



# Creating value together

Komatsu ESG Databook

**2022**



# ESG Databook 2022

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# Sustainability policy

Sustainability policy

..... 003

# Sustainability policy

Since Komatsu's founding, we have always pursued "Quality and Reliability", and have made efforts to build strong relationships of trust with our stakeholders based on our "Management Principle" of maximizing the total sum of trust from all stakeholders, including society.

Our pursuit of coexistence has been handed down through generations, and our basic stance is to contribute to society through business activities.

Our purpose is "Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together".

We will continue to address issues that are important to both a sustainable society and our business, grow as a corporate group that can flexibly respond to changes in society and the external environment, further enhance our corporate governance, and contribute to society with our stakeholders.

## What we do to empower a sustainable future where people, businesses, and our planet thrive together

### With people

- We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride.
- We nurture employees who can take on challenges in various jobsites and regions, create new value together with customers, and contribute to the realization of a sustainable society.
- As Komatsu Group, we shall respect human rights related to all of our business activities.

### With business

- We contribute to society through our business activities by providing our customers with safe and highly productive products, services and solutions that realize sustainable infrastructure development, resource development and a recycling-oriented society.
- We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence and co-prosperity.
- We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society.

### With the planet

- Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies.
- We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation.
- We pursue collaboration and value creation with our stakeholders towards a sustainable planet and future.

Komatsu Ltd.  
President and Chief Executive Officer



## Management of sustainability

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# Materiality analysis

In recent years, our external environment is undergoing intense change and there is more and more uncertainty. We need to enhance our foundation for sustainable growth taking trends like digital transformation, carbon neutrality as well as diversity and inclusion as business opportunities.

In recognition of these issues, we reviewed the materiality from November 2020 to February 2021, before the development of a new mid-term management plan, to strengthen our ability to respond to changes in the external environment and business risks.

In order to create a positive cycle of ESG issue resolution and earnings improvements in accordance with the growth strategy in the mid-term management plan, we will also reflect these areas and issues into our growth strategies.

## Komatsu's procedure to identify material issues

In the process of developing the materiality, we took the following steps with support from a third party, namely, Business for Social Responsibility (BSR), a US non-profit.

### 1. Identification of sustainability issues

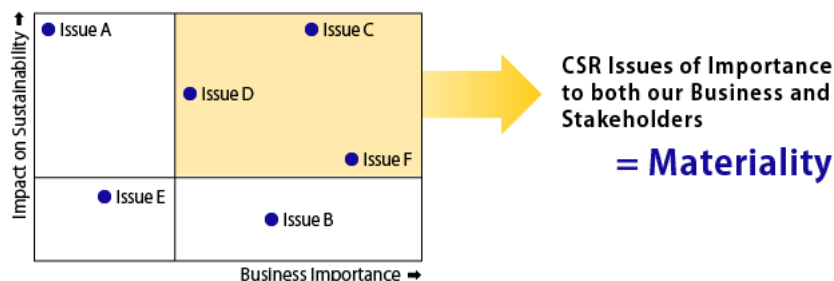
We identified 46 sustainability issues that have a significant impact on corporate value creation and business performance in the medium to long term using past materiality analysis, international targets and standards, reporting frameworks, management philosophy and strategy, key stakeholder issues, and so on.

### 2. Evaluation of issue items

We interviewed 26 internal and external stakeholders regarding the sustainability issues identified and evaluated and mapped them from two perspectives: business importance and impact on sustainability (importance to stakeholders + environmental, social, and economic impact).

\* External interviews (11 people in total) : institutional investors, WBCSD, environmental organization (WWF), human rights NPO (BHRRC), customers, and suppliers.

\* Internal interviews (15 people in total) : worldwide executives (directors, executive officers including global officers).

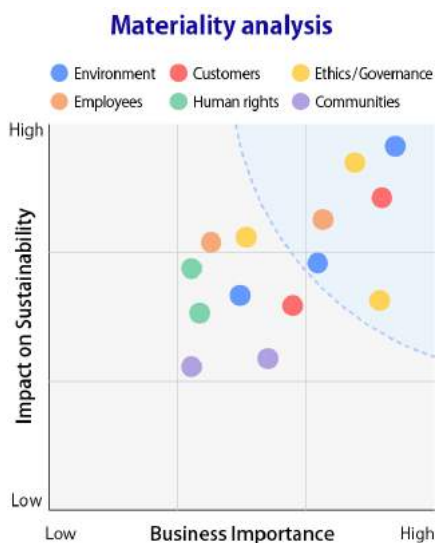


### 3. Identification of materiality

From this analysis, we selected areas of particular significance to both business importance and impact on sustainability. We subsequently identified the following six areas of materiality: [Employees], [Human rights], [Customers], [Ethics/Governance], [Communities], and [Environment].

Materiality	
[Employees]	<ul style="list-style-type: none"> <li>Occupational safety and health and wellbeing</li> <li>Employee engagement and job satisfaction</li> <li>Diversity and Inclusion</li> <li>Skills development and workplace retention</li> </ul>
[Human rights]	<ul style="list-style-type: none"> <li>Respect for human rights</li> </ul>
[Customers]	<ul style="list-style-type: none"> <li>Provision of solutions</li> <li>Product safety and quality</li> </ul>
[Ethics / Governance]	<ul style="list-style-type: none"> <li>Governance</li> <li>Compliance</li> </ul>
[Communities]	<ul style="list-style-type: none"> <li>Contributions to local communities</li> </ul>
[Environment]	<ul style="list-style-type: none"> <li>Development of low-carbon/low-emissions products, solutions and business models</li> <li>Resource recycling and remanufacturing</li> <li>Reduction of energy usage and GHG emissions</li> <li>Forest conservation through business activities</li> </ul>


Additionally, we have identified [Environment], [Customers], [Employees] and [Ethics/Governance] as our priority issues given their business importance and high impact on sustainability. To create a virtuous cycle of profit improvement and ESG issue resolution, we reflect the activities of these four areas in our new three-year (FY 2022-FY 2024) mid-term management plan, “DANTOTSU Value - Together, to “The Next” for sustainable growth.”



## 4. Relationship between materiality, sustainability policy, and the SDGs

We will continue to contribute to society through our business activities per our sustainability policy established in 2021.

In the new mid-term management plan, we have selected ten new goals from 17 SDGs (Sustainable Development Goals), which are particularly relevant to Komatsu-group's materiality.

Sustainability policy	Relationship with SDGs	Materiality
<b>With people</b>	 Gender equality  Decent work and economic growth  Reduced inequalities  Partnerships for the goals	<b>[Employees] [Human rights]</b> <ul style="list-style-type: none"> <li>Diversity and Inclusion</li> <li>Skills development and workplace retention</li> <li>Employee engagement and job satisfaction</li> <li>Occupational safety and health and wellbeing</li> <li>Respect for human rights</li> </ul>
<b>With business</b>	 Industry, innovation and infrastructure  Sustainable cities and communities  Responsible consumption and production  Partnerships for the goals	<b>[Customers][Ethics / Governance] [Communities]</b> <ul style="list-style-type: none"> <li>Provision of solutions</li> <li>Product safety and quality</li> <li>Governance</li> <li>Compliance</li> <li>Contributions to local communities</li> </ul>
<b>With the Planet</b>	 Affordable and clean energy  Industry, innovation and infrastructure  Responsible consumption and production  Climate action  Life on land  Partnerships for the goals	<b>[Environment]</b> <ul style="list-style-type: none"> <li>Development of low-carbon/low-emissions products, solutions and business models</li> <li>Resource recycling and remanufacturing</li> <li>Forest conservation through business activities</li> <li>Reduction of energy usage and GHG emissions</li> </ul>

The new mid-term management plan incorporates the above materiality and the relationship between our sustainability policy and the SDGs. It aims to accelerate the virtuous cycle of resolving ESG issues and improving profitability by addressing materiality, thereby achieving sustainable growth. The plan has been passed by a resolution of the Board.

In order to ensure to resolve ESG issues steadily through our growth strategies, we are going to set KPIs for key initiative activities and monitor their achievement. The progresses of these activities will be disclosed in the Komatsu Report (Integrated report).

Furthermore, to respond flexibly to changes in the business and management environment, we will continue to regularly conduct materiality analysis to understand and manage the business risks and opportunities related to sustainability issues.



## Our system to promote sustainability

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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, is held annually (and at other times as needed) to discuss and decide on the planning and promotion of sustainability measures for the Komatsu Group, environmental and CSR policies, and important measures and activities and to support their implementation.

Furthermore, we regularly report to the Board of Directors and seek its deliberations on the discussion of the Sustainability Promotion Committee.

### Global information sharing

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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.

# 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

Stakeholders	Purposes	Examples of meetings and activities	Frequency
	Activities to resolve local issues based on employee suggestions	Voluntary activities by employees	Daily
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 (held online since FY 2020)
	Plant tours and explanation of operations	> Plant tours for shareholders	About twice a year in Japan (suspended to prevent the spread of COVID-19)

# 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 North America, Europe, and Asia, 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 meeting was held online since FY 2020. In FY 2021, shareholders from around the country participated in the event. Many questions were raised during the Q&A session, which covered a wide range of topics such as how to respond to external risks in the supply chain, the impact of increasing global environmental awareness (de-coalification) on our business, and the balance to be struck between investing in growth strategies and generating profits for shareholders. A streaming video and documents of the meeting are available for viewing on our website.



FY 2020 Online shareholder meeting

Since the first one in 1997, we have convened 51 shareholder meetings attended by about 17,000 shareholders in total.

## 3. Plant tours for individual shareholders

Komatsu holds plant tours for individual shareholders to further deepen their understanding of the company. In FY 2021, 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 FY 2021, we had five 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 FY 2020 (domestic):

	Number of events held	Approximate number of viewers
Online meeting for shareholders:	1	Viewed live by a total of 181 people
Online meeting for individual investors:	5	Viewed live or on demand by a total of 9,429 people

**Documents and other materials used in the meetings can be viewed on the following site. (Available only in Japanese)**

**The events are held only in Japan.**

[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.

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, 2022, a cumulative total of 359 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

# Major achievements

## Sustainability policy and KPIs of New Mid-term Management Plan

Based on its Sustainability Policy, Komatsu seeks to contribute to society through its business. The new Mid-term management plan calls on us to generate a positive cycle for resolving environmental, social, and governance (ESG) issues and improving earnings to achieve sustainable growth. Measures prescribed to this end include reducing environment impacts to combat climate change; providing safe, high-quality, high-performance products, services, and solutions; and promoting diversity, equity, and inclusion. Moreover, key performance indicators (KPIs) have been defined to guide efforts for resolving ESG issues through growth strategies, and progress toward accomplishing the targets for these KPIs will be disclosed through the Company's integrated reports. Moreover, we have clarified the relationships between our defined material issues, KPIs, and highly relevant targets of the United Nations Sustainable Development Goals (SDGs).

	Sustainability Policy	Materiality	SDGs
With people	<ul style="list-style-type: none"> <li>We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride.</li> <li>We nurture employees who can take on challenges at various job sites and in different regions, create new value together with customers, and contribute to the realization of a sustainable society.</li> <li>As the Komatsu Group, we shall respect human rights related to all of our business activities.</li> </ul>	Employees	Occupational safety and health and well-being
			Employee engagement and job satisfaction
			Diversity and Inclusion
			Skills development
		Human Rights	Respect for human rights

Materiality	Key activity themes	No.	KPI	FY2024 Targets
<b>Employees</b>				
Occupational safety and health and well-being				
	Build workplaces that are safe and secure	1	<ul style="list-style-type: none"> <li>Frequency rate of lost work time accidents (per 1 million hours)</li> </ul>	Ongoing decrease from three-year average frequency rate of 0.65 from period of previous mid-term management plan (Performance disclosed)
Employee engagement and job satisfaction				
	Increase employee engagement	2	<ul style="list-style-type: none"> <li>Engagement survey scores</li> </ul>	1. Domestic score : 75 or more (69 in FY2021) 2. Global score : 85 or more (79 in FY2021) Notes: 1. Score represents rate of favorable responses. 2. Global engagement surveys are conducted once every two years (next survey to be conducted in FY2023).
Diversity and Inclusion				
	Promote diversity and inclusion	3	<ul style="list-style-type: none"> <li>Indicators related to female employees</li> <li>1. Ratio of full-time female employees (consolidated)</li> <li>2. Ratio of female managers (consolidated)</li> </ul>	1. 17.0% or more (13.9% on March 31, 2022) 2. 13.0% or more (10.0% on March 31, 2022)
		4	<ul style="list-style-type: none"> <li>Ratio of employees with disabilities (surpassing legally mandated rate)</li> </ul>	Domestic: 2.5% or more each year (legally mandated level of 2.3%)

Materiality	Key activity themes	No.	KPI	FY2024 Targets
<b>Employees</b>				
Skills development				
	Develop individuals' skills and achieve business growth	5	<ul style="list-style-type: none"> <li>Succession plans</li> </ul>	Increased succession planning for senior management positions at overseas Group companies
		6	<ul style="list-style-type: none"> <li>Development of human resources with digital transformation and AI skills</li> </ul>	Three-year aggregate numbers of training recipients 1. Digital transformation : 180 for practical, 900 for entry level 2. AI :30 for practical, 90 for entry level
		7	<ul style="list-style-type: none"> <li>Cultivation of Smart Construction consultants</li> </ul>	1,000 (aggregate)
<b>Human Rights</b>				
Respect for human rights				
	Promote human rights due diligence	8	<ul style="list-style-type: none"> <li>Human rights due diligence activities</li> </ul>	Due diligence activities conducted for following three areas 1.Internal 2.Procurement supply chain 3.Sales

	Sustainability Policy	Materiality	SDGs
With business	<ul style="list-style-type: none"> <li>We contribute to society through our business activities by providing our customers with safe and highly productive products, services, and solutions that realize sustainable infrastructure development, resource development, and a recycling-oriented society.</li> <li>We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence, and co-prosperity.</li> <li>We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society.</li> </ul>	<b>Customers</b> Product safety and quality Provision of solutions	   
		<b>Ethics / Governance</b> Governance / Compliance	
		<b>Communities</b> Contributions to local communities	

Materiality	Key activity themes	No.	KPI	FY2024 Targets
<b>Customers</b>				
Product safety and quality Provision of solutions				
	Enhancement of product safety	9	<ul style="list-style-type: none"> <li>Development of safety devices and expansion of range of marketed models equipped with safety devices (KomVision, etc.)</li> </ul>	Expansion of range of marketed models equipped with safety devices
	Improve productivity of construction workplaces by promoting Smart Construction	10	<ul style="list-style-type: none"> <li>Overseas sales of ICT-intensive models</li> </ul>	2,700 units (single year)
		11	<ul style="list-style-type: none"> <li>Number of workplaces using Smart Construction (global total)</li> </ul>	13,000 workplaces (single year)
		12	<ul style="list-style-type: none"> <li>Enhancement and optimization of processes</li> </ul>	Ratio of workplaces using Smart Construction that employ Solution Level 3 or higher: 15%(single year)
	Provision of products and solutions that enable sustainable resource development (mining equipment)	13	<ul style="list-style-type: none"> <li>Aggregate number of AHS units deployed</li> </ul>	740 units (aggregate)
		14	<ul style="list-style-type: none"> <li>Optimization of mining operations</li> </ul>	Introduction and promotion of open technology platforms
		15	<ul style="list-style-type: none"> <li>Augmentation of hard rock mining product lineup</li> </ul>	Expansion of product lineup and execution of trials including those for new methods (mechanical cutting)
		16	<ul style="list-style-type: none"> <li>Expansion of hard rock mining business</li> </ul>	Net sales: US\$ 300 million (threefold increase)



Materiality	Key activity themes	No.	KPI	FY2024 Targets
	Solutions for improving safety and productivity at customer workplaces (automation, autonomous operation, remote operation)	17	<ul style="list-style-type: none"> <li>Development of automated construction and mining equipment</li> </ul>	Expansion of number of marketed models (including new developments)
	Building of value chain adaptable to environmental and demand changes	18	<ul style="list-style-type: none"> <li>Expansion of aftermarket business (pursuit of business growth and response to volatility)</li> </ul>	Sales growth rate: 15% (compared with FY2021, foreign exchange rates fixed)
		19	<ul style="list-style-type: none"> <li>Multi-sourcing ratio (Implementation of business continuity measures across supply chain)</li> </ul>	92% (82% in FY2021)
<b>Ethics / Governance</b>				
Governance / Compliance				
	Strengthen governance and ensure thorough compliance	20	<ul style="list-style-type: none"> <li>Enhancement of governance and entrenchment of compliance</li> </ul>	Disclosure of initiative results
<b>Communities</b>				
Contributions to local communities				
	Contributions to communities through business and disaster relief support	21	<ul style="list-style-type: none"> <li>Ongoing social contribution activities</li> </ul>	Disclosure of activity results

	Sustainability Policy	Materiality	SDGs
With the planet	<ul style="list-style-type: none"> <li>Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies.</li> <li>We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation.</li> <li>We pursue collaboration and value creation with our stakeholders toward a sustainable planet and future.</li> </ul>	Environment	     
			Reduction of energy usage and GHG emissions
			Development of low-carbon / low-emissions products, solutions, and business models
			Forest conservation through business activities
		Resource recycling and remanufacturing	

Materiality	Key activity themes	No.	KPI	FY2024 Targets
<b>Environment</b>				
Reduction of energy usage and GHG emissions				
	Plants with zero environmental impacts	22	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions from production</li> </ul>	45% reduction (compared with FY2010)
		23	<ul style="list-style-type: none"> <li>Water consumption</li> </ul>	70% reduction (compared with FY2010)
		24	<ul style="list-style-type: none"> <li>Rate of renewable energy use</li> </ul>	20%
Development of low-carbon / low-emissions products, solutions, and business models				
	Reduction of CO <sub>2</sub> emissions at customer workplaces	25	CO <sub>2</sub> emissions from product use	24% reduction (compared with FY2010)
		26	<ul style="list-style-type: none"> <li>Electrification of construction and mining equipment</li> </ul>	Expansion of models in development phase and on market



Materiality	Key activity themes	No.	KPI	FY2024 Targets
<b>Environment</b>				
Forest conservation through business activities				
	Provision of solutions that support sustainable, cyclic forestry businesses	27	<ul style="list-style-type: none"> <li>■ Growth of forestry machine business (process mechanization)</li> </ul>	1. Sales growth rate : 50% (compared with FY2021, foreign exchange rates fixed) 2. Number of tree planting machines introduced : 30 (single year)
		28	<ul style="list-style-type: none"> <li>■ Promotion of forest management solutions (Development of business model combining forestry and decarbonization)</li> </ul>	Forest area : 60,000ha
Resource recycling and remanufacturing				
	Promotion of recycling-oriented business	29	<ul style="list-style-type: none"> <li>■ Expansion of Reman business</li> </ul>	Sales growth rate: 25% (compared with FY2021, foreign exchange rates fixed)


Performances of FY 2019 to 2021 against KPIs in the med-term management plan for FY 2019 to 2021 are as follows:

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"> <li>■ Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry).</li> <li>■ Improve productivity, efficiency, safety and environmental impact (lower CO<sub>2</sub> emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain.</li> <li>■ 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).</li> </ul>	   

CSR themes	Key initiatives under new Mid-term management plan	FY2021 KPIs	FY2019 KPI performance	FY2020 KPI performance	FY2021 KPI performance
Enhancing quality of life — Providing products required by society—	Reduction of CO <sub>2</sub> emissions (in comparison with FY2010)				
	<ul style="list-style-type: none"> <li>● Reduction of CO<sub>2</sub> 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)</li> </ul>	16% reduction (in comparison with FY2010)	14% reduction	14% reduction	19% reduction
	<ul style="list-style-type: none"> <li>● Reduction of CO<sub>2</sub> emissions from production (plants with zero impact on environment and workers)</li> </ul>	40% reduction (in comparison with FY2010)	30% reduction	30% reduction	37% reduction



CSR themes	Key initiatives under new Mid-term management plan	FY2021 KPIs	FY2019 KPI performance	FY2020 KPI performance	FY2021 KPI performance
Enhancing quality of life — Providing products required by society—	<b>Plants with zero impact on environment and workers</b>				
	● Rate of renewable energy use (including purchase of renewable energy)	15%	11%	13%	14%
	● Work environment burden coefficient (particle matter density)	30% reduction (in comparison with FY2018)	10.7% reduction	24% reduction	9% reduction
	● Water consumption	55% reduction (in comparison with FY2010)	49.4% reduction	52% reduction	64% reduction
	<b>Value chain reforms and redefinition of the aftermarket business</b>				
	● Spare parts sales	11% increase	3% increase	8% decrease	14% increase
	● 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)	18,523 workhours (93% of new components)
	<b>Assurance of mine operation safety and productivity</b>				
	● AHS unit population (promotion of mining platform business)	380 units (aggregate)	221 units	352 units	510 units (aggregate)
	<b>DANTOTSU Products, DANTOTSU Services, and DANTOTSU Solutions</b>				
	● ICT-intensive equipment introduced (United States, Europe, and Australia)	1,590 units (per year)	1,361 units	1,288 units	2,019 units (per year)
	● Sites adopting Smart Construction	4,850 (per year)	2,440	3,348	5,902 (per year)
	<b>Automation, automamous operation, electrification, and remote-controlling of equipmentttion</b>				
	1. Automation of construction equipment	Test introduction of hydraulic excavators for automated loading	Verification tests conducted on user sites	In-house verification tests	Hydraulic excavators: Preparation for test introduction of excavator with level 4 automation
	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	Mining bulldozers: Preparation for level 3 automation proof of concept, examination of possibility of advanced level 4 automation research
	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	Fork lifts: Completion of function verification for level 2 and above automation technologies (drive support function)
	● 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	Trial use of new mechanical cutters at customer workplaces

CSR themes	Key initiatives under new Mid-term management plan	FY2021 KPIs	FY2019 KPI performance	FY2020 KPI performance	FY2021 KPI performance
Enhancing quality of life — Providing products required by society—	Agricultural solutions and smart forestry				
	<ul style="list-style-type: none"> <li>Creation of construction equipment demand in agricultural field</li> </ul>	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"> <li>Japan: Introduction of one D21 unit; ongoing joint industry-academic research project at large-scale agricultural site</li> <li>Indonesia: Introduction of four D21 unit; redoubled examination of agricultural applications for construction equipment in other Southeast Asian countries</li> </ul>
	<ul style="list-style-type: none"> <li>Smart forestry projects</li> </ul>	50	10	19	29
	IoT and ICT work reforms				
	<ul style="list-style-type: none"> <li>Sales in Kom-mics platform business (visualization of production equipment operation)</li> </ul>	1,900 units (including for internal use)	865 units	1,418 units	1,521 units(including for internal use)

CSR themes	ESG solutions through three pillars of growth strategies	Relevant SDGs
Developing people	<ul style="list-style-type: none"> <li>Develop a diverse workforce with a high level of productivity and technical skills.</li> <li>Strengthen and develop diverse talent with a global perspective to help achieve sustainable workplaces.</li> <li>Develop talent with cross-value chain capabilities.</li> </ul>	

CSR themes	Key initiatives under new Mid-term management plan	FY2021 KPIs	FY2019 KPI performance	FY2020 KPI performance	FY2021 KPI performance
Developing people	Development of a diverse workforce with a high level of productivity and technical skills				
	<ul style="list-style-type: none"> <li>Enhancing employee engagement</li> </ul>	Improvement of scores	Scheduled for FY2020	Preparation for survey in FY2020, global survey in April 2021	<ul style="list-style-type: none"> <li>Global base survey conducted in April 2021</li> <li>Employee engagement score: 79</li> </ul>
	<ul style="list-style-type: none"> <li>Work process reforms through expansion of diverse and flexible workstyles</li> </ul>	<ul style="list-style-type: none"> <li>Total workhours of less than 2,100</li> <li>Introduction of telework system (Japan)</li> </ul>	(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	(1) 2,018 hours per person (2) Ongoing use of teleworking primarily for purpose of improving productivity through diversification of workstyles
	<ul style="list-style-type: none"> <li>Promotion of The KOMATSU Way (global dissemination of The KOMATSU Way)</li> </ul>	Training hours and number of participants (Disclosure of results)	<ul style="list-style-type: none"> <li>Training hours: 31,625 hours (aggregate hours for all participants)</li> <li>Number of participants: 1,461 in Japan, 307 overseas</li> </ul>	<ul style="list-style-type: none"> <li>Training hours: 33,188 hours (aggregate hours for all participants)</li> <li>Number of participants: 1,527 in Japan, 0 overseas</li> </ul>	<ul style="list-style-type: none"> <li>Training hours: 28,603 hours</li> <li>Number of participants: 1,461 in Japan, 71 overseas</li> </ul>

CSR themes	Key initiatives under new Mid-term management plan	FY2021 KPIs	FY2019 KPI performance	FY2020 KPI performance	FY2021 KPI performance
Developing people	Strengthening and development of diverse talent with a global perspective to help achieve sustainable workplaces				
	● Revision of role of Japan in global management	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis	Human resource system revisions started in Japan	<ul style="list-style-type: none"> <li>Revision of domestic retirement, wage, and retirement benefit systems in April 2021</li> <li>Introduction of elective retirement and R&amp;D staff systems</li> </ul>	<ul style="list-style-type: none"> <li>Shift of human resources to priority and growth fields</li> <li>Promotion of global human resource exchanges and projects</li> </ul>
	● Foundations for global measures (systems, frameworks)	Introduction	Preparations advanced for introduction	Commencement of domestic data linkage	<ul style="list-style-type: none"> <li>Introduction of global human resource information systems</li> <li>Development of global data coordination automation systems</li> </ul>
	● 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%	(1) 12.4%, (2) 8.2%, (3) 5.3%
	● 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)	2.84% (non-consolidated)
	● 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"> <li>Human resource development program launched in Chile</li> <li>Ongoing support provided in Peru, South Africa, and Australia</li> <li>Participants' success in finding employment tracked</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing support in Chile, South Africa, and Australia</li> <li>Establishment of scholarship program for students in Chile and Peru as part of COVID-19 relief program</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing support in Peru, Chile, Australia, and South Africa</li> </ul>
	Development of talent with cross-value chain capabilities				
	● Cultivation of Smart Construction consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)	430 (aggregate)	396	626	807

CSR themes	ESG solutions through three pillars of growth strategies	Relevant SDGs
Growing with society	<ul style="list-style-type: none"> <li>Offer resolutions for social issues through collaboration with stakeholders.</li> <li>Act as a responsible corporate citizen ensuring corporate governance, compliance, and human rights.</li> </ul>	 

CSR themes	Key initiatives under new mid-term management plan	FY2021 KPIs	FY2019 performance	FY2020 performance	FY2021 performance
Growing with society	Resolutions to social issues through collaboration with stakeholders				
	<ul style="list-style-type: none"> <li>Promotion of industry-government-academia collaboration as well as of collaboration with customers</li> </ul>	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"> <li>Posting of past activity documents on Group portal</li> <li>Shared information on activities in 14 regions on rotational basis</li> <li>Continuation of activities by headquarters team targeting three customers (two civil engineering, one aggregate)</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing initiatives for accomplishing the goals of three customers selected for brand management activities</li> <li>Global sharing of information on brand management activities around the world through Komatsu Global Portal</li> </ul>
	<ul style="list-style-type: none"> <li>Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings)</li> </ul>	Number of meetings held (Disclosure of results)	<ul style="list-style-type: none"> <li>Shareholder meetings: 2 times</li> <li>Shareholder factory tours: 10 times</li> <li>Individual investor meetings: 7 times</li> <li>Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder meetings: 1 time (held online)</li> <li>Shareholder factory tours: 0 (canceled due to COVID-19 pandemic, factory tour videos shared on official Komatsu YouTube account)</li> <li>Individual investor meetings: 4 times (held online)</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder meetings: 1 time (held online)</li> <li>Shareholder factory tours: 0 (canceled due to COVID-19 pandemic, videos commemorating 100th anniversary, etc., shared on official Komatsu YouTube account)</li> <li>Individual investor meetings: 5 times (held online)</li> </ul>
	<ul style="list-style-type: none"> <li>Institutional investors (ESG meetings)</li> </ul>	Number of meetings held (Disclosure of results)	11 (ESG-related meetings)	<ul style="list-style-type: none"> <li>ESG-related meetings: 4</li> <li>Participation in conferences: 1 (meetings held with 18 investors)</li> </ul>	<ul style="list-style-type: none"> <li>ESG-related meetings: 9</li> <li>ESG-related briefings: Conducted in conjunction with business briefings</li> </ul>
	<ul style="list-style-type: none"> <li>Communities (business site fairs)</li> </ul>	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	All factory fairs canceled due to COVID-19 pandemic
<ul style="list-style-type: none"> <li>Employees (meetings)</li> </ul>	Number of meetings held (Disclosure of results)	34 (30 in Japan, 4 overseas)	29 in Japan (canceled overseas due to COVID-19 pandemic)	29 in Japan (canceled overseas due to COVID-19 pandemic)	

CSR themes	Key initiatives under new mid-term management plan	FY2021 KPIs	FY2019 performance	FY2020 performance	FY2021 performance
Growing with society	Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights				
	<ul style="list-style-type: none"> <li>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</li> </ul>	Ongoing improvements made in reflection of relevant laws and regulations and social expectations	Establishment of Human Rights Policy, disclosure in integrated report	<ul style="list-style-type: none"> <li>Revised Komatsu Code of Worldwide Business Conduct</li> <li>Human rights e-learning programs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Translation of Komatsu Code of Worldwide Business Conduct into English and other languages</li> <li>Approval of plans to ramp up human rights due diligence activities</li> </ul>

## 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 materiality	Incorporation into Komatsu's internal guidelines ■: Items of Komatsu's worldwide code of business conduct ●: Items of Komatsu group CSR procurement guidelines
Organizational governance		<b>[Ethics / Governance]</b> <ul style="list-style-type: none"> <li>■ Corporate Governance</li> <li>■ Compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ ■ “Quality and Reliability” of organizational structure, business operations, employees and management</li> <li>■ ■ Emphasis on corporate governance</li> <li>■ ■ ● Compliance with the Rules</li> </ul>
Human rights	<b>Human Rights</b> Principle 1 Principle 2	<b>[Human rights]</b> <ul style="list-style-type: none"> <li>■ Respect for human rights</li> </ul> <b>[Communities]</b> Contributions to local communities	<ul style="list-style-type: none"> <li>■ ■ ● Respect for human rights</li> <li>■ ■ Due consideration to work-life balance</li> </ul>
Labour practices	<b>Labour</b> Principle 3 Principle 4 Principle 5 Principle 6	<b>[Employees]</b> <ul style="list-style-type: none"> <li>■ Diversity and Inclusion</li> <li>■ Skills development and workplace retention</li> <li>■ Employee engagement and job satisfaction</li> <li>■ Occupational safety and health and wellbeing</li> </ul> <b>[Human rights]</b> <ul style="list-style-type: none"> <li>■ Respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>■ ■ Conversations or discussions with employees or their representatives</li> <li>■ ■ ● Zero tolerance for child labor and forced labor</li> <li>■ ■ ● Promotion of equal opportunities for employment, with zero tolerance for discrimination and any kind of harassment</li> <li>■ ■ ● Ensuring a safe and comfortable work environment</li> <li>■ ■ ● Human resources management in fair and impartial manner</li> </ul>
The environment	<b>Environment</b> Principle 7 Principle 8 Principle 9	<b>[Environment]</b> <ul style="list-style-type: none"> <li>■ Development of low-carbon/low-emissions products, solutions and business models</li> <li>■ Resource recycling and remanufacturing</li> <li>■ Forest conservation through business activities</li> <li>■ Reduction of energy usage and GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>■ ■ Providing products, services and systems that are environmentally-conscious</li> <li>■ ■ Environmental protection</li> <li>■ ■ Komatsu Earth Environmental Charter</li> <li>■ ■ Declaration of Conservation of Biodiversity</li> <li>■ ■ ● Reducing environmental impact, managing chemical substances and building up environmental management systems</li> </ul>

ISO26000 core subjects /issues	UNGC 10 principles	Komatsu's materiality	Incorporation into Komatsu's internal guidelines ■ : Items of Komatsu's worldwide code of business conduct ● : Items of Komatsu group CSR procurement guidelines
Fair operating practices	<b>Anti-Corruption</b> Principle 10	<b>[Ethics / Governance]</b> <ul style="list-style-type: none"> <li>■ Governance</li> <li>■ Compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ ■ ● Fair and appropriate business operations</li> <li>■ ● Fair and proper relationship with governmental bodies and agencies</li> <li>■ ■ ● Never providing, offering or promising inappropriate money, goods or favors</li> </ul>
Consumer issues		<b>[Customers]</b> <ul style="list-style-type: none"> <li>■ Provision of solutions</li> <li>■ Product safety and quality</li> </ul> <b>[Environment]</b> <ul style="list-style-type: none"> <li>■ Development of low-carbon/low-emissions products, solutions and business models</li> <li>■ Resource recycling and remanufacturing</li> <li>■ Forest conservation through business activities</li> <li>■ Reduction of energy usage and GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>■ ■ Providing customers with suitable solutions and striving to deliver products, services and systems that are safe, environmentally-conscious and innovative</li> <li>■ ■ Environmental protection</li> <li>■ ■ ● Reducing environmental impact, managing chemical substances and building up environmental management systems</li> </ul>
Community involvement and development		<b>[Communities]</b> <ul style="list-style-type: none"> <li>■ Contributions to local communities</li> </ul>	<ul style="list-style-type: none"> <li>■ ■ To fully understand its social responsibilities as a corporate citizen</li> <li>■ ■ Groupwide social contribution (5 Basic Principles for Social Contribution)</li> <li>■ ■ ● Good harmony with local communities</li> </ul>



# External evaluations (as of July, 2022)

## (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]

	2019	2020	2021
CDP Climate Change	A	A	A
CDP Water Security	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.

