

# CSR DIGEST 2014



# Komatsu's CSR Activities Contribute to Society through Core Business

## Overcoming Challenges with Innovation

In the 2011 report, We stated that Komatsu is, "Committed to Contribute to Society through Core Businesses." Today, when I look around at the many trends in society, I notice that many companies, not just Komatsu, are asking themselves, "How can we provide value to society?" and acting accordingly.

In Japan, societal issues such as a dwindling birth rate and an aging population, challenges of women in the workplace, and the need to stimulate rural economies are being discussed daily. Meanwhile, when we turn our eyes to global issues, we have problems like climate change, the world food supply problem, and natural disaster recovery challenges, as well as many other issues that are specific to different regions, and in such times, it is expected of corporations to face these issues as well. Our goal is to consider these issues and ask ourselves, "What are the things only Komatsu can do?" and to actively pursue ways in which we can contribute to society.

In Komatsu's current mid-term management plan, "Together We Innovate GEMBA Worldwide," we explain how our CSR activities and core businesses are closely aligned. The first item on our Basic Strategies is, "Growth Strategy through Innovation," which includes the introduction of new construction methods that use ICT (Information and Communication Technology), and the expansion of AHS (Automatic Haulage System) usage. Our aim is not only to provide products with excellent performance, but also to make sure that these products are used in a way that is the most effective and beneficial to our customers at their job sites. We wish to come up with innovative systems that minimize environmental impact while improving safety. To this end, we want to make the best use of Komatsu's internal resources, and work in cooperation with exceptional external partners, to contribute to solving societal issues through innovation.

## Safety as Top Priority

Within our company, I constantly tell our employees, "The priority list goes, S (Safety), L (Law), Q (Quality), D (Delivery), C (Cost), in that order." My point in this is that safety is top priority; it is the most important thing.

Despite this philosophy, on April 25th 2014, a melting furnace exploded at a plant at Komatsu Castex Ltd. in Toyama. This accident resulted in the injury of 5 people, one of whom passed away. For this I am truly saddened and deeply regretful. As soon as the

accident happened, Komatsu reacted by immediately establishing an emergency headquarters, contacting the family and relatives of the injured employees, and worked in full cooperation with the investigations of the relevant authorities. In addition, we called on external academic experts and specialists to set up an Accident Investigation Committee to put our full effort in to investigating the cause of the accident. We are once again going back to the drawing board to work on our health and safety measures more aggressively than ever, so that a tragic accident like this will never happen again.

The issue of safety is not limited to Komatsu's plants. It is a concern in any place with people around, whether it is a partner company's plant, a customer's operation site, an office, or anywhere we operate in. In every place we work, we will respond to changing conditions and continue our work by taking to heart the idea that, "A company with problems in safety, health, or compliance has no reason to exist."

## Dantotsu Environment Efficiency at Plants

In May 2014, we built a new assembly factory at the Awazu plant, which is a key hub. Since the Great East Japan Earthquake and the consequent nuclear plant disaster, Komatsu has been putting a lot of our efforts into reducing energy consumption, and using this opportunity to have a fundamental reassessment of our production process. The first thing we started with is the construction of this new assembly factory. We took the assembly factories that were in two dilapidated old buildings and consolidated them into one assembly factory, reducing the amount of floor space, and set up newest, state-of-the-art energy-saving machinery. We also started making use of natural energy generation, such as biomass power generation and solar power. Due to these changes, results showed that compared to 2010, we had reduced the use of purchased energy by over 90%. In addition, both environmental performance and area productivity doubled, compared to 2011. In this fiscal year, we are moving ahead in instituting these changes in the Oyama plant, Tochigi plant, and then Osaka plant, to continue to promote our plants becoming more "Dantotsu" (Unique and Unrivaled) as we keep our eyes to the future.

Our overseas plants are also achieving great results. At the Komatsu Shantui Construction Machinery Co., Ltd., the company that had been awarded with the Deming Prize in 2013, they have a proven track record of engaging in company-wide environ-

## External Evaluations

### Commendations from Assessment Bodies



- Selected for inclusion in the Dow Jones Sustainability World Indices (DJSI), SRI share price indexes developed by S&P Dow Jones Indices (U.S.) and RobecoSAM (Switzerland)



- Selected for inclusion in the listing of SRI issues developed by Morningstar (Japan, January 2014)



- Rated as "Prime" among 35 machinery companies in December 2009 social responsibility ratings by Oekom, a Germany-based independent CSR assessment company.



- Selected by CDP as Japan's "Climate change information disclosure leading companies"
- Selected as one of ESG issues (all 15 companies) published as part of "+YOU" activity (Japanese Economy Support Project) by Tokyo Stock Exchange

mental activities. Utilizing the heat exchange function of the air conditioning equipment to use the geothermal heat with stable temperature rather than the outside air, the company has been able to reduce energy use by 55%. In addition, the newly built waste water treatment facility is being used to recirculate waste water to be utilized in toilets and greening, as part of working towards eliminating waste water.

These activities are being expanded to all our plants worldwide, to continue in creating products of exceptional quality and reliability at work sites that are environmentally conscious, productive, and safe.

## Human Resource Development of Employees and Local Communities

As evident from our company history, Komatsu has emphasized the importance of "developing people" for a long time. Our founder, Meitaro Takeuchi, is the person who, grieved that Japan was behind in its development of human resources as compared to Europe and the United States in the early part of the 20th century, was instrumental in establishing the Science and Engineering Department at Waseda University at personal expense. We believe that DNA is still a part of Komatsu today.

In April 2014, we established a new "Department for Promotion of Distributor HR Development" at our headquarters. In the business of construction and mining equipment, the service personnel at our distributors are the ones who support our customers at their job sites. Going forward, we hope that this new organization will be at the center of strengthening the organization and its human resource development of our service personnel.

Going beyond our core business to social contribution efforts, we are using the know-how gained from training our service personnel to support vocational training schools and universities. Details regarding these efforts can be found in our CSR report, so we hope you will take a moment to read all about it.

Our corporate value is the total sum of trust given to us by society and all stakeholders. We aim to share these values and practices with all our employees world-wide through instilling in them the "KOMATSU Way." We are also actively participating in initiatives such as the United Nations Global Compact and the WBCSD, to take responsibility and do our part in the world as a global corporation.



*Tetsuji Ohashi*

Tetsuji Ohashi  
President and CEO  
July 2014

■ Komatsu participates in the UN Global Compact (UNGC). Regarding for relationship between UNGC's Ten Principles and Komatsu's activities, see P.6.



■ Komatsu participates in the World Business Council for Sustainable Development.



## External Evaluations for CSR Activities

2013	January	Ranked 19th (out of 438 companies) in Nihon Keizai Shimbun's 16th Environmental Management Survey
	September	Selected in Dow Jones Sustainability Index (DJSI)'s World, Asia Pacific category
	October	By CDP evaluation, given an A-rating in the Climate Performance Leadership Index, with 95 points for Corporate Information Disclosure
	November	Deming Prize awarded to Komatsu Shantui Construction Machinery Co., Ltd. Awarded the 18th IR Excellence Company Award by the IR Japan Council Ranked 17th overall, 2nd in Social Aspects, (out of 537 companies) according to the "NICES" company rating system by Nihon Keizai Shimbun, Inc. Selected by CDP as Japan's "Climate change performance leading companies" and "Climate change information disclosure leading companies"
2014	January	Letter of Appreciation for "Contributing to the development of JISHA Occupational Health and Safety Management System Certification" from Industrial Safety and Health Association (JISHA)
	February	Ranked 20th (out of 429 companies) in Manufacturing Sector in Nihon Keizai Shimbun's 17th Environmental Management Survey
	March	The Autonomous Haulage System won "Nikkei Sangyo Newspaper Launch's 40th Anniversary Special Award" at the Nikkei Superior Products and Services Awards
	April	Awazu Plant and Osaka Plant both awarded the "2013 QC Circle Excellent Company/Business Site" Achieved a No.1 ranking (out of 612 companies) in the comprehensive evaluation in the research by IntegreX Ranked 15th overall (out of 1,210 companies) in Toyo Keizai's 8th "CSR Company Ranking"

