vowed to ensure that business partners who have reported will not receive any disadvantageous treatment.

[> Komatsu's Whistleblowing System for Suppliers\(121KB\) !\[\]\(b792654f2cef9719eabeb6c5be00811e_img.jpg\)](#)

Changes in reported cases



Support for Member Companies of the Komatsu Midori-kai (Management and Society)

Komatsu supports Midori-Kai member companies in a variety of ways. Main support activities that we have carried out are described below.

1. Safety

Komatsu provides support for the establishment of systems for safety activities and improvement of the activity level to 99 companies, the majority of which are custom goods suppliers out of the Midori-kai in Japan. The support includes continuous safety patrols by specialists from Komatsu, sharing information and horizontal application of occupational safety measures conducted by other companies, the introduction of management system, and so on. These activities are also carried out at the Midori-kai in China.

(1) Komatsu experts conducting safety patrols

Using check sheets and on-site patrols we conduct surveys to ensure compliance, particularly with laws (e.g. reports and inspections), unsafe locations on site, and the existence of unsafe actions. If anything problematic is found, we request the submission of a countermeasure report, which describes the measures to prevent recurrence, as a follow-up. In FY2017, we reviewed the check sheets and evaluation criteria so that we would be able to use the same standards to evaluate the activities of Midori-kai members company-wide and follow-up with them to improve the level of each company every year.

To eliminate serious accidents, we regularly conduct comprehensive inspections of the safety devices installed on automated lines and machines and the operation of these devices, forklift and crane operations, and the status of the standards established for working in high places, among many others.

(2) Encouraging business partners to implement mutual safety patrols

One of the Midori-kai committee activities is the implementation of mutual safety patrols by business partners with similar business standpoints. We also put a lot of weight on inspecting from perspectives specific to each business category (e.g. the handling of heavy goods or the risks of touching hot surfaces).

(3) Connecting and information sharing through safety activities in Komatsu

Executives from the Midori-kai member companies in Japan participate in the Komatsu Group Safety and Health Conference, which is held in June every year. Excellent Zero Accident circles selected from Japanese and Chinese Midori-kai member companies provide presentations about their activities. In addition, we open the Safety Dojo (Safety Training Hall), a facility included in each Komatsu plant, to our business partners, aiming to improve the safety awareness of the employees of each company through danger simulation experiences and danger prediction training.

(4) Focused guidance for companies with repeated accidents

We select companies that have had repeated accidents as target companies for Special Safety Activities and provide special support and guidance according to the unique situation of each company.

(5) Introducing labor safety and health management systems

To increase the level of the activities at each company, we support them in their establishment of their own occupational safety and health management systems, including OSHMS certification. In 2015, we supported 97 companies that implemented Japan Industrial Safety and Health Association (JISHA)'s Workplace Safety Health Impact Project for small and medium-sized businesses, and they are using the project to objectively evaluate their own activities.



Risk assessment training

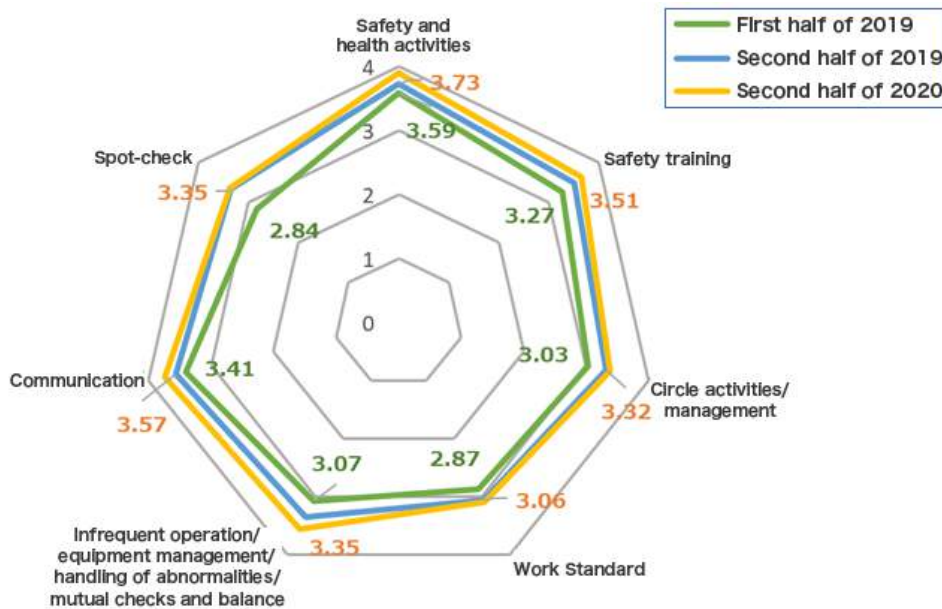


Group performing a mutual safety patrol

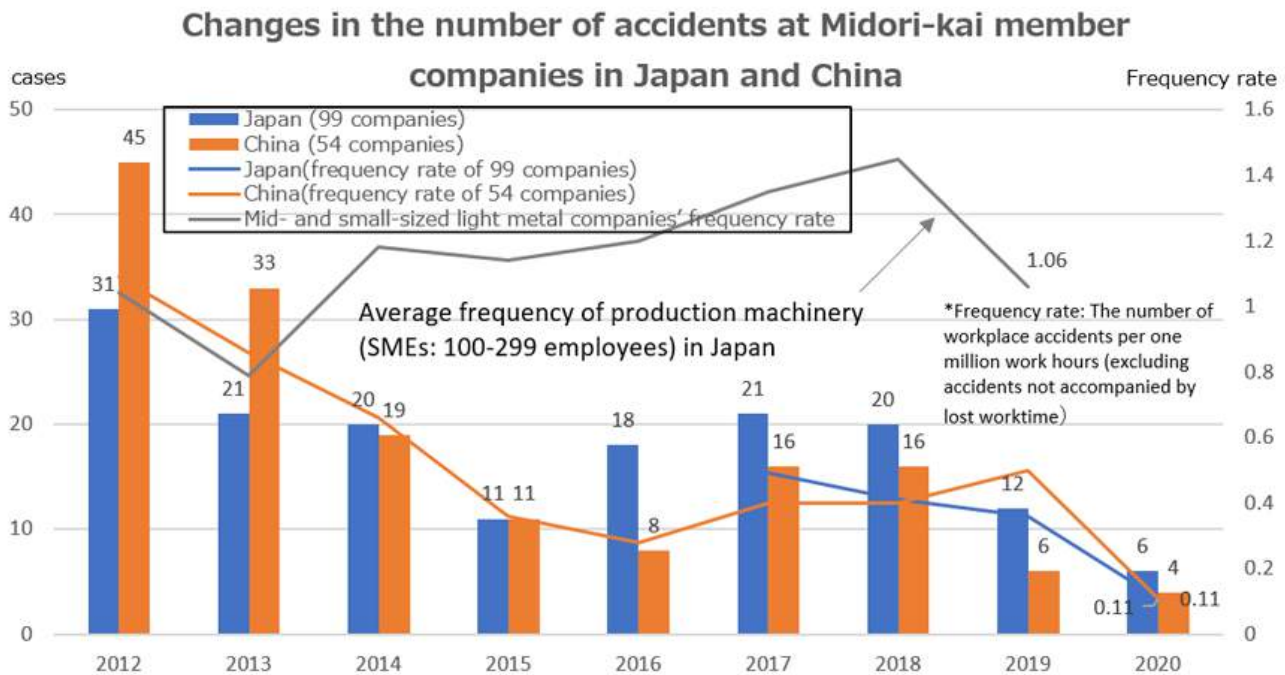


Presentation by Sekigahara factory at a Komatsu safety meeting

Changes in the results of safety activity evaluations in 2018 and 2019 (99 Midori-kai member companies, 116 offices)



Changes in the number of accidents at Midori-kai member companies in Japan and China Table 1



2. Compliance

The Komatsu Group conducts compliance and risk audits (CR audits). In 2016, we began to conduct the CR audits even for 16 business partners in which Komatsu has made minority investments. The audit is conducted in four fields -- accounting, labor management, procurement (the Subcontract Act) and information security. It is aimed at identifying potential risks and taking corrective measures at an early stage. The risks are identified mainly by checking the status of compliance with relevant laws and regulations, confirming business rules, segregation of business and decision-making authorities, inspecting relevant business documents and conducting on-site examinations. Voluntary establishment of compliance systems by business partners is essential for promoting CSR procurement. We believe that such a system should desirably be established by 1) formulating rules (establishing codes of conduct of each company), 2) building a structure for promoting CSR procurement (including the appointment of persons in charge of CSR procurement and practical affairs), 3) introducing a whistleblowing system, and then 4) providing employees with awareness training. Under this policy, we provided support to 99 companies, mainly custom goods suppliers belonging to the Midori-kai, for their establishment of compliance systems by providing practical examples at Komatsu and employee training materials, etc. As of the end of FY2020, we have completed support activities for 66 companies, and plan to complete them at all of the companies by the end of FY2021. The follow-up after completion of the support activities and the inspection of the status of the activities of major business partners will involve a SAQ survey.

Main Findings through CR Audits (2016 to 2020):

Field	Findings	Countermeasures
Accounting	-Business flow, operating procedures and decision-making authorities have yet to be set/ are insufficient.	Formulation/ review of business flow/ operating procedure, provision of instructions on physical inventory check, and others
	-Physical inventory check is not conducted/ not regularly conducted.	
	-Rules on sale and disposal of stagnant assets and loss on forced write-down of such assets are not clear.	
	-Management of corporate seals and password updates for the accounting system are not done thoroughly.	
Labor management	Error in the service contracts for individual forepersons	Switching to direct employment, review of timecard operations, etc.
	Handling of the fraction (less than 30 min.) at working hour management	
Procurement (the Subcontract Act)	-Insufficient details provided on the order form (document set forth in Article 3)	Review of order form and supporting documentation, review of business flow, and others
	-There is a risk of delay in payment (within 60 days after receipt).	
	There is a risk of early deduction of the price of raw materials purchased by a subcontractor from the subcontract proceeds to be paid.	
	-Violation of the provisions prohibiting reduction of subcontract proceeds (Reducing the amount of subcontract proceeds by the amount equivalent to that of discount commission where the payment is made in cash)	

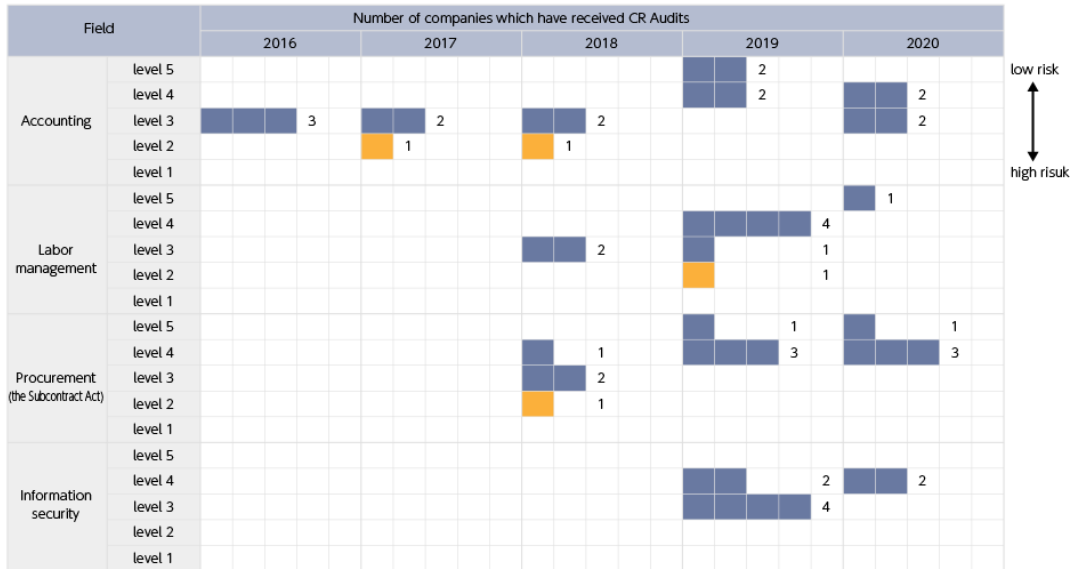
Support Activities for the Establishment of a Compliance System The number in () indicates the cumulative number of companies.

FY	Achievement		Plan		Target
	2018	2019	2020	2021	
Number of companies we support	5	32 (37)	31 (68)	31 (99)	99
Number of companies which have completed support activities	5	32 (37)	29 (66)	33 (99)	99

Support is provided to 99 companies, mainly custom goods suppliers belonging to the Japanese Midori-kai



Changes in Evaluation Level in CR Audits (from 2016 to 2020):



3. Personnel Development

We believe that the greatest support that we can provide to the Midori-kai is human resource development. Based on this belief, we provide various job-level training programs as listed below. In 2020, it was necessary to cancel most of the face-to-face training programs due to the COVID-19 pandemic. In their place, a remote education curriculum using an online meeting system was provided to the Midori-kai companies to provide materials for employee training.

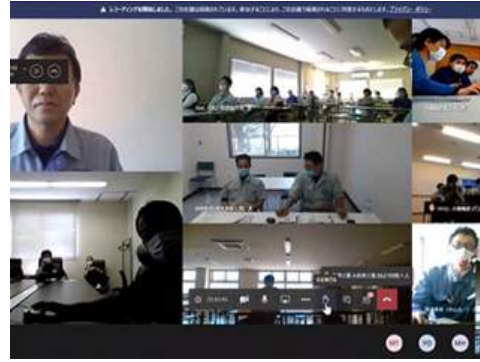
Among the support activities, we have particularly been committed to Management Salons and skills transfer activities in recent years. Management Salons are aimed at developing young individuals in management positions, who have recently taken on new business responsibilities. Through these events, Komatsu executives analyze the current strengths and weaknesses of each company and exchange views on the medium-term management visions of the companies with their counterparts to align and share management policies and ideas. The skills transfer activities are aimed at facilitating the improvement and succession of the on-site skills of each company. In these activities, we help each company build systems for promoting skills transfer and skills evaluation and develop instructors in core skill fields by disseminating our own knowledge and skills.

Training and Other Programs for Midori-kai Member Companies

Target job level	Program	Outline	Major achievements
Management	Commissioned training	Komatsu accepts sons and daughters of corporate managers of member companies and provides them with on-the-job training for up to five years.	54 trainees have been accepted since 1972.
	Middle management training	Komatsu's training program for its executive candidates is open to candidates for member company successor. Duration of the training is seven months.	27 people have participated since 2005.
	Management Salons	Young corporate managers of member companies make presentations on medium-term management visions of their respective companies, which are discussed and shared with Komatsu.	Provided to a total of 22 companies since 2014
Employees in managerial positions	Managerial training	For newly appointed managers and on-site job leaders (e.g. general managers of centers and team leaders)	Around 40 people participate every year.
	Leader training (for field managers)	Exclusive training programs for the Midori-kai. The training is provided two times a year.	Around 60 people participate every year.
Representatives	Komatsu Technical Institute	Intended for leader candidates related to production engineering and manufacturing who are aged 30 or younger. It is a boarding school which provides a two-year program.	28 people have entered since 2008.
	Production engineer training	It is an exclusive training program for the Midori-kai on sheet metal processing and mechanical engineering. Five-day training is provided once a year.	Around 40 people participate every year.
Skilled workers	Instructor training	A 30-day program for candidates for skilled instructors of each company	98 people have participated since 2015.
	Inspection training school	Inspection skills training and classroom lectures	
Others	All Komatsu QC competition	Participants are selected from among the Midori-kai members.	Around 20 companies participate every year.
	All Komatsu skills competition (Advanced Technique Contest)	Participants are selected from among the Midori-kai members.	
	All Komatsu Safety Competition	Participants are selected from among the Midori-kai members (report on Excellent Zero Accident circles' activities).	Around 5 companies participate every year.



Instructor training

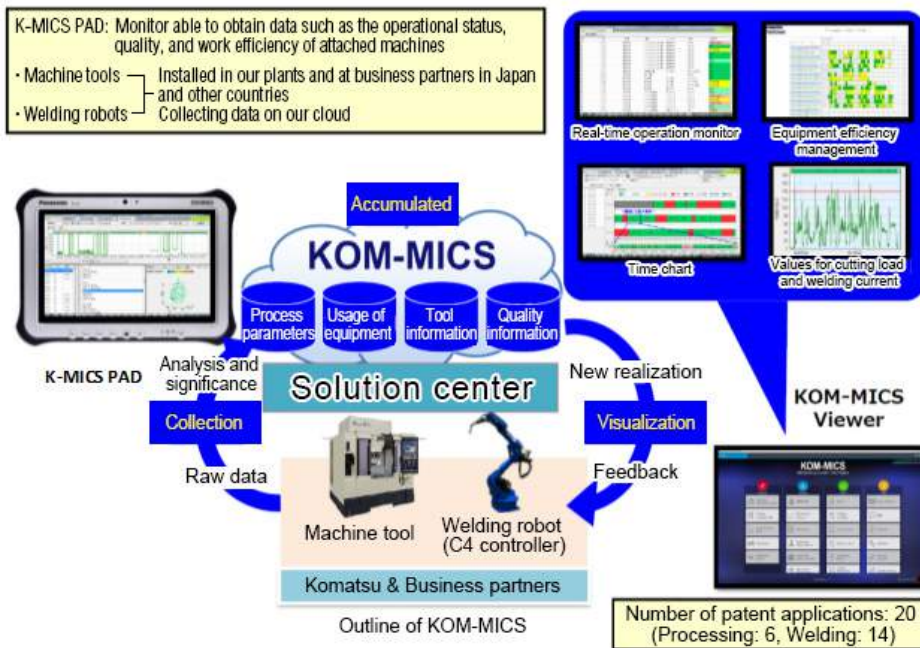


An online meeting system is used to provide remote education.