	2019	2020	2021
DJSI	DJSI World	DJSI World	DJSI World

Member of

**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA



### [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.

## Corporate ESG Performance

RATED BY  
**ISS ESG**

Prime

### [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

### [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.

2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

### [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.

2022 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]**

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.

This is the third time Komatsu has been selected, following 2021, and the sixth time including the “Competitive IT Strategy Company”. (In 2020, we were selected for the “DX Grand Prix 2020”)

\* 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 CO<sub>2</sub> reduction targets were certified as SBT in April 2017.

[Please click here for further details about Komatsu's CO<sub>2</sub> reduction and SBT.](#)

## (2) Evaluations of IR activities



### [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 – Together, to “The Next” for sustainable growth” to be completed in the fiscal year ending March 31, 2025, Komatsu is making efforts for sustainable growth through a positive cycle of improving earnings and solving ESG issues.

With the proceeds from the green bond, Komatsu is going to further accelerate its efforts to help realize a decarbonized society by reducing our environmental impact and providing high-quality, highly efficient products, services, and solutions.

### 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><b>Project A: Responses to environmental problems resulting from the use of products</b> Efforts designed to help reduce CO<sub>2</sub> emissions from products in use to 50% by 2030 from 2010 (Specifically, R&amp;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 CO<sub>2</sub> emissions by promoting wide use of ICT-intensive construction equipment and providing applications which support optimization of construction as a whole.</p> <p><b>Project B: Responses to environmental problems resulting from manufacturing.</b> Efforts designed to help reduce CO<sub>2</sub> 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.
[Reference]Press release	<a href="#">(Komatsu website released on July 10th, 2020)</a>

\* 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.
- OMTA 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.

### [Green bond reporting]

[> Komatsu green bond reporting 2021 \(260KB\)](#) 

[> Komatsu green bond reporting 2022 \(251KB\)](#) 

### [Green bond periodic review]

[> Green bond periodic review 2021 \(960KB\)](#) 

[> Green bond periodic review 2022 \(530KB\)](#) 



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# Occupational safety and health

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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

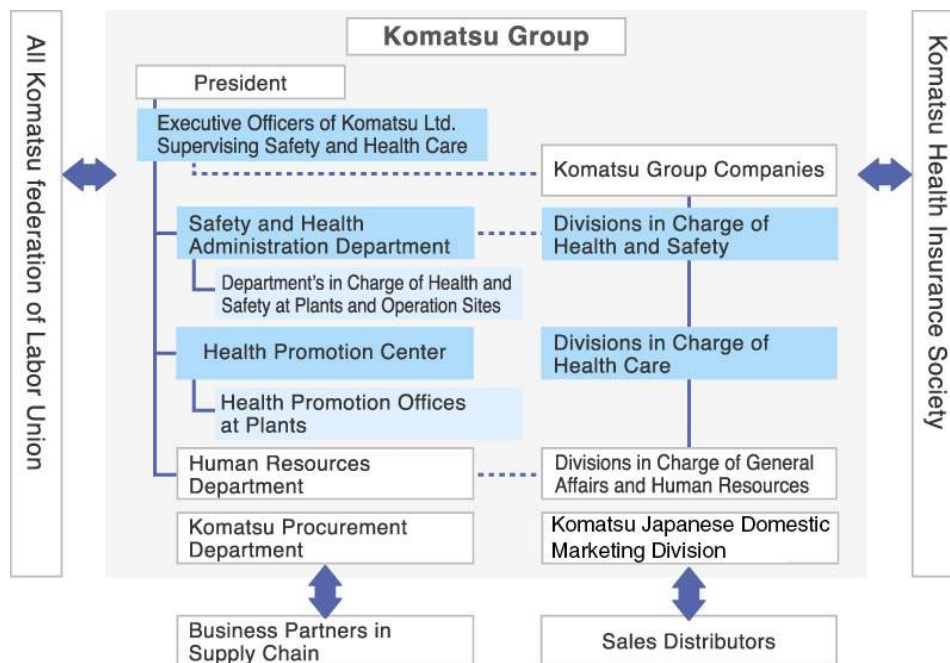
1. Observe the laws and regulations concerning occupational safety and health as well as internal rules, key items common to the Komatsu Group about occupational safety and health, and particularly items agreed as a result of labor-management consultations in each workplace.
2. Set up targets for activities 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 FY 2014 and the Second Health Development Plan which was established in FY 2019. 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:

- Formulation of safety and health regulations
- 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 FY 2021, we held the conferences in Latin America, Europe, Oceania 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 initiatives

Safety and health key initiatives of Komatsu group in FY 2021

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**We established key activity items and our target values in FY 2021 and have been promoting the following activities throughout the Komatsu Group:**

### [Safety and health management]

1. Major disaster elimination activities.
2. Enhancement of compliance risk management.
3. Activities to maintain and improve occupational health and safety management systems.

### [Health management]

1. Tobacco-related diseases
2. Mental health
3. First aid and infectious diseases
4. Lifestyle improvement

## Working to achieve a mid-term health development plan

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The Komatsu Group has promoted activities under the Five-Year Health Development Plan (FY 2014) and the Second Health Development Plan (FY 2019) to “implement outstanding health management” and “improve employees’ health literacy\*.”

For the Second Health Development Plan, while continuing the activities related to the previous mid-term plan, we have promoted the creation of a lifelong culture of health by strengthening support for work-life balance, primary preventative actions (lifestyle improvements), and by establishing systems and environments to “improve employees’ health literacy,” such as the introduction of ICT tools.

\* The ability to acquire, understand, select, and use accurate health information necessary for individuals to take proactive health actions.

Major accomplishments in FY 2021 are listed below:

Item	Initiative	KPI	FY2020 result	FY2021 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	Regular check-up percentage	100%	100%	100%
		(Reference) Secondary health check-up percentage	98.5%	98.2%	-
		Milestone checkup consultation percentage	89.7%	85.4%	95%
		Female cancer checkup consultation percentage	59.4%	61.1%	80%
Tobacco-related diseases	Reduce secondary exposure to cigarette smoke and smoking percentage	Percent of the Komatsu Group in Japan that smokes	29.8%	28.3%	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*	49.8%	51.4%	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%	99.9%	100%
		(Reference) Stress check implementation percentage	100%	99.8%	-
		Percentage responding to high-stress workplaces	100%	97.6%	100%

(Scope of FY 2020 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.)

### Introduction of the Komatsu health promotion 100 (KHP100)

As part of the "Lifestyle Improvement Promotion" of the "Second Health Promotion Plan," in FY 2021, we launched the Komatsu Health Promotion 100 (KHP100) in cooperation with the Komatsu Health Insurance Association to further promote employees' health and health literacy.

Under KHP100, we distribute wearable devices to employees who wish to use them to visualize their physical activity and exercise. We also offer walking and other health events on a health portal that can be linked to the device, providing employees with opportunities to change their health-related behavior.

## Komatsu receives the Minister of Health, Labour and Welfare award for excellence (Corporate category) at the 10th extend your healthy life expectancy! awards

Komatsu received the Minister of Health, Labour and Welfare Award for Excellence (Corporate Category) for the “Development and Improvement of an Action Checklist for Cafeteria to Improve Employees’ Lifestyles” in the lifestyle diseases prevention category of the 10th Extend Your Healthy Life Expectancy! Awards sponsored by the Ministry of Health, Labour and Welfare (MHLW) and the Japan Sports Agency.

The award is part of the Smart Life Project, a MHLW project to promote better health. The awards are given to companies, organizations and local governments that make outstanding efforts to raise awareness of the prevention of lifestyle-related diseases, support the healthy lifestyles of the elderly, and promote better health among mothers and children to build a comprehensive community care system.

The award received for the “Development and Improvement of an Action Checklist for Cafeteria to Improve Employees’ Lifestyles” is part of the “Lifestyle Improvement Promotion Efforts” of the Second Health Promotion Plan, a health management measure. The program won high praise for being implemented in cafeterias heavily utilized by employees and is expected to impact their awareness and behavior. It is also a cross-sectional effort that reaches across all business sites.



## Named one of the “White 500” in the large enterprise category under the 2022 Certified health & productivity management outstanding organizations recognition program

Komatsu was recognized for the first time as one of the “White 500” in the large enterprise category under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program. The program was established by the Ministry of Economy, Trade and Industry and is recognized by the Nippon Kenko Kaigi.

The Certified Health & Productivity Management Outstanding Organizations Recognition Program recognizes large enterprises and SMEs that implement outstanding health and productivity management measures to address health-related challenges on the regional scale and the health promotion initiatives of the Nippon Kenko Kaigi.

We were recognized as a company that considers employees’ health and productivity from a business management perspective and strategically implements initiatives that lead to the maintenance and promotion of health.

We will continue to maintain and promote employees’ health through health and productivity management practices that aim to maximize business performance and corporate value.



## 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 FY 2021

### Educational training for labor safety and health (in Japan)

#### ■ Education regarding mental health

Contents	FY2021 Practice
Based on the rules of the Industrial Safety and Health Act, educational training for mental health is conducted. Stress tests were started in FY 2006, and stress awareness training were started in FY 2007 and is being held for the employees of all Group companies in Japan.	<ul style="list-style-type: none"> <li>Stress tests/awareness training implemented in 15 companies, with approximately 22,035 employees</li> <li>"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.</li> </ul>

#### ■ Education based on job levels

Contents	FY2021 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, 314 people)* 3rd year of employment with the company (12 times, 338 people) 7th year of employment with the company (2 times, 54 people) Mid-career recruitment (as necessary, 18 people) New Assistant Managers (12 times, 380 people) Foremen/Senior Foremen (6 times, 140 people) New Managers (6 times, 185 people)

\* Total for head office employees

#### ■ Education based on Function

Contents	FY2021 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, 17 trainees) Education for production engineers (2 time, 31 trainees) ISO 45001 standards understanding training (27 trainees) ISO 45001 internal auditor development training (97 trainees)



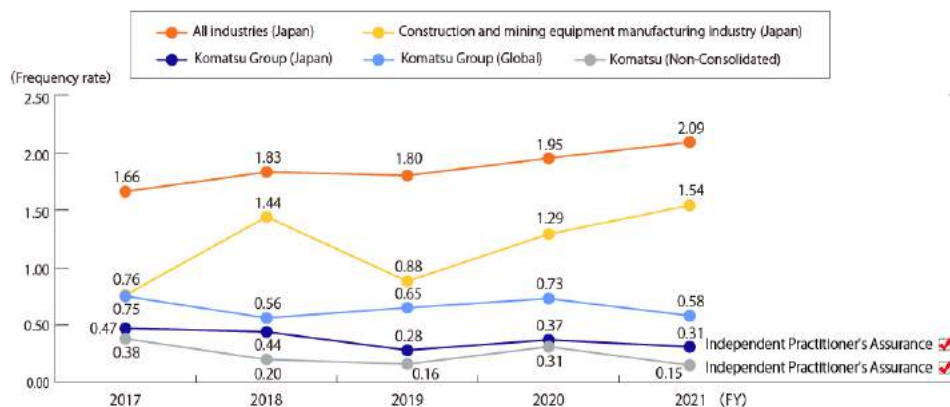
## Number of major work-related accidents (fatal)

		FY2017	FY2018	FY2019	FY2020	FY2021
Komatsu group consolidated companies	Subtotal	1	3	1	3	0
	Japan	0	0	0	0	0
	Overseas	1	3	1	3	0
Non-consolidated sales companies	Subtotal	0	0	0	1	0
	Japan	0	0	0	1	0
	Overseas	0	0	0	0	0
Contractors	Subtotal	0	0	0	1	0
	Japan	0	0	0	0	0
	Overseas	0	0	0	1	0
Total		1	3	1	5	0

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

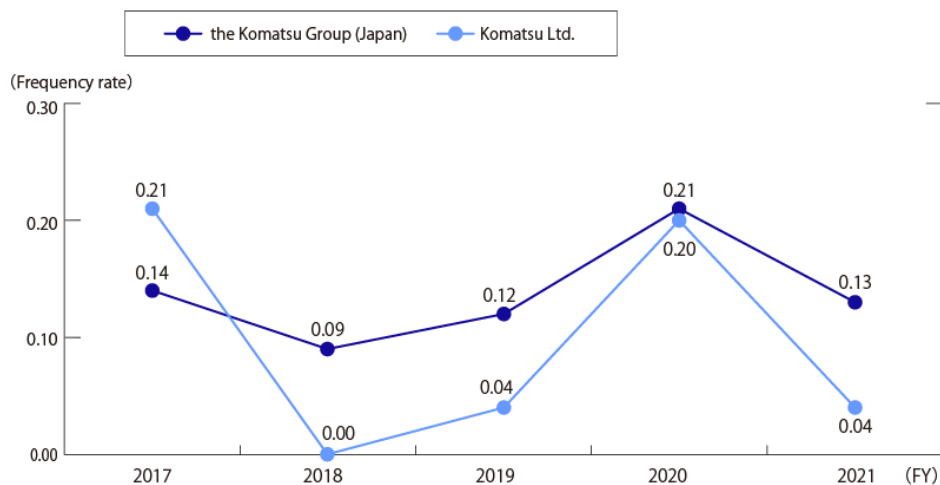
### Incidence rate of occupational accidents (Frequency rate of lost worktime)



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 1,000,0000
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)

Since FY 2007, in Japan, the Komatsu Group has taken steps to acquire or renew OSHMS certification at each business site and has been working to obtain ISO 45001 integrated international standards certification since FY 2018. The Osaka Plant acquired ISO 45001 integrated international standards certification for the first time in April 2019 and other divisions and Group companies acquired this certification in April 2020. We have also taken steps to acquire or renew OHSAS 18001 certification for our overseas facilities and have been working to obtain ISO 45001 certification since FY 2019.

ISO 45001 certification requires the following activities to be properly managed by the company's occupational health and safety management system:

- Occupational health and safety risks and hazards assessments to identify potential hazards in the workplace.
- Prioritization and integration of action plans with quantitative targets to address occupational health and safety risks.
- Actions to prepare for and respond to emergencies.
- Assessment of progress toward goals for reducing and preventing health risks.
- Internal audit.
- Investigation of occupational injuries, illnesses, and accidents.
- Occupational health and safety activities for employees and other stakeholders to raise awareness and reduce occupational health and safety accidents.
- Introduction of occupational health and safety standards in procurement and contractual requirements.

## 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	2021
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		◇		●	●

\* Integrated international standards certification acquired for FY 2020 onward.

## Overseas OSHMS (Occupational Safety and Health Management System) certification and renewal of certification<sup>8.2</sup>

(The legends □ : OHSAS18001 ● : ISO45001)

FY	~2018	2019	2020	2021
Komatsu America Chattanooga Manufacturing Operation	□	●	●	●
Komatsu America Peoria Manufacturing Operation	□		●	●
Komatsu America Newberry Manufacturing Operation		●	●	●
Komatsu Mining Longview				●
Komatsu Mining Peru			●	●
Komatsu Mining Wadeville			●	●
Komatsu Mining Tianjin			●	●
Hensley Industries, Inc.				●
Komatsu UK		●	●	●
Komatsu Germany (Construction Division)	□		●	●
Komatsu Germany (Mining Division)	□		●	●
Komatsu Italia Manufacturing		●	●	●
Bangkok Komatsu	□	●	●	●
PT Komatsu Indonesia	□		●	●
PT Komatsu Undercarriage Indonesia	□		●	●
Komatsu Changzhou Construction Machinery Corp.				●
Komatsu Changzhou Foundry Corporation				●
Komatsu Shantui Construction Machinery Co., Ltd.			●	●
Komatsu Shandong Construction Machinery Corp.				●

\* OHSMS: Occupational health and safety management systems

\* OHSAS 18001: Occupational health and safety assessment series



# 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:

1. We shall respect each employee's human rights, personality, individuality and legally-protected privacy;
2. 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\*;
3. 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;
4. 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;
5. 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;
6. 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;
7. We shall not tolerate child labor or forced labor; and
8. 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 11,000 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 77.6%.

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 FY 2021

Number of harassment-related reports received (in Japan)	36
Harassment prevention training (in Japan) (e-learning and group learning)	<ul style="list-style-type: none"> <li>▪ Basic education</li> <li>▪ Stratified training</li> <li>▪ Managerial-level refresher training</li> <li>▪ New managerial-level employee training</li> <li>▪ Assistant manager training</li> <li>▪ Third- and seventh-year employee training</li> <li>▪ New employee training</li> </ul>

## Creating a vibrant workplace with rewarding jobs

Improving employee engagement is essential for the company's sustainable growth. In 2021, we conducted a global engagement survey of domestic and overseas group companies. We analyzed the results by region and organization and identified the strengths of and challenges faced by each organization. These are reflected in various personnel policies and measures. We will continue to conduct the survey regularly to understand and analyze employee engagement and respond to ever-changing challenges. In this way, we aim to create an environment in which each and every one of our diverse employees can work with more vitality and enthusiasm.

### Overview of global engagement survey in FY 2021

Number of respondent	72% of the Employees (about 63,000 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
Results	Engagement Score Overseas: 79, Japan: 69 (Score is the percentage of positive responses)

## DATA

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

Numbers of employees and all other numbers shown are as of the end of each fiscal year, except as otherwise noted.

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

	FY2019	FY2020	FY2021
Total	11,692	11,795	11,927
Male	10,305	10,404	10,517
Female	1,387	1,391	1,410

### (2) Number of employees (Consolidated basis)

	FY2019	FY2020	FY2021
Total	62,823	61,564	62,774
Non-Japanese	42,948	41,573	42,502

### (3) Average age

	FY2019	FY2020	FY2021
Total	39.5	39.8	40.4
Male	39.6	39.8	40.5
Female	39.3	39.2	39.7

### (4) Years of continuous employment

	FY2019	FY2020	FY2021
Total	15.1	15.3	15.9
Male	15.4	15.6	16.3
Female	12.8	12.8	13.5

### (5) Annual total remuneration (average)

	FY2019	FY2020	FY2021
Total(Yen)	7,467,775	7,186,395	7,471,391

\* Minimum wages set by age

## (6) Number of employees by age

	Total	Male	Female
Total	11,927	10,517	1,410
Over 60	222	204	18
50-59	2,556	2,178	378
40-49	3,247	2,916	331
30-39	3,790	3,488	302
Under 30	2,112	1,731	381

## (7) New graduates employment

	Total		College graduate			Junior college graduate			High-school graduate		
	Total	Excluding blue-collar work	Total	Male	Female	Total	Male	Female	Total	Male	Female
2020	362	263	221	194	27	27	18	9	114	86	28
2021	254	180	157	135	22	16	14	2	81	62	19
2022	254	169	155	104	51	11	9	2	88	73	15

## (8) Mid-career employment (As of July 20th, 2022)

	Total		Mid-career employment ratio		College graduate			Others		
	Total	Excluding blue-collar work	Total	Excluding blue-collar work	Total	Male	Female	Total	Male	Female
2019	200	79	36%	26%	90	74	16	110	97	13
2020	57	31	14%	11%	19	14	5	38	30	8
2021	24	23	8%	11%	17	12	5	7	6	1



## (9) Employee turnover

	Total	Male	Female
Number of employee turnover in FY2021 (Total turnover rate/Voluntary turnover rate)	200 (1.54%/1.31%)	160	40

\* The voluntary turnover rate does not include those who retire at retirement age.

## (10) Retention of new employees

	Total	Male	Female
New employees (FY2019)	352	290	62
Enrollment (FY2022)	341	282	59
Employee turnover [for 3 years] (Turnover rate)	11 (3.1%)	8 (2.8%)	3 (5.1%)

\* Enrollment for FY2022 is as of April 1, 2022

## (11) Diversity of management

	Total	Female employees (Female employees percentage)	Foreign employees (Foreign employees percentage)	Mid-career employees (Mid-career employees percentage)
Directors and Global officers	61	2 (3.3%)	19 (31.1%)	13 (21.3%)
Executive officers (Domestic)	27	2 (7.4%)	0人 (0.0%)	1 (3.7%)
Management position	1,702	133 (7.8%)	12 (0.7%)	324 (19.0%)
General managers	389	14 (3.6%)	0 (0.0%)	39 (10.0%)

\* Directors, Officers and Global Officers exclude Outside Directors and Outside Corporate Auditors.

## Promoting diversity and inclusion

Komatsu believes that diversity and inclusion are sources of innovation. We continuously promote diversity and inclusion (D&I) to create an environment where diverse employees can identify and maximize each other's individuality and abilities. We believe that the promotion of D&I not only creates a workplace where diverse employees can feel secure, be themselves, and innovate, but also improves individual motivation and promotes changes in corporate culture, leading to the growth of the company.

In the new mid-term management plan, we have positioned the enhancement of a diverse human resource base as one of the priority activities of our growth strategy. Therefore, we will accelerate various initiatives to promote D&I (such as global human resource development, promotion of gender diversity, and D&I promotion activities for employees), development of digital and open innovation-driven human resources, improvement of employee engagement, and other activities.



**Diversity & Inclusion  
is the driver of innovation**

D&I promotional activities for employees  
The following are excerpts from PR video.

### Global human resource development

With foreign employees accounting for approximately 70% of our workforce, Komatsu has been promoting the localization of management, and national employees (local employees) have already assumed the senior management of major overseas subsidiaries. Komatsu has created approximately 750 "Global Key Positions" in Japan and overseas and developed a succession plan for these positions. We are also aiming to foster the systematic cultivation of next-generation leaders who will be responsible for global management through programs such as the "Global Management Seminar" for management-level employees and candidates, and "KOMATSU Way Leadership Development Training" for mid-level employees. Additionally, Komatsu trains engineers who provide continuous product support at customers' sites around the world. The Komatsu Philippines Corporation, a specialized educational institution, has trained over 190 engineers. Graduates of the training program, which lasts about six years, are subsequently employed as "global engineers" and work around the world.

## Status in FY 2021

<b>Management System</b>	<p>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.</p> <p>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.</p>
<b>Global Engineer Training Program</b>	<p>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 190 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.</p>

## DATA

	FY2019	FY2020	FY2021
Number of Directors, Officers and Global Officers	66	63	61
Foreign Nationals	18	19	19

\* Komatsu's non-consolidated data as of the end of each fiscal year.

\* Directors, Officers and Global Officers exclude Outside Directors and Outside Corporate Auditors.

## Promoting gender diversity

Komatsu actively promotes gender diversity throughout the Komatsu Group, and the percentage of female employees and managers is steadily increasing on a global consolidated basis. In Japan, 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.

### Status in FY 2021

We have held the Diversity & Inclusion Development Seminar for female managers at Komatsu and its overseas subsidiaries since FY 2018. Attendees of this seminar, gain the perspective required by senior management and an understanding of leadership as per the KOMATSU Way, thereby supporting gender diversity among senior management. In FY 2021, 13 participants from 10 countries took part in this seminar online. We plan to continue this training program into the future. 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 FY 2015 for the cultivation of senior management.

Since FY 2020, career plan training has also been 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. 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.



Scene of DIDS training

## DATA

		FY2019	FY2020	FY2021
Global (Consolidated)	Ratio of women employed	—	13.6%	13.9%
	Ratio of women in management positions	—	9.5%	10.0%
Komatsu Ltd. (Non-consolidated)	Number (ratio) of women employed	1,438 (12.3%)	1,443 (12.3%)	1,451 (12.4%)
	Number (ratio) of women in management positions	292 (8.9%)	300 (9.3%)	312 (9.2%)
	Number (ratio) of women in executive positions	2 (6.1%)	2 (7.1%)	2 (7.4%)
	Number (ratio) of women managers	122 (6.9%)	126 (7.5%)	133 (7.8%)
	Number (ratio) of women junior managers	168 (11.4%)	172 (11.2%)	177 (10.8%)

\* Data as of the end of each fiscal year.

## Support for LGBTQ

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 LGBTQ individuals, the certification of same-sex partnership and expansion of scope of welfare benefits, we also worked to promote understanding of LGBTQ to all employees through a number of approaches like e-learning and lecture by Certified NPO Nijihiro Diversity.



Lecture by Certified NPO Nijihiro Diversity

## Employing persons with disabilities

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 2022 for the Group in Japan (the current statutory employment ratio is 2.3%).

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 June 2021, the employment ratio of persons with disabilities is 2.84% (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	2.58%	2.82%	2.84%
Number of BCC locations	11	11	11
Number of BCC staff members	125	144	156

\* The data for Komatsu Ltd. (non-consolidated). As of June 1st of each fiscal year.

## Promoting hiring of retired employees

As Japan's birthrate declines and its population ages, we believe that efforts to improve employee productivity across all generations and to strengthen our older workforce are not only a response to societal realities but also a way to ensure our sustainable growth. Komatsu has been promoting initiatives to achieve the above, including the introduction of a post-retirement reemployment system in 2006 and the reemployment of all applicants up to the age of 65 (for general employees) since 2013. In 2021, Komatsu implemented an optional retirement age system for the entire Komatsu Group in Japan, which allows employees to choose the maximum retirement age of 65. Moreover, Komatsu is expanding its support framework to enable employees to continue to work at Komatsu and realize their optimal work styles based on their values by providing training opportunities for employees to reflect on their career and life, a paid leave system for skills development, and a financial aid system.

### Systems and measures of employment and career support for the elderly

Systems and Measures	Content
Selective Retirement System	Employees can choose to retire at age 60, 62 (management), or 65 (general employees). Employees who choose to retire at age 62 or 65 receive the same benefits as those who retire before age 60.
Part-time Work System	This system allows employees to work part-time when they choose to retire at age 60 or 62 and are rehired after retirement. Working hours can be set from 1/2 to 3/4 those of full-time employees and working hours per day and working days per week can be decided.
Second Job System	Part-time employees who have been rehired after retirement can work a second job under certain conditions to support their careers.
Career Support System	(1) Career Life Plan Seminar All employees aged 45 and older are encouraged to develop an independent and autonomous career vision by considering their work prospects, work style, lifestyle, and financial plan. (2) Outplacement Support System A skills development leave system and outplacement services for employees aged 50 and over who want to progress their careers outside the company.

## DATA

	FY2019	FY2020	FY2021
Reached age 60	206	201	252
Continued employment after age 60	167	174	216
Chose to retire at age 62 or 65	–	–	202
Rehired after retirement at age 60	167	174	14
Retired at age 60 (Retirement rate at age 60)	39 (19.0%)	27 (13.4%)	36 (14.3%)

\* Data for Komatsu Ltd. (non-consolidated).

\* Selective retirement system applies to employees who reached the age of 60 in FY2021 or later.

\* People rehired after retirement include those rehired within the Komatsu Group.



## Support for work-life balance

It is essential for employees to achieve a good work-life balance to maximize their potential. Komatsu has established support systems to create an environment in which employees can feel secure and work with enthusiasm.

Komatsu also supports employees to pursue diverse work styles and autonomous career development, thereby accelerating efforts to enable employees to engage in rewarding work based on their values and to further enhance their abilities.

### Promotion of work-life balance and support for childcare, family care, and medical treatment

Komatsu promotes work-life balance among its employees by reducing total working hours and establishing various support systems. To reduce working hours, Komatsu has worked with the labor union to set the targets of “less than 2,100 working hours per year and at least 20 days of annual paid leave for all employees” based on the 36 Agreement. Moreover in the development of our employee systems, we promote initiatives to not only help employees achieve a work-life balance but also safe and healthy work styles, for example, using the “Interval System” between workdays.