# C o n t e n t s

Message from Top Management ..... 01  
 Corporate Profile ..... 03

## Our Approach to CSR

CSR Theme and Key Business Activities ... 04  
 Organization to Promote CSR ..... 05  
 Incorporating CSR into Management ..... 06  
 Comparison with Global Principles ..... 06  
 Major Achievements and Mid-term Plans... 07  
 CSR Initiatives in Our Value Chain ..... 09  
 Dialogue with Our Stakeholders ..... 09

## [CSR Theme 1] Enhancing Quality of Life –Providing products required by society–

### Special Story 1

#### The Real Strength of the DANTOTSU Plant

–Action to Environment at the Manufacturing Workplace– ..... 11

#### Contribute to Society through

Core Business ..... 13

Increasing Safety by Innovation ..... 14

Initiatives to Ensure the Health and

Safety of Employees ..... 15

Komatsu's Relationship with

the Environment ..... 16

Environmentally-friendly Products and

Services ..... 17

Environmental Conservation in Logistics /

Remanufacturing Business ..... 18

## [CSR Theme 2] Developing People

### Special Story 2

Developing "People" Needed by  
 the Community ..... 19

Creating the Right Working Conditions for  
 Everyone ..... 21

The KOMATSU Way and Human Resource  
 Development ..... 22

## [CSR Theme 3] Growing with Society

### Special Story 3

Living with the Local Community  
 –Thinking about CSR using Chile as an Example– ..... 23

Community Based Social Contribution around  
 the World ..... 25

Disaster Relief ..... 26

Implementing Risk Management / Compliance ... 27

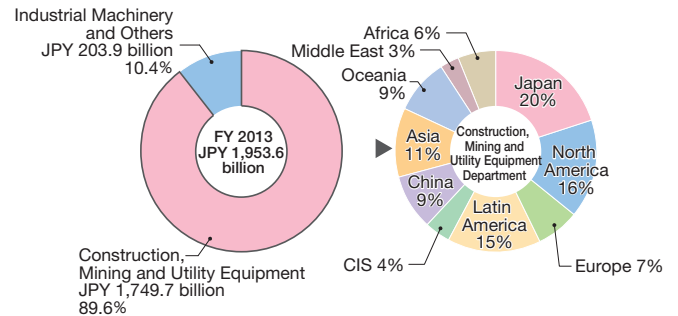
Together with Business Partners ..... 30

# Corporate Profile

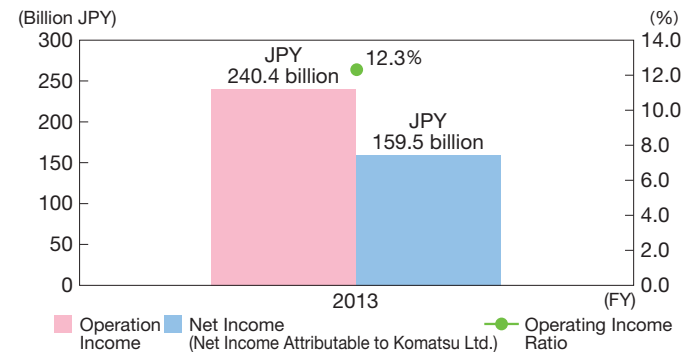
■ **Company Name** Komatsu Ltd.  
 ■ **Main Businesses** Manufacture and sale of construction and mining equipment, utilities, forest machines and industrial machinery

■ **Head Office** 2-3-6, Akasaka, Minato-ku, Tokyo, Japan

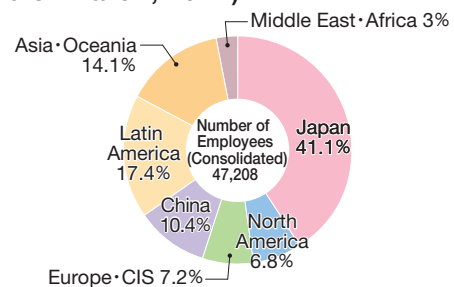
■ **Net Sales (Consolidated)**  
 Sales to Outside Customers (by operating departments)



## Income and Income Ratio



## ■ Number of Employees by Region (Consolidated, End of March, 2014)



## ■ Number of Operations

Number of Komatsu Group Companies (includes Komatsu Ltd.): 180  
 Number of Construction, Mining and Utility Equipment Department  
 Production Operations: 39  
 Number of Construction, Mining and Utility Equipment Department  
 Sales and After-sales Services Operations: 116

## Editorial Policy

- The "CSR Digest" is an abridged report of our CSR activities. Komatsu's website will give you comprehensive information on our CSR activities. We also disclose "Komatsu Report" as an integrated report and "Environmental Report" as a report of our environmental activities.
- These reports principally cover data for the period from April, 2013 to the end of March 2014, with some non-periodic information on continuing efforts.
- Date of most recent previous report is July 10, 2013. We disclose these reports every July and next issue will be published in July, 2015.
- These reports contain Standard Disclosures from the GRI Sustainability Reporting Guidelines. You can see a list of the Standard Disclosures and their location in our report from our website.

# Our Approach to CSR

As business activities that take advantage of Komatsu's strengths and contribute to society, we are working to expand our CSR activities by clarifying and developing the CSR priority areas.

## CSR Theme and Key Business Activities

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

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

### 1. Identifying a set of CSR Priorities Relevant to our Core Business

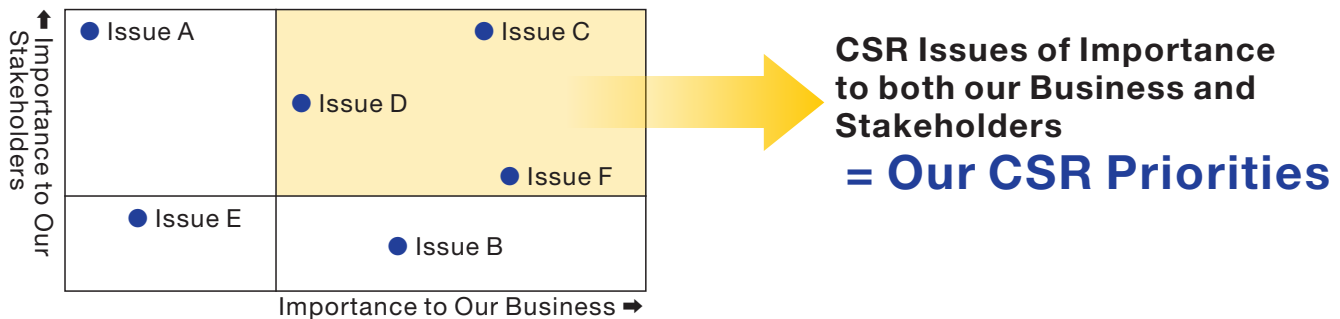
From a list of many CSR issues, we selected those relevant to Komatsu as a construction/mining and industrial equipment manufacturer.

We then evaluated CSR issues on their importance to our business. To understand the relevance of CSR issues to our business, we interviewed senior executives across our company, including leaders of regions outside Japan. These interviews helped us to understand the degree to which CSR issues interact with our business priorities and operations.

We then evaluated CSR issues on their importance to our stakeholders. To understand the relevance of CSR issues to our stakeholders, we reviewed external reports, viewpoints, and public statements published by governments and policy makers, issue experts and advocates, media, suppliers, and customers. We also took into consideration BSR's view of stakeholder importance.

### ◆ Evaluating CSR Issues

We evaluated CSR issues based on the degree of importance to our business shown on the horizontal axis, and the degree of importance to our stakeholders shown on the vertical axis. The CSR issues important to both businesses and stakeholders came to the top right quadrant.