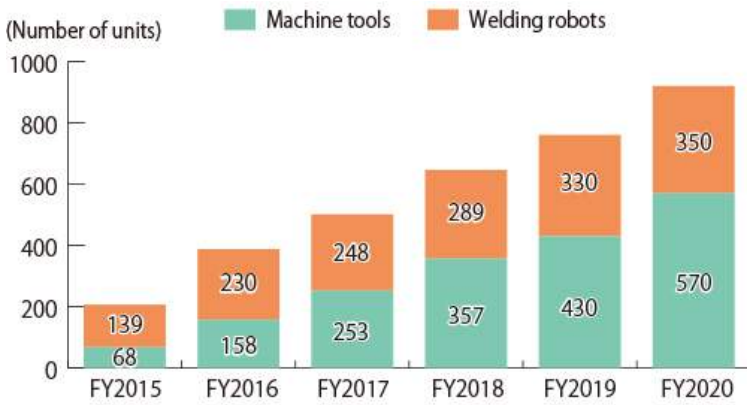
4. Supporting Productivity Improvement Activities by Using ICT

Addressing the issue of the labor shortage, which has been growing more seriously in recent years, is an urgent task for Komatsu and members of the Midori-kai as well. We promote the networking of production sites and facilities by making effective use of ICT (KOM-MICS) and using the network to improve productivity and save human resources. As a countermeasure against the labor shortage, we are expanding these activities to members of the Midori-kai proactively. Tools such as ones for monitoring operating rates that we developed on our own (K-MICS PAD) automatically collect data, including operational status and operating conditions, from the controllers of machine tools and welding robots of each company. These data are accumulated on the network, and processed and edited on a PC with application prepared for each purpose. We thus visualize the issues that need to be overcome to improve the operating rate, leading to collaborative analysis and implementation of measures.

Outline of KOM-MICS



Changes in the number of K-MICS PAD units installed



5. BCP to Prepare for Natural Disasters

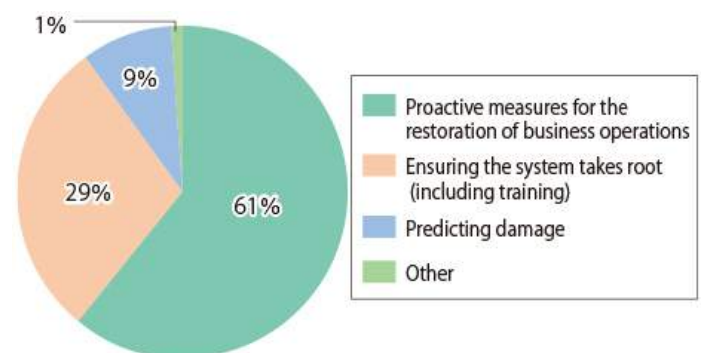
Natural disasters such as earthquakes, heavy rains and typhoons have frequently occurred in recent years. Worse, there are new clear risks such as the COVID-19 pandemic, cyberattacks. The importance of establishing a BCP system for the supply chain is increasing. Starting after the Great East Japan Earthquake in 2011, Komatsu has provided support by implementing measures to withstand earthquakes and water damage, etc. at the buildings and facilities of 104 companies, mainly custom goods suppliers belonging to the Midori-kai. In addition to these tangible measures, it is also necessary to strengthen intangible measures, including the establishment of an initial response system by creating a BCP manual, etc., and a system for facilitating early restoration of business operations. Since FY2019, we have held BCP workshops for 104 Midori-kai member companies, mainly focusing on support for the establishment of their own initial response systems.

In the future, we will extend our support to activities to enable the system take root through simulations and other activities, something that many of our business partners believe necessary for the promotion of BCP, and to proactively prepare to restore business operations (e.g. the sharing of information, dispersion of production sites).



BCP workshops

Issues to consider when advancing your company's BCP (responses obtained from 87 Midori-kai companies)



Issues to consider when creating BCP

Our Support for Midori-kai member companies (Environment)

1. Green Procurement Guidelines

Komatsu established the Komatsu Earth Environment Charter in 1992 and declared that they would engage in environmentally conscious business activities to realize a sustainable society. However, social demand for the reduction of environmental burdens and responses to climate change is increasing. Considering this background, Komatsu has established and released the Green Procurement Guidelines, which supplement the environment-related issues described in the CSR Procurement Guidelines. By using these guidelines, we preferentially promote green procurement, which is conscious about the environment, and of the raw materials and procured components/parts, which are important elements in our production. It also prompts business partners to develop their own environmental management activities.

[> Komatsu Green Procurement Guidelines\(396KB\) !\[\]\(758ebdf4629c903da74c2e079717ae32_img.jpg\)](#)

2. Support for Those Obtaining Environmental Management Certifications

We have requested all member companies of the Midori-kai in Japan and China to obtain certifications for environmental management systems (EMS), such as ISO14001 and Eco-Stage, and provided them with instructions and support for obtaining the certifications. In Japan, all 156 member companies have obtained the certifications, and we began to check the renewal status of the certifications in 2018. In China, 58 out of the 59 applicable companies have already obtained the certifications, and we expect that all the companies will obtain them by the end of FY2021. We encourage suppliers in U.S., Europe and the Midori-kai Thailand that are among our 352 level-3 critical suppliers to obtain similar certifications, aiming to ensure that 86% of these suppliers (including all manufacturers and excluding trade companies) have been certified by the end of FY2022.

Over ten years have already passed since the Midori-kai members in Japan obtained the certifications. Like in the case of the safety and health activities, it is important to follow-up the status of the certifications in each company's business activities. To realize this, we will start environmental audits, which we have conducted internally, mainly for the outsourcing companies of the Midori-kai from 2020. Through written surveys on compliance with environment-related laws and regulations, etc. and on-site inspections at each company's offices, we will inspect how EMS has taken root on site and link the results to our support for their improvement in the future.



Environmental audits



Number of Midori-kai Member Companies with EMS Certifications

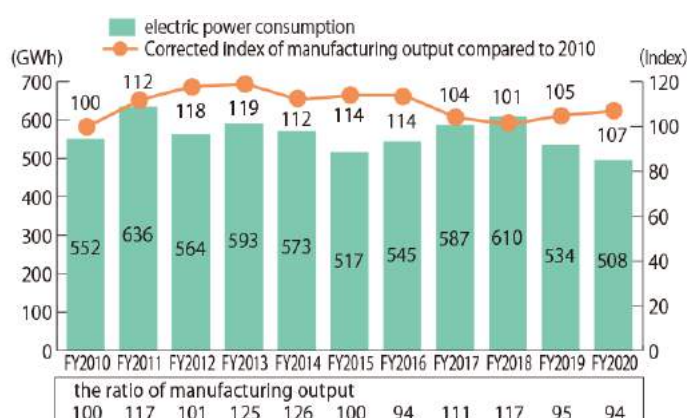
Region	Number of member companies	Number of companies which have obtained certification				Percentage of companies with certification	
		FY2017	FY2018	FY2019	FY2020	Progress	Target
Japan	156	156	156	156	156	100%	100%
China	59	53	55	57	58	97%	
Thailand	31	-	-	-	16	52%	
North America	44	19	19	19	19	43%	86%
Europe	39	29	29	32	35	82%	
Total	329	257	259	264	284	86%	

3. Responding to Climate Change: Greenhouse Gas Reduction in the Supply Chain

In 2012, as a solution to tight power supply/demand and the steep increase in electricity costs following the Great East Japan Earthquake, we began to roll out activities to reduce the power consumption of 96 Midori-kai members in Japan by setting a target reduction in electricity consumption of at least 15% compared to 2010. This target was achieved in FY2016, with an average reduction of 20%. As a result of the expansion of these activities thoroughly across all our suppliers, some suppliers have won the ECCJ Energy Conservation Grand Prize Award. Since 2017, despite large fluctuations in the amount of production, we have worked to maintain and improve the reduction level through independent improvements at each company. In the second half of FY2019, we also set a target of reducing greenhouse gas emissions from all kinds of energy, including heavy oil, gas and electric power, by 15% (by the end of FY2024, compared to 2010). As a first step, we conducted a fact-finding survey of ten casting and forging companies and heat treatment companies which emit large amounts of greenhouse gases, and began to provide them with information about the improvements that we had actually made. While providing concrete support to help these 10 companies to improve, we will also request that the 201 suppliers that fall under our Critical Suppliers-Level 2 set self-reduction targets in sequence and take tangible measures to reach those goals.

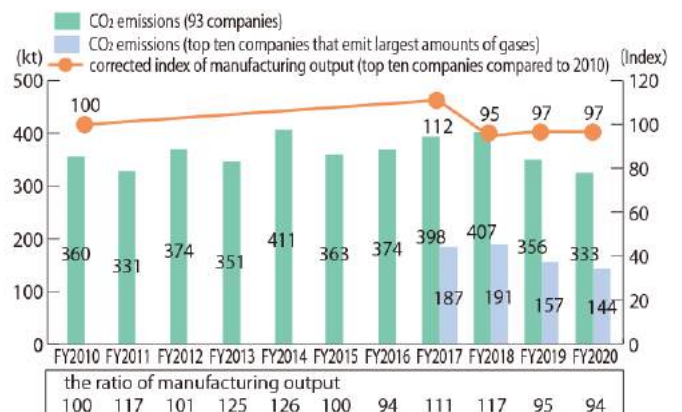
Changes in electric power consumption(Midori-kai 93 companies)

Independent Practitioner's Assurance



Change in CO₂ emissions(Midori-kai 93 companies)

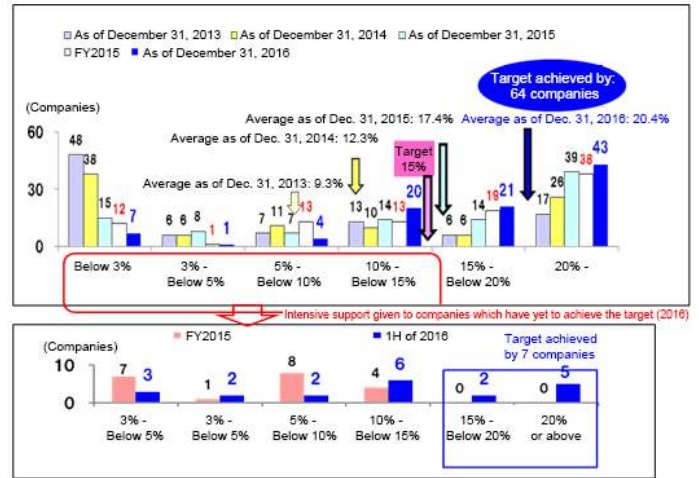
Independent Practitioner's Assurance



Status of setting of targets for the reduction of GHG emissions (156 companies in the Midori-kai)

	Already set	Not set/not answered yet
Short-term target	98	58
Medium- and long-term target	32	124

Results of activities in Japan for reducing power consumption from 2012 to 2016 (reduction of electric power consumption rate calculated against the 2010 base unit)



4. Addressing Water Risks

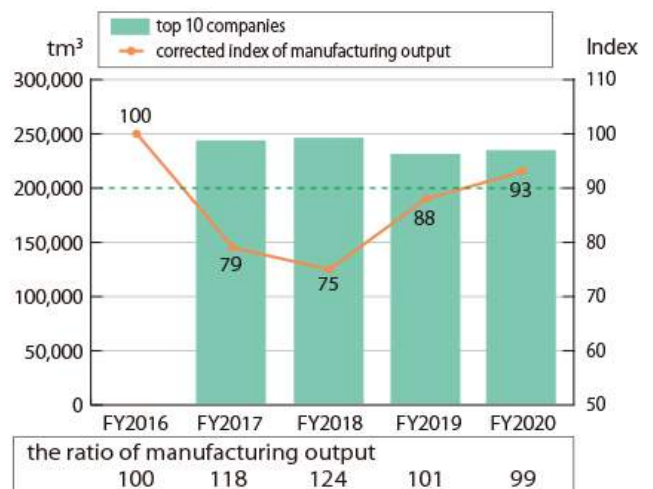
We are inspecting 135 offices of 96 Midori-kai members in Japan to understand their general water risks, including the above-mentioned heavy rain and tsunami risks, locations, potential and actual water intake/discharge capacities, water quality, and how they address these issues. We also use Aqeduct in these analyses.

In response to these investigations, we have been conducting activities to reduce water consumption since FY2017. In these activities, the top ten companies in the consumption of clean water are considered to be model companies and we present Komatsu improvement examples and provide guidance on improvement through on-site visits, with a target of 15% reduction of water consumption by FY2021. In FY2018, the target was achieved. Since then, we have voluntarily stayed aware of the amount of water used and have extended the activities to other Midori-kai companies through the distribution of improvement examples from Komatsu and ten other companies.



On-site investigation of water risks

Changes in clean water usage by the top 10 Midori-kai companies



5. Responding to Environmental Regulations in China

The basic goal of the environmental regulations in China is the elimination of three things: exhaust gases, discharged water, and solid waste. However, when operating under those regulations, the regulations and standards set forth by each local government have priority. Regarding discharged water from plants, to address the aggravated water pollution in rivers and lakes, the standards for BOD/COD (Biochemical Oxygen Demand/Chemical Oxygen Demand), which are indexes of amounts of organic substances in discharged water, are especially strict when compared to the country-wide standards in Japan, and there is an increasing number of cases where centralized water treatment systems for discharged water, etc. need to be installed.

Komatsu checks the regulatory compliance status of the Midori-kai members in China on a regular basis.

In addition, in China, extremely tough environmental regulations were imposed in 2015, mainly in the coastal areas, aiming to improve air pollution issues (PM2.5) drastically. As a result, companies engaging in businesses such as painting, welding, casting and plating are required to take thorough measures to reduce exhaust air, smoke and soot (including VOCs). Working together with member companies of the Midori-kai in China, we provide support for complying with the regulations, including the installation of facilities. As a result of measures taken by the companies, 14 companies had been certified as exempt from the regulations (as green companies) as of March 31, 2019. We will continue to work with each company to reduce risks to our business continuity.



An example of measures to meet regulations in China (Daikyo Machinery Shandong Co., Ltd.: Installation of a welding fume dust collector and exhaust air ducts)

6. Dealing with Biodiversity

In 2011, Komatsu established “the Declaration of Biodiversity by Komatsu”, a declaration that we will work for the reduction of environmental impact through our business activities and for the conservation of biodiversity through our social contribution activities. Receiving support for our policies from Midori-kai members in Japan and other countries, we are conducting community contribution activities in cooperation with them, such as environmental conservation. We also encourage the companies to implement their own unique efforts in accordance with their own unique situations and geographical locations.



Cherry tree planting activity in China (Jining, Shandong Province)

Support for construction and environmental conservation of the Yusen-ji copper mine in Komatsu, Ishikawa prefecture

KOMATSU Progress of Construction at the Yusenji Copper Mine Site

遊泉寺銅山 ものがたりパーク
YUSENJI DŌZAN Monogatari PARK

Sakura Plaza
公園と遊歩道を兼ねた憩いの場。桜並木が美しい。また、自然観察の場としても活用される。

Satoyama-mirai Building
「サトヤマミライ」は、遊泉寺銅山の歴史を伝えるための施設。また、自然観察の場としても活用される。

Mine town site
遊泉寺銅山の歴史を伝えるための施設。また、自然観察の場としても活用される。

Big Chimney
遊泉寺銅山の歴史を伝えるための施設。また、自然観察の場としても活用される。

Future Plan

- Pave the walking path and build a mountain hiking trail (Installation of stairs)
- Construction in front of the chimney (e.g. installation of bells)

To be completed in May 2021

Safety and environmental initiatives at sales and service companies

Support for Sales and Service Divisions in Developing Environmental Management Systems

Komatsu also continues to be committed to safety and the environment in the sales activities of Komatsu Group construction machinery. To raise awareness about environmental management, in FY2020 we supported the development of environment management systems and improvements of our worksites. We also took other steps to provide support, such as remote education which was introduced after the outbreak of COVID-19.

Item	FY2019	FY2020	Year-on-year
CO ₂ (kt-CO ₂)	7.5	7.6	1.8% increase

Acquisition of ISO14001 Certification

Komatsu Customer Support Co., Ltd. ("KCSJ"), was established in April 2018 to carry out activities to acquire ISO 14001 certification, an international standard, as part of their efforts to establish an integrated environmental management system. With the construction machinery, rental, and lift divisions of seven companies being consolidated, all companies, including Head Office, engaged in a standardized effort for environmental improvement and successively renewed their certification as planned.

Activities Based on the Environmental Guidelines

We distribute our "Environmental Guidelines" to all of our sales sites, and follow the guidelines in pushing forward with our environmental activities. The guidelines summarize the rules and standards that should be observed at the workplaces of our sales and rental companies in compliance with the law and also to avoid negatively impacting neighbors in terms of waste disposal, wastewater treatment, control of noise and vibration and other problems deeply related to the environment. Representatives of Komatsu and a relevant company jointly visit our sites (including on-site checks partly performed on a remote basis), provide guidance to on-site workers and develop proposals for improvement so that the environmental guidelines can be consistently complied with.



Water Quality Testing in Oily Water Separation Tank

Proper Discharge of Waste

The waste management system (which centralizes the management of electronic manifests, consignment contracts, permits and others) has been introduced in the rental and lift divisions of all KCSJ companies, which has enabled all divisions to properly manage the system without leakage by centralizing the operation of the system and visualizing the management of emissions of waste.

Reduction of Environmental Impact in Our Regular Operations

- Supporting the sale of environmentally friendly products -

Along with the expansion of the lineups of eco-friendly machines developed by Komatsu, such as machines equipped with Tier 4 Final which satisfies emission regulations, ICT construction machines, and battery forklifts, we proactively focused on the promotion of sales and aim to reduce environmental impact through our operations (sales and service). Moreover, we have tentatively introduced electric power excavators (PC30E-5) since FY2020 and have been making proposals to environmentally conscious users.



A demonstration held at an IOT center



Environmental Risk Management

Promoting Legal Compliance, and Pollution Mitigation and Prevention

Komatsu complies with national and local laws and regulations and ensures that it periodically reports and maintains measurement results.

In FY2020, there were two violations and one violation of environmental regulations in Japan and other countries, respectively, each of them minor. No fines are imposed and they have all been resolved.

There were no major environmental accidents which might pollute the environment on the boundary of our site during this period.

Addressing Soil and Groundwater Contamination

Komatsu has established guidelines for testing soil and groundwater, inspects any business unit that is scheduled to be sold, closed, or removed pursuant to laws and regulations, and takes purification measures upon confirmation by local authorities if contamination is discovered.