We have also expanded our safety net by providing more leave and leave of absence than legally required to cover childcare, family care, and personal injury or illness. Furthermore, we have implemented, a “Life Support Leave” system that can be used for various life events in addition to annual paid leave. To complement these efforts, we have implemented support measures to create an environment that allows employees to use our systems and measures easily according to their circumstances.

#### Main systems and programs

Systems and Programs		Content
Child-care system	Child-care leave	Available for a maximum of three years from the birth of the child to the time the child enters nursery school (the statutory leave period is up to 18 months without pay). 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. Paid leave is available for 104 weeks (i.e. up to 2 years old).
	Part-time work	Shortening of working hours by a maximum of three hours per day to allow for the care of children until the child graduates from elementary school (statute allows this only for children under three years old). Split-time acquisition is possible.
	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 the nursing care of one child up to the third grade of elementary school and ten days for the second child onward (paid leave). (statute allows this only for children up to the first grade of elementary school.)

Systems and Programs		Content
	Childcare facilities and allowance	A nursery school fee subsidy system, childcare services, and on-site day-care facilities are available. Additionally, health management rooms located at each site offer private rooms for childcare and multipurpose use such as freezing breast milk.
Family-care system	Family-care leave program	A maximum of three years is available for employees taking care of family members, which can be taken in installments. Paid leave is available for a total of 93 days. (the statutory leave period is a total of 93 days without pay).
	Part-time work	Shortening of working hours by a maximum of three hours per day, which can be taken for up to three years in total and can be taken 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 system	Paid vacation	Statutory annual paid leave is granted for 10 days per year if the attendance rate is 80% or more at the end of the first 6 months of employment. Komatsu grants 20 days per year from the time of joining the company (in principle). Leave can be taken in half-day increments.
	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.
	Interval system	To provide rest time after the end of the workday to ensure that employees can sleep and enjoy personal time. Provisions to ensure at least 10 hours between shifts (interval).
	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.

## Main support and measures

Support and Measures		Content
Child-care support	Childcare service during in-house training	Provision of childcare services during in-house training at the Komatsu Way Training Center (Komatsu City, Ishikawa Prefecture), a training facility that serves as a human resources development facility for Komatsu Group employees globally.
	“Childcare Day” social event	Hosting of a social event on the 19th of each month known as “Childcare Day” to provide a forum for communication among employees raising children.
	Childcare support seminar for men	Childcare support seminars for men, to foster awareness of the need for active participation in childcare among male employees with children and to change the perceptions of their bosses and co-workers.
Family-care support	Family-care seminar	Seminar held by experts to provide opportunities for employees to think about how to prepare for family-care and how to balance their work and personal lives. From FY 2020, the seminar has been held online to increase awareness of family-care among a wide range of employees across Japan.
	Individual consultation	Since FY 2018, individual consultations with external experts have been held monthly to provide tailored for employees.
Treatment support	Consultation service for balancing treatment and work	To support employees’ health and safety, a consultation desk has been set up at each site for those wanting to discuss balancing their medical treatment and work. We have also introduced various systems including fertility treatment leave to create a safe and secure working environment for those needing medical treatment.

## Support of diverse work styles and autonomous career development

To support employees to pursue diverse work styles, we promote flexible and autonomous working that is not restricted by location or time. This includes the expansion of the “telework system” in FY2020 to allow employees to continue their careers and improve productivity and the abolition of core hours in the “flextime system” in FY2021.

In FY2021, we also introduced a personnel system to develop personnel capable of taking on challenges autonomously and proactively in a changing internal and external environment. This system is a part of our efforts to achieve sustainable growth and development for both employees and the company.

### Main system and measures

Main System and Measures		Content
Creation of diverse work styles	Flextime system	Flexible work hours (5:00~22:00) with flexible start and end times (no core time).
	Discretionary work system	A work system for employees who engage in highly discretionary work, such as R&D. Under this system, employees can execute their work at their discretion.
	Telework system	Work from home as often as desired to support career continuity and increased productivity. Telework allowance paid.
Support for career development	Subsidizing certifications	Employees who pass technical skills tests (national certifications) receive partial or full subsidies for the examination cost.
	Job posting system	Posts of the "Challenge Support Type" for taking on challenges in new business areas and "Hometown Personnel Type" for pursuing a new career due to family circumstances. If the employee meets the application and personnel specifications set by the relevant department, they can apply to transfer to other departments.
	Studying in domestic colleges or study abroad programs	Designed to help employees acquire skills and knowledge beneficial to their work in an intensive, formal setting. If the employee meets the application requirements, they can apply to study at universities and research institutes in Japan and abroad.
	Employee award programs for distinguished achievement	Various award programs, including performance improvement award, project award, individual merit award, health and safety award, technical merit award, and volunteer award.
	Career development training courses	In-house language classes and subsidized correspondence courses and examinations as determined by the company.

## Data

### Parental leave

	FY2019	FY2020	FY2021
Pregnancy leaves	59	57	60
Child-care leaves (total)	161	163	190
Child-care leaves (paternal leave)	43	51	66
Child-care leaves (within one week leave)	3	1	4
Return rate of employees from Childcare leave	99.4%	98.8%	98.4%

### Family-care leave

	FY2019	FY2020	FY2021
Family-care leaves	5	7	3

### Paid vacation

	FY2019	FY2020	FY2021
Average days granted	20.0	20.0	20.0
Average days taken	19.9	19.8	19.9
Average ratio	99.3%	98.8%	99.5%

### Volunteer time off (VTO)

	FY2019	FY2020	FY2021
Number of VTO users	58	14	27
VTO in long-term	0	0	0

# Human resource development: structure

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## 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 FY 2021

Due to the COVID-19 pandemic, all training was conducted online in FY 2021. The training curriculum was divided into lecture-based and group work-based content, and the lecture-based content was distributed as videos.

In FY 2022, we will introduce a learning management system (LMS) to create a framework to consolidate information, develop an e-learning infrastructure, and reduce the work hours required for educational operations.

This will create a learning environment that is both more convenient for participants and more effective for training.

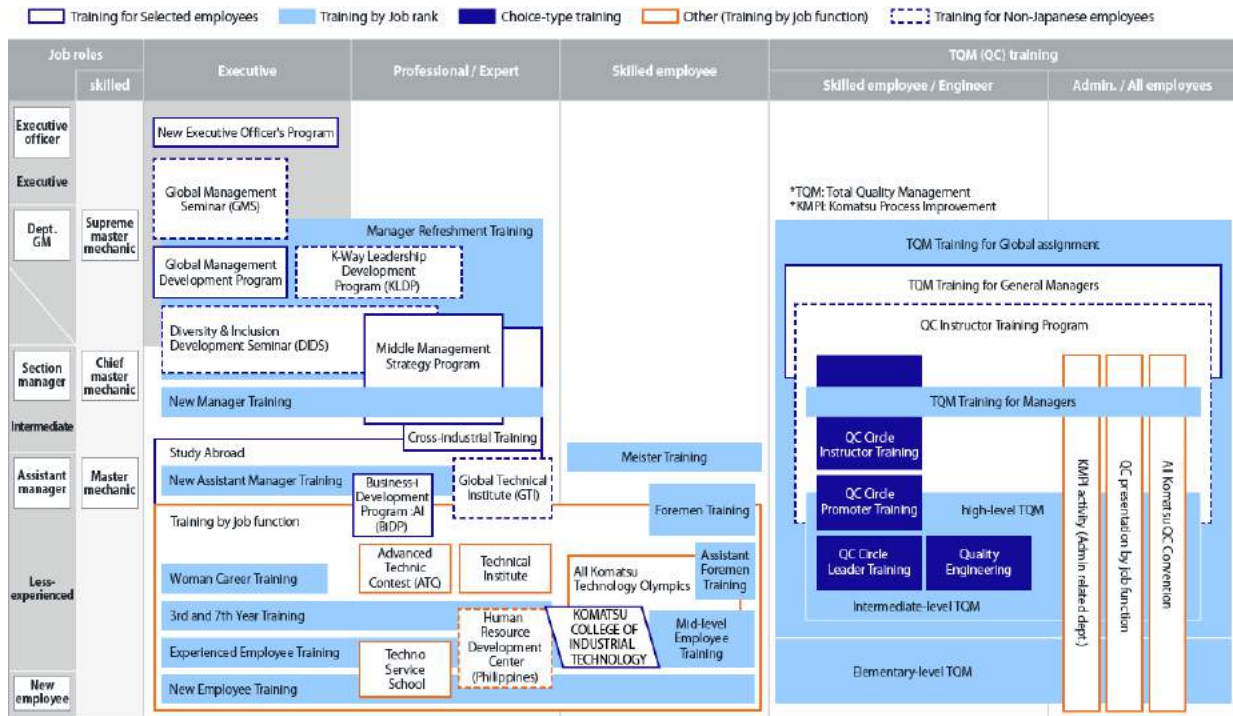
## Employee training structure

Employee training is based on the principle of training according to job function and department, and our primary aim is to develop “professionals in their field.”

The knowledge required at all levels (The KOMATSU Way, TQM, etc.) is transmitted through compulsory “training by job rank” and is implemented across functions and departments.

Leadership programs for the next generation are conducted across job functions and departments for selected employees. These are represented in the structure below.

## Employee Training Structure



## 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 3,872 managers attended the training program so far with an attendance rate of over 90%.

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. Since FY 2021, we have also conducted follow-up training.

Since FY 2021, we have also conducted follow-up training for those who had taken the course to further entrench the benefits of the training.

FY2019	FY2020	FY2021	Total
985	778	231	3,872 (Attendance rate:90%)

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	FY2021
Average hours per FTE	Non-consolidated	58	53	55	60
	Consolidated	-	-	45	43
Average spent per FTE	Non-consolidated	JPY245,000	JPY244,000	JPY195,000	JPY205,000
	Consolidated	-	-	JPY72,000	JPY71,000

\* Calculation of consolidated data started from the FY2020 survey.



# Human resource development: The Komatsu Way

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## 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 FY 2021

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 FY 2021, 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 13 different languages.

The KOMATSU Way and Total Quality Management (TQM) training for FY 2021 took place during the COVID-19 pandemic. Online training was also delivered for Asian and European regions in consideration of time differences.

In the training program, which is divided according to job level in Japan, we provided an e-learning program and online training to enhance understanding.

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.

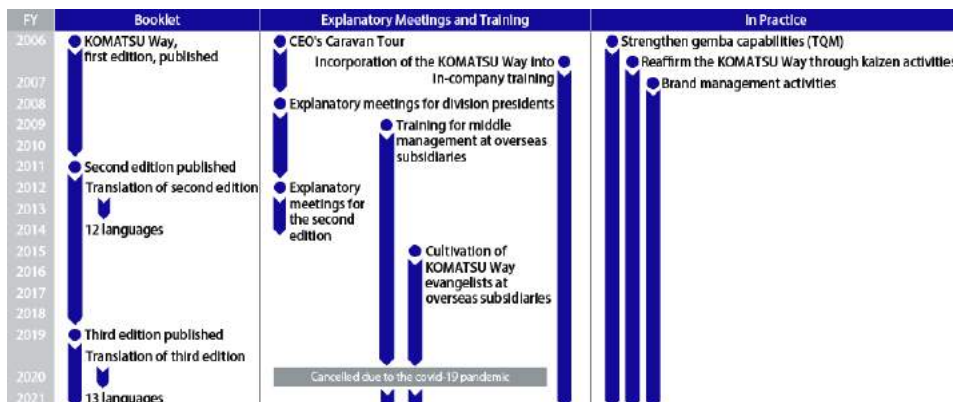
We believe that through these activities, we will be able to foster employees who practice the KOMATSU Way and pass it on to the next generation, leading to the sustainable growth of the entire Komatsu Group.

## DATA

### Educational Training that pertains to KOMATSU Way

Name of Training Course	Course participants	Targets	Training dates	Number of participants/cases
Education for female management candidates of overseas subsidiaries (Diversity and Inclusion Development Seminar)	Female management-level personnel or candidates of overseas subsidiaries	To train global female management candidates who have a comprehensive understanding of the KOMATSU Way	March 2022 (held online)	13
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	October and December 2021 (held online)	63
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	October and December 2021 (held online)	63
Training by Job Level	New employees, assistant managers, newly appointed managers, etc.	To promote the understanding and practice of the KOMATSU Way	Year round	973 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 2021 (held online)	Approximately 7,000 access

### The KOMATSU Way-History of Dissemination Activities



# Human resource development: enhancing skills

Komatsu employees are our most valuable assets because they support sustainable corporate growth. Developing every employee 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 FY 2021

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 FY 2006, 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

		FY2019	FY2020	FY2021
All-Komatsu technology olympics	Number of participants	200	195	360
	From overseas	38(10 countries)	55(2 countries)	199(4 countries)
All-Komatsu QC competition	Number of participants	96	94	95
	From overseas	36(14 countries)	35(11 countries)	36(13 countries)



## ■ Countries of Dispatch in FY 2021 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. China, India, Thailand and Indonesia 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. Brazil participated live online, and other countries participated through pre-recording. Participated countries: The United States, Brazil, Chile, the United Kingdom, Germany, Italy, Sweden, Australia, Thailand, Indonesia, India, China and Russia (13 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 established specialized Department for Promotion of Distributor HR Development, which focuses on the human resource development of employees in the company and of our distributor service personnel.

As means for internal training and the service personnel 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.

We have established training centers in 21 locations in 15 countries worldwide to support the development of our distributor's sales and service personnel, not only in marketing, service, and operator skills but also in management development and training for improvement activities.

The human resource development programs conducted at each training center are planned or supported by Komatsu, 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.

In FY 2021, we further strengthened our online training program, conducting more than 200 training sessions worldwide, with more than 5,000 service staffs in attendance.

## TOPICS

### Strengthen online education

To comply with the COVID-19 infection control measures in FY 2020 and further expand the number of participants who receive training, we actively promote the enhancement of digital learning through online lectures and video distribution, among other methods.

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.



During training activities

# Brand management initiatives

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## What are brand management initiatives?

Becoming invaluable to our customers, who both create and assess our corporate value

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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 FY 2007, 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"

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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.



## 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 FY 2021, the competition was held online due to the COVID-19 situation, with more members from all over the world participating than in previous years.

Brand management activities that began with a focus on stakeholders by our marketing department have expanded to a cumulative total of more than 150 users in 18 regions, and have developed 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)

# Human rights policy

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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 the Group and our business partners' human rights, including suppliers, sales and service distributors, 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.

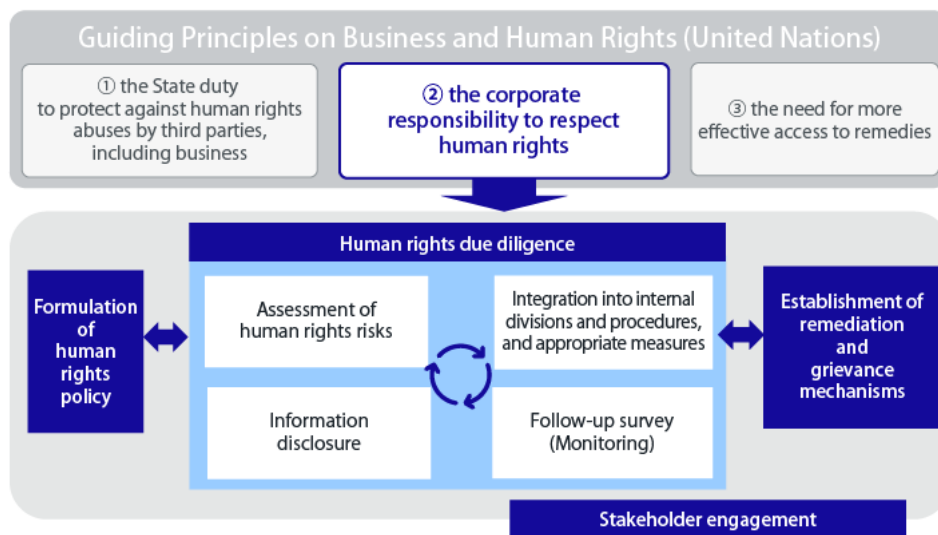
#### 6. Remedy

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

We respect the human rights related to our business activities in accordance with international human rights principles, including the United Nations' Guiding Principles on Business and Human Rights. We also prevent and mitigate the occurrence of negative human rights impacts and establish processes for corrective action when it becomes clear that we have caused or been involved in such impacts.

## 【Komatsu Group Human Rights Management System】



## 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.

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. Human rights due diligence

We conduct ongoing due diligence to identify, prevent, and mitigate any human rights abuses and explain how we address human rights issues in our business activities.

### (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.
2021	Prioritized how Komatsu's human rights issues should be addressed and decided to conduct a written survey of suppliers and Komatsu Group companies, as well as an on-site survey (impact assessment) in downstream businesses.

We will strengthen the identification of human rights risks and issues by conducting constant risk assessments throughout our business.

### (2) Integration into internal departments and procedures, and appropriate actions

#### **Educational activities for 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 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.

## Revitalization of local communities (social contribution activities)

We believe that revitalizing the local economy will also help solving potential human rights issues. 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.

## 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. Since fiscal year 2020, we have also started to administer an 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 and reconfirm that all parties remain fully aware of the guidelines. From fiscal year 2020 to fiscal year 2021, we surveyed 156 “Midori Kai” supplier companies in Japan and confirmed their recognition of the CSR Procurement Guidelines and the status of their CSR activities. We will continue to follow up on the survey results on an individual basis.

For more information, please refer to the link below.

[> Komatsu Group's Supply Chain Management and Promotion of CSR Procurement !\[\]\(a8f9309f944226d1420f5fed22e2b6e6\_img.jpg\)](#)

## 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).

## Responsible sales approach

We will consider our responsible sales approach based on the results of the impact assessment in the downstream.

## Response to 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.

## Response to 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 !\[\]\(1f99bf65f43889da445ecc1fe8d9504f\_img.jpg\)](#)

### (3) Follow-up surveys

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We have repeatedly conducted risk assessments and followed up all identified risks. We plan to follow up on issues in our upcoming survey in fiscal year 2022.

### (4) Disclosure of information

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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.

## 3 . Correction and grievance mechanisms

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.

### **Examples of specific human rights due diligence 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.



## With business

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## Improving product safety and solutions

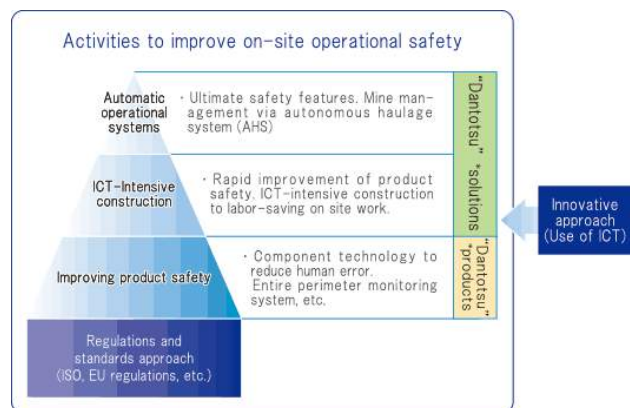
Our innovative processes afford us the ability to consistently conceive valuable ideas in multiple fields, such as environmental design and economic efficiency. Out of these areas, the one which we consider to be of the most importance is that of “Safety”.

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\*<sup>1</sup> 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.



The PC490LC-11 equipped with KomVision Human Detection & Collision Warning System (since 2022)

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\*<sup>2</sup>. With this new system, Komatsu will continue to expand support for workplace safety as its goal.

In 2022, we have expanded the number of models equipped with the “KomVision Human Detection & Collision Mitigation System” and started to install the system as a standard feature on new 7-ton and 30-ton class hydraulic excavators. In order to allow customers to use the system flexibly on a wider range of sites, the KomVision Human Detection & Collision Warning System, which provides warning only, without automatic stop control, is available for 40-ton class standard models and specific 7-ton, 12-ton, and 20–40-ton class models. Moreover, we have expanded the number of standard equipment features, such as the addition of a buzzer outside the cab, to improve comfort and workability.



## [Human detection structure of KomVision]

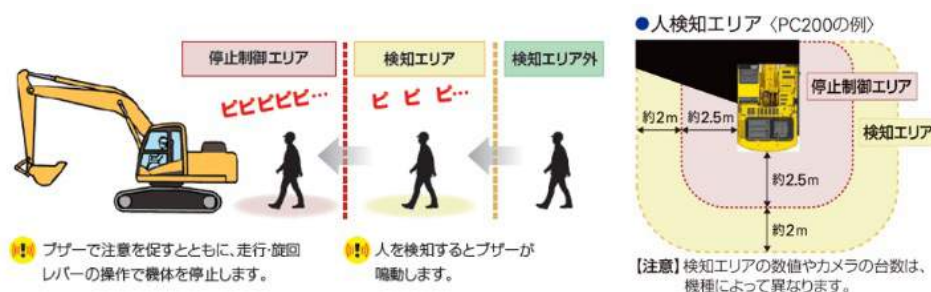
### 1. All-around machine monitoring with 4 cameras and a monitor

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.

- 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 a cumulative total of 510 units of the AHS are in operation as of March 31, 2022. In addition, having made progress in achieving remote control operation of the PC7000-11 hydraulic excavator for mining sites and semiautonomous operation in conjunction with an Innovative Autonomous Haulage Vehicle (IAHV), we demonstrated those capabilities at the MINExpo INTERNATIONAL 2021 mining equipment trade show held in Las Vegas, United States in September 2021.



PC7000-11 hydraulic excavator performs loading operations to Innovative Autonomous Haulage Vehicle



Console for remote operations

## Quality and reliability - responsible commitment to customers -

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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 basic approach to quality assurance

We ensure user satisfaction by providing products that meet user needs and effectively conducting support activities to make sure that such products fully function, in cooperation with affiliates, cooperating companies, distributors, dealers, and all other Komatsu entities across all activities from planning, development, production, sales, to after-sales service.

### 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.

## 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.



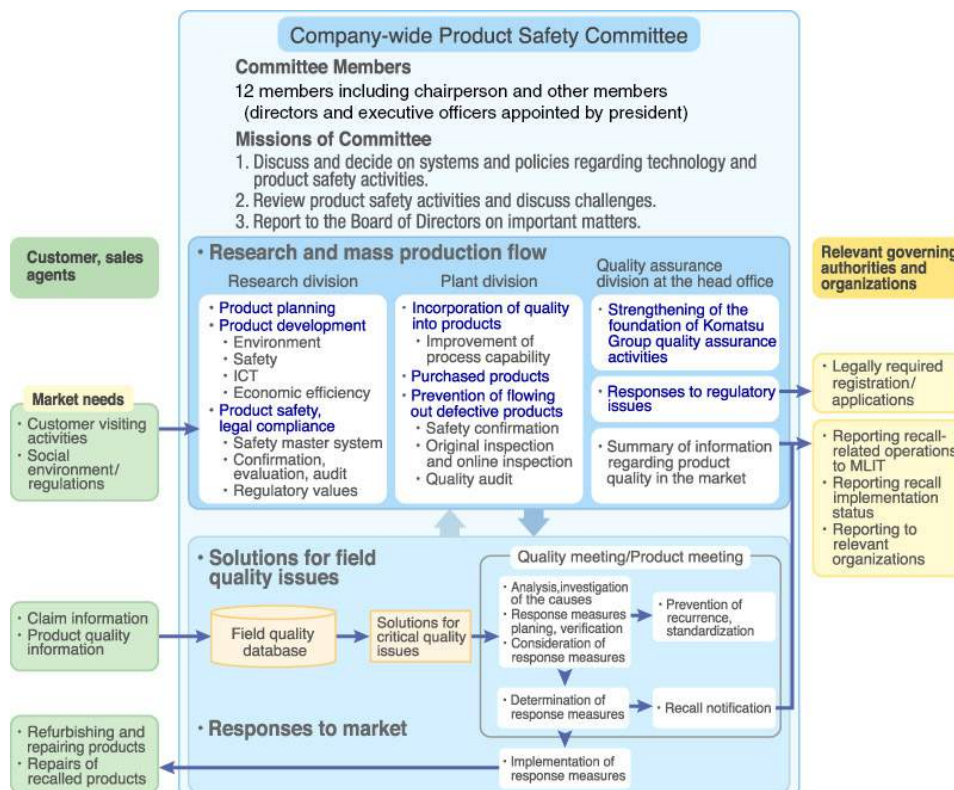
## Standards for product safety

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

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, the company-wide product safety committee is able to (1) assess the cause of the accident and subsequent procedures to be taken, (2) contact the relevant governing authorities, and (3) establish a system that enables the best course of action, including decisions on remedial measures, such as product recalls, to be carried out promptly by top management and other relevant personnel.



## Providing Product Safety Information to Customers

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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

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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.

# Outline of procurement policy and supply chain

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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 69 of our 81 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.

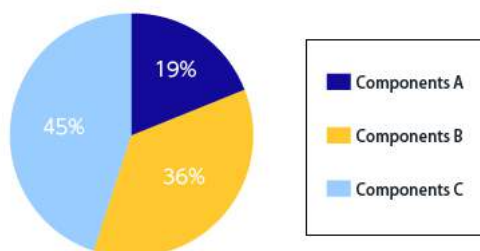
Above all, for Components B and C listed below, we are expanding cross sourcing between regions to respond flexibly to changes in the international trade environment such as exchange rate fluctuations, FTA and EPA, and import/export regulations aiming for globally optimal procurement.

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

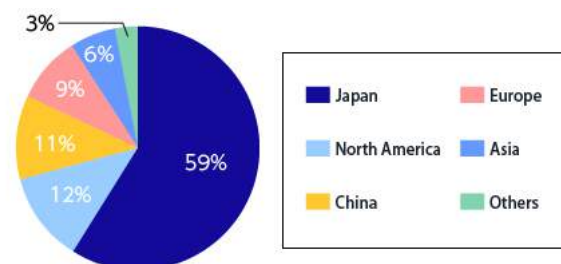
Category	Definition	Production and procurement policy	Examples of parts
Components A	Key components for differentiation that determine product quality and functions	Permanent development and production in Japan (supply from Japan to the world)	Engines, transmissions, axles, hydraulic equipment, and electronic 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 FY 2021 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* <sup>1</sup>		Proprietary parts* <sup>2</sup>			
			Invested by Komatsu	Highly depend on business w/t Komatsu	Invested by Komatsu	Highly depend on business w/t Komatsu	Big enterprise	Trading firm, Material
Midori-kai member companies	Japan	156	7	86	2	7	43	11
	China	60	2	34	1	4	14	5
	Thailand	31		18	1		10	2
	USA	44	1	15		1	19	8
	Europe	42		2			38	2
	sub total	333	10	155	4	12	124	28
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
<b>Total</b>		<b>356</b>	<b>12</b>	<b>169</b>	<b>4</b>	<b>13</b>	<b>125</b>	<b>33</b>

\*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	Level 3	356	13%	77%
3	Critical suppliers Level 2	198	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

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## 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. Since its establishment in 2011, we have revised it to address new issues that meet the social needs. Companies of the Komatsu Group are kindly requested to take note of and incorporate the guidelines into their management principles and unflinchingly promote CSR. Moreover, we hope that these companies make similar requests to their suppliers.

April 1, 2022

Goro Senda, President of Komatsu Procurement Division

## Komatsu group CSR procurement guidelines

(Established on August 30, 2011; Revised on April 1, 2019 and on April 1, 2021)

### 1. Operations for sound management

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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

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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

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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

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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

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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

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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

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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

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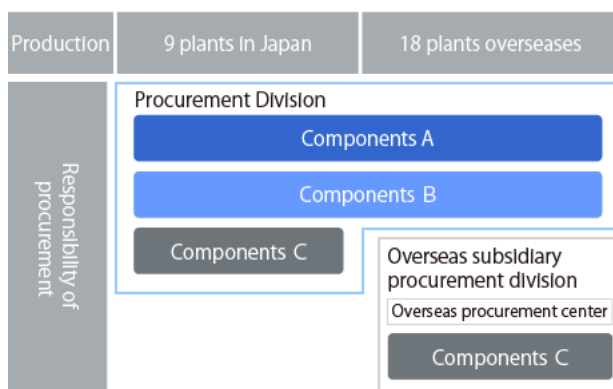
1. Encourage business partners of the company to observe the items stipulated in the guidelines. Make efforts to encourage the spread of these guidelines into the entire supply chain.

\* These guidelines will be revised as needed.

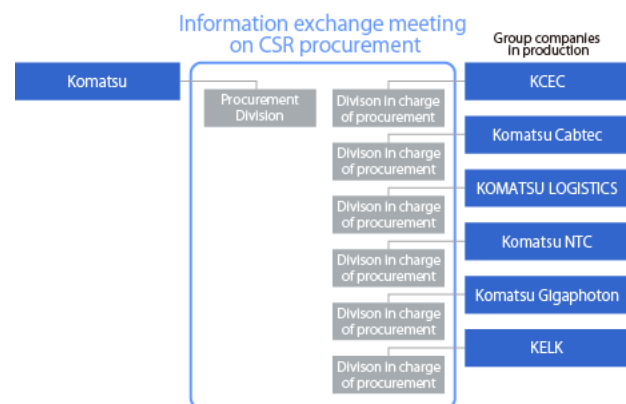
# Komatsu group's supply chain management and promotion of CSR procurement

## 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



## 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

> [The partnership declaration \\*only available in Japanese \(221KB\)](#)

**Please access the following website to read the Partnership Declaration.**

> [National association of small and Medium enterprise promotion organizations \\*only available in Japanese](#)

## 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, pandemic, 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 the construction machinery industry, the recovery in demand in the aftermath of the COVID-19 pandemic has been evident in Japan and abroad since the third quarter of 2020, and the production sector continues to operate at high levels. Meanwhile, from April 2020, the overtime work limit regulations have been applied to small and medium-sized enterprises as part of the Work Style Reform in Japan. Komatsu monitors the load status of applicable Midori-kai companies in Japan on a monthly basis. Companies at risk of falling foul of the regulation are identified, and appropriate measures are implemented; for example, leveling production by reviewing production plans and supporting production at other companies.