We narrowed our focus to sixteen material issues across six categories. By focusing on the material issues that are most important to our business and our stakeholders, we believe we are in a strong position to leverage our core strengths as an equipment manufacturer and create lasting social impact going forward.

### ◆ Our CSR Priorities

Products, Services, and Customers
Products that enhance safety
Responsible marketing and customer care
Employees
Human resource development
Safety and health
Respecting employees
Ethics and Governance
Cooperation with stakeholders
Corporate governance and compliance
Compliance with social norms of business partners

Environment
Environmentally-friendly products
Environmental efficiency (facilities, such as plants, and job sites)
Remanufacturing
Human Rights
Respecting human rights
Equal employment
Local Community
Development of local communities
Disaster relief
Improving local residents' quality of life



## 2. Defining a set of Global CSR Themes

By developing a set of themes around our most important material issues, we implement CSR and meet the needs of our business and our stakeholders. By going through a process of engaging officers in discussions on “What we should do to pursue CSR Priorities” as well as taking in consideration BSR’s view as a third party, we established three core CSR themes to guide our strategy and implementation:

### Komatsu’s CSR Themes

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

To support these core themes, we developed key business activities for each theme that outline specifically how we are pursuing CSR at Komatsu. They are almost universal business activities, and can be altered with the change of business conditions.

### ◆ Our CSR Themes and Key Business Activities

#### ■ Enhancing Quality of Life

—Providing products required by society—

- Providing products and services that contribute to infrastructure development and improve quality of life
- Improving productivity, safety, and efficiency and enhancing energy conservation through the use of Information and Communication Technology (ICT)
- Improving environmental efficiency at operation sites and facilities, such as plants
- Reducing our impact on the environment throughout the product life cycle
- Enhancing safety for society, customers, employees, and business partners

#### ■ Developing People

- Contributing to human resource development in local communities
- Enhancing our employees and suppliers through The KOMATSU Way
- Enhancing our employees and distributors through “Brand Management”

#### ■ Growing with Society

- Engaging in dialogue with our stakeholders
- Providing social contributions through the use of our core technologies and resources (e.g., disaster relief or activities to remove anti-personnel land mines)
- Contributing to local communities where we do business
- Strengthening our corporate governance and compliance
- Promoting compliance with environmental, labor, and social norms within our group and among business partners

## Organization to Promote CSR

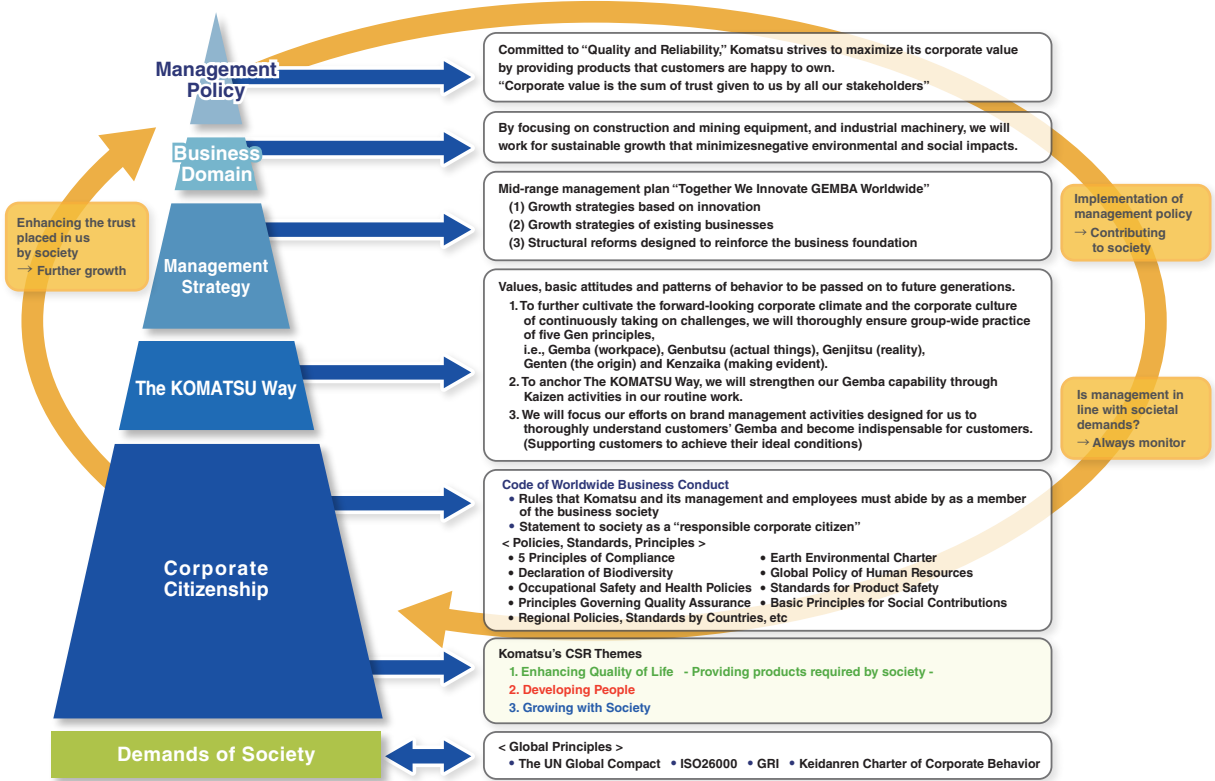
We have structured our organization to ensure that CSR is integral to how we conduct our daily business throughout our entire operations. Our CSR organization reports to the president and CEO of Komatsu. In addition, our CSR Department, with the support of the CSR Committee that includes senior leaders from across the company, plans and guides our day-to-day CSR activities.



## Incorporating CSR Into Management

Through dialogue with stakeholders both inside and outside the company, we will focus on our CSR themes and further develop these themes and key activities. In this way we hope to enhance the trust placed in us by society as we pursue sustainable growth.

Komatsu participates in activities that contribute to society. In addition to working for society through core business, Komatsu uses original methods that utilize Komatsu technology to work on societal issues such as revitalizing local communities.



## Comparison with Global Principles

Items Komatsu has identified as being our own CSR priority issues are in line with the international standards such as ISO26000 core subjects/issues and United Nations Global Compact.

In order to take concrete action, we have incorporated these standards into our internal guidelines, "Komatsu's Code of Worldwide Business Conduct, "and" CSR Procurement Guideline," which we submit to our business partners as our requests.