We voluntarily investigate business units in operation in order to test for contamination stemming from VOCs in cleaning solvents, etc. used in the past.

We have been surveying soil and groundwater for VOC contamination at domestic business units since 2005, and have implemented countermeasures at any sites that have been found to be contaminated. We use methods that facilitate the cleaning process in the shortest period of time possible.

Our clean-up of the Oyama Plant was completed in FY2009. We are continuing clean-up operations at other sites while checking the effect of our cleaning measures.

We will continue to thoroughly clean-up and regularly monitor groundwater at site boundaries to ensure that there is no outflow of groundwater that has exceeded the standard outside the premises.

■ Status of Soil and Groundwater Cleanup in Japan

Business unit	Cleanup method	Cleanup status
Awazu Plant	Excavation and removal, soil vapor extraction, groundwater withdrawal and aeration, bioremediation	In process
Komatsu Plant (former site)	Excavation and removal, groundwater withdrawal and aeration, bioremediation	In process
Osaka Plant	Soil vapor extraction, air sparging, groundwater withdrawal and aeration, bioremediation	In process
Shonan Plant	Excavation and removal, groundwater withdrawal and aeration	In process
Tochigi Plant	Excavation and removal, bioremediation	In process

*1 Bio-remediation is a purification process whereby hazardous materials are purified using micro-organisms. This return the soil to a non-hazardous state.

* Investigative surveys revealed zero contamination in the Koriyama Plant, Technology Innovation Center in Hiratsuka, Techno Center in Izu and Field Testing Department in Oita.



Managing PCB (Polychlorinated Biphenyl) Waste

Komatsu stores and disposes of PCB-containing waste (such as transformers and fluorescent stabilizers) in accordance with the "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes" and the "Waste Management and Public Cleansing Law". We intend to continue our appropriate treatment of PCB waste, including low-concentration PCB waste, according to our plan.

Management of Chemical Substances and Pollution Prevention

Reducing the amount of PRTR-related substances

In FY2020, the number of PRTR* substances with a handling volume of 1 ton or more (0.5 tons or more for Class I Designated Chemical Substances) was 25, a reduction by one, compared to the previous year.

The PRTR substances xylene, ethyl benzene and toluene account for approximately 90% of the emissions from Komatsu and Komatsu Group production sites. Most of these emissions are released into the atmosphere.

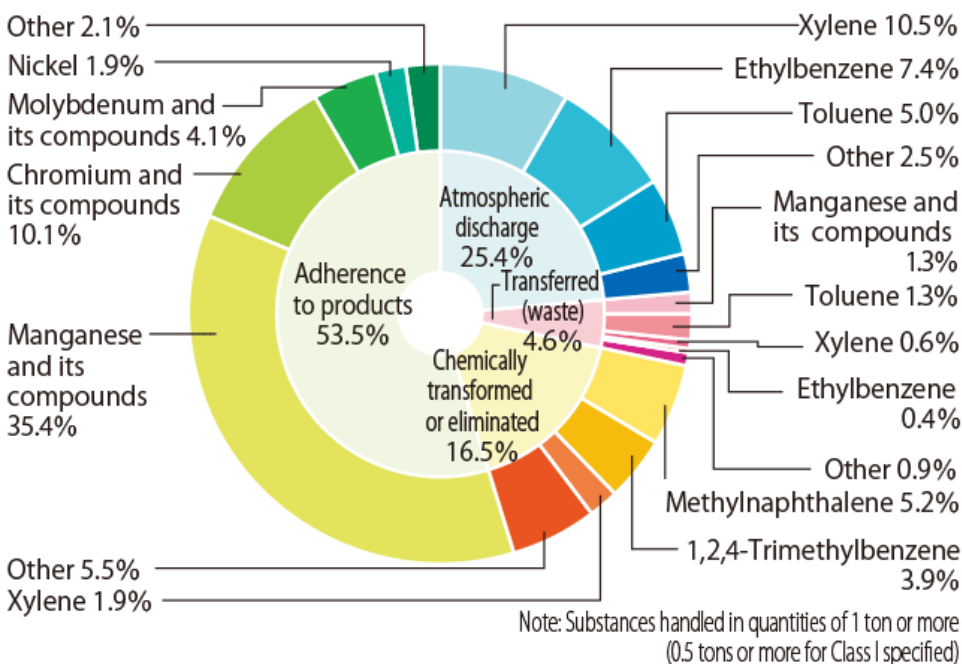
In FY2020, the volume of xylene, ethyl benzene and toluene fell from FY2019 levels despite increased production volume due to the ongoing switch to paints and thinners that contains less PRTR Class 1 substances at each site.

We will continue to make efforts to switch to paints that contains less PRTR Class 1 substances, introduce high solids thinners and paints, improve coating efficiency, reduce coating film thickness, and recycle paint thinner. Emissions in FY2020 were reduced by about 15% from the previous year.

* PRTR: Law designed to mandate the disclosure of the amount of specific chemical substances released into the environment to promote the management of such substances (The notification system based on the PRTR Law)

Breakdown of the Amount of PRTR-related Substances Released and Transferred from Komatsu Group Manufacturing Facilities in Japan

Komatsu Group Manufacturing Facilities in Japan Independent Practitioner's Assurance

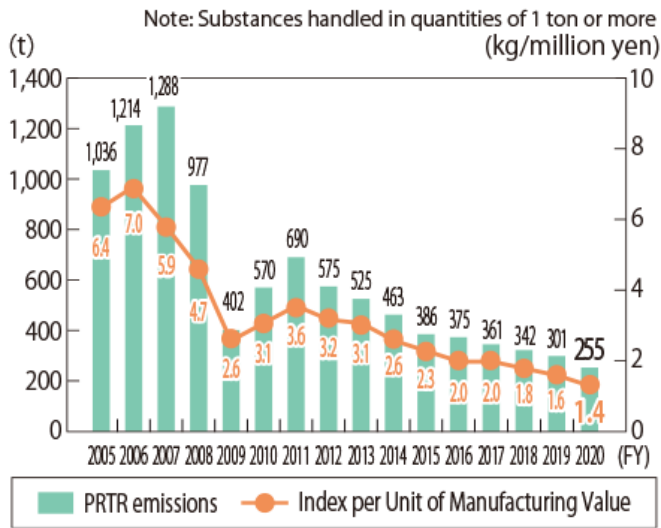


* Totals may not match exactly due to rounded decimals in individual categories.

Amount of PRTR-related Substances Released into the atmosphere

Komatsu Group Manufacturing Facilities in Japan

Independent Practitioner's Assurance



Note: Partially revised as a result of revisions to past data.

Reducing VOC Emissions

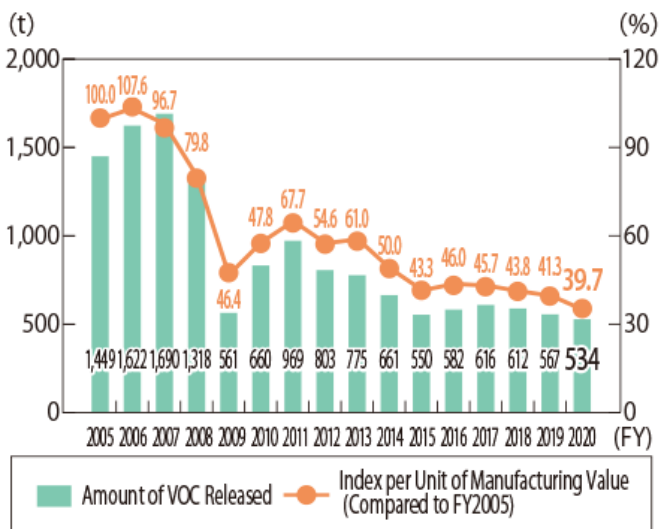
The majority of VOC emissions are from VOCs contained in paint such as xylene and ethyl benzene.

Emissions in FY2020 were reduced by 5.9% compared to the previous year, and we have managed to maintain a 50% reduction (compared to FY2005) in the amount of VOC emissions per unit of manufacturing value.

Amount of VOC Released

Komatsu Group Manufacturing Facilities in Japan

Independent Practitioner's Assurance



Note: Partially revised as a result of revisions to past data.

Reducing the amount of coating used by automating coating lines for large parts

In FY2019, at the Awazu Plant, large frames were coated by hand in the past. They have started coating them on an automated coating line, which has reduced coating material consumption drastically.

Automation had been difficult because different large parts are attached for each customer, requiring the coating to be appropriate for each shape, and also because seasonal changes in temperature made it difficult to adjust the coating conditions. To introduce the new equipment, we performed several improvements. First, we installed a booth to pre-heat parts to adjust to the temperature changes. We also started controlling the temperature of the coating materials. Second, we placed the robot so it would be able to always coat from the same direction by rotating the part being coated, etc. Those improvements enabled us to introduce the automated coating line.

In the past, humans would accidentally recoat areas, which makes the coating film thicker. The introduced robot can consistently spray the same amount of coating, which has realized a constant coating thickness, preventing the waste of the sprayed coatings.

Consumption of coating was reduced 47% after the introduction of the robot. Moreover, the automated line also reduced the amount of coating adhering to the walls of the coating booth, improving cleaning and maintenance as well.



Frame coating with the coating robot

Reducing the Use of Substances of Environmental Concern and Complying with the EU REACH and SCIP Regulation

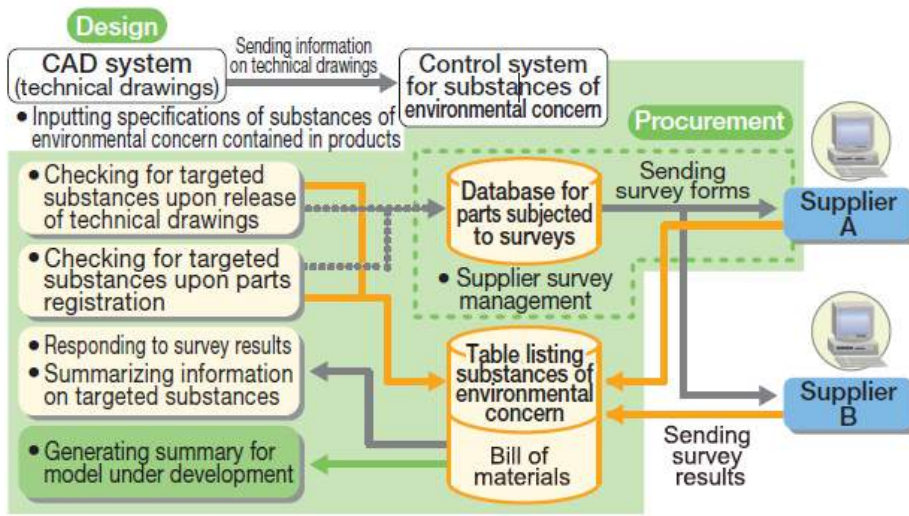
Komatsu is aware of the harmful environmental impacts that certain materials possess, and has made continuous efforts from an early stage to reduce the use of a number of such substances. These included asbestos, lead, and other such items. In FY1999, we created our own list of banned and limited-use substances ([Refer to “Substances of Environmental Concern Banned or to Be Reduced for Use in Products”](#)), which was based in part on Japanese legislation (Japanese Law Concerning the Examination and Regulation of Manufacture of Chemical Substances Control) that banned a number of chemical materials as well as regulatory measures in other countries.

We have also implemented more stringent measures in the control of substances that raise environmental concerns. In compliance with REACH*1 and SCIP*2, we began revisions of our FY1999 listing of banned and limited-use substances. We have also collaborated with suppliers to create a regulatory system that strengthens control of potentially harmful materials being used for production. We have rolled this system out in Japan and Europe, with plans to continue implementation in other areas of operation.

Through the use of this system, we identify SVHC (substances of very high concern) in not only vehicles for export to the EU or produced at local EU companies, but also in vehicles currently in production and in newly developed vehicles. Furthermore, we also regularly check for new SVHCs to be added to the list.

There are currently 211 SVHCs registered, with the list being revised every six months. We expect this number to increase to about 1,500 in the future. We have also devised a workflow to monitor control of these substances.

Control System for Substances of Environmental Concern



Substances of Environmental Concern that are Banned, or are to see Reduced Use in Production

Rank	Number	Chemical Substance
Banned	17	<ul style="list-style-type: none"> Hexavalent Chromium PBB/PBDE/HBCDD *4 PCB Trichloroethylene PFOS (Perfluorooctane sulfonate) Cadmium Tri-substituted Organostannic Compounds Asbestos Triethanolamine RCF (Fire-Resistant Ceramic Fibers) (Alumina and Scilica Types) *4 Mercury Sulfur Hexafluoride *4 Specified CFCs/Alternative CFCs (HCFC) Hexachlorobenzene
To be reduced (Subject to limited use)	15	<ul style="list-style-type: none"> Lead Alternative CFCs (HFC) Polycyclic Aromatic Hydrocarbons (PAH) BNST Arsenic Specified phthalate ester (DEHP/DBP/BBP/DIBP) *3 Methanol DOT E Selenium Specified Chlorinated Flame Retardents (TCEP) DZ UV327
Substances of Very High Concern (SVHC) under EU REACH Regulations	(211)*5	<p>Komatsu controls the use of the following substances, which might be used in Komatsu products.</p> <ul style="list-style-type: none"> DEHP/DBP/BBP/DIBP etc (5 substances) Specified Lead Compounds (4 substances) HBCDD/DBDE/Trisphosphates (2-Chloroethyl) DOT E RCF UV327



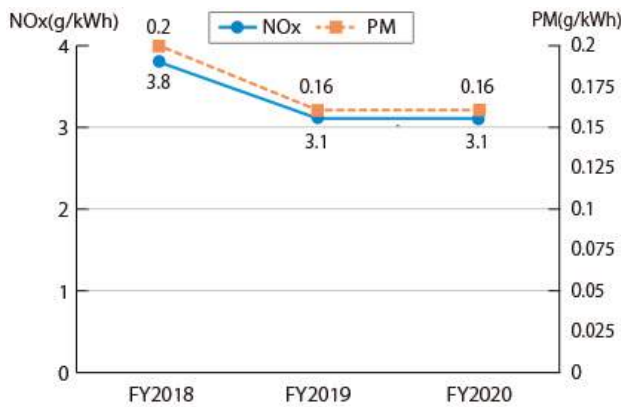
- *1 REACH: EU regulations for the Registration, Evaluation, Authorization and Restriction of Chemicals
- *2 SCIP (Substances of Concern In articles as such or in complex objects (Products))
- *3 Diethylhexyl phthalate, dibutyl phthalate, benzyl butyl phthalate, diisobutyl phthalate
- *4 Review for stricter limits due to regulatory trends.
- *5 The number of substances registered up until May, 2020 (progressively updated). Includes materials that are not contained in Komatsu construction equipment.

We are reducing and ending our use of substances of environmental concern. One of our efforts to achieve this is our plan to replace components containing specific phthalate esters with alternatives by 2024.

NOx and PM Emitted from Products

To reduce the NOx (nitrogen oxide) and PM (particulate matter) contained in the exhaust gases of diesel engines, which are used in construction equipment and other machinery, new emission control regulations have been established, and we have been developing products that emit cleaner exhaust gasses. About 85% of the construction machinery manufactured in FY2020 complies with regulations equal to or more stringent than U.S. Tier 3 and EU Stage IIIA regulations. As a result, the average NOx and PM emitted by the construction equipment products produced by Komatsu are shown below:

Average emission value of NOx and PM Independent Practitioner's Assurance



Komatsu's Efforts Regarding Water

Due to climate change, population growth and other phenomena brought by global warming, risks of river flooding, droughts, water shortages and other water-related problems have surfaced all over the world and are becoming more serious every year.

The Komatsu Group respects the right to water and sanitation as important rights. We also fully understands that we depend on that water and our business operations are influenced by and exert influence on the quantity and quality of that water.

Therefore, we engage in production activities that minimize environmental impact, provide good products and services and take appropriate actions to mitigate water-related risks in an effort to conserve local water resources and ensure that the water stays safe. It is our goal to promote these activities at All Komatsu and lead to the conservation of the global environment.

Basic Initiatives

1. In our production activities, to reduce water consumption in cleaning and other processes, we set objectives and are continually carrying out water reduction activities. In addition, we promote the introduction of water circulation systems that collect used water for recycling at selected bases to increase the efficiency of water use. When returning the water discharged from production and sales bases to nature, we dispose of it in compliance with national and regional laws and regulations and also the management standards we have established.
2. Using construction machines equipped with ICT and other advanced technologies, we contribute to measures mitigating water-related risks such as safe and efficient shore protection work and disaster-relief work.
3. We regularly carry out water-related risk surveys at our production bases, sales bases, and suppliers and take appropriate measures to mitigate risk.
4. We provide quality drinking water and sanitary services to those involved in our business, including the local community.
5. We learn about water together with stakeholders to raise our awareness of water and our responsibilities and aim to realize better a society of coexistence and cooperation.
6. We carry out water-related initiatives and proactively disclose achievements.

Through these initiatives, we contribute to the SDGs, a set of common goals for the world.

Actions Against Water-related Risks

Based on the Komatsu Earth Environment Charter, the Komatsu Group has promoted the reduction of water usage and recycling and has carried out activities, mainly for the protection of water quality. In FY2020, we conducted a water-related risk survey at our 76 main offices in Japan and other countries, irrespective of whether they handle production. In this survey, we conducted (1) versatile and objective identifications of water-related risks using WRI Aqueduct, and (2) subjective awareness surveys of water-related risks that Komatsu considers to be important. Combining these two surveys, we expanded the scope of the water-related risk survey and increased its accuracy. The water-related risk survey showed that Komatsu Group had some areas facing risks of disasters such as heavy rains, river flooding and tsunami (including risk awareness to the supply chain) .

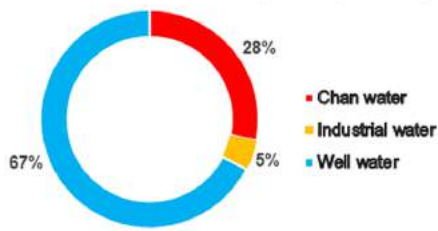
Going forward, we will conduct a water-related risk survey on a regular basis to keep updated on the water-related issues of the Komatsu Group.