## List of risk assessments conducted regarding suppliers

Scope		Measures of risk assessment (○: subject of 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	Risk survey on human rights	Audit on Environmental Management, including acquisition of EMS certification	Compliance Risk (CR) Audit on important process *3	Check the damage & ability of supply in case of occurrence of natural disasters & pandemic	Check risk of plant location against flood, heavy rain, etc
Frequency of check		As needed	Annually/Quarterly/Monthly	Annually	Once every 6 months	Once every 2 years	Annually	Annually	Once every 2 years	As needed	Once every 3 years
Measures to check		·Lecture & Q&A ·Discussion ·Group activity	·Written survey	·Monthly & Annual performing data ·Management interview	·Written survey ·Management interview ·Site visit	·Written survey ·Audit/ Site visit	·Written survey ·Audit/ Site visit	·Written survey ·Management interview ·Site visit	·Written survey ·Site visit ·Check documented evidence	telephone/e-mail check through supply chain management system	·check with hazard map issued by MLIT ·confirm the status of BCP against risks
1	All of Tier-1 suppliers	-	○ *1	-	-	○	○	-	-	○ *8	○ *8
2	Level 3	○	○ *1	-	-	○	○	OEMS	-	○ *8	○ *8
3	Critical suppliers Level 2	○	○ *4	○ *6	○ *7	○	○	OEMS/audit	-	○ *8	○ *8
4	Level 1	○	○ *5	○	○	○	○	OEMS/audit	○	○ *8	○ *8

\*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 Quarterly written survey

\*5 monthly financial report

\*6 Sub-contracted suppliers only

\*7 Sub-contracted suppliers+Proprietary suppliers with high dependency on Komatsu.

\*8 only companies locating in Japan

## Examples of hearing survey of business partners' overtime status

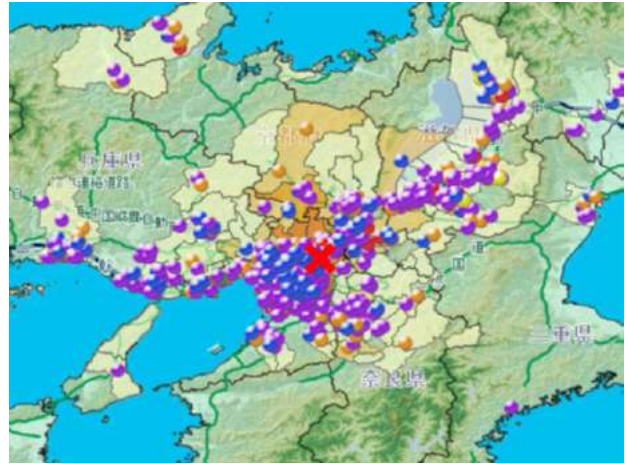
Company Name	36 Agreement	Number of Overtime	Result by 2020 /3	2021 /4	2021 /5	2021 /6	2021 /7	2021 /8	2021 /9	2021 /10	2021 /11	2021 /12	
				Result	Result	Result	Result	Result	Plan	Plan	Plan	Plan	
Company K	Operation Degree (after measures)		Hr/day		2.1	2.6	2.5	2.4	3.6	3.8	2.5	2.4	2.3
	Number of direct workers			232	236	234	257	252	262	(286)	(286)	(286)	(286)
	Overtime	45H/month	6	2									
	Overtime Max	80H/month	5	1				17					
	Overlimit Count	6 times/year	4	11			21	20					
	Consecutive Number	Up to 6 times	3	6		24	27	12					
	Starting Month	April	2	16	25	35	24	24					
Company T	Operation Degree (after measures)		Hr/day		2.5	2.2	2.5	2.6	2.3	2.4	2.4	2.5	2.5
	Number of direct workers			49	65	64	66	74	79	(81)	(81)	(81)	(81)
	Overtime	42H/month	6				2	2					
	Overtime Max	70H/month	5			3	1	2					
	Overlimit Count	6 times/year	4		7	6	8	8					
	Consecutive Number	Up to 6 times	3	15	18	16	16	16	16				
	Starting Month	January	2	13	11	8	8	9	6				
		1	16	15	13	18	15	15					



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.

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 in advance the potential location-related risks faced by our business partners. We have taken measures for our business partners with location-related risks; for example, backing up to store welding and processing programs and important production data (BOM, tooling lists, production drawings, jig and tool drawings, etc.), and building up safety stock and securing alternative suppliers in response to the BCP status of each company. In addition, since 2020, the global supply chain has been severely disrupted due to the shortage of semiconductors in a wide range of industries, COVID-19 lockdown, and disruptions in international logistics. Moreover, the reduction in model changeover periods in automobiles and home appliances has increased the sudden production discontinuation of construction machinery parts, especially electrical and electronic parts. We have addressed these emerging risks by strengthening inventory management including at the distribution stage, promoting replacement with available general-purpose semiconductors and parts, expanding the scope of orders and forecasts for critical parts, and accumulating inventory.



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



Disaster recovery support (lending electric generators)

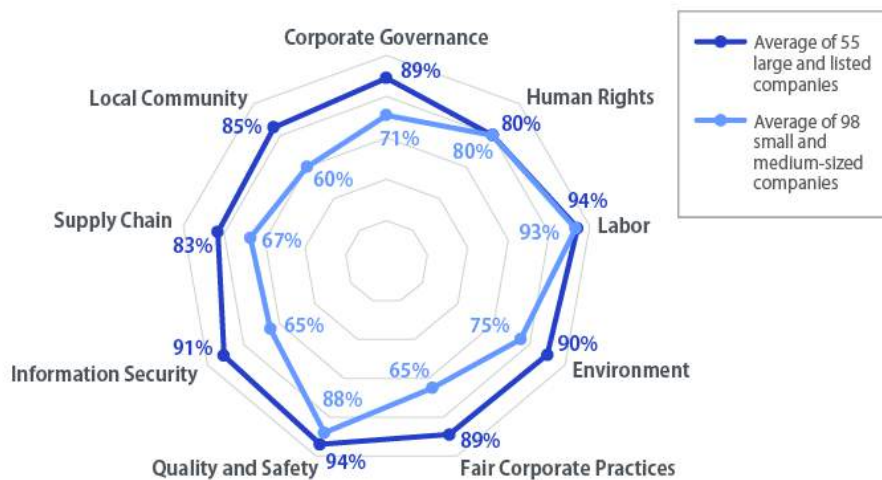


Disaster recovery support(assisting the centering of working machines)

#### 4. Awareness building activities to ensure the penetration of CSR into the supply chain

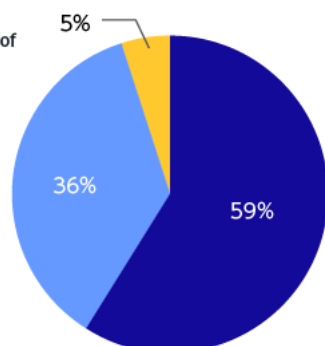
To raise our business partners' awareness of Komatsu's CSR procurement guidelines, we are carrying out awareness building activities around Compliance and BCP at the Komatsu Midori-kai meetings and monthly business meeting held in each office. In addition, "CSR Report" issued for Midori-kai member companies 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. From FY 2020 to FY 2021, the survey was designed to gather responses from 156 Midori-kai member companies and 153 have submitted their responses to date. We confirmed that 95% of the companies are aware of our CSR procurement guidelines. Based on the results of this survey, we will continue to provide individual follow-up support to business partners identified as being in need of increasing their awareness of CSR issues. We will also assist them to address common issues such as human rights due diligence and CO<sub>2</sub> emissions reduction, and continue to expand the scope of the SAQ survey in Japan and overseas.

#### Japan midori-kai CSR SAQ self-evaluation results



#### Awareness of our CSR procurement guidelines

2020-21 From SAQ survey of 153 Midori-Kai companies



- Aware of the guidelines and implementing initiatives in accordance with the guidelines
- Aware of the guidelines, but have not been able to implement them.
- Not aware of guidelines

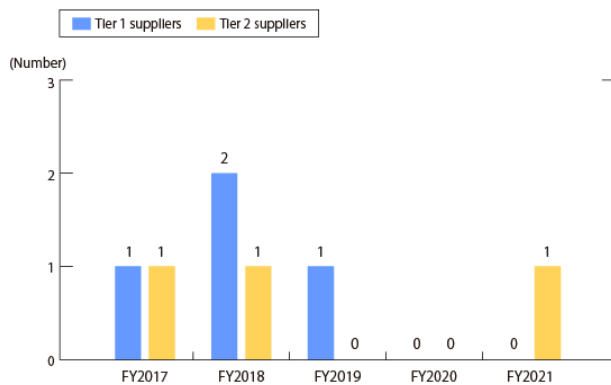
In line with our corporate social responsibilities, Komatsu does not condone the use of conflict materials produced by the Democratic Republic of Congo (DRC), or its neighbors (Angola, Republic of Burundi, Central African Republic, Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.) We have informed our business partners of this policy through the Komatsu Green Procurement Guidelines. Working hand-in-hand with suppliers, we have conducted a survey on the content rate of "conflict minerals" and country of origin (refiner) for each part using the template (JAMA sheet) of the Japan Auto Parts Industries Association (JAPIA) from 2011 to 2014. We also continue to follow up by including a question on CSR in the SAQ questionnaire. 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 the company, are handled by a department in a neutral position. This department investigates and verifies facts to take corrective measures promptly. We have pledged to ensure that business partners who submit whistleblower reports do not receive disadvantageous treatment because the report has been made.

[> Komatsu's whistleblowing system for suppliers\(171KB\)](#)

### Changes in reported cases



# Support for member companies of the Komatsu Midori-kai (management and society)

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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.

In addition, due to our business partners' labor shortages, there has been an increase in the number of foreigners, older adults, and women working onsite. Some of the workers from these groups have sustained injuries. In response, we have continued to provide support by making safety and health-related documents, such as work standards, available in multiple languages and creating a workplace environment that is less physically demanding for the elderly and female employees.

### (1) Komatsu experts conducting safety patrols

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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 FY 2017, 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 (One-rank-up Activities) with them to improve the level of each company every year. In the follow-up, we also train on-site supervisors of business partners through fixed-point observation of work cycles on site and joint implementation of risk assessments.

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

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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 ISO and 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

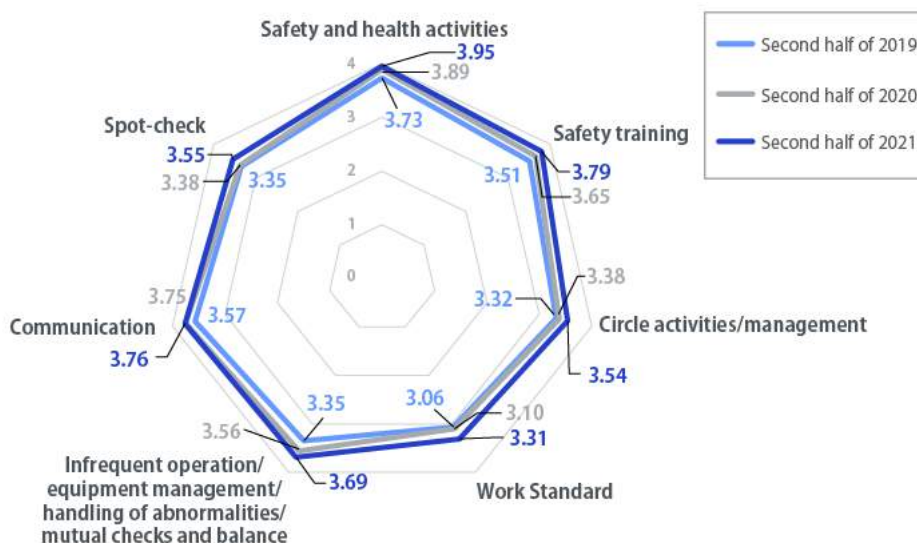


Group performing a mutual safety patrol



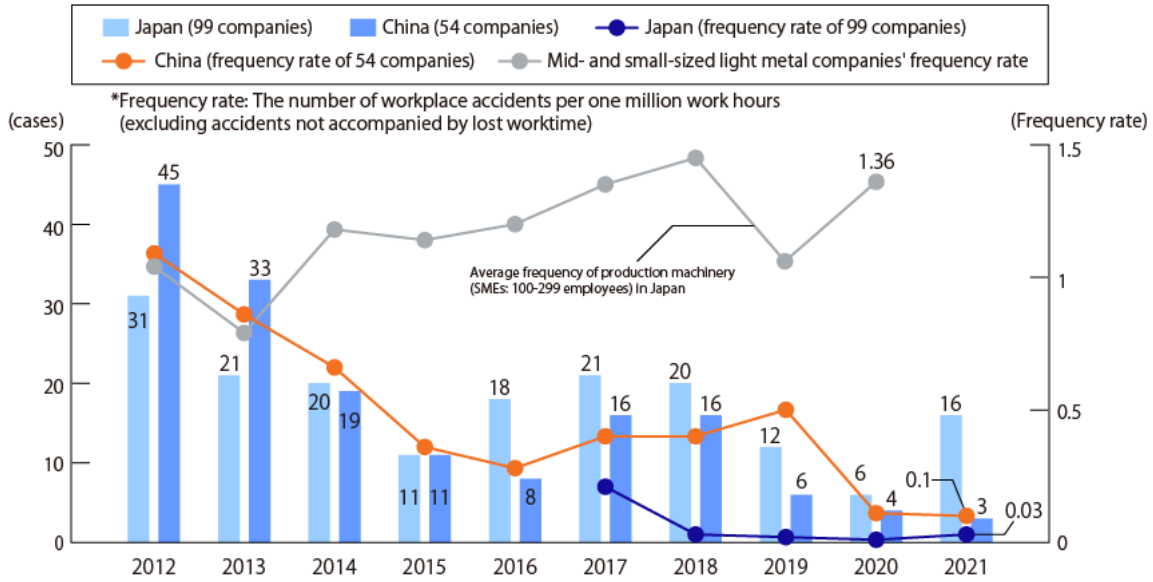
Presentation by Sekigahara factory at a Komatsu safety meeting

### Changes in the results of safety activity evaluations from 2018 to 2021 (99 Midori-kai member companies, 116 offices)

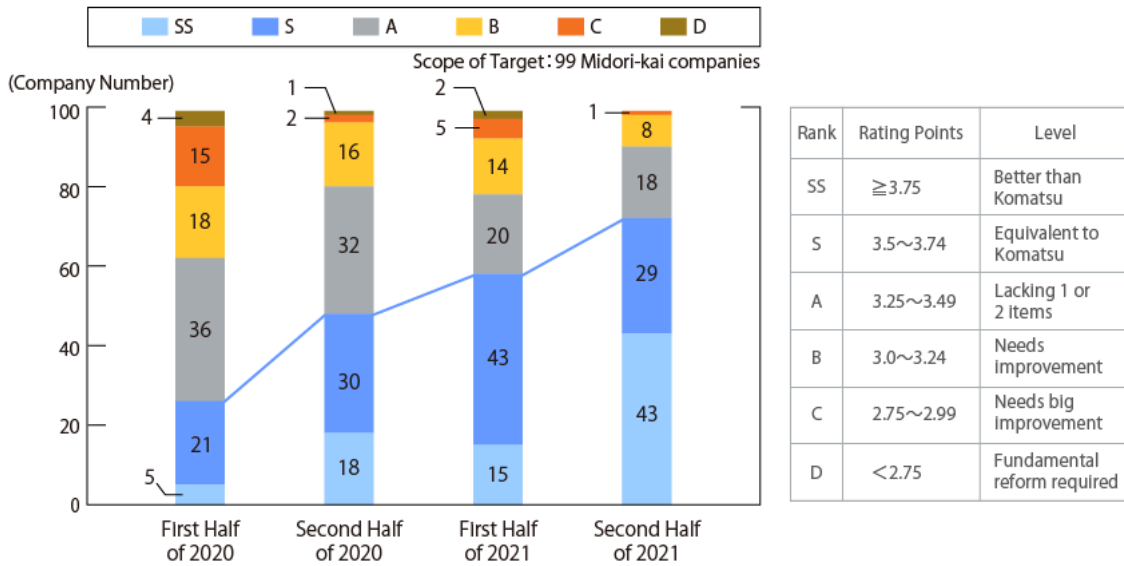




### Changes in the number of accidents at Midori-kai member companies in Japan and China Table 1



### Status of one-rank-up activities



## 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 FY 2021, we have completed support activities for all of the companies. 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. In FY 2021, no serious violations of Japanese labor-related laws and regulations or environmental violations were reported by any of Japan Midori-kai's 156 companies.

### Main findings through CR audits (2016 to 2021):

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 or timely 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				Target
	2018	2019	2020	2021	
Number of companies we support	5	32 (37)	32 (68)	30 (99)	99
Number of companies which have completed support activities	5	32 (37)	28 (65)	34 (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 2021):



## 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. Since 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.

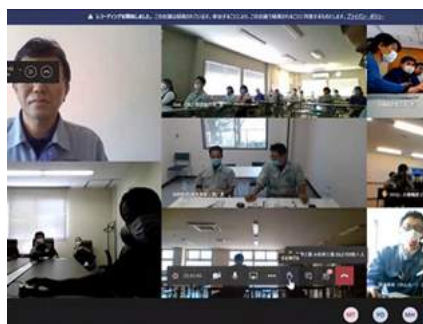


## Training and Other Programs for Midori-kai Member Companies

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.	56 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.	29 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 28 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.	30 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	108 people have participated since 2015.
	Inspection training school	Inspection skills training and classroom lectures	Held as needed
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

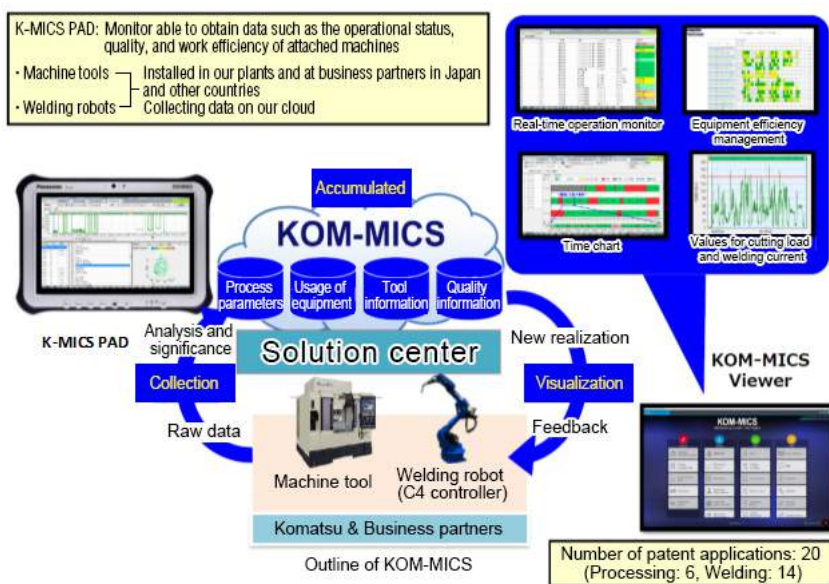


An online meeting system is used to provide remote education.

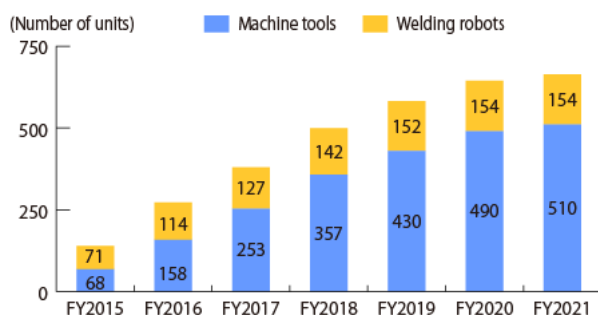
## 4. Supporting productivity improvement activities by using ICT

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.

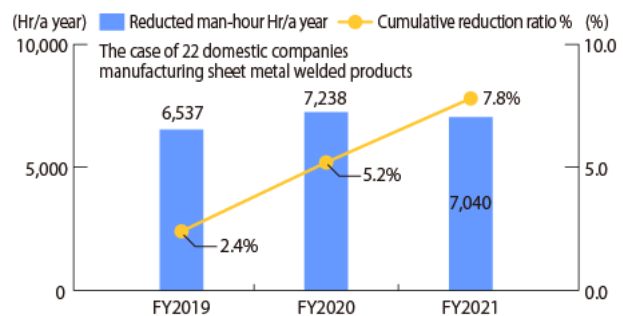
### Outline of Kom-mics



### Changes in the number of K-MICS PAD units installed



### Productivity improvement using K-MICS PAD



## 5. BCP to prepare for natural disasters

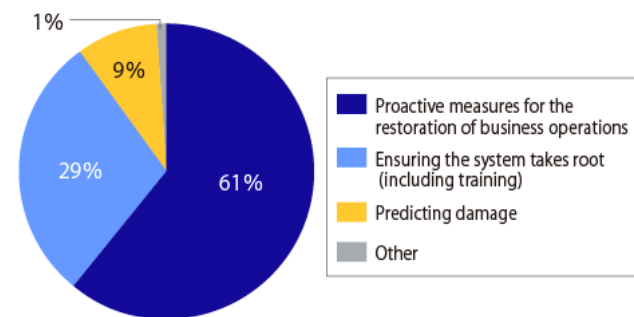
Natural disasters such as earthquakes, heavy rains and typhoons have frequently occurred in recent years. Worse, there are new clear risks such as the COVID-19 pandemic, cyberattacks. The importance of establishing a BCP system for the supply chain is increasing. Starting after the Great East Japan Earthquake 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 FY 2019, 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 in-house production capacity, consideration of collaboration with other companies in the same industry).



BCP workshops

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



Issues to consider when creating BCP

# Support for member companies of the Komatsu Midori-kai (environment)

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## 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\(396KB\) !\[\]\(fe3aebe81acea8d45108cd2768939da7\_img.jpg\)](#)

## 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, a total of 60 companies have already obtained the certifications. We encourage Midori-kai companies in U.S., Europe and Thailand to obtain similar certifications, aiming to ensure that 97% of these suppliers (including all manufacturers and excluding trade companies) have been certified by the end of FY 2023.

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 started environmental audits for the outsourcing companies of the Midori-kai from 2021, and 2 companies were audited in the first year. 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. In FY 2022, we will expand check sheet-based voluntary verification to all outsourcing companies of the Midori-kai in Japan and increase the number of onsite audits.



## Environmental audits



Onsite audit



Documents screening

## 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	FY2021	FY2023 Target	FY2023 Target	FY2021 Progress
Japan	156	156	156	156	156	156	156	100%	100%
China	60	53	55	57	58	60	60	100%	100%
Thailand	31	-	-	-	16	16	28	90%	52%
North America	44	19	19	19	19	27	40	91%	61%
Europe	42	29	29	32	34	34	39	93%	81%
Total	333	257	259	264	283	293	323	97%	88%

## 3. Responding to climate change: reducing greenhouse gas emissions in the supply chain

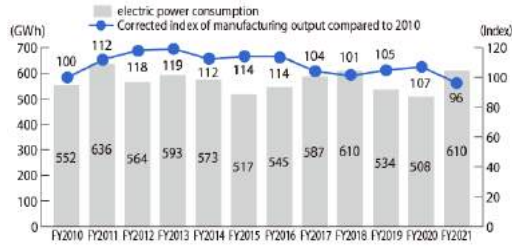
Komatsu has set a mid-term ESG target of 50% reduction in CO<sub>2</sub> emissions in products and production (compared to 2010) by FY 2030 and promotes improvement activities. In recent years, we have emphasized the importance of reducing CO<sub>2</sub> emissions in the entire supply chain related to its own business, and worked to reduce CO<sub>2</sub> emissions from manufacturing process of purchased parts and materials, which account for about 10% of indirect CO<sub>2</sub> emissions (Scope 3) other than Scope 1 and 2.

From 2012 to 2016, in response to tight power supply and 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 companies in Japan by setting a target reduction in electricity consumption of at least 15% compared to 2010. Despite comparative obstacles due to large fluctuations in production volumes and new capital investments, we almost achieved our target by the end of FY 2016. As a result of the expansion of these activities across all our suppliers, some suppliers won the ECCJ Energy Conservation Grand Prize Award. Since 2017, we have worked to maintain and improve the level of reduction through independent improvements at each company.

Since FY 2019, we also set a target of reducing CO<sub>2</sub> emissions from all kinds of energy, including heavy oil, gas, and electric power, by 15% (by FY 2030, compared to 2010). As a first step, we conducted a fact-finding survey of ten casting and forging companies and heat treatment companies that emit large amounts of greenhouse gases and provided them with information about the improvements we had successfully made. While providing concrete support to help these 10 companies to improve, we also requested that 156 Midori-kai companies set mid- and long-term reduction targets and implemented tangible improvement activities to reach those goals. Progress is monitored through periodic CO<sub>2</sub> emissions surveys and SAQ questionnaires.

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

Independent practitioner's assurance



## Change in CO<sub>2</sub> emissions (Midori-kai 93 companies)

Independent practitioner's assurance



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

## 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	124	32
Medium- and long-term target	39	117

## 4. Addressing water risks

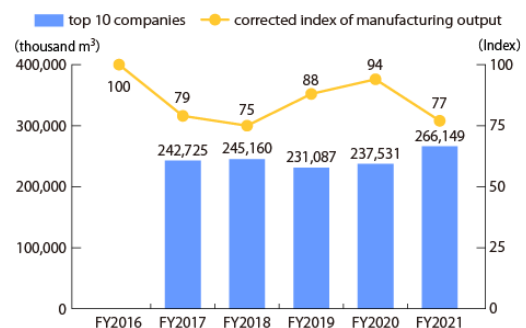
We are inspecting 135 offices of 96 Midori-kai members in Japan to understand their general water risks, including the above-mentioned flood and tsunami risks, location environments, potential and actual water intake/discharge capacities, water quality, and how they address these issues. We also use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

In response to these investigations, we have been conducting activities to reduce water consumption since FY 2017. 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 FY 2021. In FY 2018, 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. We also conduct environmental audits and confirm compliance with the Water Pollution Control Act and other water-related laws and regulations.



On-site investigation of water risks

## Changes in clean water consumption by the top 10 largest water users in the Midori-kai



## 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, 18 companies had been certified as exempt from the regulations (as green companies) as of March 31, 2022. 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)

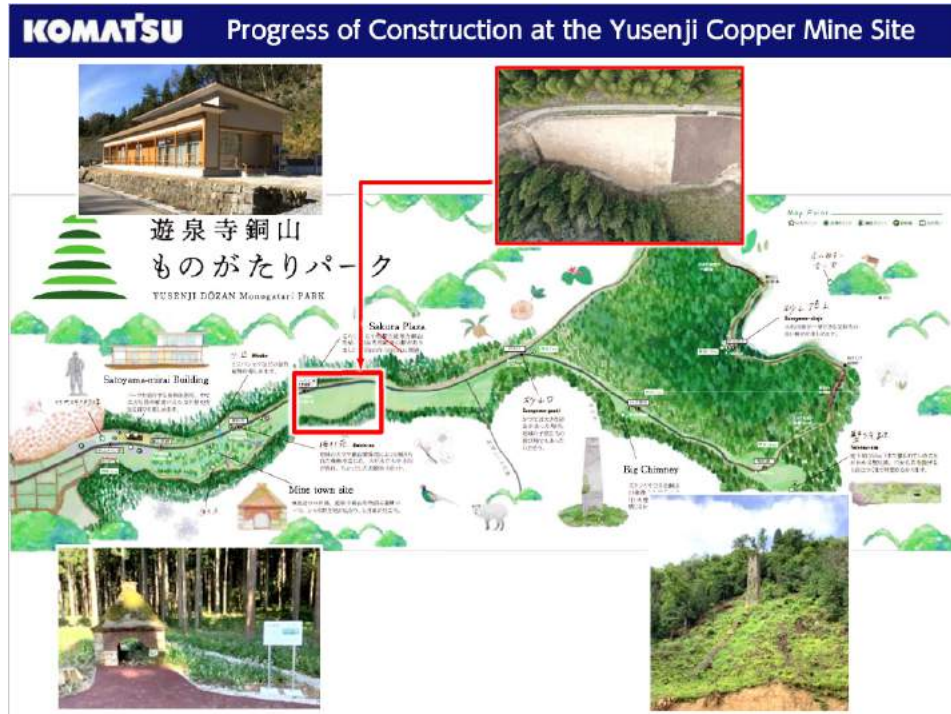
## 6. Dealing with biodiversity

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 provide educational programs and encourage the companies to implement their own endeavors in accordance with their unique situations and geographical locations. We request each company to report on the details of their efforts.



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





# Corporate governance

## Basic stance on corporate governance

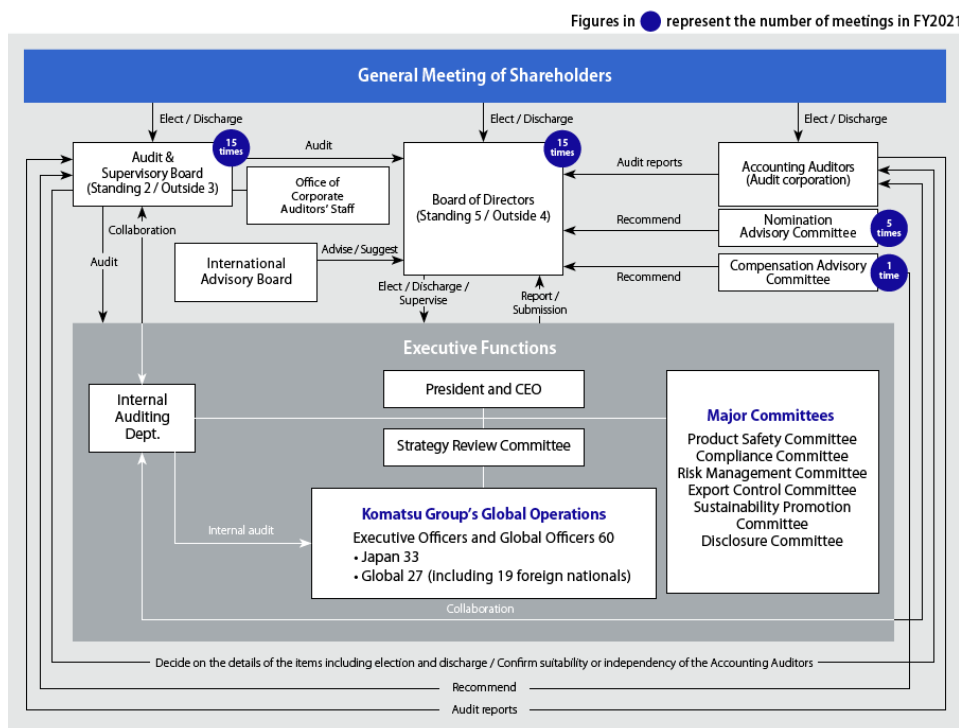
Komatsu believes its corporate value is the total sum of trust given to the Company by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis.

To further improve the transparency of management for its shareholders and investors, the Company discloses information in a fair and timely manner and actively engages in investor relations' activities by holding meetings with shareholders and investors.

## Corporate governance framework

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

### Corporate governance of the company (As of June 30, 2022)



## For further information, please refer to the following links.

[> Corporate Governance Report \(593KB\)](#) 

Disclosure based on each principle of the Corporate Governance Code, status of corporate governance (directors, auditors, independent directors, incentives, directors' remuneration), etc.