ISO26000 core subjects / issues	UNGC 10 Principles	Komatsu's CSR Priorities (See P.4)	Komatsu's Internal Guidelines (Items with ■ are stated in "Komatsu's Worldwide Code of Business Conduct", and ● are in "CSR Procurement Guideline")
Organizational Governance		<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Compliance</li> <li>Compliance with social norms including business partners</li> </ul>	<ul style="list-style-type: none"> <li>■ "Quality and Reliability" of organizational structure, business operations, employees and the management</li> <li>■ Emphasis on corporate governance</li> <li>■ Compliance with the Rules of the Business Community</li> </ul>
Human Rights	[Human Rights] Principle 1 Principle 2	<ul style="list-style-type: none"> <li>Respecting human rights</li> <li>Compliance with social norms including business partners</li> <li>Development of local communities</li> <li>Disaster relief</li> <li>Improving local residents' quality of life</li> </ul>	<ul style="list-style-type: none"> <li>■ Respect each employee's fundamental human rights</li> <li>■ Promote work life balance</li> <li>● Respect human rights</li> </ul>
Labour Practices	[Labour] Principle 3 Principle 4 Principle 5 Principle 6	<ul style="list-style-type: none"> <li>Equal employment</li> <li>Safety and health</li> <li>Human resource development</li> <li>Compliance with social norms including business partners</li> </ul>	<ul style="list-style-type: none"> <li>■ Engagement and discussions with employees or their representatives</li> <li>■ Shall not tolerate child labor or forced labor</li> <li>■ Promote equal opportunities for employment and eliminate discrimination/harassment in the workplace</li> <li>■ Realize a safe and comfortable work environment</li> <li>● Never get involved in any child or forced labor</li> <li>● Create a work environment where there is no discrimination or harassment</li> <li>● Build up an occupational safety and health operational structure</li> <li>● Establish a fair and just personnel system</li> </ul>
The Environment	[Environment] Principle 7 Principle 8 Principle 9	<ul style="list-style-type: none"> <li>Environmental-friendly products</li> <li>Environmental efficiency (facilities, such as plants, and operation sites)</li> <li>Remanufacturing</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide products, services and systems that are environment-friendly, safe and innovative</li> <li>■ Environment Protection</li> <li>● Reduce environmental impact, manage chemical substances and build up environmental management systems</li> <li>- Komatsu Earth Environmental Charter</li> <li>- Declaration of Biodiversity by Komatsu</li> </ul>
Fair Operating Practices	[Anti-Corruption] Principle 10	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Compliance</li> <li>Compliance with social norms including business partners</li> </ul>	<ul style="list-style-type: none"> <li>■ Fair Competition</li> <li>■ Refrain from following the custom whenever we believe there is conflict</li> <li>■ Appropriate Sociality</li> <li>■ Fair and proper relationship with governmental agencies</li> <li>● Engage in free and fair competition and business transactions</li> <li>● Never accept inappropriate cash, gifts or other favors</li> </ul>
Consumer Issues		<ul style="list-style-type: none"> <li>Products that enhance safety</li> <li>Responsible marketing and customer care</li> <li>Environmental-friendly products</li> <li>Remanufacturing</li> </ul>	<ul style="list-style-type: none"> <li>■ To always think about the needs of customers and to strive to provide products, services and systems that are safe, environment-conscious and innovative</li> <li>■ Environment Protection</li> <li>● Reduce environmental impact, manage chemical substances and build up environmental management system</li> </ul>
Community Involvement and Development		<ul style="list-style-type: none"> <li>Development of local communities</li> <li>Disaster relief</li> <li>Improving local residents' quality of life</li> <li>Human resources development</li> </ul>	<ul style="list-style-type: none"> <li>■ To realize and fulfill CSR as a corporate citizen</li> <li>■ Groupwide social contribution (5 Principles for social contribution)</li> </ul>

# Major Achievements and Mid-term Plans

See below about Komatsu's CSR themes, concrete initiatives of key business activities, and mid-range issues and targets of each theme.

	CSR Themes and Key Business Activities	Examples of Concrete Initiatives
1. Enhancing Quality of Life -Providing products required by society-	<ul style="list-style-type: none"> <li>● Providing products and services that contribute to infrastructure development and improve quality of life</li> <li>● Improving productivity, safety, and efficiency and enhancing energy conservation through the use of ICT</li> <li>● Improving environmental efficiency at operation sites and plants</li> </ul>	<ul style="list-style-type: none"> <li>■ Working for Society through Core Business (P.13)</li> <li>■ Increasing Product Safety with Innovation (P.14)               <ul style="list-style-type: none"> <li>· Entire perimeter monitoring of dump truck "Kom Vision"</li> <li>· ICT-Intensive Construction using the ICT Bulldozer</li> <li>· Autonomous Haulage System (AHS)<sup>①</sup></li> </ul> </li> <li>■ Introducing Environmentally-friendly Products and Services               <ul style="list-style-type: none"> <li>· Hybrid Hydraulic Excavator "HB205-2"</li> <li>· Battery-Powered Forklifts "FE25-1"<sup>②</sup></li> <li>· Desktop Grinding Machine</li> </ul> </li> <li>■ Reducing the CO<sub>2</sub> Emissions and Effective Utilization of Resources in Business Units (P.11)<sup>③</sup></li> <li>■ Taking Measures to Maintain Biodiversity at Business Units and Facilities</li> </ul>
	<ul style="list-style-type: none"> <li>● Reducing environmental impact throughout the product life cycle</li> </ul>	<ul style="list-style-type: none"> <li>■ Reducing CO<sub>2</sub> Emissions in Logistics (P.18)</li> <li>■ Promoting the "Reman" Business</li> <li>■ Raising the Recyclability of Construction Equipment</li> </ul>
	<ul style="list-style-type: none"> <li>● Enhancing safety for customers, society, employees, and business partners</li> </ul>	<ul style="list-style-type: none"> <li>■ Increasing the Safety of Products and Workplace               <ul style="list-style-type: none"> <li>· Occupational health and safety (P.15)<sup>④</sup></li> </ul> </li> </ul>
2. Developing People	<ul style="list-style-type: none"> <li>● Contributing to human resource development in local communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Contribution to Society through Human Resource Development (P.19)               <ul style="list-style-type: none"> <li>· Offering the equipment service education in collaboration with the Myanmar government<sup>⑤</sup></li> <li>· Offering educational materials and education support for German elementary schools</li> <li>· Offering basic education for young people in South Africa<sup>⑥</sup></li> <li>· Developing vocational abilities useful to Indonesian industries</li> <li>· Science education for children in Komatsu-no-Mori<sup>⑦</sup></li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Enhancing our employees and suppliers through the KOMATSU Way</li> </ul>	<ul style="list-style-type: none"> <li>■ The KOMATSU Way and Human Resource Development (P.22)               <ul style="list-style-type: none"> <li>· Received the Demming Prize at Komatsu Shantui<sup>⑧</sup></li> <li>· Employee training/human development in distributors</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Enhancing our employees and distributors through "Brand Management"</li> </ul>	<ul style="list-style-type: none"> <li>■ Brand Management Initiatives</li> </ul>
3. Growing with Society	<ul style="list-style-type: none"> <li>● Engaging in dialogues with our stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>■ Communication/Dialogue with Our Stakeholders               <ul style="list-style-type: none"> <li>· Dialogue with our stakeholders (P.9)</li> <li>· Holding the technology convention with the academic-industrial alliance partners (P.9)<sup>⑨</sup></li> <li>· Communication with business partners (P.27)</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Providing social contributions through the use of our core technologies and resources</li> </ul>	<ul style="list-style-type: none"> <li>■ Disaster Relief               <ul style="list-style-type: none"> <li>· Clearing of anti-personnel landmines and provincial reconstruction project<sup>⑩</sup></li> <li>· Support in regard to the typhoon disaster that hit the Philippines<sup>⑪</sup></li> <li>· Ongoing support in regard to the Great East Japan Earthquake</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Contributing to local communities where we do business</li> </ul>	<ul style="list-style-type: none"> <li>■ Contributing to Our Local Communities               <ul style="list-style-type: none"> <li>· Contributing to our Local Communities in Chile (P.23)<sup>⑫</sup></li> <li>· Support center for people with disabilities in Great Britain (P.25)</li> <li>· Desert greening activities in China (P.25)</li> <li>· Inviting Russian children to a hockey game (P.25)</li> <li>· Supporting the lives of the minority people in Indonesia (P.25)<sup>⑬</sup></li> <li>· Supporting The Flower Association of Japan</li> </ul> </li> <li>■ Revitalizing Local Communities               <ul style="list-style-type: none"> <li>· Supporting agriculture and forestry</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Strengthening corporate governance and compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ Governance and Legal Compliance               <ul style="list-style-type: none"> <li>· Corporate Governance</li> <li>· Efforts of Compliance (P.29)<sup>⑭</sup></li> </ul> </li> <li>■ Risk Management (P.25)               <ul style="list-style-type: none"> <li>· Business Continuity Plan (BCP) Training and Information Security Education in the head office, production base and subsidiaries</li> <li>· Conducting CR Audits</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● Promoting compliance with environmental, labor, and social norms within our group and among business partners</li> </ul>	<ul style="list-style-type: none"> <li>■ CSR Procurement               <ul style="list-style-type: none"> <li>· Together with Business Partners (P.27)</li> <li>· Reducing CO<sub>2</sub> emissions in business partners (P.16)</li> </ul> </li> </ul>



## Mid-range Issues and Targets of These CSR Themes



1



2

### ■ Growth Strategies Based on Innovation (From Mid-range Management Plan)

- Expansion of construction methods by using ICT Equipment
- Reinforcement of product competitiveness of mining equipment and commercialization of AHS
- JV start-up with GE to develop next-generation mining equipment

### ■ Environmental Action Plan (For detailed data, please refer to "Environmental Report" on the Web.)

- Environmental Management (Strengthen environmental management system, education and training, audits for overseas subsidiaries, reporting)
- Research and Development (Compliant to emission standards, improve fuel efficiency of products, biodiesel fuel, improving recyclability rate, promote reuse and recycling)
- Manufacturing (Energy conservation, effective utilization of resources, risk management, improve greenery rate.)