Water stress risk survey by area (FY2020)

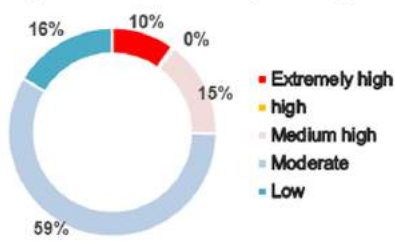
Using WRI Aqueduct, we surveyed 34 main production bases of the Komatsu Group about water stress risks in the water resource usage required for their production activities, such as clean water (tap water/city water), industrial water (clean water for industrial use), and well water. We corrected the results from WRI Aqueduct based on unique evaluations of the specific business locations.

The business locations whose water stress risks were rated as high or middle-to-high account for 10% of our water usage. While approximately 67% of the water used by Komatsu as a whole was well water, we found that all of the water used in the business locations with high or middle-to-high water stress risks was clean water and that water usage reduction and water recycling are important for securing water resources in these areas.

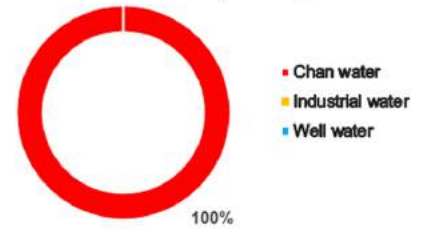
Amount of Water usage by water intake in all Komatsu companies (FY2020)



Amount of Water usage by water stress level (FY2020)



Amount of water usage by water resource in the areas with high or middle-to-high water stress (FY2020)



We will effectively use these survey results for activities we have conventionally engaged in, such as the promotion of water usage (input volume) reduction and recycling, aiming to reduce the water-related risks the Komatsu Group is exposed to. In addition, when planning the construction of a new business base or the transfer of a base, we will survey water stress in that area to identify the risk level.

Domestic Case Studies (Oyama and Tochigi Plants)

We have initiated the construction of multiple safety measures against the risks imposed by heavy rain. These include the building of three reservoirs (capable of holding up to an hour's worth of 100mm/h rainfall), installation of heavy rainfall water pipes, the construction of underground reservoirs, and the widening of rainwater drainage ways. In addition to this, we have installed water block walls and stop bars to prevent water from flowing outside of the premises.

* Our reservoirs also serve to alleviate the surrounding district's lack of drainage capacity.

Current Status of Reservoirs:

1. Oyama Plant 20,000 ton 10,000 ton and 4,000 ton reservoirs (completed)
2. Tochigi Plant 12,000 ton reservoir (under construction)

International Case Studies (KI: Komatsu Indonesia)

The following measures have been implemented to prevent the entry of river flood water into KI premises.

1. Installation of concrete wall
2. Installation of emergency door for employees
3. Installation of floodgate
4. Installation of new drainage system
5. Installation of drainage gate
6. Installation of pump for floods

We have engaged elements of our supply chain to collaborate with our water-related risk initiatives. Our “Water-Related Risk Survey” was conducted at the operations of one of our main supply chain companies (Midori-kai). Komatsu is proud to report that as of FY2017, Midori-kai has begun collaborative efforts in our “Water-Related Risk Reduction Activities”.

Compliance and Risk Audit at overseas group companies

Komatsu has been conducting planned compliance and risk audits (CR audits) since fiscal 2007 for risk prevention at overseas group companies.

In FY2020, we had planned to conduct audits in Europe and the United States. However, COVID-19 made it impossible to visit sites to audit them. In Europe, we used an online meeting system to remotely audit KUK. Audits in the United States were postponed to the next fiscal year due to time differences. Audits are performed with the support of domestic mother plants. Remote auditing does not enable us to see what is happening at the site. We used the check sheet in our fact finding about the sites, as is done in a typical audit. In addition, we gathered many different documents about the results of water tests and the administrative procedures of local affiliates before beginning the audit. We also conducted a paper audit and an interview-based audit. As a result of the audits, we detected no major problems that could lead to the realization of an environmental risk. They were proactive about activities reducing environmental impact. We continue to carry out follow-ups checks at areas where audits have already been completed, and plan to conduct further environmental audits of our group companies in other regions.

■ Past Environment Audits

Year	Area	Year	Area
2007	China	2014	United States and Brazil
2008	—	2015	Thailand
2009	Thailand and Indonesia	2016	India and Indonesia
2010	India	2017	Russia and China
2011	Brazil	2018	Indonesia and Brazil
2012	Russia and Czech Republic	2019	China and the United States
2013	United State	2020	Europe

Holding Regional Environment Meetings

At overseas business units, employees in charge of the environment and safety in each region gathered to hold meetings. By exchanging information of and discussing common issues in the region, they aim to improve compliance and the level of the environmental impact reduction activities at each business unit. Meetings in FY2020 were held in North America, Latin America, Europe, Southeast Asia, Oceania and China. In most of these regions, meetings were held online due to COVID-19. These meetings were all attended by many participants who reported on their companies' environmental activities. Through activities like this, we would like to further revitalize the environmental activities of the Komatsu Group.

Biodiversity

Recognizing the potential impact of our business activities on our ecosystem, we have taken steps to maintaining our commitment to protect biodiversity in our areas of operation.

Initiatives that Deal with Biodiversity

With the establishment of Komatsu's "Declaration of Biodiversity" and "Biodiversity Guideline" in January 2011, Komatsu business units worldwide began activities designed to preserve biodiversity.

Komatsu promotes initiatives to preserve biodiversity on two levels.

First, the Company continues to promote ongoing efforts to reduce the environmental impact of Komatsu's business activities.

Komatsu also considers biodiversity when deciding how land is to be used, such as when building factories.

Second, Komatsu is becoming directly involved in the preservation of biodiversity, and at the same time expanding our "one-site, one-theme activities" to raise employee's awareness of the need to preserve local ecosystems.

Declaration of Biodiversity by Komatsu

Komatsu recognizes that its business activities are dependent on and influence benefits from the ecosystem through its biodiversity.

Based on this understanding, Komatsu strives to take actions in accordance with the policies described below, as it shares a sense of responsibility regarding the biodiversity crisis, and strives to conserve diverse resources.

I (Recognition by Management)

Komatsu recognizes that conservation and promulgation of biodiversity are important management tasks.

II (Initiatives)

Komatsu shall promote biodiversity through the following two perspectives.

1. Komatsu shall reduce its environmental impact, which is affecting biodiversity, through its business activities.
 - (1) Reduction of environmental impact of products
 - (2) Reduction of direct environmental impact from products throughout lifecycle.
 - (3) Consideration of biodiversity when using land.
2. Komatsu shall work for conservation and promulgation of biodiversity through its social contribution activities.

III (Operation)

Komatsu shall promote activities by means of a step-by-step approach.

IV (Cooperation with the community)

In order to protect the biodiversity rooted in regions, Komatsu will undertake activities in coalition with administrative agency, local citizens, NGOs and other entities; by doing so we aim become a corporation communities can be proud of.

V (Full participation activities)

Komatsu will promulgate the importance of biodiversity to all employees and undertake activities with their full participation. We will involve corporations related to the lifecycle of Komatsu products and representative agencies as well as customers in these activities and promote our initiatives on a global group-wide scale.

VI (Communication)

Communication: Komatsu will strive to educate and disclose related information to employees. In addition, Komatsu will actively disclose information on activities being undertaken and work to contribute in heightening the level of societal awareness on the importance of biodiversity.

[> Guidelines for Biodiversity \(114KB\) !\[\]\(bd3b31712ad9bab5a241210fa6925cdd_img.jpg\)](#)

10th anniversary of biodiversity

Komatsu established its Declaration of Biodiversity and Biodiversity Guideline in January 2011. For the nine years since then, we have continued to perform One-site, one-theme activities at each base (plant and office) globally.

2020 is a landmark year as 10 years have passed since the Conference of the Parties (COP10) was held and the Aichi targets were selected. 2021 is a milestone as it marks the tenth anniversary of Komatsu's Declaration of Biodiversity. Coinciding with this, we distributed a questionnaire to the Komatsu Group and surveyed their biodiversity conservation activities to identify future subjects and policies to implement in the future.

The results of the survey, showing the status of each base, are below.

- The management of each base recognizes and understands the biodiversity conservation activities to be an important management task, and all employees participate in the activities.
- Because the activities also serve as environmental education for the next generation (e.g. the children of the employees and the community) and are promoted in cooperation with the government and local communities, the activities have gained the understanding of the community and are also a source of pride for the community.
- Recognizing that biodiversity conservation activities are closely associated with the establishment of a society in harmony with nature, they have set not only goals for the biodiversity conservation activities in a restricted sense but also improvement goals for CO₂ and water consumption and waste reduction in our operations (throughout the life cycle) and are implementing activities to achieve them.

In the future, to expand biodiversity conservation activities to the entire life cycle, we will explain these activities to the supply chain and motivate them to proactively participate in activities.

[Examples in Japan and other countries]

1. Land use consideration



Koriyama Plant: Biotope on the premises



Hensley's Dallas facility : Bioswale

2. Community contribution



Oyama site: Tide prevention forest restoration volunteer project in Iwaki



Planting a tree in Inner Mongolia (China)

3. Ecosystem conservation



Oyama Plant: Around the Manabi-no Mori



Rare vegetation preserve on the plant's premises (Indonesia)

Biodiversity Survey at the Field Testing Department Test Engineering Center, Development Division

The Oita Test Center, where the quality of construction equipment is checked, is located in a rich natural area. To maintain this environment, the test center is engaged in environment conservation activities daily. To assess how our business activities impact the surrounding environment in our environment conversation activities, we investigated the ecological system in FY2011 and found that a lot of local and rare species were living and growing in the area, and it was established that a good natural environment was being maintained. Eight years later, to check for any changes after the investigation, we performed the assessment again, looking into the current situation of our biodiversity and ecosystem services in FY2019.

This investigation is mainly based on the area analysis performed through on-site investigations and the production of a biodiversity map (vegetation map). We inspected the inhabitation of the area and growth of the animals and plants through the year, collecting basic information through drone photography, vegetation and timber surveys (tree height and diameter measurements) at 18 points of 10 m x 10 m locations which were used in the previous investigation, together with research companies and our employees. As a result, rare species populations increased over the levels of the previous investigation, and 10 new rare species were identified. In addition, we confirmed that the locations where non-native plants grew preferentially decreased and that the area where indigenous plants grew increased.

One activity typical of the efforts that brought about these good results is the creation and maintenance of habitats in 20 locations on the premises that consider the securing of wetlands where rare amphibians and aquatic plants can live and grow, the continuity between water areas and woodlands, and an open environment where bird species can move about actively.

In addition, the continued efforts of our employees to eliminate non-native plants led to an increase of indigenous plants. It was evaluated as an activity leading to healthy vegetation.

We will continue these activities to maintain and further improve the good, natural environment and work to ensure that these concepts and activities penetrate into the community by introducing them during plant visits, etc.



Fauna and Flora habitat survey



Activity to remove invasive plants

An investigative agency's evaluation of our biodiversity conservation activities

As a result of the survey in FY2019, we confirmed diverse Fauna and Flora inhabiting the area, including 10 newly discovered rare species. It was a result of initiatives that have been continually implemented, the creation of a field of silver grass, a domestic species, after the removal of invasive plants, the regeneration of a shining village forest, and the creation of a new habitat that aims for the creation of an ecological network. In particular, as an advanced example of what is possible in the construction, mining and utility equipment field, that these initiatives were carried out and the results were reaped within an experimental laboratory whose land was planned to be altered is highly commendable.

Greenfront Research Lab.

The benefits harvested from a biodiversity-based ecosystem (for example, food supply and water purification) are called ecosystem services. We evaluated ecosystem services at Komatsu's Test Center for the first time in 2011. At that time, it was quite an advanced initiative. It is wonderful that, since then, these biodiversity conservation activities have continued for nearly 10 years, and have been steadily producing results. At the Test center, ecosystem conservation activities that suit the local community, such as the removal of invasive species and the establishment of a village forest, are being implemented.

Mitsubishi UFJ Research and Consulting Co., Ltd.

Communication with Stakeholders

Communication with Shareholders

Operating within our commitment to high managerial transparency, Komatsu discloses information in a proper and timely manner through interactive dialogue and constructive approaches to investor relations on a global scale.

1. Activities for Corporate Investors and Securities Analysts

On the same day that quarterly business results are announced, the company holds explanatory sessions for corporate investors and securities analysts (we also release this information on our website). Overseas, we provide institutional investors, primarily those in the U.S. and Europe, with explanations about our business performance and other information by sending representatives or holding online meetings.

2. Informational Meeting for Individual Shareholders

To continually communicate with individual shareholders, Komatsu convenes shareholders' meetings every year and our senior management explains the company's performance statistics and management strategies and holds Q&A sessions. Usually, the meetings are held in major cities in Japan. To prevent the spread of COVID-19, however, the FY2020 meeting was held online for the first time. Shareholders from all around the country participated and many questions were raised during the Q&A session, which covered a wide range of topics such as the impact of COVID-19, our efforts to reduce fixed costs and the areas of business with the potential for future growth. A streaming video and documents of the meeting are available for viewing on our website.

Since the first one in 1997, we have convened 50 shareholder meetings attended by about 17,000 shareholders in total.



FY2020 Online Shareholder Meeting

3. Plant Tours for Individual Shareholders

Komatsu holds plant tours for individual shareholders to further deepen their understanding of the company. In FY2020, plant tours were cancelled due to the spread of COVID-19. Komatsu's official YouTube channel shows videos delivering our corporate messages and explaining our brands, products and technologies and also features VR (virtual reality) content of plant tours.

Videos of plant tours can be viewed on the following site.

[> Komatsu's official YouTube channel](#)

4. Meetings for Individual Investors

Komatsu holds meetings for individual investors to explain our business and management strategies as well as to cultivate a deeper understanding of our company. In FY2020, we had four online meetings for individual investors. Streaming videos and documents of the meetings are available for viewing on our website.



A shot from an online meeting for individual investors

DATA

Facts about our events for individual shareholders and investors held in FY2020:

	Number of events held	Approximate number of viewers
Online meeting for shareholders:	1	Viewed live by a total of 267 people
Online meeting for individual investors:	4	Viewed live or on demand by a total of 7,082 people

Documents and other materials used in the meetings can be viewed on the following site.

[> IR site on the events for shareholders and individual investors](#)

Communication with Employees

Within Komatsu, the president convenes a “Meeting with the President” periodically at each business site in Japan. At these meetings, the president directly explains the business environment and related issues, and also takes part in a Q&A session held for employees and upper management. These meetings held at our headquarters in Tokyo are simultaneously streamed online over other business units in Japan and are also translated into English for sharing among the Komatsu Group employees around the world. We are currently proactively engaged in holding employee meetings at our overseas subsidiaries in order to provide a place for communication to take place with local Group employees.

In addition to these measures, we launched an intranet bulletin board, entitled “Virtual Office of President,” in January 2014 to share the questions and answers exchanged during the meeting with the president with employees around the world. The site is updated each week with new questions, and as of March 31, 2021, a cumulative total of 316 questions on specific topics, along with the president's answers, explanations and messages to employees, have been published in Japanese and English.



Employee meeting held at the head office



“Virtual Office of President” on the intranet

Communicating with the Local Community (Efforts in Japan)

We regularly open our plants to the public and hold various events during “Plant Fairs” to cultivate an understanding of our business among local residents.

In FY2020, most plant fairs were postponed for the purpose of curbing the spread of COVID-19. Nevertheless, Osaka Plant accepted a plant tour and gave a science class (Science Yume Kyoshitsu) which have continued since FY2013 for fifth-year elementary schoolchildren. The plant took thorough measures to protect against COVID-19 and welcomed 632 pupils who toured the assembly line and watched demonstrations of construction machines. This was an opportunity for us to communicate the plant workers' jobs.



Elementary schoolchildren visit Osaka Plant.



Data

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Major Environmental Achievements in the previous year.

Environmental Management

Theme	Index	Reference year	FY2020 Goal	FY 2020 Achievement	Remarks
Public relations of environmental activities	CDP evaluation	-	Climate : A Water : A	Climate : A Water : A	
Public relations of environmental activities	Public environmental reporting	-	Publishing	Published(July)	

Research & Development

Theme	Index	Reference year	FY2020 Goal	FY2020 Achievement	Remarks
Development of low-emission construction machinery and industrial vehicles (Compliance with emission control regulations)			- Development of Tier 4 regulation-compliant vehicles - Development of Stage V regulation-compliant vehicles	- Continued development - Continued development	
Reduction of CO ₂ emissions from products (Promotion of fuel efficiency improvement during product operation)	CO ₂ emissions reduction (unit: %)	2010	- Reduction of CO ₂ emissions from use of products (construction machinery, mining machines) Goal: 15% reduction	- Continued development Achievement: 14% reduction	Goal for 2030: 50% reduction
Reduction of CO ₂ emissions from construction machinery and industrial vehicles (changing to BDF biofuel)			- Use of B50-compliant mixed light oil	- Continued development	



Theme	Index	Reference year	FY2020 Goal	FY2020 Achievement	Remarks
Improvement of recycling percentage of construction machinery and industrial vehicles			- Achieve 99% or more in the next developed vehicle	- Achieved in developed vehicles (for production and sales in Japan)	
Thorough management and reduction of materials with environmental burdens in construction machinery and industrial vehicles			<ul style="list-style-type: none"> Reduction of the volume of hazardous substances in the next vehicle to be developed (Maintaining a 90% reduction compared to 1998) Operating a system that manages hazardous substances per part (REACH Compliant) 	<ul style="list-style-type: none"> Maintained 90% reduction of lead usage compared to 1998 Added new SVHC, which are specified in REACH and managed use statuses of SVHC. Used the system to record data of the models for the EU and the models mass-produced or developed in the EU (Investigated substances contained in each part) 	

Production

Theme	Index	Reference year	FY2020 Goal	FY2020 Achievement	Remarks
CO ₂ emissions	Improvement of basic unit	2010	31% or more reduction	33% reduction	Goal for 2030: 50% reduction
Recyclable energy usage	Percentage of electricity consumed		12% or more	13%	Goal for 2030: 50%
Water input volume	Improvement of basic unit	2010	52% or more reduction	52% reduction	Goal for 2030: 60% reduction
Discharged waste volume	Improvement of basic unit	2010	16% or more reduction	35% reduction	Goal for 2030: 40% reduction
Chemical release volume (VOC emissions volume)	Improvement of basic unit	2005	50% reduction	60.3% reduction (improved 1.6point over the previous year)	
Reforestation	Reforestation rate		20% or more	21%	Only facilities in Japan

Logistics

Theme	Index	Reference year	FY2020 Goal	FY2020 Achievement	Remarks
Shift to transportation means with a low environmental burden Increase use of domestic vessels and JR	Modal shift rate per 500km	—	55%	58.6%	Increased 6.6% in FY2020 over the previous year because of reasons such as the expansion of the use of domestic vessels in transportation from the Awazu Plant to Kanto and Tohoku and the expansion of the use of the JR Freight Railway Company in transportation of components from the Oyama Plant to the Awazu Plant.
Decrease of transportation distance Promoting use of nearby ports for exported vehicles Increase use of Kanazawa Port	Kanazawa Port use percentage for exported vehicles	—	50%	38%	Exported vehicles significantly decreased in the first period. In the second period, the rapid increase of exported vehicles resulted in insufficient lead time and products were shipped from the Port of Kobe to keep deadlines.
Decrease of transportation distance Export vehicles using nearby ports Increase in use of Hitachinaka Port	Hitachinaka Port use percentage for exported vehicles	—	99%	99%	
Improvement of CO ₂ emissions per cargo weight (basic unit) from transportation of products and parts Domestic transportation	Improvement per basic unit	2006	74%	74%	Result of the expansion of the modal shift above and other transportation via trains and domestic ships.
Improvement of CO ₂ emissions per cargo weight (basic unit) from transportation of products and parts Overseas transportation	Improvement per basic unit	2011	92%	97%	Result of improvements in the modal shift to railroad transportation in North America.