[> Komatsu Report](#) 

Message from outside directors, activities of the board of directors, summary of results of the board of the directors effectiveness assessment, corporate governance reform, activities of outside directors, advisory committee activities, succession plan, executive compensation system, etc.



Installing [Adobe Acrobat Reader](#)  is required to open PDF file data.

# Corporate governance indicators

\* As of March 31, Fiscal-Year end

Corporate Governance									
			Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
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	0
		Men		7	5	4	4	4	5
		Total		7	5	5	5	5	5
	Number of Independent Directors	Women		0	0	0	0	0	1
		Men		3	3	3	3	3	3
		Total		3	3	3	3	3	4
	Total				10	8	8	8	8
Number of Corporate Executive Officers on the Board			Members	6	4	4	4	4	4
% of Corporate Executive Officers on the Board			%	60	50	50	50	50	44
% of Independent Directors on the Board				30	38	38	38	38	44
% of Women on the Board				0	0	13	13	13	11
Number of Audit & Supervisory Board Members	Number of Internal Members	Women	Members	0	0	0	0	0	0
		Men		2	2	2	2	2	2
		Total		2	2	2	2	2	2
	Number of Independent Members	Women		1	1	1	1	1	1
		Men		2	2	2	2	2	2
		Total		3	3	3	3	3	3
	Total				5	5	5	5	5
% of Independent Audit & Supervisory Board Members			%	60	60	60	60	60	60
% of Female Audit & Supervisory Board Members				20	20	20	20	20	20
Average Age of Board Members			Age	61.8	63.2	63.2	60.6	61.6	61.6
Term Limits for Board Members			Years	1	1	1	1	1	1
Number of Board Meetings			Times	17	15	15	15	15	15
Board Meeting Attendance			%	99	100	100	99	100	100
Attendance of Independent Directors at Board Meetings			%	98	100	100	100	100	100
Number of Directors Attending Less Than 75% of Board Meetings			Members	0	0	0	0	0	0
Number of Audit Committee Meetings			Times	15	15	15	15	15	15
Audit Committee Meeting Attendance			%	97	100	99	100	100	100
Attendance of Independent Auditors at Board Meetings			%	96	100	98	100	100	100
Number of Auditors Attending Less Than 75% of Board Meetings			Members	0	0	0	0	0	0

Corporate Governance									
			Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of Executive Officers *Excl. Board Members	Women		Members	2	2	1	2	2	2
	Men			32	30	29	31	26	25
	Total			34	32	30	33	28	27
Ratio of Female Executive Officers			%	6	6	3	6	7	7
Number of Executive Officers (Global Officers)	Women		Members	0	0	0	0	0	0
	Men			26	27	29	26	28	27
	Total			26	27	29	26	28	27
Human Resource Advisory Committee Members	Number of Internal Members	Women	Members	0	0	0	0	0	0
		Men		2	2	2	2	2	2
		Total		2	2	2	2	2	2
	Number of Independent Members	Women		0	0	0	0	0	1
		Men		3	3	3	3	3	3
		Total		3	3	3	3	3	4
	Total			5	5	5	5	5	6
Number of Human Resource Advisory Committee Meetings			Times	1	1	2	3	2	5
Human Resource Advisory Committee Meeting Attendance			%	100	100	100	100	100	100
Number of Compensation Advisory Committee Mem bers	Number of Internal Members	Women	Members	0	0	0	0	0	0
		Men		1	1	1	1	1	1
		Total		1	1	1	1	1	1
	Number of Independent Members	Women		1	1	1	1	1	2
		Men		3	3	3	3	6	6
		Total		4	4	4	4	7	8
	Total			5	5	5	5	8	9
Number of Compensation Advisory Committee Meetings			Times	2	2	1	1	1	1
Compensation Advisory Committee Meeting Attendance			%	100	100	100	100	100	100

Compensation								
		Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Compensation of Chief Executive Officer	Basic Remuneration	Millions of Yen	100	100	102	103	103	103
	Performance-Based Bonus in Cash		36	73	93	41	28	65
	Performance-Based Remuneration (Stock-Based)		19	19	99	46	35	57
	Total		155	192	294	190	166	224
Compensation of Directors *Excluding External Directors *Including those who retired during the term	Basic Remunerations		427	357	357	345	331	331
	Stock Options		0	0	0	0	0	0
	Performance-Based Bonuses in Cash		154	246	310	130	88	207
	Performance-Based Remunerations (Stock-Based)		83	68	300	147	108	182
Total	664		671	967	622	527	720	
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	87
	Stock Options		0	0	0	0	0	0
	Performance-Based Bonuses in Cash		0	0	0	0	0	0
	Performance-Based Remunerations (Stock-Based)	0	0	0	0	0	0	
Total	86	86	87	87	87	87		
Compensation of External Directors and External Audit & Supervisory Board Members	Basic Remunerations	85	85	103	108	109	122	
	Stock Options	0	0	0	0	0	0	
	Performance-Based Bonuses in Cash	9	9	0	0	0	0	
	Performance-Based Remunerations (Stock-Based)	4	5	0	0	0	0	
Total	98	99	103	108	109	122		

Shareholder Rights	
Anti-Takeover Measures	None

Compliance		
Malus and clawback system	Yes	In the event of a significant revision of financial statements or an event that has a significant impact on the reputation of the Company due to the execution of business by Directors, the performance-based remuneration paid to the Internal Directors could be required to be reduced, confiscated or refunded. In principle, the content of the refund request, etc. will be decided by the Board of Directors after the deliberation by the Compensation Advisory Committee according to each event.

	Unit	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Political Contributions	Millions of Yen			8	8	8

# Compliance

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## 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

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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

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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, and the 11th edition of the revised education started 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 process 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 FY 2021

No incidents of note occurred during 2021.

## DATA

### 1. Number of internal reports

	FY2019	FY2020	FY2021
Number of internal reports (number of serious cases)	141 (0)	89(0)	126 (0)

### 2. About Komatsu's Worldwide Code of Business Conduct

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


### 3. Compliance education in FY 2021

<b>Global training on the code of conduct (e-learning and group training)</b>	Approx. 18,800 people
<b>&lt;Group training (mainly Japan)&gt;</b> <ul style="list-style-type: none"> <li>• Level-based training</li> <li>• Individual training by request (offices and related companies in Japan)</li> </ul>	Approx. 1,600 people Approx. 800 people

### 4. Compliance violation in FY 2021

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

### 5. With regards to anti-corruption

<b>Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)</b>	Fiscal Year 2021: Zero
<b>Fines imposed on Komatsu related to corruption / amount of penalties (global)</b>	Fiscal Year 2021: Zero
<b>Number of employee training sessions on anti-corruption prevention (in Japan)</b>	Fiscal year 2021: 12 times Target audience: Approximately 110 (planned to be transferred overseas)
	
<b>Establishment of internal reporting system related to corruption (global)</b>	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.

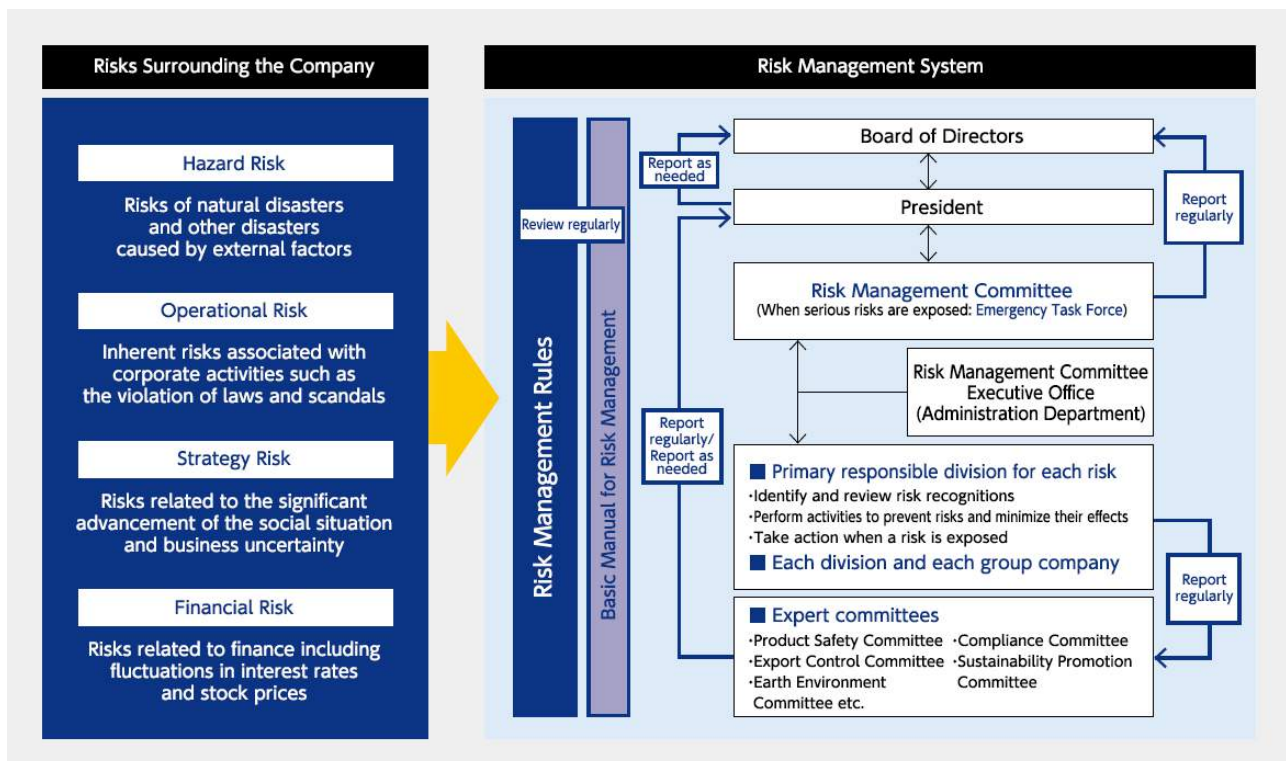
# Risk management

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. Business and other risks

We recognize the following business and other risks as described in the Annual Securities Report.

1. Economic and market risks
2. Exchange rate fluctuations risks
3. Risks related to fluctuations in the financial markets
4. National regulations risks
5. Risks related to environmental regulations, climate change, etc.
6. Product and quality liability risks
7. Risks related to alliances, cooperation, acquisitions, etc.
8. Risks related to procurement, production, etc.
9. Risks related to information security, intellectual property, etc.
10. Risks related to natural disasters, war, terrorism, accidents, infectious diseases, etc.

## 3. Emerging risks

The emerging risks that may affect us in the medium term (3-5 years) and are of high significance are as follows.

Risk title	Risks and business background	Business impact	Risk-reduction actions
Risks related to the development of low-carbon/low-emission products	We have set a mid-term management plan target of reducing CO2 emissions by 50% from the 2010 level by 2030 and have declared our goal of becoming carbon neutral by 2050. To verify our progress, we compared the product performance in the base year (FY 2010) and in FY 2020 and calculated the resulting reduction in CO2 emissions from improvements in fuel consumption and work efficiency. We found that in FY 2020, products achieved a 14% reduction in CO2 emissions compared with the base year. However, our products and solutions may not be adopted within the low-carbon/low-emission product market in the future if the development of low-carbon/low-emission products and solutions does not proceed as planned, if rival products are launched by our competitors, or if we do not have sufficiently established procurement, production, and service systems when we bring EVs, hydrogen and other products to market.	Low-carbon/low-emission products are expected to be in demand in the European, North American, and Japanese markets in the future. The construction, mining and utility equipment segments account for 91.3% of Komatsu's total sales, with the European, North American, and Japanese markets accounting for 44% (in FY 2021) of the total sales by region. Additionally, major resource companies that are mine machinery customers are accelerating their efforts to decarbonize their operations and take an environment-conscious management stance. If such risks materialize in the future, our products and solutions may lose their competitiveness, which may have a significant and prolonged impact on our business plan.	We have worked to improve the operating efficiency of our machines, reduce fuel consumption, and transition from internal combustion engines such as diesel engines to cleaner power sources such as hybrids, electrification, and fuel cells. We introduced to the Japanese market the PC30E-5 electric excavator in April 2020 and the PC01E-1 in March 2022 (jointly developed with the Honda Motor Co., Ltd.). We will further contribute to climate change mitigation and carbon neutrality by promoting the mechanization of all processes relating to afforestation, silviculture, forest growth, and logging, and by supporting the reforestation cycle as a recycle-oriented business. We will also strengthen our remanufacturing business, in which components are recycled and reused, by positioning it as a recycle-oriented business that contributes to CO2 reduction. Regarding CO2 reduction in mining operations, in 2021, Komatsu formed the Komatsu Greenhouse Gas (GHG) Alliance with four of the world's leading resource companies, Rio Tinto, BHP, Codelco, and Boliden. The alliance's initial target is the roll-out of a super-large dump truck that can run on a variety of power sources.

Risk title	Risks and business background	Business impact	Risk-reduction actions
Risks related to providing solutions to customers	Komatsu promotes solutions businesses in smart construction, automation in mining (e.g., AHS), and data-driven business (e.g., KOMTRAX); however, Komatsu may lose competitiveness in new markets if it is unable to develop solutions that meet customer needs by the time required by the market or if technologies developed and provided by Komatsu are not well received by customers.	If we are unable to provide solutions that maintain our competitive advantage, our business performance may be affected and the impact may be prolonged.	<p>In April 2021, Komatsu, NTT DOCOMO, Sony Semiconductor Solutions, and Nomura Research Institute launched a new company named EARTHBRAIN Ltd. to grow their solutions businesses. In response to the demand for workstyle reform at construction sites around the world, we are working to promote DX in the construction industry to improve safety, productivity, and environmental friendliness. Regarding the promotion of automation at mine sites, we have developed the PC7000-11 remote control and semiautonomous ultra-large hydraulic excavator by consolidating our technologies and know-how. Paired with Komatsu's Autonomous Haulage System (AHS), cycle times are shortened; moreover, operator-assist with augmented reality (AR) technology supports productivity improvement, displaying location information and employing a mine management system to provide real-time feedback on estimated arrival times and other data. We plan to trial the concept machine at a customer site in 2022.</p> <p>Komatsu has also formed a partnership with Anglo American plc, a major British resource company, to develop and market the D375Ai-8 remote control bulldozer, a large mining bulldozer. By combining automatic blade control technology with the machine guidance system "ProVision," we aim to achieve accurate and productive remote blade operation and enter mass production in FY 2022. Furthermore, a new platform will be developed and released by the end of FY 2022 to promote the connection of all mining operations through the introduction to the market of an autonomous water truck and other new products, the expansion of surface drill sales, and the enhancement of the sales and support system.</p>

## 4. Specific initiatives in FY 2022

### (1) Response to geopolitical risks

The situation in Ukraine has disrupted supply chains and has had a significant financial and economic impact. In line with our crisis management policy, we have established an emergency task force headed by the president to collect and analyze information and promptly make decisions and deploy policies.

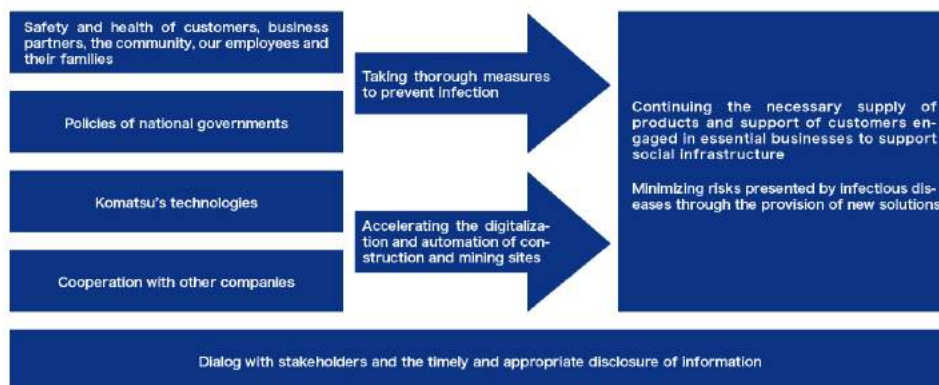
1. Ensuring the safety of employees and their families
2. Response to export restrictions in each country
3. Response to countermeasures by Russia
4. Humanitarian assistance, etc.

We will continue to monitor the situation closely and implement appropriate measures, including ensuring safety at customer sites.

### (2) Response to the COVID-19

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 FY 2021, the Delta variant, which is considered to have a more severe form of the disease, and the Omicron variant, which is more contagious, spread worldwide.

In addition to monitoring employees' infection status globally, we responded to the situation by halting production at some overseas sites during lockdowns, in accordance with government policy in each country. In Japan, in accordance with government and prefectural policies, we worked to prevent infection among employees and monitored the operational status of production sites and partner companies to curb the impact of the pandemic on production.





### (3) 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 of our domestic sites conducts annual BCP roleplays to ensure that employees can act appropriately and promptly in the event of a disaster by independently assuming duties based on hazard maps.

Furthermore, considering the recent frequent occurrence of large natural disasters, each of our bases has reinforced the seismic resistance of their buildings and facilities and enhancing countermeasures to 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.

We will continue to promote and strengthen BCPs and related activities to build a flexible and sustainable supply chain that can respond to diverse risks.

#### ■ <Examples of Initiatives in FY 2021>

##### ① Shonan plant (Hiratsuka-shi, Kanagawa)

BCP training was conducted on the theme of continuing parts supply in the event of flooding caused by overflow from the Sagami River. Measures are being taken to rearrange production sites, provide flood-proof equipment, and store strategic inventory.

##### ② Head office (Minato-ku, Tokyo)

We have reviewed our systems and actions to ensure that our head office functions can be maintained in the event of a major earthquake with few workers in the office (due to the COVID-19 infection countermeasures).



BCP training at Awazu Plant

### (4) Response to economic security issues

On May 11, 2022, the Act on Promotion of Economic Security was enacted. Ahead of this, as of April 1, 2022, we appointed a new executive officer in charge of economic security.

As soon as the specific regulations of the Act become clear, we will consider the need for additional measures and promote them through the Risk Management Committee.





## 5. Conducting compliance and risk audits

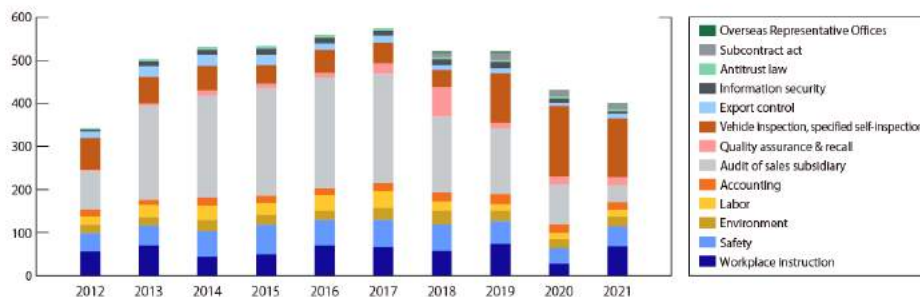
As a part of its risk management activities, Komatsu has been conducting compliance and risk audits (CR audits) since FY2008. These covered areas are not included in J-SOX audits, which are conducted in accordance with the Financial Instruments and Exchange Act of Japan to evaluate the internal controls 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

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Cyberattacks and other threats to Information security are growing more advanced and sophisticated. They highlight the increasing importance of information security measures. Komatsu takes measures to comply with Komatsu's Worldwide Code of Business Conduct, the Information Security Regulations and other rules and regulations.

In FY 2021, 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.

## 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.

## With the planet

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# Our concept of environmental activities and promotion system

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We, at the Komatsu Group clearly defines the basic policies of environmental conservation, which will be the guidelines of business activities, when engaging in business activities while working to realize a sustainable society, and promotes environmental conservation activities.

## Komatsu Earth and Environment Policy (June 2022 revision)

### Corporate Principles

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#### ■ 1. Contributions to Realization of a Sustainable Society

Humankind must not only promote the further development of a prosperous and comfortable society but also pass down our planet earth and its indispensable environment 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. We also aim to achieve carbon neutrality with net zero CO<sub>2</sub> emissions by 2050, and contribute to sustainable development through efforts to reduce CO<sub>2</sub> emissions from products and in our manufacturing, and to establish a recycling-oriented society.

#### ■ 2. Simultaneous Realization of Environmental and Economic Performance

As a group of companies working to improve our manufacturing for the satisfaction of our customers, we at the Komatsu Group are committed to improving both our environmental performance and economic efficiency. To this end, we are constantly engaged in technology innovation to provide economical products, services and solutions through improving fuel efficiency at our customers' workplaces and strengthening their cyclical businesses, while striving to minimize the environmental impacts related to the entire lifecycle of products from production to disposal.

#### ■ 3. Observance of Corporate Social Responsibility

We at the Komatsu Group promote environmental conservation by not only complying with the applicable laws and regulations of our host communities, regions and countries but also by establishing our own voluntary standards addressing global and local environmental concerns. Each company of the Group also strives to fulfill our collective corporate social responsibility and create value toward a sustainable planet and future through participating in environmental conservation activities in each region, disclosing environment-related information to society, and maintaining close communications with our stakeholders.

### Guidelines for Corporate Activity

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#### ■ 1. Initiatives for the Earth and Environment

We at the Komatsu Group contribute to sustainable development and climate change mitigation and adaptation through the following initiatives.

### – 1)Response to Climate Change

We will reduce the amount of energy used and greenhouse gas emissions generated across the entire lifecycle of our business. We do not limit ourselves to cutting emissions from our bases and from the use of our products. Rather, we broaden the target to include customer workplaces in their entirety.

### – 2)Establishment of a Recycling-oriented Society

Through our business processes, we work to minimize the use of natural resources such as materials and water, promote their reuse, or recycle them as much as possible. At the same time, we ensure the comprehensive reduction of waste in all business areas. We also contribute to the establishment of a recycling-oriented society by strengthening our forestry machinery business, which supports a sustainable forest management cycle of planting, cultivating and harvesting, as well as our remanufacturing (Reman) operations, which involve the refurbishment and reuse of components.

### – 3)Conservation of Air, Water and Other Natural Systems as well as Management of Chemical Substances

We comply with not only local laws and regulations but also with our own established standards concerning the conservation of water quality and the prevention of air pollution, noise and vibrations. As much as possible, we also ensure the comprehensive management of chemical substances used in our business activities, while continuously working to reduce the use of potentially harmful chemical substances or replace them with alternatives for the discontinuation of their use.

### – 4)Response to Biodiversity

We recognize biodiversity as an important environmental issue, evaluate, understand and analyze impacts on it in all our business areas, and work on our tasks according to the criteria of highest impact and/or most effective actions.

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

Komatsu and major companies of the Komatsu Group will establish an Environmental Management System, and will work to maintain and improve environmental activities. Other group companies and suppliers will also work to establish environmental management systems that help to maintain and improve environmental activities.

Each company or business unit of the Komatsu Group will set its own Mid- and Long-term Targets in accordance with the Mid- and Long-term Targets set based on the Komatsu Mid-term Management Plan, and will develop and implement specific activity plans. Top management will regularly review targets, activity plans and status, and work on continuous improvement.

## ■ 3. Environmental Education and Communication

We at the Komatsu Group believe that it is important to enhance the environmental awareness of each employee. To this end, we will actively promote environmental awareness and education programs among all employees.

We will gather environment-related information from each company or business unit of the Komatsu Group, and strive to disclose information concerning all business activities. We will also facilitate proactive dialogues with all our stakeholders, such as customers, employees, local communities and suppliers, thereby further improving the content of our environmental communication.

\* This policy has been approved by the Sustainability Promotion Committee, chaired by the president.

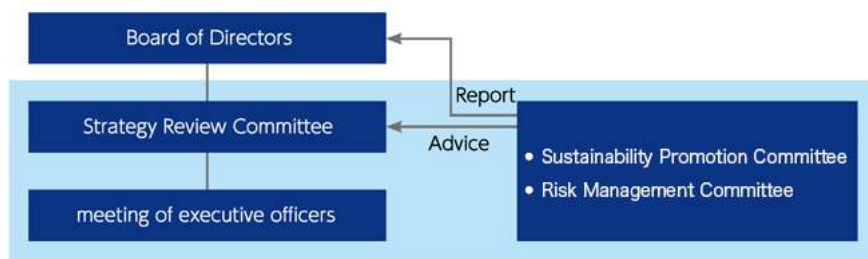
# Organizational chart of the environmental management structure

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"> <li>Report from the Sustainability Promotion Committee</li> <li>Report on research, development, product planning, and CTO</li> <li>Production and procurement report</li> <li>Mid-Term Management Plan progress report</li> </ul>
Strategy Review Committee	President	<ul style="list-style-type: none"> <li>Growth strategies at main production plants (including climate change related strategies)</li> <li>Report from the Sustainability Promotion Committee</li> </ul>
Meeting of executive officers	President	<ul style="list-style-type: none"> <li>Progress in product development and (including climate change related KPI)</li> </ul>

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



## 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 CO<sub>2</sub> 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	FY2021 Achievements and Progress
Products	Construction Equipment Mining Equipment Forest machines etc.	CO <sub>2</sub>	Fuel Consumption Reduction	2010	50% reduction	19% reduction
Production	Domestic and overseas production bases	CO <sub>2</sub>	Improvement rate of basic unit	2010	50% reduction	37% reduction
		Electricity	Ratio of renewable energy in total electricity usage	-	50%	14%
		Water	Improvement rate of basic unit	2010	60% reduction	64% reduction
		Waste	Improvement rate of basic unit	2010	40% reduction	39% reduction
Logistics	Japan	CO <sub>2</sub>	Improvement rate of basic unit	2006	39% reduction	36% reduction
	Overseas	CO <sub>2</sub>	Improvement rate of basic unit	2011	22% reduction	12% reduction
External evaluation	-	-	External evaluation	-	CDP A List (Climate, Water) DJSI World	CDP Climate : A Water : A DJSI World: Selected

# 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 \(216KB\)](#)

## Global operations list of certified sites

[› Global Operations List of certified sites \(125KB\)](#)

## Environmental policies of plants in Japan

[› Awazu Plant \(84KB\)](#)

[› Kanazawa Plant \(83KB\)](#)

[› Osaka Plant \(83KB\)](#)

[› Oyama Plant \(85KB\)](#)

[› Ibaraki Plant \(106KB\)](#)

[› Koriyama Plant \(82KB\)](#)

[› Himi Plant \(198KB\)](#)

[› Hiratsuka district \(401KB\)](#)

[› Techno Center \(82KB\)](#)

[› Test Engineering Center \(82KB\)](#)



To view PDF files you will need to download and install [Adobe Acrobat Reader](#)



# Relationship between business activities and the environment

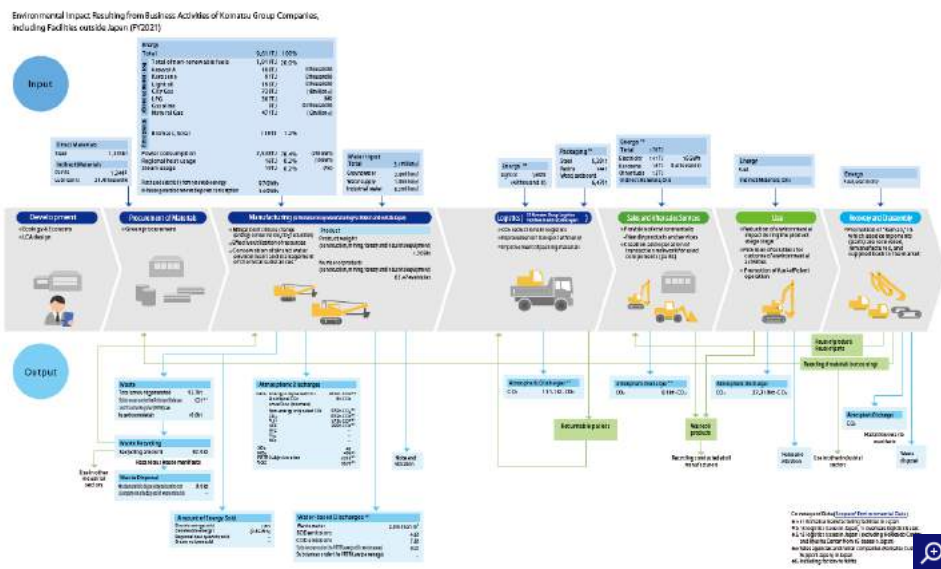
## Inputs and outputs in the product life cycle

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 (FY 2021)

Independent Practitioner's Assurance

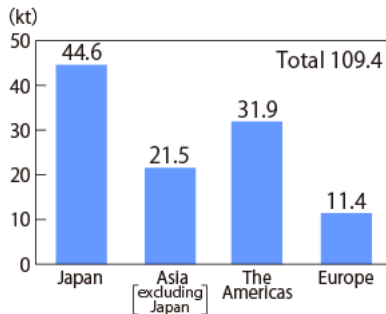


Environmental Impact Resulting from Business Activities of Komatsu Group Companies, including Facilities outside Japan (FY2021)(888KB)

## Environmental impact indicators by region

### Scope1 : CO<sub>2</sub> emitted directly by manufacturing facilities

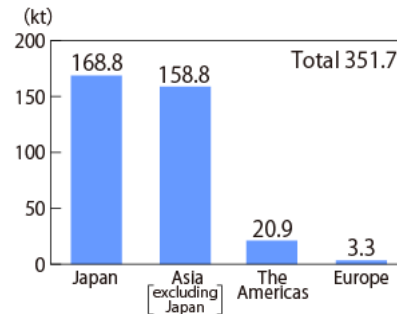
Independent Practitioner's Assurance 



(by using generators, boilers, etc.)