### ■ Environmental Action Plan (For detailed data, please refer to "Environmental Report" on the Web.)

- Procurement and Logistics (Support to business partners for acquiring certification, shift to means of shipping with low environmental impact, promotion of returnable packing containers, reduction in shipping distance and improvements in shipping efficiency.)
- Sales and After-sales Services (Encourage distributors and rental companies to reduce their environmental impact.)

### ■ Increasing Safety in Workplace

- Eliminating accidents accompanied by lost worktime/fatal occupational injuries in the entire the Komatsu Group including the overseas subsidiaries.



3



4

### ■ Contribution to Society through Human Resource Development

- Reinforcement of the cooperation with business partners
- Ongoing offering of education opportunity leading to employment in the fields related to construction equipment and manufacturing



5



6

### ■ Ongoing Practice of the KOMATSU Way

- Developing experts who disseminate the KOMATSU Way (Overseas)
- Deploying TQM in the overseas subsidiaries

### ■ Ongoing Practice of Brand Management

- Ongoing activities (to broaden the base) inside/outside Japan

### ■ Reinforcement of Human Resource Development System mainly with the Distributor Human Resource Development Promotion Division

- Promoting training according to the distributor needs/functional level
- Preparing the training system for the distributors
- Developing the in-house instructors



7



8

### ■ Ongoing Communication/Dialogue with Our Stakeholders

#### ■ Disaster Relief

- Rapid support through core business\* according to the situation in the disaster area (\*: equipment, house, accompanying software, human resource development, etc.)
- Ongoing of clearing of anti-personnel landmines/reconstruction support project in Cambodia and Angola
- Ongoing support in regard to the Great East Japan Earthquake through core business (Maintenance/Enhancement of service system, Suggestion of ICT Construction)



9



10

#### ■ Contributing to Our Local Communities

- Ongoing efforts to provincial needs (Subsidiary)
- Promotion of information sharing in the Group about global activities



11



12

#### ■ Compliance

- Using tools such as e-Learning to ensure that every person in the organization is very familiar with both Komatsu's Worldwide Code of Business Conduct and the Five Principles of Compliance.

#### ■ Risk Management

- Enhancing BCP/information security system throughout the Group
- Improving the CR Audit Technique/Increasing the operation Level

#### ■ CSR Procurement

- Ongoing CSR Awareness Campaign to our business partners
- Activating Overseas Komatsu Midori-kai Organization



13

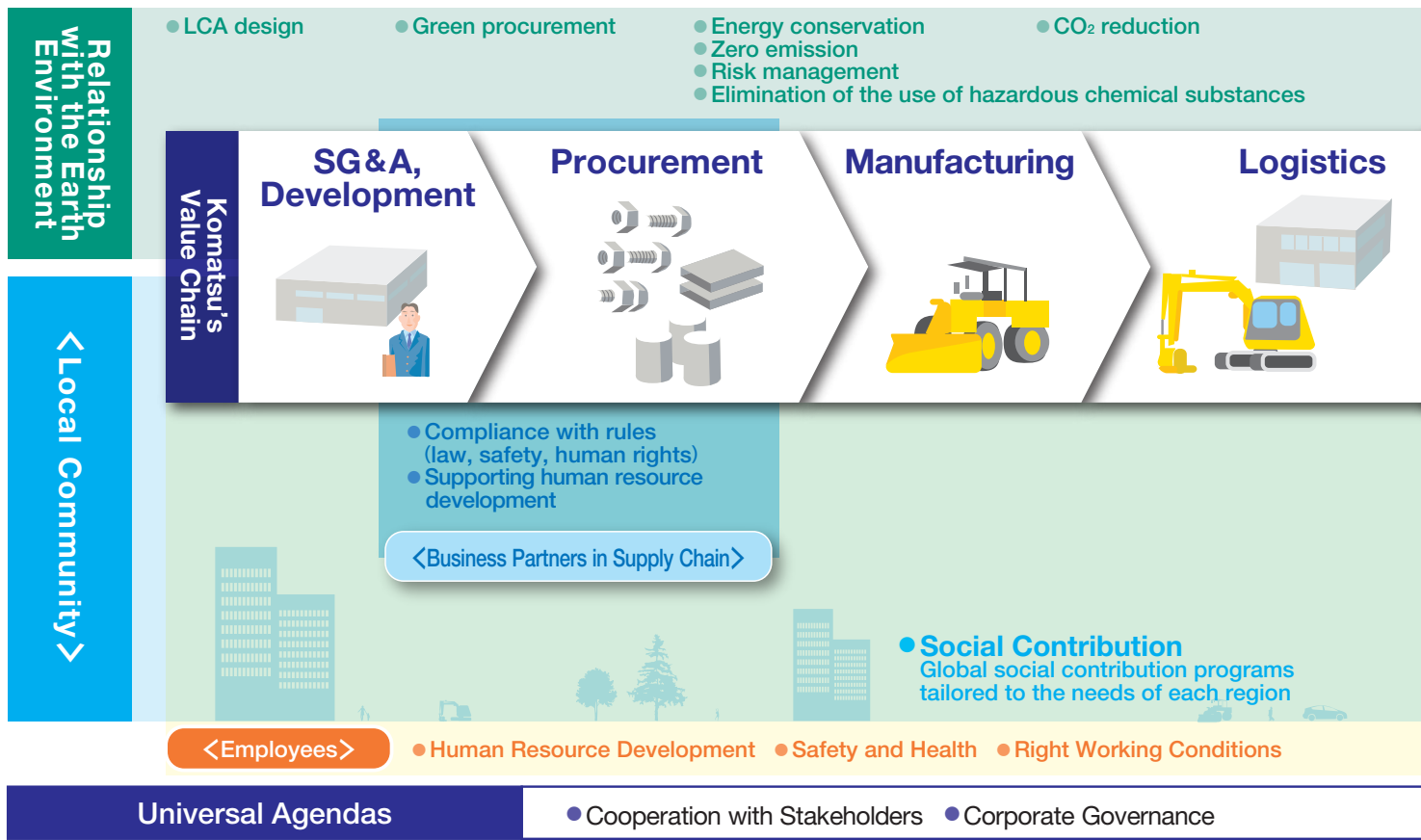


14

# CSR Initiatives in Our Value Chain

Komatsu endeavors to fulfill its social responsibility in business, and in all other pursuits, to create value for our customers and for society. This chart shows what activities we are doing within the value chain for each stakeholder.

## Our Activities for Our Stakeholders within the Value Chain



# Dialogue with Our Stakeholders

## Creating Dialogue Opportunities

Dialoguing with our stakeholders is essential in determining whether Komatsu's management and business are meeting societal requirements. Every department that has direct contact with our stakeholders is using every opportunity to explain our company's current circumstances, listen to people's opinions, and to have dialogue.