Procurement

Theme	Index	Reference year	FY2020 Goal	FY2020 Achievement	Remarks
Horizontal expansion of Komatsu's activities to cut electricity consumption by half	—	—	Expand to 93 Midori-kai member companies	Continued to expand to all 93 member companies	
Implementation of environmental regulations audit	—	—	Implementing at four Midori-kai member companies	Implemented at 4 member companies	
Activities to reduce water consumption (10 companies)	—	—	Reduce clean water use 15% or more	17% reduction	

Sales & Services

Theme	Index	Reference year	FY2020 Goal	FY2020 Achievement	Remarks
Implementation of measures to prevent oil leakage	—	—	All bases	All bases	Installation of sandbags, drainage route diagrams, and emergency contact networks
Introduction of waste management systems	—	—	All companies (7 companies)	Implemented at 7 companies	
Provision of environmental education	Number of bases where on-site instruction workshops were held	—	75 bases	22% Reduction	Due to COVID-19, we could not provide guidance at the sites, so we conducted inspections and provided guidance remotely.
Sales expansion of environmental products	-Sales expansion activities for Tier4 models -Sales expansion activities for FE	—	-Sales expansion based on the sales plan -Sales expansion based on the sales plan	- 75% of the sales plan - 75% of the sales plan	
Promotion of smart construction work	Visitors to IoT Center	—	6,000	1,628(including online seminar participants)	Due to COVID-19, it was not possible for participants to gather in person. Online seminars were held in the second period to advertise construction.

Environmental Education

Komatsu is committed to employee education with regards to good environmental practices. Under our basic framework, provision of education is divided according to two unique categories according to type; Dissemination of common knowledge falls under the oversight of the Head Office, whereas specific vocational training is managed by respective divisions.

In FY2020, our educational activities were focused on the online programs for training internal auditors on the environment and safety. Environmental education for new managerial-level employees, which was begun in FY2014, is currently being provided online. Despite the fact that we already meet the legislatively mandated quota of personnel with environment-related certification, we intend to implement further training in order to increase this number.

Courses in Environmental Education and Training in Japan (excluding general environmental courses) *

Independent Practitioner's Assurance

Head Office

No.	Course name	Target	Participants			
			FY2017	FY2018	FY2019	FY2020
1	Newly appointed manager training	Komatsu Group newly appointed managers	161	171	155	207
2	Training new employees	New Employees (Komatsu and affiliates)	329	369	383	318
3	Advanced environmental education (held every two years)	Environmental specialists (Komatsu and affiliates)	-	-	19	-
4	Overview of the ISO14000 series	Managers (Komatsu, affiliates, and business associates)	73	36	46	98
5	ISO14001 Standard Amendment (2015 Revision)	Stakeholders regarding ISO14001 amendment	-	-	-	-
6	Training of internal auditors / Refresher courses	Environmental auditors (Komatsu, affiliates, and business associates)	89	336	87	80
7	Explanation of environmental laws and risks	Managers and employees	-	250	-	-
8	Development and manufacturing (introductory)	Development and manufacturing staff (for second-year employees)	249	187	190	208

No.	Course name	Target	Participants			
			FY2017	FY2018	FY2019	FY2020
9	Environmental training for manufacturing engineers	Assistant foremen/ foremen/ manufacturing engineers/ students of Komatsu Institute of Technology	226	227	145	80
10	Lectures on the environment, experience-oriented education	Komatsu Group employees	1,796	627	1,267	626


Divisions overseeing environmental management at plants

Komatsu and Komatsu Group manufacturing facilities in Japan
(including Technology Innovation Center, Field Testing Department)

No.	Course name	Target	Participants			
			FY2017	FY2018	FY2019	FY2020
1	Education in the basics of auditing	Managers and employees	90	169	196	62
2	Overview of the ISO14000 series	Managers and employees	559	502	565	246
3	Training of internal auditors	Environmental auditors	61	34	26	21
4	Training new employees	New Employees	1,866	1,759	1,205	1,084
5	Regulatory education and personnel exchange	Employees (and other participants)	835	510	15	49
6	Specialist training	Environmental conservation practitioners (persons involved in regulatory affairs, etc.)	328	464	429	230

* In addition to the education and training courses listed above, Komatsu also held courses dealing with environmental issues intended for sales agents.

Number of Persons Having Environment-related Certificate

Independent Practitioner's Assurance Komatsu and Komatsu Group manufacturing facilities in Japan
(including Head office, Technology Innovation Center, Field Testing Department)

Certificate name	Number of persons with certificate*			
	FY2017	FY2018	FY2019	FY2020
Pollution control administrators	220 (35)	219 (35)	222 (35)	225 (35)
Energy administrators	39 (9)	41 (9)	38 (9)	37 (9)
Environmental management system associate auditors	2	5	4	5

* Figures in parentheses indicate the number of officers required.



Environmental Accounting

Komatsu fully reports on the content of our environmental accounting systems in order to obtain an objective and accurate evaluation of our environmental conservation activities.

Environmental Costs (Investments and expenses)

Independent Practitioner's Assurance

Komatsu and Komatsu Group manufacturing facilities in Japan (except group companies in the facilities), Field Testing Department and Manda area

Category		Investment			Expenses		
		FY2019	FY2020		FY2019	FY2020	
		Investment *1 (millions of yen)	Investment *1 (millions of yen)	Contents	Expenses *1 (millions of yen)	Expenses *1 (millions of yen)	Contents
1. Business area cost		1,163	1,720		2,303	2,238	
Breakdown	(1). Pollution prevention cost	235	412	<ul style="list-style-type: none"> Investment for installation and conversion of pollution mitigation / prevention facilities 	370	447	<ul style="list-style-type: none"> Cost of maintaining equipment for mitigation / prevention of air and water pollution and for noise and vibration prevention (labor and depreciation costs)
	(2). Global environmental conservation cost	893	1,139	<ul style="list-style-type: none"> Investment for implementing energy conservation measures (installation of energy saving facilities, etc.) 	1,116	1,064	<ul style="list-style-type: none"> Cost of maintaining energy conservation facilities, such as cogeneration systems (labor and depreciation costs)
	(3). Resource circulation cost	34	169	<ul style="list-style-type: none"> Investment for reducing the volume of waste materials 	817	727	<ul style="list-style-type: none"> Waste material processing cost

Category	Investment			Expenses		
	FY2019	FY2020		FY2019	FY2020	
	Investment *1 (millions of yen)	Investment *1 (millions of yen)	Contents	Expenses *1 (millions of yen)	Expenses *1 (millions of yen)	Contents
2. Upstream/downstream cost	0	0	<ul style="list-style-type: none"> Additional investment needed to provide eco-friendly product services 	363	359	<ul style="list-style-type: none"> Reduction of the environmental impact of mass-production units
3. Administration cost	1	22	<ul style="list-style-type: none"> Investment for beautifying manufacturing sites 	924	1,153	<ul style="list-style-type: none"> Cost of maintaining environmental management systems (including labor cost) Cost of creating green spaces and beautifying manufacturing sites
4. R&D cost	534	318	<ul style="list-style-type: none"> Investment in research facilities for reduction of environmental impact 	17,804	19,012	<ul style="list-style-type: none"> Cost of R&D activities to reduce the environmental impact of products Cost of R&D activities to develop environmentally-friendly construction equipment
5. Social activity cost	0	0		48	22	
6. Environmental remediation cost	0	0		145	493	<ul style="list-style-type: none"> Cost of conducting surveys and remedial countermeasures related to soil and groundwater contamination
Total	1,698	2,060		21,587	23,278	

※1 All figures are rounded off to the nearest million yen.

Environmental Effects

Independent Practitioner's Assurance

Environmental impact reduction effects

Komatsu and Komatsu Group manufacturing facilities in Japan

Items of environmental impact	Reduction amount (t/year)	Rate of year-on-year changes (%)
CO ₂ emissions	-8,153	-4
Water consumption	-268,555	-10
Waste materials generation	-1,388	-9

Economic benefits

Komatsu and Komatsu Group manufacturing facilities in Japan (except group companies in the facilities),
Field Testing Department and Manda area

Tangible benefits			Avoidance benefits of environmental risks*2	Contribution to profits*2
Type	Monetary value*1 (millions of yen)	Major activities		
Energy conservation	165	Installation of energy-saving facilities	* In FY2020, there were no major accidents or legal infractions that would contaminate the environment. * No litigation costs were required in Japan during FY2020.	<ul style="list-style-type: none"> Proceeds from mobile recycling equipment Proceeds from value added due to reduced environmental impact of products
Resource conservation	53	Saving heating and cooling cost by biomass utilisation		
Waste materials reduction	66	Control the amount of waste generated and promotion of recycling through thoroughgoing sorting		
Gain on sale of valuables	229	Sale of scrap, used paper, waste oil, etc.		
Other	0	-		
Total	512			

*1 Figures are rounded off to the nearest million yen.

*2 Komatsu used statements instead of numeral figures to describe the "Avoidance benefits of environmental risks" and the "Contribution to profits". We will give further consideration to the interpretation and the understanding of efficiency.



Effects on Society *1

Environmental impact reduction effects

- Environmental impact reduction resulting from on-site recycling methods
- Environmental impact reduction resulting from product operation
- Waste components reduction resulting from "Reman" business

Tangible benefits

- Reduction of expenses for processing waste materials
- Savings in operating and maintenance costs
- Reduction of repair costs

*1 We are aware of the potential impacts on society that could arise from the use of our products. Qualitative information regarding the most significant effects are referenced here.

Site Data

Total Data

Site Data (by Region)

Independent Practitioner's Assurance

Japan

Environmental impact	Item	Actual value
	Total CO ₂ emissions	178,524 t-CO ₂
	NOx total amount	103,452 Kg
	SOx total amount	5,016 Kg
	Total emissions of waste	13,416 t
	Amount recycled	13,353 t
	Recycling rate	99.8 %
	BOD emissions	4,230 Kg
	COD emissions	6,968 Kg
	Wastewater	2,184 km ³
	Output of in-house power generation	20,160 MWh

Energy consumption	Item	Actual consumption	Converted to calorie equivalents (GJ)
	Purchased electricity	311,484 MWh	2,954,116
	Heavy oil A	4,319 kℓ	167,999
	Kerosene	2,682 kℓ	97,868
	Light oil	3,510 kℓ	133,517
	City gas	4,443 km ³	183,097
	LPG	3,763 t	188,356
	Gasoline	123 kℓ	4,100
	Wood chips	6,143 t	75,559
	Total		3,804,613



Water consumption	Groundwater	2,129 km ³	
	Industrial water	3 km ³	
	Supply water	215 km ³	
	Total	2,347 km ³	

*1) Total emissions of waste are expressed as a composite of the amount recycled (excluding valuables) and the amount disposed.

*2) Recycling rate is calculated by dividing the amount recycled (including valuables) by the amount generated (including valuables).

*3) Output of in-house power generation includes electricity sold.

Independent Practitioner's Assurance

The Americas

	Item	Actual value
Energy consumption	Purchased electricity	121,397 MWh
	Light oil,Gasoline, et al.	615 kℓ
	Gas	12,310 km ³
	LPG	203 t
	District heating	-
	Steam	-
	Total energy consumption	1,683,865 GJ
	CO ₂	51,047 t-CO ₂
	Private Power generation	116 MWh
Water consumption		253,793 t
Total emissions of waste		29,655 t

Independent Practitioner's Assurance

Europe

	Item	Actual value
Energy consumption	Purchased electricity	23,508 MWh
	Light oil,Gasoline, et al.	138 kℓ
	Gas	4,142 km ³
	LPG	3 t
	District heating	10,000 MWh
	Steam	-
	Total energy consumption	413,533 GJ
	CO ₂	12,408 t-CO ₂
	Private Power generation	23 MWh
	Water consumption		53,655 t
Total emissions of waste		7,338 t

Independent Practitioner's Assurance

Asia

	Item	Actual value
Energy consumption	Purchased electricity	169,894 MWh
	Light oil,Gasoline, et al.	606 kℓ
	Gas	5,664 km ³
	LPG	625 t
	District heating	-
	Steam	6,057 t
	Total energy consumption	1,911,109 GJ
	CO ₂	139,859 t-CO ₂
	Private Power generation	4,450 MWh
	Water consumption		576,650 t
Total emissions of waste		23,765 t

*1) Total emissions of waste are expressed as a composite of the amount recycled and the amount disposed.

*2) Output of in-house power generation includes electricity sold.



Independent Practitioner's Assurance

Scope-2 CO₂ emissions (Total of production sites)

Standard	CO ₂ (kt)
Location-based	330
Market-based	294

Japan

[> Site Data \(Japan\) \(15.8MB\)](#)

- Awazu Plant
- Osaka Plant
- Oyama Plant
- Koriyama Plant
- Himi Plant
- Komatsu NTC Ltd.
- Kanazawa Plant
- Ibaraki Plant
- Tochigi Plant
- Shonan Plant
- Development Division, Technology Innovation Center
- Komatsu Cabtec Co., Ltd.

Overseas

[> Site Data \(Overseas\) \(990KB\)](#)

- The Americas
- Asia
- Europe

Site Data (Sales and After-sales Divisions)

Independent Practitioner's Assurance

FY2020 Komatsu Customer Support Japan Ltd. Environmental Performance Data

Company Name	Komatsu Customer Support Japan Ltd.
Location	Shirokane, Minato-ku, Tokyo
Activities	Sale, service and rental of construction equipment and forklift trucks
Number of bases	238
Number of employees	4,708
Data of ISO14001 certification acquisition	May 2018



Environmental impact	Item	Actual value
	Total CO ₂ emissions	7,582 t-CO ₂
	Total emissions of waste	12,676 t
	Amount recycled	10,381 t
	Recycling rate	81.9 %

Energy consumption	Item	Actual consumption	Converted to calorie equivalents (GJ)
	Electricity	14,147 MWh	134,173
	Heavy oil A	82 kℓ	3,170
	Kerosene	399 kℓ	14,553
	Light oil	104 kℓ	3,969
	Gasoline	12 kℓ	388
	LPG	20 t	977
	City gas	57 km ³	2,355
	Total		159,585

Site Data (Non-manufacturing Divisions)

Independent Practitioner's Assurance

Site Data of Non-manufacturing Divisions			
Manufacturing facility included	Head Office, Field Testing Department, Techno Center, General Education Center, Shinomiya Building T, Recreation Facilities (5 sites)		
Environmental Impact	Item	Actual value	
	Total CO ₂ emissions	3,192 t-CO ₂	
Energy consumption	Item	Actual consumption	Converted to calorie equivalents (GJ)
	Purchased electricity	4,007 MWh	38,001
	Heavy oil A	89 kℓ	3,471
	Kerosene	0 kℓ	9
	Light oil	441 kℓ	16,783
	City gas	7 km ³	306
	LPG	40 t	1,996
	Gasoline	3 kℓ	87
	Total		60,653

Scope of Environmental Data/Calculation Standards

Komatsu Group Manufacturing Facilities in Japan

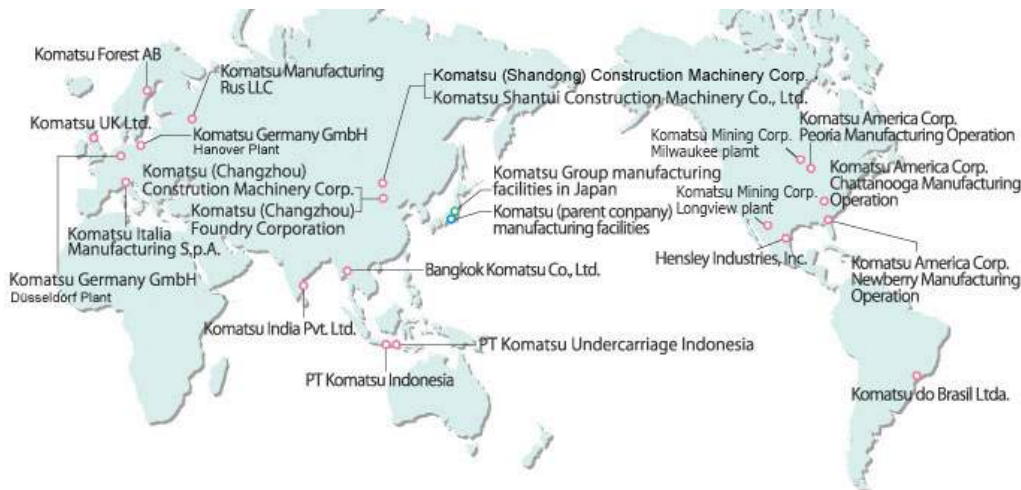
- Komatsu Group manufacturing facilities in Japan, with a focus on the following 11 plants
Awazu Plant, Kanazawa Plant [including Kanazawa-Daiichi Plant and Kanazawa-Daini Plant], Osaka Plant [including Rokko Plant], Ibaraki Plant, Oyama Plant [including Komatsu Cummins Engine Co., Ltd., Industrial Power Alliance Ltd. and GIGAPHOTON, Inc.], Koriyama Plant, Shonan Plant [including KELK Ltd.], Tochigi Plant, and Himi Plant, Komatsu Cabtec Co., Ltd., and Komatsu NTC Ltd.