### Scope2: CO<sub>2</sub> emitted indirectly by manufacturing facilities

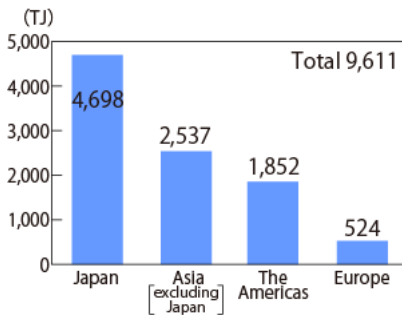
Independent Practitioner's Assurance 




(by purchasing electricity, steam and hot water)

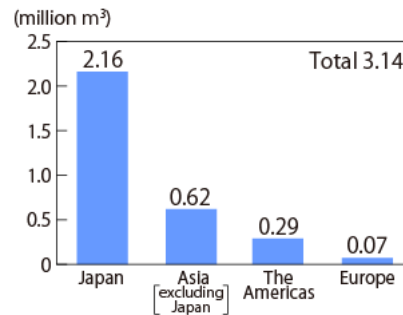
### Energy

Independent Practitioner's Assurance 



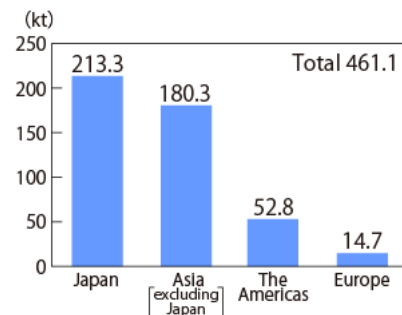
### Water Input

Independent Practitioner's Assurance 




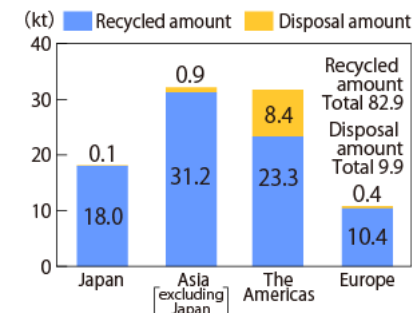
### CO<sub>2</sub> (Scope1 and Scope2)

Independent Practitioner's Assurance 



### Waste

Independent Practitioner's Assurance 



# Climate change

## Mitigating climate change through products and service

### Reducing CO<sub>2</sub> emissions from construction equipment

The main bulk of CO<sub>2</sub> emissions produced throughout the lifecycle of our construction equipment is centered on product operation, during which approximately 80 to 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 CO<sub>2</sub> emissions through DANTOTSU Products

We provide products which have been designed to operate with great fuel efficiency while reducing gross CO<sub>2</sub> 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 2022, 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions.

## Step3: reduction of CO<sub>2</sub> emissions for overall construction work through DANTOTSU Solutions (Smart Construction using ICT construction equipment)

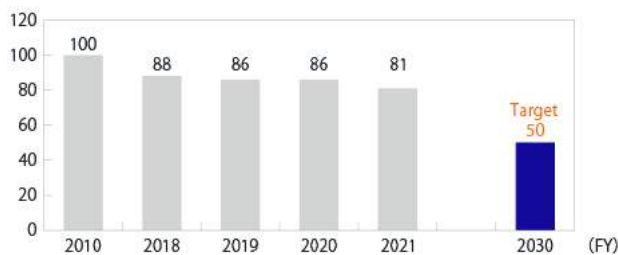
In 2013, Komatsu introduced the world's first automatic blade control ICT bulldozer, D61PXi-23, to the North American, European, and Japanese markets. Following this, in 2014, Komatsu developed and released a hydraulic excavator with semiautomatic control functions (PC210LCi-10 for North America and 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions from product operation

Komatsu has set the target of reducing the CO<sub>2</sub> emissions from the operation of products (such as 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 CO<sub>2</sub> reductions through the improvement of fuel consumption and work efficiency. The products of FY2021 achieved a CO<sub>2</sub> reduction of 19%, compared to the reference year.

#### CO<sub>2</sub> emission index for product operations

Independent Practitioner's Assurance



- Showcasing joint-development work by Honda and Komatsu -  
Komatsu launched the PC01E-1 in Japan, its first electric micro excavator powered by portable and swappable mobile batteries

Komatsu launched the PC01E-1 electric micro excavator, developed jointly with Honda Motor Co., Ltd. (hereafter “Honda”), as a rental model, in Japan in March 2022. Komatsu and Honda had developed the PC01E-1 by successfully electrifying the PC01 conventional micro excavator through the incorporation of the Honda Mobile Power Pack e:<sup>\*1</sup> (hereafter “swappable mobile battery”) and Honda eGX electrified power unit. The conventional model is typically used very close to people, trees and flowers for pipe-laying work, gardening, agriculture, livestock and the like. As a result of electrification, the PC01E-1 model not only reduces noise and exhaust heat substantially, but also enables eco-friendly, comfortable work in either indoor or outdoor environments, thanks to no exhaust gas. As the batteries are swappable, customers can continue work simply by exchanging them. As its new electric motor offers high performance even in low revolutions, the PC01E-1 model achieves more excavation than the conventional model in low revolutions. As there is no engine installed, customers will no longer need engine-related maintenance or fueling, dynamically reducing daily inspection and maintenance work for them.

\*1 Honda Mobile Power Pack e: is a portable and swappable mobile battery developed by Honda.



PC01E-1 electric micro excavator launched in Japan



Honda Mobile Power Pack e:



## Reducing CO<sub>2</sub> emissions in manufacturing operations

As a part of our efforts to mitigate climate change, Komatsu aims to proactively reduce the amount of CO<sub>2</sub> emissions per unit, using CO<sub>2</sub> 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 FY 2021, CO<sub>2</sub> emissions from production activities increased both in Japan and overseas due to the expansion of the production of construction and mine machinery. However, thanks to new photovoltaic facilities, green electricity purchases, and energy-saving activities mainly at plants with high loads, such as those that perform casting, forging, heat treatment, and machining processes, the CO<sub>2</sub> emissions basic unit per internal manufacturing value was reduced by 7% from the previous year. This is the largest reduction in recent years and a 37% reduction compared with FY 2010.

We also increased the proportion of our renewable energy use to 14%.

We will continue to actively engage in improvement activities to reduce our CO<sub>2</sub> emissions basic unit.

Item	FY2020	FY2021	Target of FY2030
CO <sub>2</sub> Emissions Basic Unit (compared FY2010)	70	63	50
The rate of renewable energy use	13%	14%	50%

### Major Achievements in the previous fiscal year

#### Japan

- Improved cleaning process in foundries and thermal efficiency of melting furnaces
- Expansion of photovoltaic facilities and biomass power generation

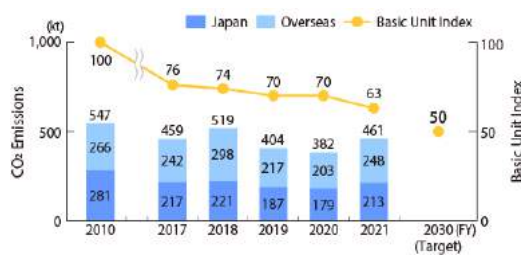
#### Overseas

- Improved power factor of electric power facilities and forging methods
- Expansion of photovoltaic facilities and green electricity purchases

### CO<sub>2</sub> emissions, energy indicators in production activities

#### CO<sub>2</sub> Emissions

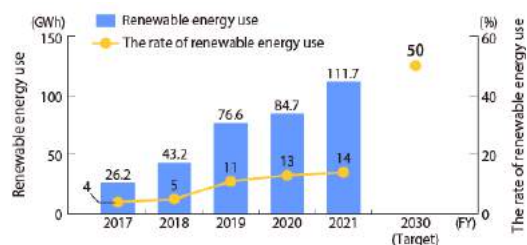
Independent Practitioner's Assurance



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

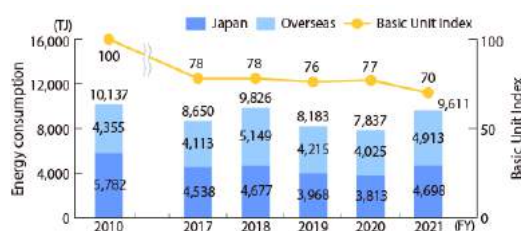
#### The amount and ratio of renewable energy

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#### Energy consumption

Independent Practitioner's Assurance



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

## Reducing CO<sub>2</sub> emissions, water consumption, and waste using waterjet technology for casting

At Komatsu Himi No. 1 Plant, a chemical solution was used to remove internal sand from hydraulic castings with complex internal geometries. This process involves removing sand by immersing the castings in a high-temperature chemical solution. It expends a large amount of LPG to maintain the solution temperature, consumes water for cleaning, and generates industrial waste. Although this method has environmental and safety risks, it was initially selected as the appropriate approach because it can be applied to clean surfaces of any shape and can be used to clean small lots of many different products.



Waterjet cleaning system

To overcome the challenges associated with using a chemical solution, we introduced a new technology, waterjet (hereafter “WJ”) cleaning, which removes sand using high-speed water jet and cavitation. WJ eliminated the need to use LPG to maintain the temperature of the chemical cleaning solution, thereby reducing CO<sub>2</sub> emissions by approximately 934 tons per year. Water consumption was reduced by approximately 12,000m<sup>3</sup> per year by using a circulating system for cleaning water. Industrial waste after treatment was reduced by approximately 42 tons per year. The need to use chemicals was also eliminated, reducing environmental and safety risks. The Himi Plant will continue to promote improvements in order to reduce CO<sub>2</sub> emissions and contribute to overcoming ESG issues.

## Komatsu Forest begins production at new eco-friendly plant

Komatsu Group has completed the construction of a new plant, Komatsu Forest AB (hereafter “Komatsu Forest”), which began production in 2021. Komatsu Forest engages in the manufacture and sale of forest machinery in Umea, Sweden. The new plant consolidates production plants that were previously scattered around the city of Umea into a single location to optimize the production process and logistics. In addition, new production technologies, including the installation of Komatsu’s first automatic towing assembly line utilizing automated guided vehicles (AGVs), were employed. Furthermore, the new plant installed renewable energy supply facilities, such as approximately 19,000 m<sup>2</sup> of solar panels and a geothermal heating system.



Solar panels of the new plant

Komatsu aims to become carbon neutral by 2050. As part of these efforts, we have focused on achieving sustainable forestry in the forest industry. This involves both harvesting and planting and growing trees. We are also engaged in safe forestry operations by mechanizing harvesting work and



Forest machinery (Forwarder) on AGV

forest management. Komatsu Forest is the core base of our forest machine business for machine development and production. By launching production at the new plant, Komatsu will accelerate its carbon-neutral efforts as we work to strengthen and expand our forest machine business.

## Reduction CO<sub>2</sub> emissions in logistics

### CO<sub>2</sub> Emissions Reduction Conditions in Global Transport

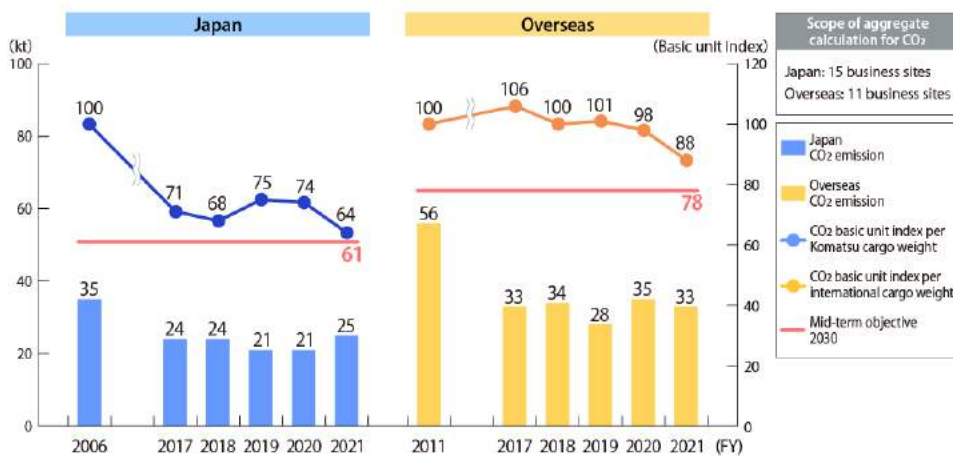
#### (Basic Unit of CO<sub>2</sub> Emissions per Cargo Weight: kg-CO<sub>2</sub>/ton)

Domestically, we have focused on reducing transportation distance by increasing the utilization rate of Kanazawa and Hitachi Naka Ports (which are located adjacent to manufacturing plants), improving long distance and overland transportation through the use of coastal vessels and railways (modal shift), and improving the loading ratio. Although the increase in production volume in FY 2021 led to an increase in transportation volume, the CO<sub>2</sub> emissions basic unit index (per cargo weight) for transportation improved by 10 points compared with the previous year both in Japan and overseas.

We will continue our efforts to reduce CO<sub>2</sub> emissions by promoting more efficient transportation.

#### CO<sub>2</sub> Emissions in Transport

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\* A basic unit index is an index relative to the CO<sub>2</sub> emissions per cargo weight in a reference year (2006 for Japan, 2011 for Overseas) as 100.

NOTE: Partially revised as a result of revisions to past data

## Improvement of CO<sub>2</sub> emissions from domestic transportation Using coastal vessels for transporting product vehicles (Tochigi Plant)

Komatsu promotes modal shift to reduce CO<sub>2</sub> emissions during transportation. In FY 2021, we improved the modal shift in the transportation of product vehicles from the Tochigi Plant (manufacturing plant for forklift trucks and mini construction machinery) to dealers in the Kinki region by combining the conventional overland transportation by truck with marine transportation via the nearest port. Specifically, we combined ocean transport from Chiba Port in Chiba Prefecture to Sakai-Semboku Port in Osaka Prefecture, and land transport from the factory to the port and from the port to each dealer. As a result of this modal shift, we decreased the number of trucks used for transportation from the factory to the port by loading multiple products in one truck. This improvement has reduced CO<sub>2</sub> emissions by approximately 50%.

### Modal Shift by Coastal Vessels in Japan

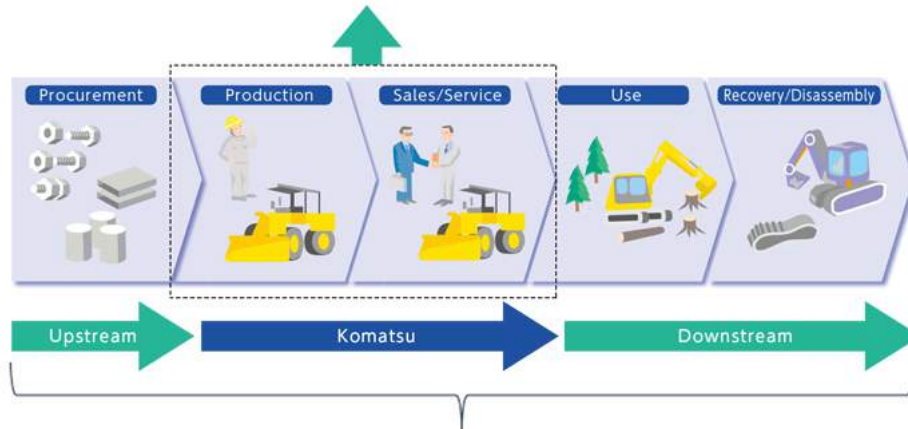


## Amount of CO<sub>2</sub> emissions by scope 3

In addition to CO<sub>2</sub> emissions from production / sales / service etc., Komatsu aims to collate data regarding CO<sub>2</sub> emissions from our entire supply chain, and reduce CO<sub>2</sub> emissions. For that purpose, Scope 3 CO<sub>2</sub> emissions are calculated each year.

Scope1:CO<sub>2</sub> directly discharged from Komatsu (e.g. CO<sub>2</sub> emissions during fuel combustion)

Scope2:Indirect emissions of CO<sub>2</sub> due to energy use in Komatsu (e.g. CO<sub>2</sub> emissions produced at power generation due to use of purchased electricity)



Scope3:Other indirect CO<sub>2</sub> emissions

(Example) Upstream: CO<sub>2</sub> etc. generated during manufacturing of purchased items

Komatsu: Transportation • CO<sub>2</sub> emissions occurring during commuting, business trips etc.

Downstream: CO<sub>2</sub> emissions produced when using products, such as construction machinery

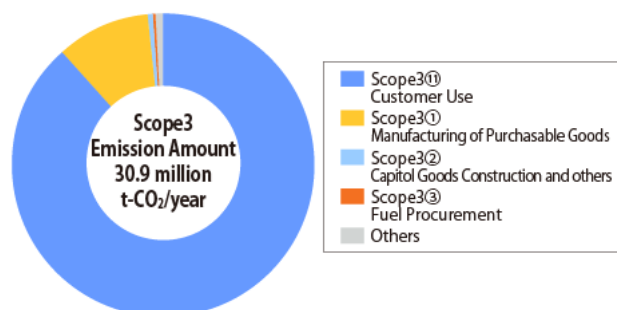
From live data of Komtrax, Komatsu has gained perspective on the amount of CO<sub>2</sub> emissions (Scope 3 Category 11) produced by our products manufactured in reported fiscal year in operation world-wide.

For others, including the remaining categories, general CO<sub>2</sub> emissions was estimated. The result is shown in the pie chart below.

(Amount of CO<sub>2</sub> Emissions by Scope3)

### Pie Chart of Scope3

Independent Practitioner's Assurance



\*1 Scope 1 refers to direct CO<sub>2</sub> emissions by operators (ex: fuel consumption)

\*2 Scope 2 refers to indirect CO<sub>2</sub> emissions by operators (ex: power purchase)

\*3 Scope 3 refers to CO<sub>2</sub> 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).



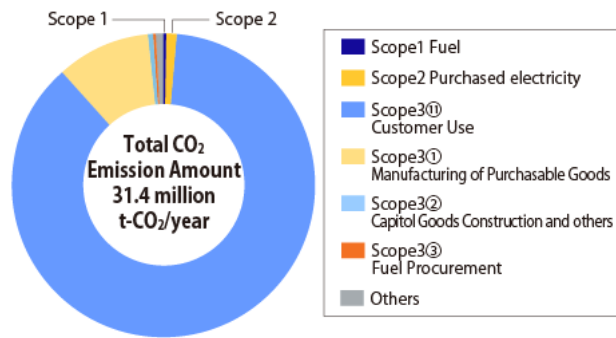
As evident from the results above, emissions during product use make up approximately 80 to 90% of total emissions.

From this, we can see that fuel-efficient products have a significant effect on reducing CO<sub>2</sub> emissions. Komatsu is committed to developing hybrid construction machinery (improving fuel efficiency by approx. 25%) and DANTOTSU products (over 10% improvement in fuel efficiency), as well as electric construction machinery.

In addition, the results of our assessments regarding Scope1,2,3 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

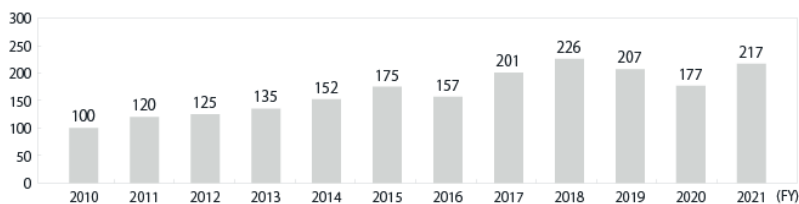
## Development of our “Reman” remanufacturing business

Komatsu promotes the “Reman (remanufacturing) business” at our Reman plants/centers in 11 countries worldwide. “Reman business” involves remanufacturing the used engines, transmissions, and other components removed from construction and mining machinery that have been in operation at customer sites for a long period. We engage in various processes involving the collection, disassembly, cleaning, salvage, reassembly, and reuse of parts. We subsequently conduct performance tests, paint, and conduct shipping inspections before supplying the parts back to the market as newly manufactured components. Each plant/center not only functions independently but is also connected to each other through a network to share technical information necessary for Reman Business on a global basis. In addition, we obtain the durability information of Reman components operating in the market and provide important feedback to develop components with an optimum lifetime. With the Reman business, approximately 43,600 tons of CO<sub>2</sub> reduction effect in FY 2021 was estimated compared to the case of making new products.

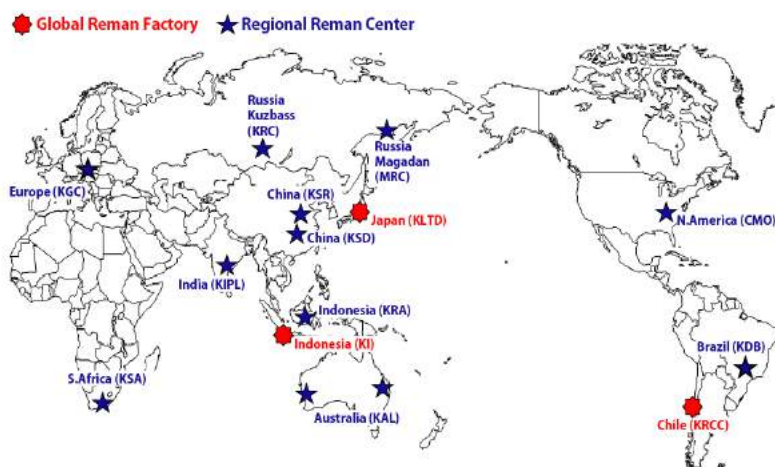
We offer the following benefits to customers.

- 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 FY 2010 = 100)

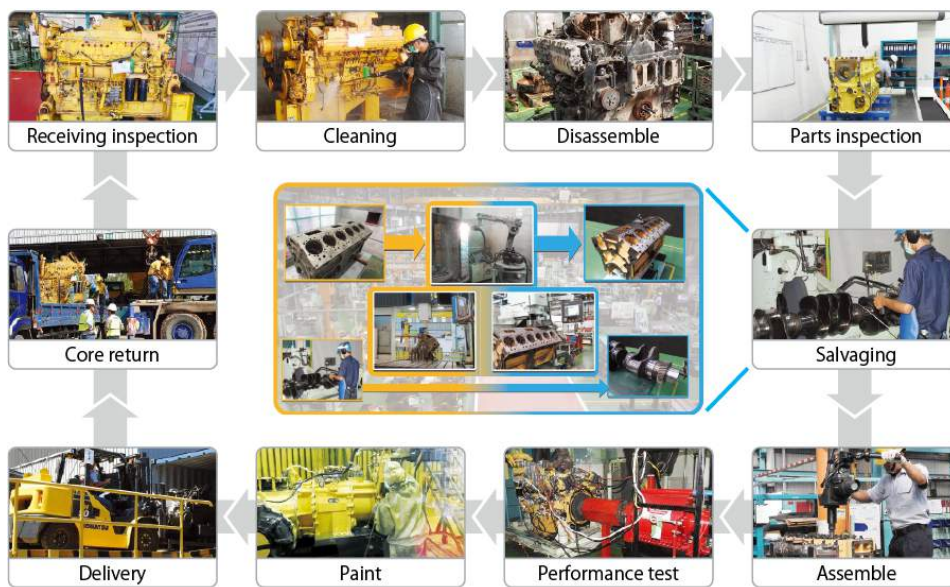


### Reman factories and centers map





## Reman process



## 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.

In FY 2021, foundries, which account for about 70% of our total waste emissions, significantly reduced their waste emissions by improving waste management through the effective use of sand. Additionally, at our domestic plants, we worked to convert waste plastic into valuable resources and reduce wood waste by improving packing methods. These improvements led to a reduction of the waste emissions basic unit by 39% in FY 2021 compared with FY 2010, far exceeding our target.

We will promote the effective use of resources at our plants in Japan and overseas to reduce waste emissions.

Item	FY2020	FY2021	Target of FY2030
Index of waste generated per unit (Reference year: 2010)	67	61	60

## Major achievements in the previous fiscal year

### 《Japan》

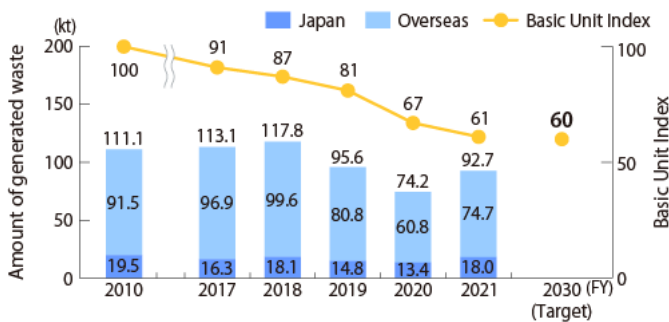
- Reduction of wood chips through packing mode improvements for items procured overseas
- Promotion of waste sorting to turn waste plastics into valuable commodities

### 《Overseas》

- Reduction of sand waste by sorting waste casting sand

## Amount of Generated Waste

Independent Practitioner's Assurance



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

## Oil purification system recycles hydraulic oil and reduces waste during mining excavator production (at Kanazawa Plant)

Kanazawa Plant recycles hydraulic oil used in the production of ultra-large power excavators (mining excavators with a total body weight of about 320 tons) for use in mines. When performance testing mining excavators at the plant, approximately 3,600 liters (equivalent to 18 drums) of hydraulic oil is filled into each unit. The bodies are so large they cannot be transported as finished products. Some units, including the hydraulic oil tank, are removed, and the hydraulic oil is drained before shipping. The drained oil contains impurities that could damage products if used repeatedly; as such, it was disposed of as waste. In order to reduce the amount of waste, an oil purification system was adopted to remove impurities. This system constantly monitors the oil cleanliness during the purification process and automatically circulates the oil until the total amount meets the specified value. Although various technologies for measuring oil purity are in widespread use, there are measurement accuracy challenges, such as the false detection of bubbles (cavitation) generated in the oil flow as impurities. In addition, since oil purification is performed between production breaks, there was a need to reduce the time taken and make the system portable to suit the production process. The new system improves the accuracy of cleanliness measurements and enables a high flow rate and downsizing through the use of design and control technology that suppresses the generation of bubbles. This initiative has made it possible to reduce waste by approximately 80% while ensuring the hydraulic oil quality in the production of mining excavators. We will continue our efforts to reduce and recycle waste.



Oil Purification System

## Activities to effectively utilize resources in production (2. water resources)

Given that our plants in the Hokuriku area of Japan use a large amount of water, Komatsu optimizes water use for snow melting purposes in winter and also reduces the amount of new water input in production processes by recycling cooling water for facilities and the air-cooling of water-cooling facilities.

In FY 2021, we reduced the basic unit of water input by 64% compared with FY 2010, far exceeding our target. We will promote water usage reduction activities in production and daily operations to optimize water use.

Item	FY2020	FY2021	Target of FY2030
Index of water input volume per unit (Reference year: 2010)	48	36	40

### Major achievements in the previous fiscal year

#### 《Japan》

- Recycling cooling water for heat treatment facilities and air-cooling compressors
- Optimization of water use for snow melting; installation of water-saving nozzles in welfare buildings

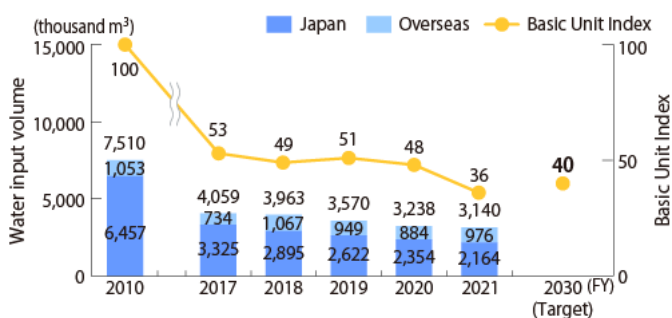
#### 《Overseas》

- Use of recycled water for sprinklers

### Water Input in Production Activities

#### Water Input Volume

Independent Practitioner's Assurance



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

### Reducing well water consumption by circulating cooling water (Awazu Plant, Defense Systems Division)

Defense Systems Division, located on the Awazu Plant site, uses well water in its manufacturing processes for cooling equipment and as supply water. Groundwater, which is about 15 degrees throughout the year, is used for cooling presses and compressors after sedimentation in a water storage tank. After that, the water is returned to storage tanks classified according to temperature. If the temperature is below 25 degrees, the water is returned to the cooling water storage tanks for reuse, thereby reducing the amount of water pumped. In addition, since cooling water for the compressor reaches a high temperature, we have installed a cooling tower to enable the water to circulate for cooling purposes before it is returned to the compressor. As a result of these activities, the amount of pumped water was reduced by around 55,000 tons in FY 2021.





Cooling tower

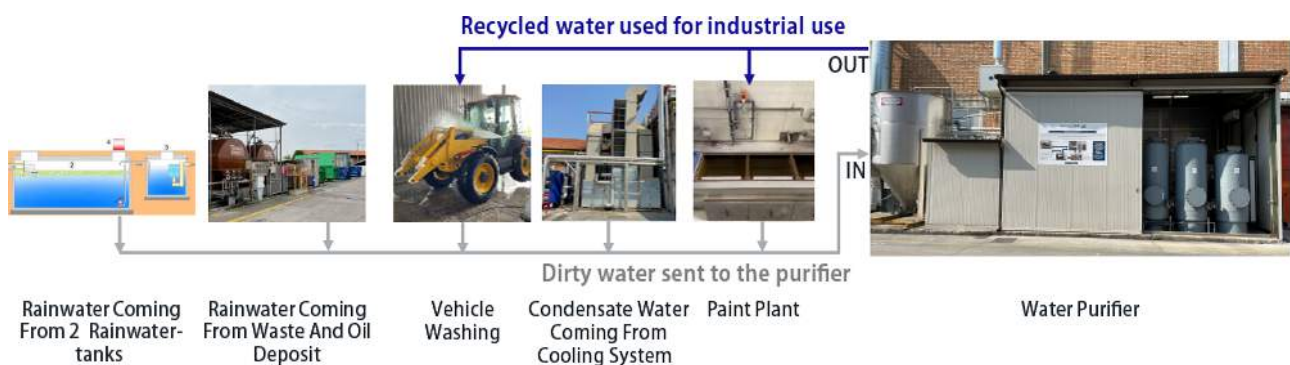


Compressor

## Reduction of well water usage with water recycling system (Komatsu Italia Manufacturing)

Since 2001, the year the company obtained ISO 14001 environmental certification, Komatsu Italia Manufacturing (KIM) has set important goals to reduce its environmental impact. One of them is to use less well water for industrial purposes. In the 1990s, a chemical/physical purifier was installed to clean the water used to wash product vehicles and to use in the paint plant. Following ISO 14001 environmental certification, KIM began to recycle the water with the purifier, and rainwater coming from the oil and waste storage area started to be included in the purification and recycling process. Other important steps that were key to the success of this effort included the subsequent installation of volumetric flow meters to analyze the consumption of various utilities and immediately identify losses, and the replacement of the purifier in 2014. In 2015, KIM expanded its recycling program when it began to treat yard runoff, redirecting rainwater from 2 tanks to the purification plant. In 2021, we began to collect and reuse the condensate water coming from the cooling system.

At the end of FY 2021, we've reduced our use of well water per production value by 61% (compared to 2010), and nearly 100% of the water we purify is reused.



Water recycle system

## 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 FY 2021, we supported the development of environment management systems and improvements of our worksites. We also took other steps to provide support, such as remote on-site improvement follow-up and education which were introduced after the outbreak of COVID-19.