Stakeholder	Venue for Dialogue	Content	Frequency
Customers	Brand Management Activities	At any opportunity, any activity of problem-solving for customers	Daily
Business Partners	Various meetings for Midori-kai *	President explains business performance, policies, and strategies	3 times a year
Sales Distributors	Distributor meetings in each region (US, Europe, China and South East Asia)	President explains business performance, policies, and strategies	Annually
Employees	Meeting with the President	President explains business performance, and policies going forward	Semi-annually
Local Community	Meeting with representatives of local community near the plant	Plant manager explains initiatives related to environment and safety	As needed
Industry-Academia Collaboration Partners	Komatsu Industry-Academia Science and Technology Collaboration Council	Exchange of ideas and opinions between representatives such as university professors and Chief Technology Officer (CTO)	Biannually
Investors	IR Meeting in Japan, US and Europe	CEO and Chief Financial Officer (CFO) explains business performance, policies, and strategies	Japan: Daily US and Europe: Annually
Individual Shareholders	Shareholders Meeting	CEO and Chief Financial Officer (CFO) explains business performance, policies, and strategies	2-3 times a year, held at major cities in Japan

## Technology Collaboration Council with Industry-Academia Collaboration Partners

As an example of one of our dialogue venues, we would like to introduce the technology collaboration council that is held with universities that are our industry-academia partners.



On November 22nd, at the in-company training center in Ishikawa, we held the "Komatsu Industry-Academia Science and Technology Collaboration Council." This was not limited to the relationship between each university and Komatsu, but rather an open forum with professors from each university (Yokohama National University, Osaka University, Kanazawa University, The University of Tokyo [In order of date of contract]) and representatives from the Komatsu Group, to hold a wider discussion regarding the industry-academia collaboration with Komatsu. 9 professors from the universities and 38 representatives from Komatsu participated in this forum.

We had presentations and panel discussions based on the central idea of, "Research, Development, and Monozukuri (Manufacturing) for Komatsu to Continue as a Global Leader 10 & 20 Years from Now."

Two years had passed since the previous forum, and the mutual understanding between Komatsu and the university have deepened since, and we were able to exchange ideas on specific topics. We would like to make

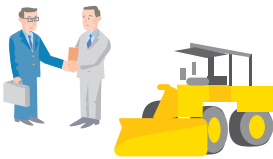
\* For more information on communication with our business partners, please refer to P.30 "Together with Business Partners"

(< > represents Komatsu's stakeholders, ● represents Komatsu's activities.)

- Provision of environmentally-friendly products
- Proposal of fuel-efficient operation
- Provision of remanufactured components

- Proper disposal
- Recycling

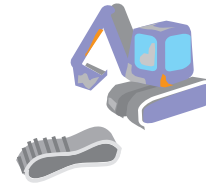
## Sales and Services



## Use of Products



## Disposal



- Compliance with rules (law, safety, human rights)
- Human resource development

<Sales and Service Distributors>

- **Human Resource Development of Local Society**  
Human resource development to meet regional needs through the use of core technologies and resources

- **Activities for Diversity**

- Provision of safe and innovative products
- Responsible marketing and care
- Customer solutions

<Customers>

- **Improving Quality of Life**  
Providing products and services that contribute to infrastructure development and improve quality of life
- **Disaster Relief**  
Relief activity for natural disaster and demining / creating safe village project

- Compliance
- Respecting Human Rights
- Equal Employment (Activities for Diversity)

the most of the discussions from this time around, and continue to develop and strengthen our relationship into a

Win-Win exchange for all parties.

## VOICE

### Komatsu's DANTOTSU (Unique and Unrivaled) and Human Resource Development



**Dr. Koetsu Yamazaki**  
President, Kanazawa University

We signed the industry-academia collaboration agreement with Komatsu in November of 2005, and since then have actively promoted joint researches, training activities, and related human resource exchanges. For Kanazawa University, Komatsu was the first corporation with whom we had a comprehensive industry-academia collaboration agreement, and as the first, we had some initial difficulty in getting the collaborative activities up and running. However, looking back, it was a good experience, as both the university and Komatsu got to see and understand each other's "Gemba (workplace)."

So far, we have conducted joint research in production technology and construction/forging press machinery design projects, and we are proud of the part we played in getting results

for practical application and commercialization. In particular, as a joint research project, we believe we have broken new ground for further development in the recent research at the Awazu Plant to use groundwater for air conditioning, which not only contributes to reducing energy usage at the plant but also improves the quality of air conditioning.

Going forward, Kanazawa University not only wants to contribute to joint research projects that result in DANTOTSU (Unique and Unrivaled) development for Komatsu, but to also contribute to industrial development and technological innovation that relate to solving global problems, including environmental issues. In the same way, in order to drive future research and development, I think it important that Komatsu make global use of external seeds such as the university, and build up a research and development system that brings together internal and external seeds.

Even as we move forward in research and development, continually fostering the growth of exceptional human resources is the most important and pressing issue for both universities and businesses. That is why, starting with joint research, training, and human resource exchange, we would like to continue to solidify our cooperative activities with Komatsu and continue to promote our industry-academia collaboration. Furthermore, we hope to take this experience and apply it to collaborations with other institutions, and continue to work toward further development of human resources and social contribution.



# Enhancing Quality of Life

- Providing Products Required by Society -

## Key Activities .....

- Providing products and services that contribute to infrastructure development and improve quality of life
- Improving productivity, safety, and efficiency and enhancing energy conservation through the use of information and communication technology (ICT)
- Improving environmental efficiency at operation sites and plants
- Reducing environmental impact throughout the product life cycle
- Enhancing safety among society, customers, employees, and business partners



## Special Story 1 The Real Strength of the DANTOTSU Plant -Action to Environment at the Manufacturing Workplace-



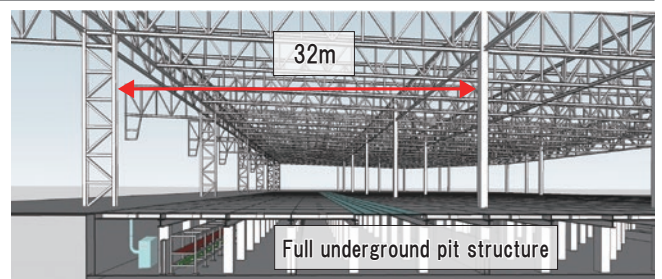
### A New Assembly Factory Begins Operation at the Awazu Plant -Leading the project to cut down electric power consumption to half at all plants in Japan-

#### Productivity: Doubling productivity by area by taking full advantage of improvement efforts over the years.

There were previously two factories at the Awazu Plant, but they were built over 40 years ago and equipped with many, outdated facilities. Their structure also posed some problems in productivity. As the productivity of assembling is fundamentally determined by parts logistics (preparation of parts), the pillar and floor structure can also become obstacle.

The new assembly factory (shop floor area: 28,000m<sup>2</sup>) features a great degree of freedom (flexibility) capable of accommodating production lines 50 years ahead. The wide open space of the shop offers an outstanding degree of freedom when rearranging the floor layout in the future. It is secured by its innovative pit structure of the entire shop floor and application of an aircraft hangar structure which has provided a great distance between pillars. Power sources, pipes and auxiliary facilities along the assembly lines are all stored in the pit, which also promotes easy maintenance work and safety of the workers.

For the new assembly line for wheel-type construction equipment which began operation in May this year, our assembly experts thoroughly incorporated their improvement measures in the design stage, reducing the line length from 150m to 120m and doubling productivity per floor area. For the new line for crawler-type models, scheduled to start operations in July this year, the length has also been shortened, from 180m to 130m, enhancing per-space productivity.



We adopted the roof design similar to an aircraft hangar, achieving the maximum distance of 32m between pillars, about 4 times longer than the previous assembly factory. In this way, we have successfully eliminated the obstacle of the pillars in designing assembly lines.



An innovative pit for the entire shop floor of a plant which handles heavy equipment. Flat floor surface along the lines enables relatively easy rearrangement of the lines by removing floorboards and moving the facilities in the pit.