- Logistics offices in Japan: the following 15 plants and centers

Awazu Plant, Osaka Plant, Rokko Plant, Ibaraki Plant, Tochigi Plant, Kanazawa Plant, Shonan Plant, Oyama Plant, Koriyama Plant, Himi Plant, Komatsu Logistics Corp. Parts Division (Kanto Hokyū Center, Kansai Hokyū Center, Awazu Hokyū Center, Hokkaido Hokyū Center and Kyushu Hokyū Center)

Komatsu Group Manufacturing Facilities Outside Japan

- Komatsu Group manufacturing facilities outside Japan, specifically the 21 business units appearing on the world map below.



- Overseas logistics offices: the following 11 companies

Komatsu Americas Corp. [Chattanooga][Peoria], Komatsu do Brasil Ltda., Komatsu UK Ltd., Komatsu Germany GmbH [Düsseldorf], Komatsu Shantui Construction Machinery Co., Ltd., Komatsu (Changzhou) Construction Machinery Co., Ltd., Komatsu (Shandong) Construction Machinery Co., Ltd., PT Komatsu Indonesia, Bangkok Komatsu Co., Ltd. and Komatsu India Pvt. Ltd

- Komatsu Group manufacturing facilities, both in Japan and overseas: Pertaining to all 32 of the offices mentioned above, including 11 domestic and 21 international offices.

Guidelines

- “Environmental Report Guidelines 2018” (Ministry of the Environment of Japan)
- Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver 2.3 (Ministry of the Environment and Ministry of the Economy, Trade and Industry of Japan)
- Database on Emissions Intensities for Calculating Greenhouse Gas Emissions, etc. through a Supply Chain Ver. 3.1 (Ministry of the Environment and Ministry of the Economy, Trade and Industry of Japan)



GRI Standards

See the GRI content index

[> GRI Standards INDEX](#)

Period Covered

Primarily, this report covers data acquired from April 2020 to the end of March 2021, with a portion of information that involves data acquired after April 2021.

Calculation base of typical environmental data

Classification	Item	Calculation Method			
GHG Energy	Energy	Energy = (fuel, electric energy, etc.) x energy conversion factor <ul style="list-style-type: none"> ▪ Fuels (other than biomass), conversion coefficient of electric power: standard heating value of the Agency for Natural Resources and Energy (2013 value revised in August 2018) ▪ Biomass fuel: National Woodchips Industry Association (Japan) ▪ Regional heat: site reported value (1.54 GJ / MWh) 			
	GHG	Energy originated CO ₂ = (fuel quantity, electricity quantity) x CO ₂ emission factor Non-energy originated GHG = Gas emissions x Global warming potential (GWP) <ul style="list-style-type: none"> ▪ CO₂emission factor Electricity: 2010 value of IEA CO₂ EMISSIONS FROM FUEL COMBUSTION 2012 Fuel: Japan,Overseas;Ministry of the Environment, Ministry of Economy, Trade and Industry, Greenhouse gas emissions calculation and report manual ▪ GWP: Value of greenhouse gas emissions calculation, reporting and publication system 			
	Energy, CO ₂ emission in basic unit	Basic unit for each plant = (energy, CO ₂) / (Internal manufacturing value), index is a value with base year 100. Base year: 2010			
	Location-based Scope 2	CO ₂ emission = purchased electricity quantity x CO ₂ emission factor <ul style="list-style-type: none"> ▪ CO₂ emission factor: Japan; Ministry of the Environment, Ministry of Economy, Trade and Industry Emission Factor by Electric Utility Substitution Value Overseas; 2010 value of IEA CO₂ EMISSIONS FROM FUEL COMBUSTION 2012 			
	Market-based Scope 2	CO ₂ emission = purchased electricity quantity x CO ₂ emission factor <ul style="list-style-type: none"> ▪ CO₂ emission factor: Japan;Emission Factor by Electric Power Company Overseas; 2010 value of IEA CO₂ EMISSIONS FROM FUEL COMBUSTION 2012 However, the electricity generated from renewable energy source has zero emission factors 			
	Scope3	<table border="1"> <tr> <td>C1</td> <td>Purchased product service: Product weight x emission factor + cooperating company CO₂ emission amounts</td> </tr> <tr> <td>C2</td> <td>Capital goods: capital investment amount x emission factor</td> </tr> </table>	C1	Purchased product service: Product weight x emission factor + cooperating company CO ₂ emission amounts	C2
C1	Purchased product service: Product weight x emission factor + cooperating company CO ₂ emission amounts				
C2	Capital goods: capital investment amount x emission factor				



Classification	Item	Calculation Method
	C3	Fuels and energy related activities not included in Scope 1 and 2: fuel quantity purchased x emission factor on the upstream side + purchased electric energy amount x upstream side emission factor
	C4	Transportation, Delivery (upstream): Fuel consumption (amount) x Emission factor (coefficient according to Komatsu actual result survey)
	C5	Waste from project: Waste volume x Emission factor (coefficient according to Komatsu performance survey)
	C6	Business trip: travel expenses x emission factor
	C7	Employer commuting: commuting expenses x emission factor
	C9	Downstream transport: transport volume x emission factor
	C11	Use of products sold: Σ (Production volume per product model x Fuel consumption x Product life)
	C12	Disposal of products sold: Product weight x Emission factor
		Emission factor Power of C1/C2/C3, C6/C7/C12: Emission basic unit database (Ver 3.1) for calculating greenhouse gas emissions of organizations through the supply chain of the Ministry of the Environment C3 Fuel: Carbon Footprint Communication Program Basic Database (Ver 1.01) C9: Ministry of Economy, Trade and Industry · Ministry of Land, Infrastructure, Transport and Tourism Guidelines for Estimating CO ₂ Emissions in the Logistics Field
Exhaust	Sox Emissions	Total for heavy oil, kerosene, light oil and coke: Calculated from fuel quantity x sulfur content in fuel
	NOx Emissions	Total for heavy oil, kerosene, light oil, city gas, and LPG: Calculated from Exhaust gas quantity x NOx concentration
Drainage	BOD Emissions	Calculated from Wastewater x BOD Average Concentration Measurement Value
	COD Emissions	Calculated from Wastewater x COD average concentration measured value
Water	Amount of water used	Total amount of water intake, including clean water, industrial water and groundwater
	Intensity of water use	Intensity at a plant = (amount of water used) / (internal manufacturing value); the base year of the index is 100. Base year: 2010
Waste	Amount of waste	Total amount of waste excluding valuables
	Waste intensity	value); the base year of the index is 100. Base year: 2010
PRTR materials	Amount of these materials emitted or moved	Multiply the number of secondary materials used by the content of specified chemical substances and the rate of emissions and movement in accordance with the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act).



Main data, ISO 14001 certification acquisition coverage

The coverage rate of main data and ISO 14001 was calculated using the number of people as an index.

1. Main data coverage

Data coverage rate at production sites: 97%

2. ISO 14001 certification acquisition coverage

ISO 14001 certification acquisition coverage rate at production sites: 95% (If KMC is not included : 100%)



Amount of CO₂ Emissions by Scope3

Independent Practitioner's Assurance

Category	Rate (%)	Summary Data kt-CO ₂
Scope3 (11)Customer Use	87.4	18,996
Scope3 (1)Manufacturing of Purchasable Goods	10.6	2,297
Scope3 (2)Capital Goods Construction and others	0.6	126
Scope3 (3)Fuel Procurement	0.5	114
Scope3 (4)Upstream Transportation disposal	0.1	30
Scope3 (5)Waste Transportation	0.0	10
Scope3 (6)Business Trips	0.2	39
Scope3 (7)Commuting	0.2	48
Scope3 (8)Upstream Leased Assets Operation	0.0	0
Scope3 (9)Downstream Transportation	0.3	55
Scope3 (10)Processing Sold Products	0.0	0
Scope3 (12)Product disposal	0.1	13
Scope3 (13)Downstream Leased Assets Operation	-	-
Scope3 (14)Franchise Member Companies	0.0	0
Scope3 (15)Investment Management	0.0	0
Total CO₂Emission Amount (kt-CO₂/year)	100.0	21,729

Note: When the figures in each category are rounded or truncated . The amount may not coincide with the aggregate of the relevant figures.

Category 8 is included in Scope1,2, when it's evaluated.

Category 13 is included in Category 11, when it's evaluated.

Categories 14 and 15 have no activities subject to evaluation.

Independent Practitioner's Assurance

Regarding the Issuance of ESG Databook

Komatsu views an independent practitioner's assurance process as crucial for ensuring the integrity and objectivity of its ESG Databook. For this reason, Komatsu has received an independent practitioner's assurance from Deloitte Tohmatsu Sustainability Co., Ltd., an affiliate of the Deloitte Touche Tohmatsu LLC.

[> Deloitte Tohmatsu Sustainability Co., Ltd.](#)



[> Independent Assurance Report \(PDF : 236KB\)](#)

Points of an Independent Practitioner's Assurance

Komatsu has received an independent practitioner's assurance from Deloitte Tohmatsu Sustainability Co., Ltd. for this Web data, which is marked by the independent practitioner's assurance logo where appropriate.



Other CSR Data

Political Contributions

Our political contributions in FY2020 totalled 8 million yen.*

* Described in the Income and Expenditure Reports on Political Funds released on November 27, 2020 (on the website of the Ministry of Internal Affairs and Communications)

We have confirmed that this contribution does not conflict with the provisions of Komatsu's Code of Conduct, including the provisions regarding honest and fair business activities and honest and appropriate business operations.



Social Contribution Activities

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Accomplishments and Approaches for Social Contribution Activities

Komatsu defines CSR activities as the things we do to meet society’s needs through our core business, and it has identified its material issues through the discussion of initiatives that are able to provide value to both society and Komatsu, as below. We engage in CSR activities based on the ideas derived from these discussions.

The guiding principle is that a company should assume its responsibility to conduct CSR activities in the regions it operates within. We focus on the themes that enable us to leverage our expertise in our core business.

Komatsu's CSR Priorities (Material issues)

Products, Services, and Customers	<ul style="list-style-type: none"> ■ Products that enhance safety ■ Responsible marketing and customer support
Environment	<ul style="list-style-type: none"> ■ Environmentally-friendly products ■ Environmental efficiency (facilities, such as plants, and job sites) ■ Remanufacturing
Employees	<ul style="list-style-type: none"> ■ Human resource development ■ Safety and health ■ Respecting employees
Human Rights	<ul style="list-style-type: none"> ■ Respecting human rights ■ Equal employment
Ethics and Governance	<ul style="list-style-type: none"> ■ Cooperation with stakeholders ■ Corporate governance and compliance ■ Collaboration with business partners to comply with social regulation
Local Community	<ul style="list-style-type: none"> ■ Development of local communities ■ Disaster relief ■ Improving local residents' quality of life



Basic Approaches to Social Contribution (from “Komatsu’s Worldwide Code of Business Conduct”)

CSR (Corporate Social Responsibility) is a multi-faceted topic, of which specific elements pertaining to the different aspects of its implementation are subject to change according to country, region, or business practices. However, regardless of these variations, the underlying axioms that drive these initiatives remain the same: companies must co-exist in harmony with society, responding to expectations and building a relationship of mutual trust. As mentioned in other sections of this report, one of the principles that guides the Komatsu Group on a global scale is the understanding that Komatsu should fulfill its corporate social responsibilities through integration of CSR into our business operations. We further build on that belief by defining clear requirements for good corporate citizenship: a company should live up to societal expectations by promoting harmony and making real contributions for the benefit of the community in which it operates. Komatsu is proud to report that we live up to these high standards, and are proactively engaged in social contributory activities across multiple regions.

Governance regarding donations

Whenever we start a new project, we evaluate its ability to benefit both Komatsu’s business operations and its stakeholders. In our implementation of our CSR activities (including donations), we introduced a check sheet in FY2013 to be used by the Sustainability Promotion Division, functioning as an administrative office, to quantitatively evaluate the effects of the activities from both aspects, and involved officers review this evaluation to ensure the effective monitoring of our CSR activities.

5 Basic Principles for Social Contribution (from "Komatsu's Worldwide Code of Business Conduct")

Aims:

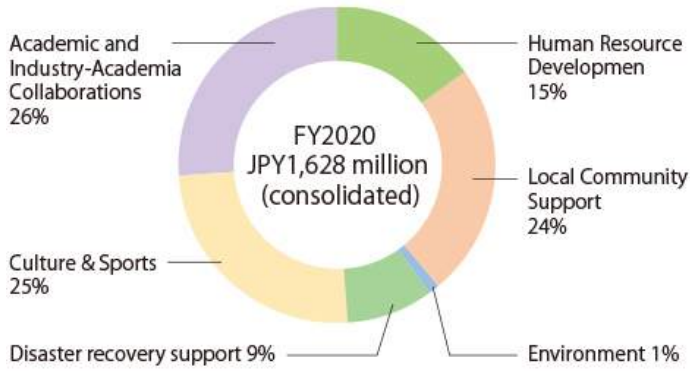
To clarify the responsibilities of Komatsu Group and its employees as members of the local community and guide their activities for social contribution accordingly.

Principles: Activities for social contribution should:

- have continuity;
- contribute to the advancement of public welfare;
- be voluntary (not forced);
- be reasonable to employees; and
- not be designed to advertise our products or services.

Social Contribution Expenditures of the Komatsu Group

We have divided and summarized the results of our social contributions into 6 general categories. These can be found in the infographic below:



Type of Social Contribution Expenditure

	(Millions of yen)
Cash contributions	582
Time contributions	142
In-kind giving	172
Management overheads	732
Total	1,628

Komatsu's Initiatives for the Social Issues

There are various social issues in the world in each region.

As the Komatsu Group develops its business globally, we listen to the voices of people living in the various local communities in our areas of operation, and actively carry out support activities to improve the living standards. We consider conducting such social contribution activities as a responsibility of doing business around the world.

Social Support Activities in Response to the COVID-19 Pandemic

Business partners - They are invaluable to Komatsu

For manufacturers, business partners (the suppliers of materials, parts, and components) are important partners that support product quality and reliability. Komatsu especially places great value on relationships with business partners and has grown together with them throughout our long history. We have been thinking together with them and supporting each other, not only in terms of the procurement of goods but also from the perspective of management and human resource development.

The Komatsu Midori-kai is comprised of 156 member companies that are the main suppliers in Japan. They supply approximately 80% of the items we procure in Japan. Representatives of Midori-kai member companies and top Komatsu management participate in general conferences and roundtable discussions for managers, etc. to share policies and issues with each other. We also established regional Midori-kai for China and for US and Europe. When the member companies of the Joint Associations of Business Partners in Asia are added, the total number of overseas member companies has exceeded 140.

Human resource development is the most important issue for Komatsu Group and our business partners. We provide them with education on quality control and production technologies, and the number of Midori-kai member companies participating in our QC Convention, Technology Olympics, and other events is increasing steadily. In addition, they have been proactively participating in the two-year internal school, the Komatsu Technical Institute, which fosters mid-career leader candidates related to production engineering and manufacturing who will work globally, as well as next-generation leader development programs. Going forward, we will continue to increase the opportunities to learn together with the employees of our group companies.

Activities in Response to the COVID-19 Pandemic

The COVID-19 pandemic has directly damaged our lives and health, but has also significantly impacted the economy, finance, medical infrastructure, and other aspects of society.

Under the philosophy of supporting the areas that Komatsu excels in, we have provided construction equipment and temporary housing to disaster areas for free through non-profit social contribution activities. As countermeasures to address the pandemic, which can be called a disaster, we are also contributing to society, utilizing our strengths.

2020: Producing and Donating Medical Supplies in Collaboration with Business Partners

In Japan, as the number of people infected by COVID-19 increases, the shortages of medical devices became the critical issue. Though we do not have the equipment or skills to produce medical devices, Komatsu has some assets, like long-time collaborative relationships with our business partners and our production and sales networks. By utilizing these assets, we have procured and donated isolation gowns and face shields, which are personal protective equipment (PPE) for medical workers for which there is particularly urgent need.

To procure them, we asked a Midori-kai member company to begin PPE production. At Komatsu, the staff of our production technology also participated in the activity to improve the strength of the parts, productivity, and the comfort of the PPE during the prototyping phase of the face shield.

After medical experts inspected the protective ability and comfort of the prototypes, 10,100 gowns and 8,000 face shields were produced. We distributed them to medical institutions around the nation for free through the NPO, Peace Winds Japan, and the government, utilizing donations from our employees.



Teachers and students of Toyono-gakuen (Nagano) who made isolation gowns

Through the personals networks of our supplier, we also received support from a garment making vocational school in Nagano Prefecture. The teachers and students made 100 pieces of PPE from materials donated by a filter maker, one of Midori-kai member companies and donated them to the medical institutions in the region.

In addition to the isolation gowns and face shields, Komatsu and our employees are carrying out the following support activities:

Country/Region	Activities
The Americas	-Donations equivalent to 350,000 dollars in total <Breakdown> - A 250,000-dollar joint donation with our employees to the food support organization, Feeding America - 100,000 dollars donated to local communities
Chilie	Support for road disinfecting work using sprinkler vehicles (private-public cooperation)
India	Donations equivalent to 10 million rupees (national or state welfare funds and skill education support for construction equipment operators)
Europe	Donations equivalent to 100,000 euros from our group companies in Europe (for medical and food-related purposes, depending on local needs, and support for multiple organizations)
Japan	Donation of 100,000 N95 medical masks from our stock to the Red Cross, the government, autonomous bodies, medical institutions, etc.