Item	FY2020	FY2021	Year-on-year
CO <sub>2</sub> (kt-CO <sub>2</sub> )	7.6	8.1	7.1% increase

### Acquisition of ISO14001 certification

Komatsu Customer Support Co., Ltd. ("KCSJ") has implemented activities in FY 2021 to renew ISO 14001 certification, an international standard. We promoted environmental improvement activities mainly at our certified sites, including at the Head Office of each company, implemented standardized environmental improvement initiatives at other sites, and successively renewed the certification of all companies, including Head Offices, 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.



Facilities Confirmation Status at Sales Sites

## Proper discharge of waste

The waste discharge compliance management system (which centralizes the management of electronic manifests, consignment contracts, permits, and more) has been introduced and has implemented unified operations in all KCSJ companies and some Komatsu Group sales companies. This has enabled all divisions to visualize the management control status of the waste generated at each site and to manage the system properly.

## Reduction of environmental impact in our regular operations

- Supporting the sale of environmentally friendly products -

Komatsu has focused on the sales promotion of eco-friendly machines such as machines equipped with Tier 4 Final which satisfies emission regulations, ICT construction machines and battery forklifts, and has aimed to reduce environmental impact through our operations (sales and service). Moreover, we have introduced electric power excavators into the market since FY 2021 and have made proposals to environmentally conscious users.

Additionally, Komatsu Group sales companies are focusing on the promotion of Smart Construction methods using ICT construction machinery to reduce the environmental impact of construction by improving on-site work efficiency. KCSJ, in particular, has established IoT Centers throughout Japan where users can experience the Smart Construction method and is striving to increase awareness of construction methods with a reduced environmental impact.



A demonstration held at an IoT center

# Environmental risk management

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## 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 FY 2021, there were three violations of environmental regulations in Japan, and each of them minor. No fines are imposed and they have all been resolved.

An accident at a business site in North America (KMC) resulted in waste oil spillage outside the plant premises. The spilled oil was cleaned up quickly, and no fines were imposed.

### Addressing soil and groundwater contamination

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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.

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.

### Managing PCB (Polychlorinated Biphenyl) waste

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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 FY 2021, 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, unchanged from the previous fiscal 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 FY 2021, each business site made progress in switching to paint thinner, which contains less PRTR Class 1 substances, but emissions increased with the rise in production volume.

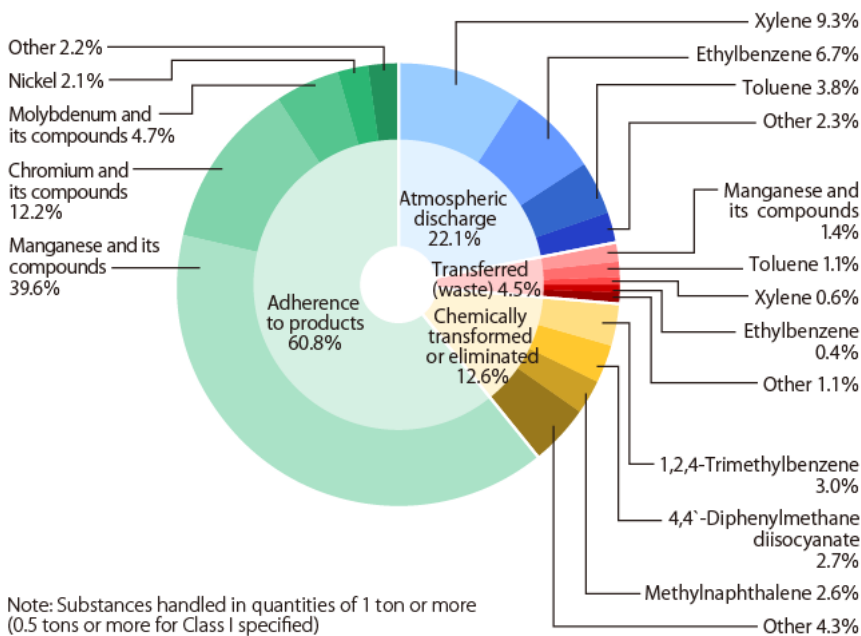
In FY 2022, we will continue to make efforts to switch to paints containing less PRTR Class 1 substances, introduce high solids thinners and paints, improve coating efficiency, reduce coating film thickness, and recycle paint thinner.

\* 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

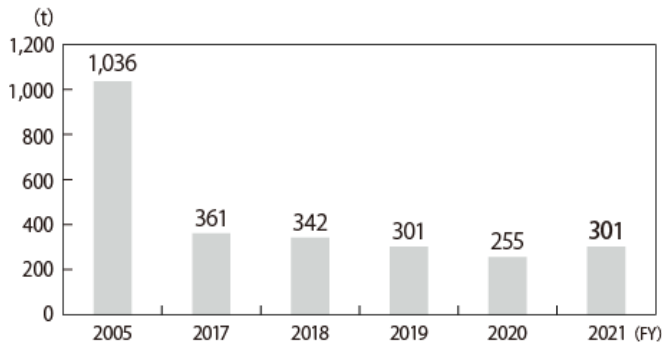


\* Totals may not match exactly due to rounded decimals in individual categories.

## Amount of PRTR-related substances released into the atmosphere

### Komatsu Group Manufacturing Facilities in Japan

Independent Practitioner's Assurance



NOTE: Substances handled in quantities 1 ton or more (0.5 tons or more for Class 1 specified)

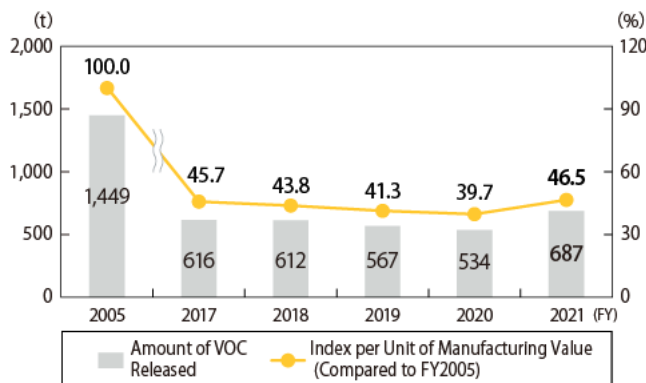
### Reducing VOC Emissions

The majority of VOC emissions are from VOCs contained in paint such as xylene and ethyl benzene. Although emissions in FY2021 increased slightly compared to the previous year due to the rise in production volume, we successfully maintained a 50% reduction in the amount of VOC emissions per unit of manufacturing value (compared to FY2005).

### Amount of VOC Released

#### Komatsu Group Manufacturing Facilities in Japan

Independent Practitioner's Assurance



## Reducing the use of substances of environmental concern and complying with the EU REACH and SCIP regulation

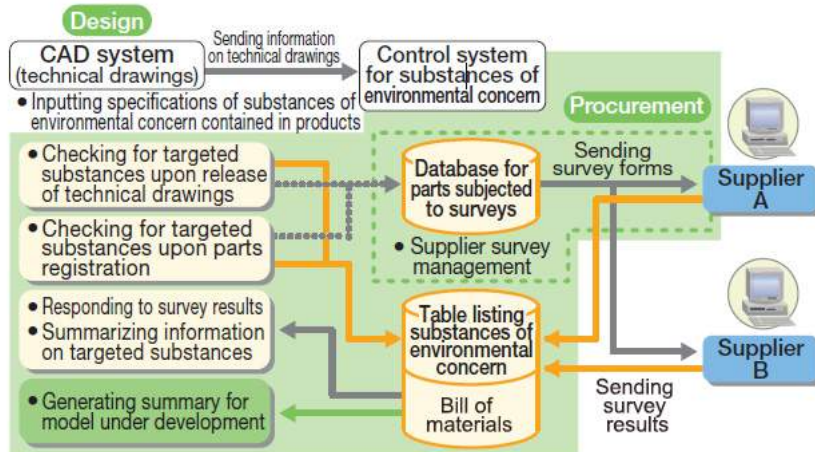
Komatsu is aware of the harmful environmental impacts that certain materials possess, and has made continuous efforts from an early stage to reduce the use of a number of such substances. These included asbestos, lead, and other such items. In FY 1999, we created our own list of banned and limited-use 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<sup>1</sup> and SCIP<sup>2</sup>, we began revisions of our FY 1999 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	21	<ul style="list-style-type: none"> <li>■ Hexavalent Chromium</li> <li>■ PBB/PBDE/DBDE <sup>*4</sup>/HBCDD</li> <li>■ PCB</li> <li>■ Trichloroethylene</li> <li>■ PFOS (Perfluorooctane sulfonate)</li> <li>■ Pentachlorothiophenol <sup>*4</sup></li> <li>■ Cadmium</li> <li>■ Tri-substituted Organostannic Compounds</li> <li>■ Asbestos</li> <li>■ Triethanolamine</li> <li>■ RCF (Fire-Resistant Ceramic Fibers) (Alumina and Silica Types) <sup>*4</sup></li> <li>■ Hexachlorobutadiene <sup>*4</sup></li> <li>■ Mercury</li> <li>■ Sulfur Hexafluoride <sup>*4</sup></li> <li>■ Specified CFCs/Alternative CFCs (HCFC)</li> <li>■ Hexachlorobenzene</li> <li>■ 2,4,6-Tri-tert-butylphenol <sup>*4</sup></li> </ul>
To be reduced (Subject to limited use)	15	<ul style="list-style-type: none"> <li>■ Lead</li> <li>■ Alternative CFCs (HFC)</li> <li>■ Polycyclic Aromatic Hydrocarbons (PAH)</li> <li>■ BNST</li> <li>■ Arsenic</li> <li>■ Specified phthalate ester (DEHP/DBP/BBP/DIBP) <sup>*3</sup></li> <li>■ Methanol</li> <li>■ DOTE</li> <li>■ Selenium</li> <li>■ Specified Chlorinated Flame Retardants (TCEP)</li> <li>■ DZ</li> <li>■ UV327</li> </ul>
Substances of Very High Concern (SVHC) under EU REACH Regulations	(223) <sup>*5</sup>	<p>Komatsu controls the use of the following substances, which might be used in Komatsu products.</p> <ul style="list-style-type: none"> <li>■ DEHP/DBP/BBP/DIBP etc (5 substances)</li> <li>■ Specified Lead Compounds (4 substances)</li> <li>■ HBCDD/DBDE/Trisphosphates (2-Chloroethyl)</li> <li>■ DOTE</li> <li>■ RCF</li> <li>■ UV327</li> </ul>

\*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, 2022 (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 80% of the construction machinery manufactured in FY2021 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

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	FY2019	FY2020	FY2021
NOx(g/kWh)	3.1	3.1	3.5
PM(g/kWh)	0.16	0.16	0.18

## 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 believes that everyone has the right to access to safe and sanitary water, and we respect it as one of the most important rights. We also fully understand 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 planet and future.
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. Recently, 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 tsunamis (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

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 9% of our water usage. While approximately 64% 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.

The table below presents the results of the water risk assessment of production sites aggregated by personnel ratio.

Water Risk Survey of Global Production Sites (Percentages are personnel ratios)

Survey cover ratio	100%
Water stress high risk ratio	8%
Flood high risk ratio	8%

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, adaptation to physical risks of heavy rain and flood, 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)

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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
2. Tochigi Plant 12,000 ton reservoir

## International case studies (KI: Komatsu Indonesia)

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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 FY 2017, 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 FY 2007 for risk prevention at overseas group companies with the support of environmental managers at mother plants in Japan.

In FY 2021, we conducted audits in China and Europe. As was the case in the previous fiscal year, we could not visit the sites to conduct audits due to the COVID-19 pandemic; as such, we conducted remote audits using a web conference system in China and outsourced audits to an external auditing organization in Europe. The results showed that none of the companies had any major problems that could lead to environmental risks, and they were all actively engaged in activities to reduce their environmental footprint. 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. We continue to carry out follow-ups checks using a web conference system 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	2015	Thailand
2008	—	2016	India and Indonesia
2009	Thailand and Indonesia	2017	Russia and China
2010	India	2018	Indonesia and Brazil
2011	Brazil	2019	China and the United States
2012	Russia and Czech Republic	2020	Europe
2013	United State	2021	China and Europe
2014	United States and Brazil		

## Holding regional environment meetings

At overseas business units, employees in charge of the environment and safety in each region have gathered to hold regional meetings since FY 2019. 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 FY 2021 were held in Latin America, Europe, Southeast Asia, Oceania and China, with the exception of North America (Cancelled due to a coronavirus outbreak.) In 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

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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.

## Biodiversity activities

Komatsu established its Declaration of Biodiversity and Biodiversity Guideline in January 2011. For the 10 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 CO<sub>2</sub> 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)



## Data

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## Major environmental achievements in the previous year.

### Environmental management

Theme	Index	Reference year	FY2021 Goal	FY2021 Achievement	Remarks
Public relations of environmental activities	CDP evaluation	-	Climate : A Water : A	Climate : A Water : A	
Public relations of environmental activities	Publication of ESG Data Book	-	Publishing	Published(July)	

### Research & Development

Theme	Index	Reference year	FY2021 Goal	FY2021 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 <sub>2</sub> emissions from products (Promotion of fuel efficiency improvement during product operation)	CO <sub>2</sub> emissions reduction (unit: %)	2010	- Reduction of CO <sub>2</sub> emissions from use of products (construction machinery, mining machines) Goal: 16% reduction	- Continued development Achievement: 19% reduction	Goal for 2030: 50% reduction
Reduction of CO <sub>2</sub> emissions from construction machinery and industrial vehicles (changing to BDF biofuel)			- Use of B50-compliant mixed light oil	- Continued development	
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)	



Theme	Index	Reference year	FY2021 Goal	FY2021 Achievement	Remarks
Thorough management and reduction of materials with environmental burdens in construction machinery and industrial vehicles			<ul style="list-style-type: none"> <li>Reduction of the volume of hazardous substances in the next vehicle to be developed (Maintaining a 90% reduction compared to 1998)</li> <li>Operating a system that manages hazardous substances per part (REACH Compliant)</li> </ul>	<ul style="list-style-type: none"> <li>Maintained 90% reduction of lead usage compared to 1998</li> <li>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)</li> </ul>	

## Production

Theme	Index	Reference year	FY2021 Goal	FY2021 Achievement	Remarks
CO <sub>2</sub> emissions	Improvement of basic unit	2010	40% or more reduction	37% reduction	Goal for 2030: 50% reduction
Recyclable energy usage	Percentage of electricity consumed		15% or more	14%	Goal for 2030: 50%
Water input volume	Improvement of basic unit	2010	55% or more reduction	64% reduction	Goal for 2030: 60% reduction
Discharged waste volume	Improvement of basic unit	2010	20% or more reduction	39% reduction	Goal for 2030: 40% reduction
Chemical release volume (VOC emissions volume)	Improvement of basic unit	2005	50% reduction	53.5% reduction (deteriorated 6.8point from the previous year)	

## Logistics

Theme	Index	Reference year	FY2021 Goal	FY2021 Achievement	Remarks
Shift to transportation means with a low environmental burden Increase use of domestic vessels and JR	Modal shift rate per 500km	-	55%	55%	The target was achieved by expanding the use of JR Freight Railway from the Oyama Plant to the Awazu and Kanazawa Plants.
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%	25%	In FY 2021, a large increase in production made it difficult to determine lead times, and the index worsened as shipments from the Kobe and Nagoya ports increased.
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 <sub>2</sub> emissions per cargo weight (basic unit) from transportation of products and parts  Domestic transportation	Improvement per basic unit	2006	73%	64%	The modal shift and increased exports of large models reduced the basic unit.
Improvement of CO <sub>2</sub> emissions per cargo weight (basic unit) from transportation of products and parts  Overseas transportation	Improvement per basic unit	2011	88%	88%	Result of improvements in the modal shift to railroad transportation in North America.

## Procurement

Theme	Index	Reference year	FY2021 Goal	FY2021 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 two Midori-kai member companies	Implemented at 2 member companies	
Activities to reduce water consumption (10 companies)	-	-	Reduce clean water use 15% or more	17% reduction	

## Sales & Services

Theme	Index	Reference year	FY2021 Goal	FY2021 Achievement	Remarks
Implementation of measures to prevent oil leakage	-	-	All KCSJ bases	All KCSJ bases	Installation of sandbags, drainage route diagrams, and emergency contact networks
Introduction of waste management systems	-	-	All KCSJ companies (7 companies) Komatsu Group sales companies (2 companies)	Implemented at 9 companies	
Provision of environmental education	Number of bases where on-site instruction workshops were held	-	76 bases	60 bases	Due to COVID-19, we could not provide guidance at the sites, so we conducted inspections and provided guidance remotely (Conducted on-site instruction workshops at 21 sites.)
Sales expansion of environmental products	-Sales expansion activities for Tier4 models -Sales expansion activities for FE	-	-Sales plan criteria for FY 2019 -Sales plan criteria for FY 2019	-101% of the criteria -98% of the criteria	
Promotion of Smart Construction work	Visitors to IoT Center	-	3,000	1,367(including online seminar participants)	Due to COVID-19, it was not possible for participants to gather in person. Online seminars were held 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 FY 2021, we focused on the online education programs for training and improving the competence of internal auditors on the environment and safety.

Environmental education for new managerial-level employees, which was begun in FY 2014, 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			
			FY2018	FY2019	FY2020	FY2021
1	Newly appointed manager training	Komatsu Group newly appointed managers	171	155	207	182
2	Training new employees	New Employees (Komatsu and affiliates)	369	383	318	314
3	Advanced environmental education (held every two years)	Environmental specialists (Komatsu and affiliates)	-	19	-	19
4	Overview of the ISO14000 series	Managers (Komatsu, affiliates, and business associates)	36	46	98	182
5	Training of internal auditors / Refresher courses	Environmental auditors (Komatsu, affiliates, and business associates)	336	87	80	182
6	Explanation of environmental laws and risks	Managers and employees	250	-	-	-
7	Development and manufacturing (introductory)	Development and manufacturing staff (for second-year employees)	187	190	208	202
8	Environmental training for manufacturing engineers	Assistant foremen/ foremen/ manufacturing engineers/ students of Komatsu Institute of Technology	227	145	80	218
9	Lectures on the environment, experience-oriented education	Komatsu Group employees	627	1,267	626	745

Independent Practitioner's Assurance 

## Divisions overseeing environmental management at plants

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

No.	Course name	Target	Participants			
			FY2018	FY2019	FY2020	FY2021
1	Education in the basics of auditing	Managers and employees	169	196	62	57
2	Overview of the ISO14000 series	Managers and employees	502	565	246	338
3	Training of internal auditors	Environmental auditors	34	26	21	13
4	Training new employees	New Employees	1,759	1,205	1,084	1,351
5	Regulatory education and personnel exchange	Employees (and other participants)	510	15	49	123
6	Specialist training	Environmental conservation practitioners (persons involved in regulatory affairs, etc.)	464	429	230	435

\* 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, Advanced and Core Technology Center, Field Testing Department)

Certificate name	Number of persons with certificate*			
	FY2018	FY2019	FY2020	FY2021
Pollution control administrators	219 (35)	222 (35)	225 (35)	206 (35)
Energy administrators	41 (9)	38 (9)	37 (9)	36 (9)
Environmental management system associate auditors	5	4	5	4

\* 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		
		FY2020	FY2021		FY2020	FY2021	
		Investment* <sup>1</sup> (millions of yen)	Investment* <sup>1</sup> (millions of yen)	Contents	Expenses* <sup>1</sup> (millions of yen)	Expenses* <sup>1</sup> (millions of yen)	Contents
1.Business area cost		1,720	1,762		2,320	2,180	
Breakdown	(1). Pollution prevention cost	412	434	<ul style="list-style-type: none"> <li>Investment for installation and conversion of pollution mitigation / prevention facilities</li> </ul>	461	328	<ul style="list-style-type: none"> <li>Cost of maintaining equipment for mitigation / prevention of air and water pollution and for noise and vibration prevention (labor and depreciation costs)</li> </ul>
	(2). Global environmental conservation cost	1,139	1,008	<ul style="list-style-type: none"> <li>Investment for implementing energy conservation measures (installation of energy saving facilities, etc.)</li> </ul>	1,120	969	<ul style="list-style-type: none"> <li>Cost of maintaining energy conservation facilities, such as cogeneration systems (labor and depreciation costs)</li> </ul>
	(3). Resource circulation cost	169	320	<ul style="list-style-type: none"> <li>Investment for reducing the volume of waste materials</li> </ul>	739	883	<ul style="list-style-type: none"> <li>Waste material processing cost</li> </ul>
2.Upstream/downstream cost		0	0	<ul style="list-style-type: none"> <li>Additional investment needed to provide eco-friendly product services</li> </ul>	359	316	<ul style="list-style-type: none"> <li>Reduction of the environmental impact of mass-production units</li> </ul>
3.Administration cost		22	58	<ul style="list-style-type: none"> <li>Investment for beautifying manufacturing sites</li> </ul>	1,153	1,110	<ul style="list-style-type: none"> <li>Cost of maintaining environmental management systems (including labor cost)</li> <li>Cost of creating green spaces and beautifying manufacturing sites</li> </ul>
4.R&D cost		318	191	<ul style="list-style-type: none"> <li>Investment in research facilities for reduction of environmental impact</li> </ul>	19,014	19,963	<ul style="list-style-type: none"> <li>Cost of R&amp;D activities to reduce the environmental impact of products</li> <li>Cost of R&amp;D activities to develop environmentally-friendly construction equipment</li> </ul>
5.Social activity cost		0	0		22	9	<ul style="list-style-type: none"> <li>Cost of community beautification activities</li> <li>Membership fee for local environmental groups</li> </ul>
6.Environmental remediation cost		0	0		493	366	<ul style="list-style-type: none"> <li>Cost of conducting surveys and remedial countermeasures related to soil and groundwater contamination</li> </ul>
<b>Total</b>		<b>2,060</b>	<b>2,011</b>		<b>23,362</b>	<b>23,944</b>	

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

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



## Environmental effects

Independent Practitioner's Assurance

### Environmental impact reduction effects

Komatsu and Komatsu Group manufacturing facilities in Japan

Items of environmental impact	Change of amount (t/year)	Rate of year-on-year changes (%)
CO <sub>2</sub> emissions	34,804	19
Water consumption	-182,704	-8
Waste materials generation	4,622	34

### 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 <sup>*2</sup>	Contribution to profits <sup>*2</sup>
Type	Monetary value <sup>*1</sup> (millions of yen)	Major activities		
Energy conservation	335	Installation of energy-saving facilities	<p>* In FY 2021, there were no major accidents or legal infractions that would contaminate the environment.</p> <p>* No litigation costs were required in Japan during FY 2021.</p>	<ul style="list-style-type: none"> <li>■ Proceeds from mobile recycling equipment</li> <li>■ Proceeds from value added due to reduced environmental impact of products</li> </ul>
Resource conservation	69	Reduce heavy oil for heating and cooling by biomass utilization Conserve water by rainwater utilization, etc.		
Waste materials reduction	139	Control the amount of waste generated and promotion of recycling through thoroughgoing sorting		
Gain on sale of valuables	686	Sale of scrap, used paper, waste oil, etc.		
Other	0	-		
<b>Total</b>	<b>1,229</b>			

\*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 <sup>\*1</sup>

### 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

<sup>\*1</sup> 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.

## Environmental data

### Manufacturing site data

Independent Practitioner's Assurance 

#### ■ Total of Manufacturing Sites

	Item	Actual value
Energy consumption	Purchased electricity	795 GWh
	Light oil,Gasoline, et al.	10,682 kℓ
	Gas	29,637 thousand m <sup>3</sup>
	LPG	6,131 t
	District heating	10 GWh
	Steam	7,292 t
	Total energy consumption	9,611 TJ
	CO <sub>2</sub>	461 kt-CO <sub>2</sub>
	Private Power generation	19 GWh
Water consumption		3,140 thousand m <sup>3</sup>
Total emissions of waste		92,729 t

Independent Practitioner's Assurance 

#### ■ Japan

	Item	Actual value
Environmental impact	Total CO <sub>2</sub> emissions	213 kt-CO <sub>2</sub>
	NOx total amount	49 t
	SOx total amount	3 t
	Total emissions of waste	18,037 t
	Amount recycled	17,973 t
	Recycling rate	99.8 %
	BOD emissions	5 t
	COD emissions	8 t
	Wastewater	2,006 thousand m <sup>3</sup>
	Output of in-house power generation	12 GWh

	Item	Actual consumption	Converted to calorie equivalents (TJ)
Energy consumption	Purchased electricity	406 GWh	3,848
	Heavy oil A	2,766 k ℓ	108
	Kerosene	2,491 k ℓ	91
	Light oil	3,670 k ℓ	140
	City gas	4,021 thousand m <sup>3</sup>	166
	LPG	4,924 t	247
	Gasoline	129 k ℓ	4
	Biomass, Solar	-	95
	Total		4,698
Water consumption	Groundwater	1,940 thousand m <sup>3</sup>	
	Industrial water	2 thousand m <sup>3</sup>	
	Supply water	222 thousand m <sup>3</sup>	
	Total	2,164 thousand m <sup>3</sup>	

\*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	134 GWh
	Light oil, Gasoline, et al.	719 k ℓ
	Gas	13,256 thousand m <sup>3</sup>
	LPG	204 t
	District heating	- GWh
	Steam	- t
	Total energy consumption	1,852 TJ
	CO <sub>2</sub>	53 kt-CO <sub>2</sub>
	Private Power generation	1 GWh
Water consumption		288 thousand m <sup>3</sup>
Total emissions of waste		31,747 t

## Independent Practitioner's Assurance

## Europe

	Item	Actual value
Energy consumption	Purchased electricity	32 GWh
	Light oil,Gasoline, et al.	151 kℓ
	Gas	4,942 thousand m <sup>3</sup>
	LPG	2 t
	District heating	10 GWh
	Steam	- GWh
	Total energy consumption	524 TJ
	CO <sub>2</sub>	15 kt-CO <sub>2</sub>
	Private Power generation	0 GWh
Water consumption		68 thousand m <sup>3</sup>
Total emissions of waste		10,864 t

## Independent Practitioner's Assurance

## Asia

	Item	Actual value
Energy consumption	Purchased electricity	223 GWh
	Light oil,Gasoline, et al.	756 kℓ
	Gas	7,418 thousand m <sup>3</sup>
	LPG	1,000 t
	District heating	- GWh
	Steam	7,292 t
	Total energy consumption	2,537 TJ
	CO <sub>2</sub>	180 kt-CO <sub>2</sub>
	Private Power generation	6 GWh
Water consumption		620 thousand m <sup>3</sup>
Total emissions of waste		32,080 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 CO<sub>2</sub> emissions (Total of production sites)**

Standard	CO <sub>2</sub> (kt)
Location-based	412
Market-based	364

**Site data (sales and after-sales divisions)**Independent Practitioner's Assurance 

FY 2021 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	222
Number of employees	4,561
Data of ISO14001 certification acquisition	May 2018

Environmental impact	Item	Actual value
	Total CO <sub>2</sub> emissions	8.1 kt-CO <sub>2</sub>
	Total emissions of waste	12,456 t
	Amount recycled	10,411 t
Recycling rate	83.6 %	

Energy consumption	Item	Actual consumption	Converted to calorie equivalents (TJ)
	Electricity	14.9 GWh	140.9
	Heavy oil A	138 kℓ	5.4
	Kerosene	442 kℓ	16.1
	Light oil	99 kℓ	3.8
	Gasoline	10 kℓ	0.3
	LPG	21 t	1.1
	City gas	52 thousand m <sup>3</sup>	2.2
Total		169.8	

## Site data (non-manufacturing divisions)

Independent Practitioner's Assurance 

Site data of non-manufacturing divisions			
Manufacturing facility included	Head Office, Advanced and Core Technology Center, Field Testing Department, Techno Center, General Education Center, Shinomiya Building T, Recreation Facilities (5 sites)		
Environmental impact	Item	Actual value	
	Total CO <sub>2</sub> emissions	4.1 kt	
Energy consumption	Item	Actual consumption	Converted to calorie equivalents (TJ)
	Purchased electricity	6.5 GWh	62.0
	Heavy oil A	92 kℓ	3.6
	Kerosene	94 kℓ	3.4
	Light oil	282 kℓ	10.7
	City gas	8 thousand m <sup>3</sup>	0.3
	LPG	60 t	3.0
	Gasoline	2 kℓ	0.1
	Total		83.1



## Amount of CO<sub>2</sub> emissions by scope3

Independent Practitioner's Assurance 

Category	Rate (%)	Summary Data kt-CO <sub>2</sub>
Scope3 (11)Customer Use	88.4	27,310
Scope3 (1)Manufacturing of Purchasable Goods	10.1	3,105
Scope3 (2)Capital Goods Construction and others	0.4	121
Scope3 (3)Fuel Procurement	0.4	116
Scope3 (4)Upstream Transportation disposal	0.3	108
Scope3 (5)Waste Transportation	0.0	13
Scope3 (6)Business Trips	0.2	50
Scope3 (7)Commuting	0.2	52
Scope3 (8)Upstream Leased Assets Operation	-	-
Scope3 (9)Downstream Transportation	-	-
Scope3 (10)Processing Sold Products	-	-
Scope3 (12)Product disposal	0.1	18
Scope3 (13)Downstream Leased Assets Operation	-	-
Scope3 (14)Franchise Member Companies	-	-
Scope3 (15)Investment Management	-	-
<b>Total CO<sub>2</sub>Emission Amount (kt-CO<sub>2</sub>/year)</b>	<b>100.0</b>	<b>30,893</b>

\* 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.

## SBT (Science-Based Targets) approved

### SBT (Science-Based Targets) approved

Komatsu's CO<sub>2</sub> reduction objectives have renewed certification by SBT as of March, 2022.

Science-Based Targets (SBTs) are greenhouse gas emission reduction targets consistent with the requirement of COP21 (Paris Agreement).



Komatsu 's SBT are as follows

1. SCOPE1+2: Total -30% (Target Year 2030; Base Year 2019)
2. SCOPE3: Total -15% (Target Year 2030; Base Year 2019)

#### Progress of SBT

	Base Year(2019)	FY2021	Rate of Change (from base year)
Scope1+2	470 (kt-CO <sub>2</sub> )	523 (kt-CO <sub>2</sub> )	+11%
Scope3	20,819 (kt-CO <sub>2</sub> )	27,310 (kt-CO <sub>2</sub> )	+31%

\* Scope1+2 includes manufacturing sites and major sales sites etc.