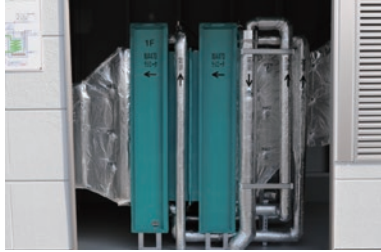


## Energy Savings: Taking on the challenge of reducing over 90%

In addition to the new assembly factory, we are working on energy-savings and -generation at the Awazu Plant by taking full advantage of local nature and our strengths.

### ■ Air Conditioning System with Groundwater

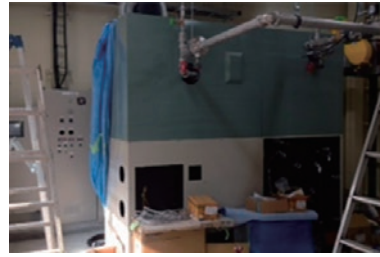
We have originally developed an air conditioning system which uses the rich groundwater of the Hakusan mountain range and steadily introduced it to buildings at the Awazu Plant since February 2012, including the new assembly factory. We expect that we should be able to cut down power consumption used for air conditioning of all buildings of the entire plant to half by using this system. In collaboration with Kanazawa University, we have also analyzed and ensured the amenity, energy savings and hygienic safety.



By utilizing a high-efficiency radiator used in our construction equipment as the heat exchanger, we use groundwater at a constant temperature of 17 Celsius for cooling. In winter, we use heated water discharged from facilities and equipment in the plant.

### ■ Biomass Power Generation

As part of our assistance to the local forestry industry, we are going to start full-scale biomass power generation by the end of 2014 by using wood from trees thinned from the forest, which are usually discarded. This should result in a significant reduction in purchasing electricity. To ensure a stable supply of this thinned wood, we have entered a contract with the Kaga Forestry Association.



Biomass boiler currently in use. We have also developed an original cutting-type chipper for thinned wood. We are also planning to thoroughly collect waste heat from a biomass power generation system to be introduced soon.

### ■ Power Generation by Using KELK-made Thermoelectric Modules

To exhaustively use waste heat from heat treatment and other processes, we have been testing thermoelectric modules made by KELK Ltd., our subsidiary, for power generation for the last few years. We are planning to use KELK's new thermoelectric units at seven furnaces, partly as their durability test before the end of the current fiscal year.



Thermoelectric generation system at the Awazu Plant, which takes advantage of temperature differences which occur inside of selective machinery. The heat treatment process is a very harsh environment for thermoelectric units because of drastic changes of temperature.

To store and reuse power generated at night by the thermoelectric units and biomass power generation system, we are also developing a large-scale power storage system with sealed batteries for Komatsu forklift trucks.



Large-scale power storage system with maintenance-free batteries for forklift trucks

## TOPICS

### Wastewater Reuse Initiatives in China

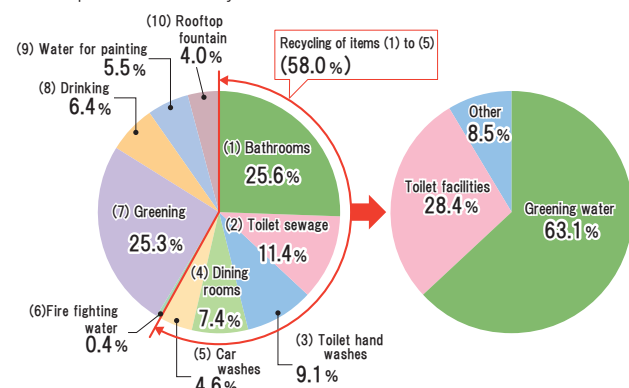
In order to become a model company for environmental protection, Komatsu Shantui Construction Machinery Co., Ltd (KSC), is striving to reduce environmental burdens through environmental improvement efforts to fulfill social responsibilities and contribute to regional development. KSC introduced Membrane Bioreactors (MBR), a purification technology, which is being implemented domestically in China, combines microorganisms with a filtration membrane. As a result, the quality of waste water was far below the local government emission standards and also river standards (South to North Water Division Project Wastewater Standards).

The wastewater purification system purified 58% of the water used at plants and the water quality was improved to the allowable level of reuse for farm fields. At the time, water was discarded after treatment and not being reused. As a company striving for the conservation of water resources and the CEO policy of "becoming the world's No.1 medium-sized hydraulic excavator plant", a new wastewater reuse system was installed for the purpose of social accountability and public interest. Water treated to meet national wastewater reuse standards are further filtered and chemically treated with chlorine dioxide for the use of watering greenery and toilet facilities.

Since operating from October 2013, a total of 12,333 tons of water was reused and in April 2014, the recycle rate was

improved to 65.3%.

For the future, the efforts will be made to reduce water consumption and achieve 100% recycle rates through initiatives such as improving the summer rooftop fountain system. Also, KSC will continue to make improvements regarding the environment and make contributions for the sustainable development of society.



# Contribute to Society through Core Business

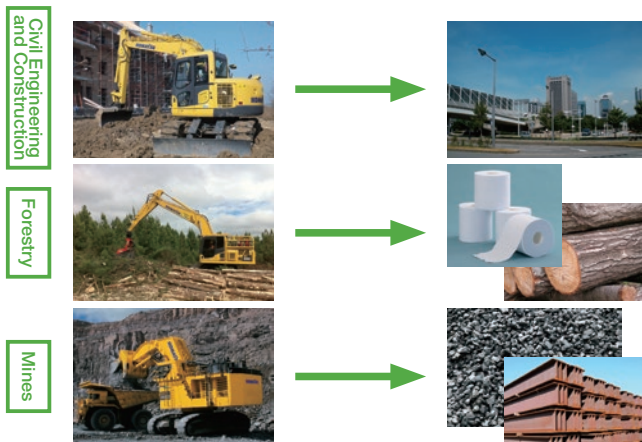


Komatsu is helping to enhance the quality of people's lives by providing products that are used on construction sites and mines, as well as forestry sites. In addition, by providing unique products and services in environmental, safety, and ICT fields, we are solving the problems faced by our customers and by society.

## Contributing to Infrastructure Development and Improving Quality of Life

Komatsu products, such as construction equipment and mining equipment, help build nations and develop comfortable living environments around the world. Construction equipment helps implement the infrastructure for people's livelihoods, through the building of roads and commercial facilities, and the construction of harbors and embankments.

Komatsu products are also prominent in forestry, helping to produce pulp and lumber, and in mines that produce resources, such as metal ore and coal.



## Business Development Focusing on "Environment, Safety and ICT"

Komatsu focuses on "Environment, Safety and ICT" when providing those products and services above, striving to become a necessary presence for our customers by fulfilling their needs. We are committed to our mission of helping people around the world to enhance their quality of life.

### TOPICS

## Improving the Safety and Productivity at Mining Sites

—Joint Venture for Development of Next-Generation Mining Machinery established with GE—

In response to the expanding global resource demand from society and customers' requests to improve the safety and productivity of mining sites, in April 2014, Komatsu, together with General Electric Company (hereinafter referred to as GE) established a new company, "Komatsu GE Mining Systems," to develop next-generation mining machinery.

The new company combines the ICT and vehicle technology for mining machinery of Komatsu and the electric power, electric drive systems, and battery technology of GE to develop next-generation mining machinery and systems.

The first item on the agenda is to further improve the safety and productivity of underground mining. By using the kind of DANTOTSU (Unique and Unrivaled) technology and product de-

velopment that reflect this mission are given below, as examples of how we are meeting the needs of our civil engineering and construction customers.