Komatsu and its business partner Cummins collaborate to globally organize the Technical Education for Communities (TEC) vocational training program. The program has also endured difficulties and economic hardships as it struggles to hold group classes during the COVID-19 pandemic.

In FY2020, we donated money to Chilean educational institutions for the purchase of virtual reality educational materials and Komatsu and Cummins also donated scholarship money to Peru.

Developing People Needed by the Community

When we asked ourselves: "What sort of social contribution activities would meet the needs of regional communities and make the best use of Komatsu's strengths?" We arrived at the answer: "developing people." We are working in cooperation with several entities such as national and local governments as well as schools, to carry out human resource development programs that are tailored to each region's needs and enable participants to acquire skills that will open up various employment opportunities.

Various Areas and Forms of Support

Developing Human Resources Tailored to Regional Needs Worldwide

Using the skills and know-how cultivated through our core business, Komatsu supports the development of human resources that are needed not only within our company, but also in local communities.

Expectations for human resource development can vary greatly from community to community. At Komatsu, as we do business on a global scale, we make efforts to understand what each community needs and work on providing that support accordingly in various areas and in different forms.

The pyramid graph below shows the areas in which Komatsu is supporting human resource development. It also shows that the closer you get to the top of the pyramid, the more closely linked the program is with Komatsu businesses. The base of the pyramid shows our active support of activities such as science classes in elementary schools, mainly in different parts of Japan, USA and Europe. The next level up is to provide basic education, which consists of our support towards people who cannot or were not able to receive the level of education necessary to find employment, due to circumstances specific to their country or region. We currently run such programs in Chile and South Africa. At the next level, we support universities and vocational training schools in many regions by providing Komatsu's curriculum and equipment, as well as instructors. At the top of the pyramid, we are working with national and local governments and with our customers to develop human resources, particularly in regions where human resource development is a social challenge.

The actual content of the support includes dispatching instructors and trainers; providing educational materials, equipment and facilities; accepting apprentices; and various other means utilizing the full potential of our know-how.

Support for Developing Human Resources



Dispatching instructors



Providing educational materials and equipment



Providing facilities and supporting operations



Accepting apprentices





Collaboration with Cummins Inc.

We believe that collaborative CSR activities deliver more effective outcomes than those conducted alone, by sharing the people, know-how, and other resources of each company. In promoting social contribution activities in the past, Komatsu has collaborated with entities such as non-profit organizations that have their own unique know-how. In 2016, we agreed with our business partner, Cummins Inc. in the U.S., to collaborate in the field of local human resource development.

Komatsu and Cummins' Common Objective

Komatsu and Cummins Inc., a major engine manufacturer in the U.S., have built a strong relationship of trust over the years as partners in the engine business. Both companies have already expended much energy into supporting human resource development in local communities as part of social contribution activities, and have already collaborated in several areas. One of the main programs is Technical Education for Communities (TEC). Both companies have partnered through contract to utilize their pool of resources and best practices, to expand the support of human resource development globally.

Cummins Profile

Corporate name	Cummins Inc.
Established	1919
Headquarters	Columbus, Indiana, U.S.
Business segments	Engine, Power systems, Components, Distribution
URL	http://www.cummins.com/

Collaborative Development of the TEC Program - South Africa Case Study

TEC is a program of activities to provide students who major in mechanical and/or electrical engineering with a curriculum of technical and practical vocational training that takes advantage of the knowledge of both Komatsu and Cummins.

We started a three-year curriculum at Sedibeng TVET College in Johannesburg, South Africa, accepting 31 students in May, 2018. In this curriculum, students learn how to maintain engines and operate construction/mining equipment through lectures and internships.

Through the TEC program, students acquire knowledge useful for practical operations, which increases job opportunities with favorable conditions and improves the sense of personal fulfillment. Also, in the long term, the increase in the number of skilled engineers will play an active part in local companies, including Komatsu Group companies. In turn, contribution to the entire local economy is expected.

The companies that have been playing a major role in promoting TEC in South Africa are Cummins Africa and Komatsu Africa Holdings (Pty) Ltd., a Komatsu Group company. In providing this curriculum, the company worked to dispatch dedicated instructors, provide educational materials such as cutaway models, and support the creation of the training curriculum. After the launch of the curriculum, the companies have been supporting the entire program continuously. Moving forward, Komatsu will deepen the collaboration with Cummins and promote the operation of TEC programs globally.



TEC entrance ceremony in South Africa

With the spread of the COVID-19 pandemic worldwide, TEC is also facing various issues such as the financial difficulties of students and the difficulty of group training. To address these issues, Komatsu is working on providing virtual reality teaching materials and scholarships.

Disaster Relief

Many of Komatsu's products (especially construction equipment) are vital for recovery and reconstruction in the wake of a natural disaster.

In the event of an emergency, we promptly grasp the local situation and support disaster recovery in a substantial way, such as providing equipment needed by the disaster area. As part of these efforts, we have initiated support activities using drones as well as construction machines. The latest activities are as follows:

Forest Fire Relief in Australia

In Australia, large-scale forest fires occurred successively from September 2019 to February 2020. Before heavy rains caused the fires to subside in February, more than 100,000 km², nearly one third of the land area of Japan, caught fire. Approximately 6,000 buildings were affected, and many people were injured or killed. Air pollution caused by smoke and ecosystem destruction were also significant. Statistics indicate that more than one billion animals may have been killed.

To address the continually spreading fire, employees of Komatsu Australia took volunteer leave to participate in volunteer fire extinguishing groups or support their local community. They drove tanker trucks and delivered relief aid, taking several days to reach the affected areas, built berms to prevent fires from spreading, and participated in controlled burns of fields, also to prevent the spread of the fires. They worked actively together with the local population.



Field turned red by fire

Establishing an Emergency Support System in the Areas Affected by Natural Disasters in Chile

Northern Chile, the home to many world-class mines, is frequently affected by natural disasters. During the 10 years from 2010 to 2019, it incurred serious damage from three earthquakes, two large fires, and two floods.

Komatsu Cummins Chile Ltda. (KCC), a Komatsu group company, has concluded a disaster control agreement with multiple freight companies and construction equipment operator staffing companies so that they can not only donate money to affected areas and dispatch employees as volunteers, but also provide support instantaneously through their main business line in the event of disaster. If a disaster occurs, KCC will pay the rental and maintenance costs for construction equipment used in the recovery and reconstruction. The freight companies that have entered into agreements with them will transport vehicles to the affected areas, and the operator staffing companies will conduct on-site work.

When a heavy rain disaster occurred in northern Chile in January 2020, they lent 320 wheel loaders to the affected area in two days for emergency relief.



Transporting vehicles to the site instantaneously

Support for Reconstruction in Areas Affected by Natural Disasters in Japan

Providing relief to areas stricken by heavy rains in July 2020

In July 2020, heavy rains severely damaged the municipalities near the Kuma River running through Kumamoto prefecture.

The municipal governments requested support, and through Komatsu Customer Support Japan Ltd., we lent three municipalities, Yatsushiro-shi, Ashikita-machi and Kuma-mura, 15 construction machines with a value of 20 million yen which were needed in these areas from August 2020 to the end of March 2021. The rental was free of charge.

The rented vehicles were used in recovery efforts including the clearing disaster waste from houses and stores, the moving of earth and sand displaced by the disaster and the clearing driftwood.



Clearing driftwood in Ashikita Town



Supporting Areas Stricken by Typhoon No. 19 in 2019: Donating a used PC30MR to OPENJAPAN

FY2019: Cooperation with pro bono workers* helping the areas damaged by Typhoon No.19

*Pro bono: Initiatives and organizations to apply specialized job experiences and knowledge in volunteer activities.

In Japan, Komatsu has mainly assisted in areas affected by earthquakes. For wind and flood damage, which have increased in recent years, the damage is concentrated in limited areas or villages in many cases, and thus, we could not provide assistance in a more detailed manner in some cases.

During Typhoon Hagibis that crossed Japan in October of 2019, many rivers flooded and there were successive mudslides in several places in Japan. More than 90 thousand houses were affected around the nation.

Komatsu provided 10 million yen in support, including supplying equipment and materials.

Washed-out rivers were surveyed with drones for free in cooperation with local governments

By request from the local government, we used drones to survey the washed-out areas of the Iruma River in Saitama prefecture for free. Drone surveys enable the survey to approach dangerous affected sites to understand their situation quickly, which also leads to prompt restoration work.

Support for OPENJAPAN, a Construction Skill NPO Providing Grassroots Support in Affected Areas

OPENJAPAN (head office: Miyagi prefecture) is a group of volunteers who have expertise in construction and civil engineering. They quickly rush to affected areas around Japan to clean up affected houses as well as conduct recovery and reconstruction work. Though many of the volunteers possess a great deal of skill to operate construction vehicles, recovery from disasters also requires the relevant expertise. Through daily training, they aim to carry out safe and effective recovery and reconstruction operations.

This time, by request from the Marumori-machi government in Miyagi prefecture, which was significantly affected by Typhoon Hagibis, and after hearing from the people on-site about their needs, Komatsu donated a used PC30MR mini shovel, as well as money for the rental of heavy equipment, fuel, and materials (e.g. blue tarps and crane tools) that were necessary for the OPENJAPAN activities in Marumori-machi so that they can be used for not only the reconstruction support activities in Marumori-machi, but also future training.

Clearing Anti-Personnel Landmines and Community Development Support



In the areas afflicted by anti-personnel landmines, Komatsu engages in activities to support community development throughout the process from demining to reconstruction. For that purpose, Komatsu partnered with the authorized NPO Japan Mine Action Service (JMAS) in 2008 and the two parties continue to work together in Cambodia and Laos. Komatsu's demining machines and construction equipment, developed by combining our technical expertise and knowledge in manufacturing, are working very well in these places. Our target is to transform landmine infested lands to safe lands, and further on to lands with value by constructing roads and facilities. Going forward, we will continue to provide support through construction equipment, Komatsu's main line of business, in pursuit of contribution to the independent reconstruction of the entire regions.



Cambodian Agriculture CSR Project

In a new initiative that began in 2019, we have introduced agricultural construction equipment to the demined sites with an aim to reconstruct farmland and stimulate the local industry. Agriculture is one of the main industries in Cambodia, accounting for approx. 25% of GDP, and rice is actively cultivated all over the country. The land exposed by a demining machine is fertile and suitable for growing crops. In cooperation with JMAS and the provincial government, Komatsu is helping the local farmers to improve their work efficiency and increase yields. We use bulldozers, wheel loaders and hydraulic excavators to verify the effectiveness of farm operations.



Reconstructing agricultural lands after demining

DATA

Results of Demining and Reconstruction Support Activities in Cambodia (Cumulative)

Item	Result (Cumulative Total by FY2020)
Demined area	2,611ha
Total removal count	2,482bombs
Road construction / maintenance	92km
Schools constructed	9 (which holds about 700 school children)
Ponds constructed	47
Leveling farmland	13ha

Unexploded bomb disposal activities in Laos

We started support of unexploded bomb disposal activities in 2016 in Laos.

In Laos, more than 30% of the land is riddled with unexploded bombs, many of which are cluster sub-munitions.

This is a problem on a massive scale, with children and farmers suffering bomb-related injuries on a yearly basis.

Komatsu plays its part by offering the necessary machine to UXO-LAO (a Lao unexploded bomb disposal squad) and the Japan Mine Action Service (JMAS) free of charge, alongside engineering support for the machines it provides.

Following the success of the demining machine for anti-personnel landmines we have used Komatsu's past experiences and techniques to develop removal machines for processing unexploded ordnance based on hydraulic excavator PC130-8, and continue the disposal activities.

DATA

Results of unexploded ordnance removal in Laos (cumulative total)

Item	Result (Cumulative Total by FY2020)
Demined area	445ha
Total removal count	5,007bombs
Schools constructed	1 (which holds about 70 school children)



Komatsu's Demining Machine



Commemoration of the first elementary school

Visiting lectures

As part of the "Visiting Lecture" initiative, Komatsu employees visit schools in Japan to lecture about the activities of the demining project. The lectures are attended by differently aged students ranging from elementary to university levels. Up to the present, we have given a total of 78 lectures (including lectures held online) attended by about 6,800 students.

The feedback we received from some first-year high school students included, "Removing mines can make people feel secure. This is really a necessary thing to do now. They said they communicate with the local people in English, which motivates me to concentrate more on studying English. The creation of farmland makes it possible to grow crops. Building an elementary school creates a better environment for children to study. These benefits can save developing countries. The things I learned from the lectures will help me to decide what to do after I graduate."



Scene of a visiting lecture at a junior high school





Application to attend a visiting lecture

[Download the Komatsu Visiting Lecture/Online Class application form](#)

Read the following before applying:

- Please note that lectures may be postponed or cancelled due to the COVID-19 or other unforeseen circumstances.
- Reservations are on a first-come-first-served basis. We advise you to apply early.
- Please apply at least one month before the lecture.
- In consideration of the topics discussed in the lectures, we do not approve applications from students in their 4th year of elementary school or younger.
- Your application may not be approved if we receive too many applications or for our own business reasons. If this happens, we will contact you before the lecture.

History of Demining Activities (International Treaties, Japanese government and Komatsu)

Year	Activity (international treaties and activities of the Japanese government are underlined>)
1998	Komatsu develops old timber removal machine for demining in Cambodia
1999	The Ottawa Treaty is enacted (the Mine Ban Convention)
2002	The Japanese government states it would exclude antipersonnel demining machine from the Three Principles on Arms Exports
2003	A subsidized project by the Ministry of Economy, Trade and Industry and NEDO(*) develops demining machine (Figure (1) below)
2004	With support from the Ministry of Foreign Affairs of Japan, Komatsu conducts on-site testing in Afghanistan
2006	With support from the Ministry of Foreign Affairs of Japan, Komatsu conducts on-site testing in Cambodia
2007	The first machine is introduced in Afghanistan (Japanese government ODA)
2008	Komatsu begins the Cambodia reconstruction project jointly with the JMAS, an incorporated NPO
2009	Komatsu begins the Angola reconstruction project jointly with the JMAS, an incorporated NPO
2010	The Oslo Treaty is enacted (the treaty banning Cluster Munitions)
2015	Komatsu develops demining machine (Figure (2) below)
2016	Komatsu begins the Laos reconstruction project jointly with the JMAS, an incorporated NPO
2017	Komatsu completes the Angola reconstruction project
2019	Komatsu constructs its 9th elementary school in Cambodia, and 1st in Laos.
Since 2020	Komatsu begins the agriculture CSR project in Cambodia The Cambodia and Laos reconstruction projects are continuing

(*NEDO : New Energy and Industrial Technology Development Organization)



(1) Demining Machine



(2) Demining Machine for processing unexploded ordnance

Promoting Sports—The Komatsu Women's Judo Club

Founded in 1991 as part of social contribution activities during the 70th anniversary of the company founding, the Komatsu Women's Judo Club is celebrating its 30th year. Since its establishment, a total of 90 athletes have participated in competitions worldwide. The club has actively engaged in teaching judo at home and abroad, and in welcoming foreign judo competitors, with the goal to develop and popularize this sport.

Results of Club Activities in FY2020

In 2020, COVID-19 changed world affairs very quickly. The Tokyo Olympics were postponed until the following year. Many other scheduled events were cancelled or postponed. Shortly after that, some domestic events gradually resumed with no spectators. The Empress Cup All Japan Women's Judo Championships took place in December and Wakaba Tomita won it for the first time. In the final, she faced Akemi Hashimoto, another participant from the Komatsu Women's Judo Club. Neither contestant backed down throughout the great 15-minute match. Wakaba Tomita also won the Kodokan Cup All Japan Women's Weight Category Championships for two consecutive years. Tomita made a leap forward in 2020.



Wakaba Tomita, winner of the Empress Cup



Tomita (right) competes against Hashimoto (left) in the final

Komatsu Women's Judo Club

Social Contribution Activities through Judo

The Komatsu Women's Judo Club has continued to coach the Komatsu Kids Judo Club in Tokyo, while also directing and coaching judo classes around the world, including Japan, aiming to popularize this sport and train the next generation of judoka.

In 2020, no judo classes were held due to the situation faced by society. Aside from this exceptional situation, we organize judo classes every year in the places in Japan and overseas where Komatsu's production bases are located, with more than 100 children usually participating overseas. Judo classes at the fairs of our domestic plants also encourage the participation of children who have had no experience in the sport.



Judo class in Yaroslavl (2018)

An employee-participatory social contribution program "One World One Komatsu"

Komatsu's basic policy is to conduct CSR activities through its core business, and the company strives to achieve sustainable growth together with society through the resolution of ESG issues. On the occasion of the 100th anniversary of its founding, Komatsu has begun "One World One Komatsu," our first global social contribution initiative designed for all Komatsu Group employees to participate in from around the world.

The theme of "One World One Komatsu" is "Environment and Sustainability," which is a common issue around the world and has a high affinity with our business, and each and every employee will take part in activities that are familiar to them in their daily lives, such as "reducing water consumption" and "turning off lights in unused rooms."

In order to promote these activities, we have set up a dedicated platform that allows the entire group to consolidate the activities of each individual. This new platform can be easily logged in from a PC or smartphone. Komatsu will continue to promote activities for a sustainable planet by fostering a sense of unity among Komatsu Group employees around the world, transcending differences in countries and languages, and working toward a common goal.

Four priority themes of "One World One Komatsu"

Reduction of CO₂ emission

Water conservation

Renewable energy

Reduction of waste


Komatsu Earth Day Event on April 2021





On April 22, 2021, Komatsu Group employees around the world voluntarily took part in a 24-hour "Earth Day Challenge" to protect the environment in their communities.

This event can be seen in the video (in multiple languages).

> [https : //www.youtube.com/playlist?list=PLI09JNAS3JIEgHkUWebDvJICWaJaQqm3L](https://www.youtube.com/playlist?list=PLI09JNAS3JIEgHkUWebDvJICWaJaQqm3L) 

Achievements through Actions taken on the Komatsu Earth Day

Planting more than 14,000 trees and native species

Picking up more than 3,500 bags of trash

Volunteering more than 15,000 hours collectively



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GRI STANDARDS INDEX

The ESG Databook 2019 references "GRI Sustainability Reporting Standards".