\* Scope3 indicates category-11 (customer use)

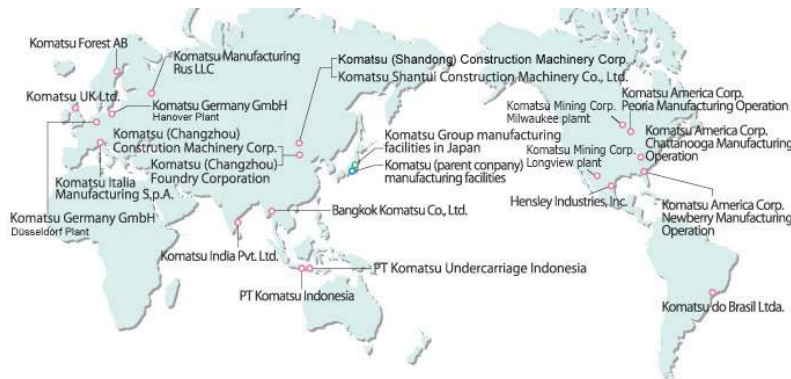
## Scope of environmental data/calculation standards

### 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. (Kanto Hokyū Center, Kansai Hokyū Center, Awazu Hokyū Center, Hokkaido Center and Kyushu 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 2.4 (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. 3.2 (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 2021 to the end of March 2022, with a portion of information that involves data acquired after April 2022.

## 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"> <li>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)</li> <li>Biomass fuel: National Woodchips Industry Association (Japan)</li> <li>Regional heat: site reported value (1.54 GJ / MWh)</li> </ul>	
	GHG	Energy originated CO <sub>2</sub> = (fuel quantity, electricity quantity) x CO <sub>2</sub> emission factor Non-energy originated GHG = Gas emissions x Global warming potential (GWP) <ul style="list-style-type: none"> <li>CO<sub>2</sub>emission factor                Electricity: 2010 value of IEA CO<sub>2</sub> 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 Ver4.7</li> <li>GWP: Value of greenhouse gas emissions calculation, reporting and publication system</li> </ul>	
	Energy, CO <sub>2</sub> emission in basic unit	Basic unit for each plant = (energy, CO <sub>2</sub> ) / (Internal manufacturing value), index is a value with base year 100. Base year: 2010	
	Location-based Scope 2	CO <sub>2</sub> emission = purchased electricity quantity x CO <sub>2</sub> emission factor <ul style="list-style-type: none"> <li>CO<sub>2</sub> 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 CO<sub>2</sub> EMISSIONS FROM FUEL COMBUSTION 2012</li> </ul>	
	Market-based Scope 2	CO <sub>2</sub> emission = purchased electricity quantity x CO <sub>2</sub> emission factor <ul style="list-style-type: none"> <li>CO<sub>2</sub> emission factor:                Japan;Emission Factor by Electric Power Company                Overseas; 2010 value of IEA CO<sub>2</sub> EMISSIONS FROM FUEL COMBUSTION 2012                However, the electricity generated from renewable energy source has zero emission factors</li> </ul>	
	Scope3	C1	Purchased product service: Product weight x emission factor + cooperating company CO <sub>2</sub> emission amounts
		C2	Capital goods: capital investment amount x emission factor
		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	

Classification	Item	Calculation Method
	C11	Use of products sold: $\Sigma$ (Production volume per product model x Fuel consumption(L/h) x Product life(h) x Emission factor)
	C12	Disposal of products sold: Product weight x Emission factor
		Emission factor C1, C2, C3, C6, C7, C11, C12: Emission basic unit database (Ver 3.2) 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 <sub>2</sub> 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	Intensity at a plant = (amount of waste) / (internal manufacturing 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: 96%

### 2. ISO 14001 certification acquisition coverage

ISO 14001 certification acquisition coverage rate at production sites: 94% (If KMC is not included : 100%)

## Independent practitioner's assurance

Komatsu views an independent practitioner's assurance process as crucial for ensuring the integrity and objectivity of its Sustainability webpage. 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 \(PDF : 41.1KB\)](#)

## 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

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### Political contributions

Our political contributions in FY 2021 totalled 8 million yen.\*

\* Described in the Income and Expenditure Reports on Political Funds released on November 26, 2021 (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


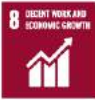












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# Accomplishments and approaches for social contribution activities

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.

## Materiality

Sustainability policy	Relationship with SDGs	Materiality
<b>With people</b>	 Gender equality  Decent work and economic growth  Reduced inequalities  Partnerships for the goals	<b>[Employees] [Human rights]</b> <ul style="list-style-type: none"> <li>• Diversity and Inclusion</li> <li>• Skills development and workplace retention</li> <li>• Employee engagement and job satisfaction</li> <li>• Occupational safety and health and wellbeing</li> <li>• Respect for human rights</li> </ul>
<b>With business</b>	 Industry, innovation and infrastructure  Sustainable cities and communities  Responsible consumption and production  Partnerships for the goals	<b>[Customers] [Ethics / Governance] [Communities]</b> <ul style="list-style-type: none"> <li>• Provision of solutions</li> <li>• Product safety and quality</li> <li>• Governance</li> <li>• Compliance</li> <li>• Contributions to local communities</li> </ul>
<b>With the planet</b>	 Affordable and clean energy  Industry, innovation and infrastructure  Responsible consumption and production  Climate action  Life on land  Partnerships for the goals	<b>[Environment]</b> <ul style="list-style-type: none"> <li>• Development of low-carbon/low-emissions products, solutions and business models</li> <li>• Resource recycling and remanufacturing</li> <li>• Forest conservation through business activities</li> <li>• Reduction of energy usage and GHG emissions</li> </ul>

## 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:

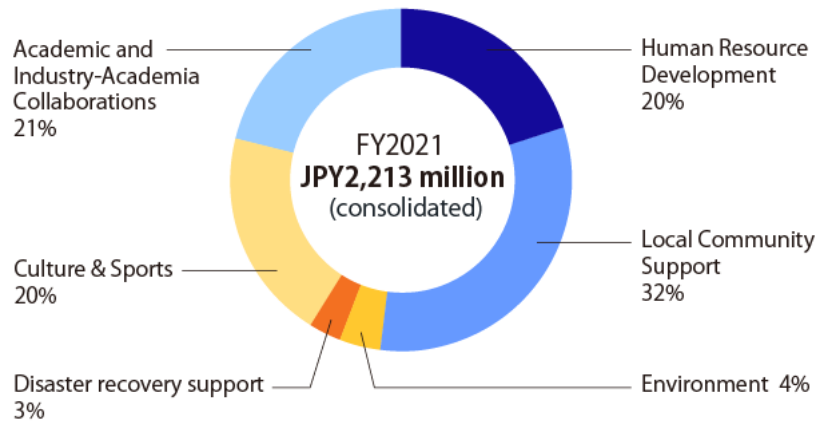
To clarify the responsibilities of Komatsu Group and its employees as members of the local community and guide their activities for social contribution accordingly.

### 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 in FY 2021

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	758
Time contributions	353
In-kind giving	357
Management overheads	745
<b>Total</b>	<b>2,213</b>

## 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.

### Initiatives for a sustainable environment – Afforestation activities

In order to balance resource development and environmental conservation, Komatsu believes that it is important to restore former mine land to forests and farmland and to expand green spaces by planting trees. We are involved in reforestation projects on former mine lands in North America, and our employees in China, Indonesia, and other countries are engaged in tree planting.

In North America, in the Monongahela National Forest in West Virginia, we are continuing to work on a project with Green Forest Work, a reforestation non-profit organization, to restore formerly mined lands. As a result of activities which started in 2018, over 370,000 trees have been planted for reforestation. Komatsu machinery is used to prepare the land for the spring planting.



In September 2021, employees of Komatsu Remanufacturing Asia (KRA) in Indonesia planted 1,000 trees for mangrove conservation in the Balikpapan area.





## Activities to improve the living environment – North America

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Komatsu continues its efforts to address social issues in the regions where it does business. One such initiative is the Habitat for Humanity project in Illinois and Wisconsin, North America. We are involved in a voluntary program to build houses for people who cannot afford housing due to poverty or disasters, and many Komatsu employees are participating by taking up opportunities to check on the progress of construction.



# Developing people needed by the community

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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

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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.

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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	<a href="http://www.cummins.com/">http://www.cummins.com/</a>

## Working with Cummins Inc. to promote social reintegration in Chile – Rehabilitation program for prisoners –

One of our collaborative activities with Cummins is offering support for the ReInventarse Foundation's prisoners' rehabilitation program, with which we have been involved since 2011. This program is designed to reintegrate young people who committed crimes as minors and were placed on probation or parole into society. Komatsu and Cummins have supported the Foundation's activities and worked together to help these young people acquire social skills, such as obtaining a driver's license, and to provide programs that enable them to acquire technical skills related to Cummins' business.

This activity has been well received by Chilean society, with the Minister of Justice and Human Rights stating that "the efforts of the ReInventarse Foundation have become a model for rehabilitation, allowing young people to find the means to grow in society." More than 1,000 young people have been reintegrated into society through the Foundation's support so far.



Young people receiving technical training from the ReInventarse Foundation

## Career development for young people through STEM education

In the UK, we continue to be involved with STEM Ambassador, an initiative to nurture young people's careers in Science, Technology, Engineering, and Mathematics. In 2021, Komatsu UK participated in a regional career development event, "Bring it on." As Ambassador, we offer science challenges to schools in the northern region of the UK.

Through these efforts, we will continue to support the career development of future engineers and other professionals.



## 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 km<sup>2</sup>, 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

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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 and secure 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.



**1. Faster Demining!****2. Safer Demining!****3. Rice field Levelling****5. Pond Construction**

Landmine  
Field

Reconstruction  
of community

**4. Waterway Construction****7. School Construction****6. Road Construction**

## UXO disposal project in Cambodia

In March 2021, we began an unexploded ordnance disposal project in Stung Treng province in northeastern Cambodia. Air strikes in the country's war-torn history dropped numerous large bombs and cluster munitions in this area. A cluster munition is an explosive weapon that has smaller submunitions inside a larger cylindrical container. These weapons continue to affect people's daily lives even after the cessation of war, especially due to the large number of unexploded ordnance. The threat posed by these bombs has greatly hindered postwar reconstruction and the Convention on Cluster Munitions prohibits all use, production, transfer and stockpiling of cluster munitions.

To support the unexploded ordnance disposal project, Komatsu has exploited its experience and technology to develop an anti-personnel demining machine for unexploded ordnance disposal using the PC130 hydraulic excavator.



UXO Disposal in Stung Treng Province

【Photograph by Marina Shigihara】



## Cambodian agriculture CSR project

A new initiative began in Cambodia in 2020 to introduce 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 Battambang 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.

In particular, bulldozers with blade movements controlled automatically by ICT technology, have leveled rice fields, eliminating roughness and leveling the ground surface and thus improving work efficiency and rice yield.



Farmland Reconstruction in Battambang Province

## Safe village construction project

Sralau Chrum Village is a small village in Banteay Meanchey province in northwestern Cambodia where a community development project is underway to improve village roads, build elementary schools, and create reservoirs. Sralau Chrum Village is in a remote area about 7 km from the national highway. It was thus isolated until the launch of the “Safe Village Construction Project” by JMAS. In the dry season in relatively good conditions, it took about 30 minutes to reach the village from the national highway. In the rainy season when the roads are muddy, it could take over an hour to reach the village. In heavy rain, it was impossible to leave the village.

Now, the roads have been improved and it takes only about 15 minutes to reach the national highway. Additionally, the harvesting process has been speeded up dramatically as large combine harvesters can be brought in during the rice harvesting season and the harvest can be shipped out of the village as planned. Moreover, students who graduate from the village’s elementary school can now easily access junior high schools in the neighboring villages.



Community Development in Sralau Chrum Village

## Unexploded ordnance disposal project in Laos



We started support of unexploded ordnance disposal activities in 2016 in Xiangkhouang province, northern Laos.

In Laos, more than 30% of the land is riddled with unexploded ordnances, many of which are cluster submunitions. 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 ordnance disposal squad) and the Japan Mine Action Service (JMAS) free of charge, alongside engineering support for the machines it provides.

Despite the various restrictions imposed by the outbreak of COVID-19, the UXO Disposal Project in Laos has been conducted continuously as planned. Komatsu supports the Project's activities by providing remote support through online meetings and by supplying supplemental spare parts from Japan.



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 87 lectures (including lectures held online) attended by about 7,200 students.

The feedback we received from some first-year high school students included, "I was impressed to hear how Komatsu employees work with local people and find it rewarding, even though there are many different types of landmines and it takes a long time to dispose of them. I have no particular job in mind that I want to do now, but after today's lecture, I will find something meaningful and enjoyable. There are still many landmines in the world. I look forward to your future activities in this area and to fewer people having their lives blighted by landmines."

Komatsu will continue its efforts to provide visiting lectures so that the younger generation will have the opportunity to think about world peace, their future, and how best to live their lives.



Visiting lectures at junior high schools in Japan

## 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 31st 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 FY 2021

In 2020, the Olympics was postponed for the first time in history. The debate about whether to hold the Tokyo Olympics continued until just before it was due to take place and it was ultimately postponed and then held with no spectators in another world-first. Tsukasa Yoshida and Miku Tashiro, representing Japan, and Lien Chen-ling, representing Taiwan, stayed committed and made every effort to succeed in the Olympics. Tsukasa Yoshida, who competed in the 57 kg class, lost the semifinal but won the bronze medal by Ippon with her Uchi mata. Although Lien Chen-ling, in the 57 kg class, lost in the first round and Miku Tashiro, in the 63 kg class, lost in the second round, both athletes maintained their world-leading abilities to reach their second consecutive Olympics. In the mixed team, a new Olympic event, both Tsukasa Yoshida and Miku Tashiro fought alongside their team members to win silver medals.



Tsukasa Yoshida, bronze medalist of -57 kg class.



Yoshida competes in the bronze medal match.



The Japanese team wins silver in the mixed team event.

In 2021, the World Judo Championships in Budapest were also held. Here, Yoko Ono won a silver medal in the 70 kg class and Wakaba Tomita won a silver medal in the over 78 kg class for the first time.



Yoko Ono, silver medalist in the 70 kg class.



Wakaba Tomita, silver medalist in the over 78 kg class.

[> 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 2021, 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, and many children usually participate 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"

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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.

The "One World One Komatsu" contest was held from June to September 2021. More than 200 employees worldwide submitted entries about their activities; winners were selected in each of 10 categories.

## Four priority themes of "One World One Komatsu"

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Reduction of CO<sub>2</sub> emission

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Water conservation

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Renewable energy

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Reduction of waste

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## Komatsu earth day event on April 2022



In support of the United Nations' Earth Day, as we had done the previous year, we held a "Global Watch Party," where employees from around the world engaged in volunteer activities that were reported in video format and shared on our website.

This event can be seen in the video (in multiple languages).

[> Komatsu 2022 Earth Day global watch party - YouTube](#)



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# GRI standards index

The ESG Databook 2022 references "GRI Sustainability Reporting Standards".

## 100 series (Universal)

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Organizational profile	102-1	Name of the organization	› <a href="#">Company info</a>
	102-2	Activities, brands, products, and services	› <a href="#">Company info</a> › <a href="#">Industries we support</a> › <a href="#">Innovation</a>
	102-3	Location of headquarters	› <a href="#">Company info</a>
	102-4	Location of operations	› <a href="#">Global locations</a>
	102-5	Ownership and legal form	› <a href="#">Company info</a>
	102-6	Markets served	› <a href="#">Global locations</a> › <a href="#">Performance by business division / region (full year)</a>
	102-7	Scale of the organization	› <a href="#">Company info</a>
	102-8	Information on employees and other workers	› <a href="#">ESG Databook: Personnel policy and performance appraisal system</a>
	102-9	Supply chain	› <a href="#">ESG Databook: Outline of procurement policy and supply chain</a>
	102-10	Significant changes to the organization and its supply chain	(None for FY2021)
	102-11	Precautionary principle or approach	› <a href="#">Corporate Governance Report</a> › <a href="#">ESG Databook: Risk management</a> › <a href="#">ESG Databook: Compliance</a> › <a href="#">ESG Databook: Promoting legal compliance, and pollution mitigation and prevention</a> › <a href="#">ESG Databook: Management of chemical substances and pollution prevention</a>
	102-12	External initiatives	› <a href="#">ESG Databook: Comparison with global principles(UN Global Compact)</a> › <a href="#">Databook: External evaluations(UN Global Compact, WBCSD, TCFD)</a> › <a href="#">Komatsu Report(UN Global Compact, TCFD)</a>
	102-13	Membership of associations	-
Strategy	102-14	Statement from senior decision-maker	› <a href="#">Komatsu Report(Message from the President)</a> › <a href="#">Investor Relations: President interview</a>



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	102-15	Key impacts, risks, and opportunities	<ul style="list-style-type: none"> <li>› ESG Databook: Risk management</li> <li>› Komatsu Report (Initiatives Based on TCFD Framework)</li> </ul>
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> <li>› Komatsu's Worldwide Code of Business ConductPDF</li> <li>› ESG Databook: Compliance</li> <li>› ESG Databook: Human resource development: The Komatsu Way</li> </ul>
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> <li>› ESG Databook: Compliance</li> </ul>
Governance	102-18	Governance structure	<ul style="list-style-type: none"> <li>› Articles of incorporationPDF</li> <li>› Komatsu Report (Corporate governance)</li> <li>› Corporate Governance Report</li> <li>› ESG Databook: Corporate governance</li> <li>› ESG Databook: Corporate governance indicators</li> <li>› ESG Databook: Our system to promote sustainability</li> <li>› ESG Databook: Organizational chart of the environmental management structure</li> </ul>
	102-19	Delegating authority	<ul style="list-style-type: none"> <li>› ESG Databook: Our system to promote sustainability</li> <li>› ESG Databook: Organizational chart of the environmental management structure</li> </ul>
	102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> <li>› ESG Databook: Our system to promote sustainability</li> <li>› ESG Databook: Organizational chart of the environmental management structure</li> </ul>
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	102-23	Chair of the highest governance body	<ul style="list-style-type: none"> <li>› Management team</li> <li>› Komatsu Report (Corporate governance)</li> <li>› Corporate Governance Report</li> <li>› ESG Databook: Corporate governance</li> </ul>
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Aspects	Indicators	Description	Reference
	102-26	Role of highest governance body in setting purpose, values, and strategy	<ul style="list-style-type: none"> <li>› <a href="#">Komatsu Report (Corporate governance)</a></li> <li>› <a href="#">ESG Databook: Our system to promote sustainability</a></li> <li>› <a href="#">ESG Databook: Organizational chart of the environmental management structure</a></li> <li>› <a href="#">ESG Databook: Materiality analysis</a></li> </ul>
	102-27	Collective knowledge of highest governance body	<ul style="list-style-type: none"> <li>› <a href="#">Notice of convocationPDF</a></li> <li>› <a href="#">Komatsu Report (Corporate governance)</a></li> </ul>
	102-28	Evaluating the highest governance body's performance	<ul style="list-style-type: none"> <li>› <a href="#">Komatsu Report (Corporate governance)</a></li> <li>› <a href="#">Corporate Governance ReportPDF</a></li> </ul>
	102-29	Identifying and managing economic, environmental, and social impacts	<ul style="list-style-type: none"> <li>› <a href="#">ESG Databook: Materiality analysis</a></li> <li>› <a href="#">Komatsu Report (TCFD)</a></li> </ul>
	102-30	Effectiveness of risk management processes	<ul style="list-style-type: none"> <li>› <a href="#">ESG Databook: Risk management</a></li> <li>› <a href="#">Komatsu Report (TCFD)</a></li> </ul>
	102-31	Review of economic, environmental, and social topics	<ul style="list-style-type: none"> <li>› <a href="#">ESG Databook: Risk management</a></li> <li>› <a href="#">Komatsu Report (TCFD)</a></li> </ul>
	102-32	Highest governance body's role in sustainability reporting	<ul style="list-style-type: none"> <li>› <a href="#">ESG Databook: Our system to promote sustainability</a></li> </ul>
	102-33	Communicating critical concerns	<ul style="list-style-type: none"> <li>› <a href="#">ESG Databook: Risk management</a></li> </ul>
	102-34	Nature and total number of critical concerns	-
	102-35	Remuneration policies	<ul style="list-style-type: none"> <li>› <a href="#">Annual Securities Report : PDFCompensation</a></li> <li>› <a href="#">Notice of ConvocationPDF</a> Policy, etc. regarding the determination remuneration, etc. for individual Directors</li> </ul>
	102-36	Process for determining remuneration	<ul style="list-style-type: none"> <li>› <a href="#">Annual Securities Report : PDFCompensation</a></li> <li>› <a href="#">Notice of ConvocationPDF</a> Policy, etc. regarding the determination remuneration, etc. for individual Directors</li> </ul>
	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"> <li>› <a href="#">ESG Databook: Dialogue with our stakeholders</a></li> </ul>
	102-41	Collective bargaining agreements	<ul style="list-style-type: none"> <li>› <a href="#">ESG Databook: Personnel policy and performance appraisal system</a></li> </ul>
	102-42	Identifying and selecting stakeholders	-





Aspects	Indicators	Description	Reference
	102-43	Approach to stakeholder engagement	› <a href="#">ESG Databook: Dialogue with our stakeholders</a>
	102-44	Key topics and concerns raised	(None for FY2021)
Reporting practice	102-45	Entities included in the consolidated financial statements	› <a href="#">Annual Securities ReportPDF</a> Overview of Subsidiaries and Affiliates › <a href="#">Global locations</a>
	102-46	Defining report content and topic Boundaries	› <a href="#">ESG Databook: Materiality analysis</a>
	102-47	List of material topics	
	102-48	Restatements of information	-
	102-49	Changes in reporting	-
Report profile	102-50	Reporting period	› <a href="#">ESG Databook: Editorial policy</a>
	102-51	Date of most recent report	
	102-52	Reporting cycle	
	102-53	Contact point for questions regarding the report	› <a href="#">ESG Databook: Editorial policy</a> › <a href="#">Contact for inquiries</a>
	102-54	Claims of reporting in accordance with the GRI Standards	-
	102-55	GRI content index	GRI standards index
	102-56	External assurance	› <a href="#">ESG Databook: Independent practitioner's assurance</a>
Management approach	103-1	Explanation of the material topic and its Boundary	› <a href="#">ESG Databook: Materiality analysis</a>
	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"> <li>› ESG Databook: Personnel policy and performance appraisal system (remuneration data)</li> <li>› ESG Databook: Enhancing work-life balance (Work-Life Balance Data)</li> <li>› Annual Securities Report: PDFIncome Taxes</li> <li>› ESG Databook: Developing people needed by the community</li> <li>› ESG Databook: Komatsu's initiatives for social issues</li> <li>› ESG Databook: Disaster relief</li> </ul>
	201-2	Financial implications and other risks and opportunities due to climate change	<ul style="list-style-type: none"> <li>› Komatsu Report (TCFD)</li> <li>› ESG Databook: Mitigating climate change through products and services</li> <li>› ESG Databook: Reducing CO2 emissions in manufacturing operations</li> </ul>
	201-3	Defined benefit plan obligations and other retirement plans	› Annual Securities ReportPDF: Pension and Retirement Benefits
	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	› ESG Databook: Promoting diversity and inclusion
Indirect economic impacts	203-1	Infrastructure investments and services supported	<ul style="list-style-type: none"> <li>› ESG Databook: Komatsu's initiatives for social issues</li> <li>› ESG Databook: Disaster relief</li> </ul>
	203-2	Significant indirect economic impacts	<ul style="list-style-type: none"> <li>› Smart construction(Japanese)</li> <li>› Investor Relations: President interview</li> <li>› ESG Databook: Developing people needed by the community</li> <li>› ESG Databook: Komatsu's initiatives for social issues</li> <li>› ESG Databook: Disaster relief</li> </ul>
Procurement practices	204-1	Proportion of spending on local suppliers	› ESG Databook: Outline of procurement policy and supply chain
Anti- corruption	205-1	Operations assessed for risks related to corruption	-
	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



Aspects	Indicators	Description	Reference
Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	(None for FY2021)
Tax	207-1	Approach to tax	› <a href="#">Annual Securities Report: PDF Financial Information</a>
	207-2	Tax governance, control, and risk management	› <a href="#">Annual Securities Report: PDF Financial Information</a>
	207-3	Stakeholder engagement and management of concerns related to tax	› <a href="#">Annual Securities Report: PDF Financial Information</a>
	207-4	Country-by-country reporting	› <a href="#">Annual Securities Report: PDF Financial Information</a>



## 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/calculation standards
	302-2	Energy consumption outside of the organization	-
	302-3	Energy intensity	› ESG Databook, Environmental data › ESG Databook, Input/output
	302-4	Reduction of energy consumption	› ESG Databook, Environmental data › ESG Databook, Input/output
	302-5	Reductions in energy requirements of products and services	› ESG Databook: Mitigating Climate Change through Products and Service
Water and effluents	303-1	Interactions with water as a shared resource	› ESG Databook, Komatsu's efforts regarding water
	303-2	Management of water discharge-related impacts	› ESG Databook, Komatsu's efforts regarding water
	303-3	Water withdrawal	› ESG Databook, Environmental impact
			› ESG Databook, Komatsu's efforts regarding water
	303-4	Water discharge	› ESG Databook, komatsu's efforts regarding water
303-5	Water consumption	› 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	-



Aspects	Indicators	Description	Reference
	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"> <li>› ESG Databook, Environmental impact</li> <li>› ESG Databook, Calculation standards</li> </ul>
	305-2	Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> <li>› ESG Databook, Environmental impact</li> <li>› ESG Databook, Calculation standards</li> </ul>
	305-3	Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> <li>› Amount of CO2 emissions by scope 3</li> <li>› Amount of CO2 emissions by scope3</li> <li>› Scope of Environmental data</li> </ul>
	305-4	GHG emissions intensity	› ESG Databook: Reducing CO2 emissions in manufacturing operations
	305-5	Reduction of GHG emissions	-
	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"> <li>› ESG Databook: Relationship between business activities and the environment (Input and output)</li> <li>› Scope of Environmental data</li> </ul>
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"> <li>› ESG Databook: Development of our “Reman” remanufacturing business</li> <li>› ESG Databook: Green procurement guidelines</li> </ul>
	306-3	Waste generated	<ul style="list-style-type: none"> <li>› ESG Databook: Activities to effectively utilize resources in production (1. Waste)</li> <li>› ESG Databook: Inputs and outputs in the product life cycle</li> </ul>
	306-4	Transport of hazardous waste	-
	306-5	Waste directed to disposal	<ul style="list-style-type: none"> <li>› ESG Databook: Activities to effectively utilize resources in production (1. Waste)</li> <li>› ESG Databook: Inputs and outputs in the product life cycle</li> </ul>
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: Support for 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
Training and education	404-1	Average hours of training per year per employee	› ESG Databook: Human resource development: structure (Data on employee training)
	404-2	Programs for upgrading employee skills and transition assistance programs	› ESG Databook: Human resource development: structure › ESG Databook: Human resource development: enhancing skills › ESG Databook: Promoting diversity and inclusion (Rehiring of Retired Employees)





Aspects	Indicators	Description	Reference
	404-3	Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> <li>ESG Databook: Personnel policy and performance appraisal system</li> </ul>
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	<ul style="list-style-type: none"> <li>ESG Databook: Promoting diversity and inclusion</li> </ul>
	405-2	Ratio of basic salary and remuneration of women to men	-
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	(None for FY2021)
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"> <li>ESG Databook: Human rights policy</li> <li>ESG Databook: Business and human rights</li> <li>ESG Databook: CSR procurement guidelines</li> <li>ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> <li>ESG Databook: Personnel policy and performance appraisal system (Data on employment and turnover)</li> </ul>
Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	<ul style="list-style-type: none"> <li>ESG Databook: Human rights policy</li> <li>ESG Databook: Business and human rights</li> <li>ESG Databook: CSR procurement guidelines</li> <li>ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> </ul>
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"> <li>ESG Databook: Human rights policy</li> <li>ESG Databook: Business and human rights</li> <li>ESG Databook: CSR procurement guidelines</li> <li>ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> </ul>
Security practices	410-1	Security personnel trained in human rights policies or procedures	<ul style="list-style-type: none"> <li>ESG Databook: Human rights policy</li> <li>ESG Databook: Business and human rights</li> </ul>
Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	(None for FY2021)
Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> <li>ESG Databook: Business and human rights</li> <li>ESG Databook: Risk management</li> <li>ESG Databook: CSR procurement guidelines</li> <li>ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> </ul>
	412-2	Employee training on human rights policies or procedures	<ul style="list-style-type: none"> <li>ESG Databook: Business and human rights</li> <li>ESG Databook: Compliance</li> </ul>



Aspects	Indicators	Description	Reference
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<ul style="list-style-type: none"> <li>› ESG Databook: Human rights policy</li> <li>› ESG Databook: Business and human rights</li> <li>› ESG Databook: CSR procurement guidelines</li> <li>› ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> </ul>
Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> <li>› ESG Databook: Business and human rights</li> <li>› ESG Databook: Developing people needed by the community</li> <li>› ESG Databook: Komatsu's initiatives for social issues</li> <li>› ESG Databook: Disaster relief</li> </ul>
	413-2	Operations with significant actual and potential negative impacts on local communities	<ul style="list-style-type: none"> <li>› ESG Databook: Developing people needed by the community</li> </ul>
Supplier social assessment	414-1	New suppliers that were screened using social criteria	<ul style="list-style-type: none"> <li>› ESG Databook: Human rights policy</li> <li>› ESG Databook: Business and human rights</li> <li>› ESG Databook: CSR procurement guidelines</li> <li>› ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> </ul>
	414-2	Negative social impacts in the supply chain and actions taken	<ul style="list-style-type: none"> <li>› ESG Databook: Human rights policy</li> <li>› ESG Databook: Business and human rights</li> <li>› ESG Databook: CSR procurement guidelines</li> <li>› ESG Databook: Komatsu group's supply chain management and promotion of CSR procurement</li> </ul>
Public policy	415-1	Political contributions	› Political contributions
Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	› ESG Databook: Improving product safety and solutions
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	(None for FY2021)
Marketing and labeling	417-1	Requirements for product and service information and labeling	-
	417-2	Incidents of non-compliance concerning product and service information and labeling	(None for FY2021)
	417-3	Incidents of non-compliance concerning marketing communications	(None for FY2021)



Aspects	Indicators	Description	Reference
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	(None for FY2021)
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	(None for FY2021)

## 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 <sub>2</sub> 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 <sub>2</sub> emissions from product operation	RT-IG-410a.2
	(3) Sales-weighted fuel efficiency for stationary generators	N/A	RT-IG-410a.3
	NO <sub>x</sub> , PM Sales-weighted emissions of: (1) nitrogen oxides (NO <sub>x</sub> ) 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 <sub>x</sub> 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	<a href="#">Environmental impact resulting from business activities</a>	RT-IG-000.A
	Number of employees	<a href="#">Company info</a>	RT-IG-000.B