100 series (Universal)

Aspects	Indicators	Description	Reference
Organizational Profile	102-1	Name of the organization	<ul style="list-style-type: none"> › Company Info: Corporate Profile
	102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> › Company Info: Corporate Profile › Company Info, Industries We Support › Company Info, Technology and Innovation
	102-3	Location of headquarters	<ul style="list-style-type: none"> › Company Info: Corporate Profile
	102-4	Location of operations	<ul style="list-style-type: none"> › Company Info, Global Operations
	102-5	Ownership and legal form	<ul style="list-style-type: none"> › Company Info: Corporate Profile
	102-6	Markets served	<ul style="list-style-type: none"> › Company Info, Global Operations
	102-7	Scale of the organization	<ul style="list-style-type: none"> › Company Info: Corporate Profile
	102-8	Information on employees and other workers	<ul style="list-style-type: none"> › ESG Databook: Personnel Policy and Performance Appraisal System
	102-9	Supply chain	<ul style="list-style-type: none"> › ESG Databook: Outline of Procurement Policy and Supply Chain
	102-10	Significant changes to the organization and its supply chain	(None for FY2020)
	102-11	Precautionary Principle or approach	<ul style="list-style-type: none"> › Investor Relations: Corporate Governance › ESG Databook: Risk Management › ESG Databook: Compliance › ESG Databook: Promoting Legal Compliance, and Pollution Mitigation and Prevention › ESG Databook: Management of Chemical Substances and Pollution Prevention
	102-12	External initiatives	<ul style="list-style-type: none"> › UN Global Compact › World Business Council for Sustainable Development (WBCSD) › The Task Force on Climate-related Financial Disclosures (TCFD)PDF › ESG Databook: External Evaluations
	102-13	Membership of associations	-



Aspects	Indicators	Description	Reference
Strategy	102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> › KOMATSU REPORT: Message from the PresidentPDF › Investor Relations: President interview
	102-15	Key impacts, risks, and opportunities	<ul style="list-style-type: none"> › ESG Databook: Risk Management › KOMATSU REPORT 2020 Climate Change IssuesPDF
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> › Company Info, Komatsu's Worldwide Code of Business ConductPDF › ESG Databook: Compliance › ESG Databook: The KOMATSU Way
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> › ESG Databook: Compliance
Governance	102-18	Governance structure	<ul style="list-style-type: none"> › Investor Relations: Corporate Governance › KOMATSU REPORT: Corporate GovernancePDF › ESG Databook: Organization to Promote CSR › ESG Databook: Organizational Chart of the Environmental Management Structure
	102-19	Delegating authority	<ul style="list-style-type: none"> › ESG Databook: Organization to Promote CSR › ESG Databook: Organizational Chart of the Environmental Management Structure
	102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> › ESG Databook: Organization to Promote CSR › ESG Databook: Organizational Chart of the Environmental Management Structure
	102-21	Consulting stakeholders on economic, environmental, and social topics	<ul style="list-style-type: none"> › ESG Databook: Organization to Promote CSR › ESG Databook: Dialogue with Our Stakeholders › ESG Databook Materiality(Formulating CSR Themes)
	102-22	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> › Company Info: Directors, Auditors and Officers › KOMATSU REPORT: Corporate GovernancePDF › Investor Relations: Corporate Governance
	102-23	Chair of the highest governance body	<ul style="list-style-type: none"> › Company Info: Directors, Auditors and Officers › Investor Relations: Corporate Governance
	102-24	Nominating and selecting the highest governance body	<ul style="list-style-type: none"> › Corporate Governance ReportPDF › Results of the Exercise of Voting Rights (Extraordinary Report)PDF
	102-25	Conflicts of interest	<ul style="list-style-type: none"> › Company Info, Komatsu's Worldwide Code of Business ConductPDF › KOMATSU REPORT: Corporate GovernancePDF
	102-26	Role of highest governance body in setting purpose, values, and strategy	<ul style="list-style-type: none"> › ESG Databook: Organization to Promote CSR



Aspects	Indicators	Description	Reference
	102-27	Collective knowledge of highest governance body	<ul style="list-style-type: none"> › ESG Databook: Organization to Promote CSR
	102-28	Evaluating the highest governance body's performance	<ul style="list-style-type: none"> › Corporate Governance ReportPDF › KOMATSU REPORT Corporate GovernancePDF
	102-29	Identifying and managing economic, environmental, and social impacts	<ul style="list-style-type: none"> › ESG Databook: Formulating CSR Themes (Materiality) › KOMATSU REPORT 2020 Climate Change IssuesPDF
	102-30	Effectiveness of risk management processes	<ul style="list-style-type: none"> › ESG Databook: Risk Management › KOMATSU REPORT 2020 Climate Change IssuesPDF
	102-31	Review of economic, environmental, and social topics	<ul style="list-style-type: none"> › ESG Databook: Risk Management › KOMATSU REPORT 2020 Climate Change IssuesPDF
	102-32	Highest governance body's role in sustainability reporting	<ul style="list-style-type: none"> › ESG Databook: Organization to Promote CSR
	102-33	Communicating critical concerns	<ul style="list-style-type: none"> › ESG Databook: Risk Management
	102-34	Nature and total number of critical concerns	-
	102-35	Remuneration policies	<ul style="list-style-type: none"> › Annual Securities Report : CompensationPDF › Notice of Convocation Remuneration for Directors and Audit & Supervisory Board Members PDF
	102-36	Process for determining remuneration	<ul style="list-style-type: none"> › Annual Securities Report : CompensationPDF
	102-37	Stakeholders' involvement in remuneration	-
	102-38	Annual total compensation ratio	-
	102-39	Percentage increase in annual total compensation ratio	-
Stakeholder Engagement	102-40	List of stakeholder groups	<ul style="list-style-type: none"> › ESG Databook: Dialogue with Our Stakeholders
	102-41	Collective bargaining agreements	<ul style="list-style-type: none"> › ESG Databook: Personnel Policy and Performance Appraisal System
	102-42	Identifying and selecting stakeholders	-



Aspects	Indicators	Description	Reference
	102-43	Approach to stakeholder engagement	› ESG Databook: Dialogue with Our Stakeholders
	102-44	Key topics and concerns raised	-
Reporting Practice	102-45	Entities included in the consolidated financial statements	› Annual Securities Report: Overview of Subsidiaries and AffiliatesPDF › Company Info, Subsidiaries and Affiliates
	102-46	Defining report content and topic Boundaries	› ESG Databook: Formulating CSR Themes (Materiality)
	102-47	List of material topics	
	102-48	Restatements of information	-
	102-49	Changes in reporting	-
Report Profile	102-50	Reporting period	› ESG Databook: Editorial Policy
	102-51	Date of most recent report	
	102-52	Reporting cycle	
	102-53	Contact point for questions regarding the report	› ESG Databook: Editorial Policy › Contact for Other Inquiries
	102-54	Claims of reporting in accordance with the GRI Standards	-
	102-55	GRI content index	GRI STANDARDS INDEX
	102-56	External assurance	› ESG Databook: Independent Practitioner's Assurance
Management Approach	103-1	Explanation of the material topic and its Boundary	› ESG Databook: Formulating CSR Themes (Materiality)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	



200 series (Economic topics)

Aspects	Indicators	Description	Reference
Economic Performance	201-1	Direct economic value generated and distributed	<ul style="list-style-type: none"> › ESG Databook: Personnel Policy and Performance Appraisal System (remuneration data) › ESG Databook: Enhancing Work-Life Balance (Work-Life Balance Data) › Annual Securities Report: Income TaxesPDF › ESG Databook: Developing People Needed by the Community › ESG Databook: Initiatives for Social Issues › ESG Databook: Disaster Relief
	201-2	Financial implications and other risks and opportunities due to climate change	<ul style="list-style-type: none"> › ESG Databook: Mitigating Climate Change through Products and Services › ESG Databook: Initiatives to Mitigate Climate Change in Business Operations
	201-3	Defined benefit plan obligations and other retirement plans	<ul style="list-style-type: none"> › Annual Securities Report: Pension and Retirement BenefitsPDF
	201-4	Financial assistance received from government	-
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
	202-2	Proportion of senior management hired from the local community	<ul style="list-style-type: none"> › ESG Databook: Diversity Initiatives
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	<ul style="list-style-type: none"> › ESG Databook: Initiatives for Social Issues › ESG Databook: Disaster Relief
	203-2	Significant indirect economic impacts	<ul style="list-style-type: none"> › SMARTCONSTRUCTION › Investor Relations: President interview › ESG Databook: Developing People Needed by the Community › ESG Databook: Initiatives for Social Issues › ESG Databook: Disaster Relief
Procurement Practices	204-1	Proportion of spending on local suppliers	<ul style="list-style-type: none"> › ESG Databook: Outline of Procurement Policy and Supply Chain
Anti-corruption	205-1	Operations assessed for risks related to corruption	-



Aspects	Indicators	Description	Reference
	205-2	Communication and training about anti-corruption policies and procedures	› ESG Databook: Compliance
	205-3	Confirmed incidents of corruption and actions taken	› ESG Databook: Compliance
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-
Tax	207-1	Approach to tax	› Annual Securities Report: Financial InformationPDF
	207-2	Tax governance, control, and risk management	› Annual Securities Report: Financial InformationPDF
	207-3	Stakeholder engagement and management of concerns related to tax	› Annual Securities Report: Financial InformationPDF
	207-4	Country-by-country reporting	› Annual Securities Report: Financial InformationPDF

300 series (Environmental topics)

Aspects	Indicators	Description	Reference
Materials	301-1	Materials used by weight or volume	› ESG Databook: Relationship between Business Activities and the Environment (Input and Output)
	301-2	Recycled input materials used	› ESG Databook: Activities to Effectively Utilize Resources in Production
	301-3	Reclaimed products and their packaging materials	› ESG Databook: Activities to Effectively Utilize Resources in Production
Energy	302-1	Energy consumption within the organization	› ESG Databook: Relationship between Business Activities and the Environment (Input and Output) › Scope of Environmental Data, etc
	302-2	Energy consumption outside of the organization	-
	302-3	Energy intensity	› ESG Databook, Site Data › ESG Databook, Input/Output
	302-4	Reduction of energy consumption	› ESG Databook, Site Data › ESG Databook, Input/Output



Aspects	Indicators	Description	Reference
	302-5	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> › ESG Databook: Reduction in CO₂ Emissions of Construction Equipment
Water and Effluents	303-1	Interactions with water as a shared resource	<ul style="list-style-type: none"> › ESG Databook, Efforts regarding water
	303-2	Management of water discharge-related impacts	<ul style="list-style-type: none"> › ESG Databook, Efforts regarding water
	303-3	Water withdrawal	<ul style="list-style-type: none"> › ESG Databook, Environmental Impact
			<ul style="list-style-type: none"> › ESG Databook, Efforts regarding water
	303-4	Water discharge	<ul style="list-style-type: none"> › ESG Databook, Efforts regarding water
	303-5	Water consumption	<ul style="list-style-type: none"> › ESG Databook, Input/Output
BIODIVERSITY	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
	304-2	Significant impacts of activities, products, and services on biodiversity	-
	304-3	Habitats protected or restored	-
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
EMISSIONS	305-1	Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> › ESG Databook, Environmental Impact › ESG Databook, Calculation base
	305-2	Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> › ESG Databook, Environmental Impact › ESG Databook, Calculation base
	305-3	Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> › Amount of CO₂ Emissions by Scope 3 › Amount of CO₂ Emissions by Scope3 › Scope of Environmental Data, etc
	305-4	GHG emissions intensity	<ul style="list-style-type: none"> › ESG Databook: Initiatives to Mitigate Climate Change in Business Operations
	305-5	Reduction of GHG emissions	-



Aspects	Indicators	Description	Reference
	305-6	Emissions of ozone-depleting substances (ODS)	-
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	<ul style="list-style-type: none"> › ESG Databook: Relationship between Business Activities and the Environment (Input and Output) › Scope of Environmental Data, etc
EFFLUENTS AND WASTE	306-1	Waste generation and significant waste-related impacts	› ESG Databook: Inputs and outputs in the product life cycle
	306-2	Management of significant waste-related impacts	<ul style="list-style-type: none"> › ESG Databook: Development of our “Reman” Remanufacturing Business › ESG Databook: Green Procurement Guidelines
	306-3	Waste generated	<ul style="list-style-type: none"> › ESG Databook: Activities to Effectively Utilize Resources in Production (1. Waste) › ESG Databook: Inputs and outputs in the product life cycle
	306-4	Transport of hazardous waste	-
	306-5	Waste directed to disposal	<ul style="list-style-type: none"> › ESG Databook: Activities to Effectively Utilize Resources in Production (1. Waste) › ESG Databook: Inputs and outputs in the product life cycle
ENVIRONMENTAL COMPLIANCE	307-1	Non-compliance with environmental laws and regulations	› ESG Databook: Environmental Risk Management
SUPPLIER ENVIRONMENTAL	308-1	New suppliers that were screened using environmental criteria	-
	308-2	Negative environmental impacts in the supply chain and actions taken	-



400 series (Social topics)

Aspects	Indicators	Description	Reference
Employment	401-1	New employee hires and employee turnover	➤ ESG Databook: Personnel Policy and Performance Appraisal System (Data on employment and turnover)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-
	401-3	Parental leave	➤ ESG Databook: Enhancing Work-Life Balance (Data on pregnancy and childcare leaves)
Labor/ Management Relations	402-1	Minimum notice periods regarding operational changes	-
Occupational Health and Safety	403-1	Occupational health and safety management system	➤ ESG Databook: Occupational Safety and Health
	403-2	Hazard identification, risk assessment, and incident investigation	➤ ESG Databook: Occupational Safety and Health
	403-3	Occupational health services	➤ ESG Databook: Occupational Safety and Health
	403-4	Worker participation, consultation, and communication on occupational health and safety	➤ ESG Databook: Occupational Safety and Health
	403-5	Worker training on occupational health and safety	➤ ESG Databook: Occupational Safety and Health
	403-6	Promotion of worker health	➤ ESG Databook: Occupational Safety and Health
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	➤ ESG Databook: Occupational Safety and Health
	403-8	Workers covered by an occupational health and safety management system	➤ ESG Databook: Occupational Safety and Health
	403-9	Work-related injuries	➤ ESG Databook: Occupational Safety and Health
	403-10	Work-related ill health	➤ ESG Databook: Occupational Safety and Health



Aspects	Indicators	Description	Reference
Training and Education	404-1	Average hours of training per year per employee	<ul style="list-style-type: none"> ESG Databook: Employee Training Structure (Data on employee training)
	404-2	Programs for upgrading employee skills and transition assistance programs	<ul style="list-style-type: none"> ESG Databook: Employee Training Structure ESG Databook: Strengthening Our Gemba Capability ESG Databook: Diversity Initiatives (Rehiring of Retired Employees)
	404-3	Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> ESG Databook: Personnel Policy and Performance Appraisal System
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	<ul style="list-style-type: none"> ESG Databook: Diversity Initiatives
	405-2	Ratio of basic salary and remuneration of women to men	-
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	-
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<ul style="list-style-type: none"> ESG Databook: Personnel Policy and Performance Appraisal System (Data on employment and turnover)
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	<ul style="list-style-type: none"> Company Info, Komatsu's Worldwide Code of Business ConductPDF ESG Databook: CSR Procurement Guidelines
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<ul style="list-style-type: none"> Company Info, Komatsu's Worldwide Code of Business ConductPDF ESG Databook: CSR Procurement Guidelines
Security Practices	410-1	Security personnel trained in human rights policies or procedures	
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	-



Aspects	Indicators	Description	Reference
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> > ESG Databook: Risk Management > ESG Databook: CSR Procurement Guidelines
	412-2	Employee training on human rights policies or procedures	<ul style="list-style-type: none"> > ESG Databook: Compliance
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<ul style="list-style-type: none"> > ESG Databook: CSR Procurement Guidelines
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> > ESG Databook: Developing People Needed by the Community > ESG Databook: Initiatives for Social Issues > ESG Databook: Disaster Relief
	413-2	Operations with significant actual and potential negative impacts on local communities	<ul style="list-style-type: none"> > ESG Databook: Developing People Needed by the Community
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	<ul style="list-style-type: none"> > ESG Databook: Komatsu Group's Supply Chain Management and Promotion of CSR Procurement
	414-2	Negative social impacts in the supply chain and actions taken	-
Public Policy	415-1	Political contributions	<ul style="list-style-type: none"> > Political Contributions
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> > ESG Databook: Improving Product Safety and Solutions
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-
Marketing and Labeling	417-1	Requirements for product and service information and labeling	-



Aspects	Indicators	Description	Reference
	417-2	Incidents of non-compliance concerning product and service information and labeling	-
	417-3	Incidents of non-compliance concerning marketing communications	-
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-



SASB Content Index

Topic	Accounting Metric	Reference	Code
Energy Management	(1) Total energy consumed	Environmental Impact Resulting from Business Activities	RT-IG-130a.1
	(2) Percentage gridelectricity	Environmental Impact Resulting from Business Activities	
	(3) Percentage renewable	Reducing CO ₂ Emissions in Manufacturing Operations	
Employee Health & Safety	(1) Total recordable incident rate (TRIR)	Occupational Safety and Health	RT-IG-320a.1
	(2) Employee fatality rate	Occupational Safety and Health	
	(3) Near miss frequency rate (NMFR)	-	
Fuel Economy & Emissions in Use-phase	(1) Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	N/A	RT-IG-410a.1
	(2) Sales-weighted fuel efficiency for non-road equipment	Reducing CO ₂ Emissions from Product Operation	RT-IG-410a.2
	(3) Sales-weighted fuel efficiency for stationary generators	N/A	RT-IG-410a.3
	NO _x , PM Sales-weighted emissions of: (1) nitrogen oxides (NO _x) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	NO _x and PM Emitted from Products	RT-IG-410a.4
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Effective Use of Critical Materials in Products	RT-IG-440a.1
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	Development of our “Reman” Remanufacturing Business	RT-IG-440b.1

Topic	Accounting Metric	Reference	Code
Activity Metric	Number of units produced by product category	Environmental Impact Resulting from Business Activities	RT-IG-000.A
	Number of employees	Corporate Profile	RT-IG-000.B

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