## ◆ Enhancing Quality of Life through Civil Engineering and Construction Business

### Komatsu's Initiatives

- Provide high-quality construction equipment
- Provide equipment maintenance with out interrupting machine operation
- Provide eco-friendly equipment
- Provide highly functional construction solutions



Provide optimum service through a remote vehicle management system (KOMTRAX)



Hybrid excavator that have 25% higher efficiency than conventional vehicles



ICT-intensive construction

### Solutions to Societal Issues

Reduction of Construction Time

Superior Quality in Completing Construction

Decreasing CO<sub>2</sub> emissions by Improving Fuel Efficiency

Safety

Contributing to Local Community (Developing Safe and Healthy Urban Environments)

### Helping to Enhance Quality of Lives of People Around the World

Komatsu provides products and services that are needed by our customers and by society. The theme "Enhancing Quality of Life," while at the same time taking the environment and safety into account.



GE's Jeffery Immelt, Chairman & CEO (Left) with Komatsu's Tetsuji Ohashi, President & CEO (Right) signing the agreement, January 2014

URL <http://www.komatsu.com/CompanyInfo/csr/2010/pdf/16.pdf>

# Increasing Safety by Innovation



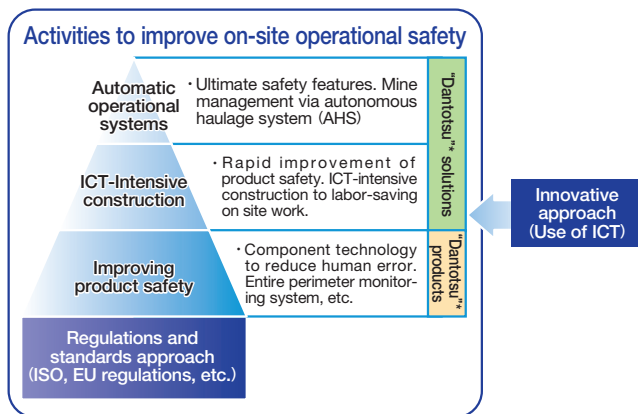
Innovation brings about a variety of valuable ideas such as environmental design and economic efficiencies. Out of these, our highest priority is "Safety."

Starting with providing safe products, and including the ultimate safety of automatic operational systems, we are making full use of innovation in terms of safety to find ways of bringing the best value to our customers.

## On-site Operational Safety

Providing a very safe product is a manufacturer's most basic responsibility. On top of meeting all of the latest international standards and regulations, we deliver products with exceptional safety features that are unsurpassed by other competitors to our customers.

At the same time, our goal is to improve safety through innovation to such a level that we can help our customers realize on-site operations as they should be.



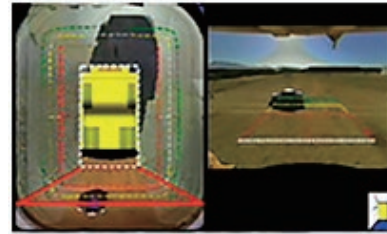
\* "Dantotsu" means unique and unrivaled.

The ICT Bulldozer, which was introduced to North American markets in 2013, has received great reviews and has made the "ICT-Intensive Construction" possible. Since the machine automatically operates according to a pre-determined setting, the operator is then able to focus solely on controlling the vehicle position. Even at sites that are short-staffed on skilled operators, the construction work can safely continue.

The ultimate safety feature to be realized is the "Automatic Operational System." At some major mines in Australia and Chile, the Autonomous Haulage System (AHS) is in full-scale operation. This is the system where giant dump trucks automatically drive themselves, carrying over 300 tons of soil and minerals. Customers must pay most careful attention when they have several construction machinery and vehicles operating 24 hours in the harsh environment of mines. AHS is there to help with this process. The combination of the cutting edge technologies such as satellite communication and various radars and sensors creates a system that responds to the customer's diverse safety needs, and by continuing to work on further evolution of such safety systems, we are contributing to the realization of making our customers' on-site operational safety as it should be.

## Example of Safety Activities

### Improving Product Safety: Entire perimeter monitoring "Kom Vision"



To ensure safety in every direction from the driver's seat of the dump truck, a composite image of the perimeter is shown on the monitor. Contact and collision within blind spots is prevented by having a bird's eye view of the vehicle to check the surrounding area.

### ICT-Intensive Construction: Construction using the ICT Bulldozer



When working on sloped surfaces (like dikes and rice fields that have hardened at an angle), operators do not have to operate the working function of the machine, and instead can concentrate on moving the position of the vehicle. Foreseeing slips that occur due to carrying too much soil, the machine works with the optimal volume of soil for efficient construction, to help minimize the burden on the operator.

### Automatic Operation System: the Autonomous Haulage System (AHS)



Fully automated transportation is realized by operating and managing dump trucks with various ICT functions installed from a centralized control room. The dump truck uses GPS to communicate its position and drives itself according to the course and speed information transmitted from the control room.

Enhancing Quality of Life

Developing People

Growing with Society



# Initiatives to Ensure the Health and Safety of Employees



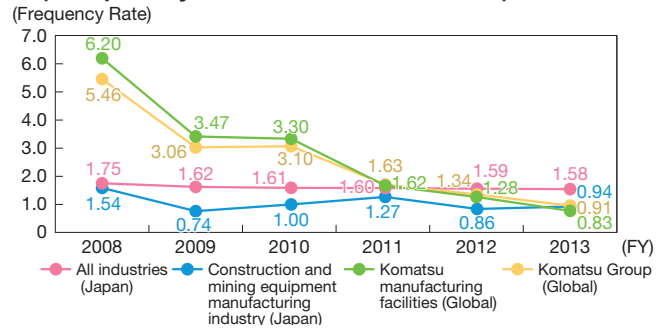
Occupational health and safety is one of the most important topics in Komatsu's business operations. In addition to internal Group-wide safety, we extend our efforts to include our business partners in putting a strong emphasis on safety in the workplace.

## Overall Policy regarding Occupational Health and Safety

Along with communicating the President's message regarding occupational health and safety, in the April 2011 edition of the "Komatsu's Code of Business Conduct" Komatsu pledged that it would establish a "Occupational Safety and Health Policies," and that the company would work in cooperation with its employees to develop these initiatives.

As part of health and safety efforts, we are working on having every employee participate in Zero Accidents small-group activities and conducting well-established safety training sessions, and supporting safety activities globally. Our goal is to promote the health of our employees by having the entire Group have a health and safety management system set up, and promote mental and physical health management.

## ◆ 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 Ministry of Health, Labour and Welfare.
2. The data for work hours at Komatsu manufacturing facilities production plants are based on data from 22 domestic and main overseas companies.
3. The scope of Komatsu Group includes Komatsu production plants, Japan domestic dealers, of which for 2010 includes only construction machinery, then extended to include forklifts in 2011.

## TOPICS

### Japan-USA's Joint Health and Safety Project



#### Mr. Michael Hoffman

Manager, Safety & Loss Control Peoria Manufacturing Operation (PMO), Komatsu America Corp. (KAC)

Project members from PMO and members of Safety & Health Administration Dept. and the Ibaraki Plant. Writer of this article is at the back row, to the left.

#### 『Why Safety?』

When an accident occurred at our plant in August 2012, the member of Safety & Health Administration Dept. from Japan came to our plant, to be reminded of the importance of life and health. It was then that we established the following plant policy, to show our employees why we have to pay attention to safety, and for whose sake we emphasize safety.

PMO Safety Policy  
Why Safety? ... For yourself, your family and for PMO

The initiative did not start from zero. Instead we looked at the current overall activities being undertaken, kept the ones that were working well, incorporated initiatives taken in Japan in place, and classified the initiatives into "initiatives to be continued," "new initiatives," and "initiatives to reinforce." In order to do so we first reviewed the system and organizational structure. We set up a safety expert to support the manager and to make on-site improvements and give directions, and put a safety supporter in the manufacturing line on-site to be the safety leader. The bottom-up form of SAR (Safety Action Requests: safety improvement suggestions) has also continued to improve, and on-site safety has significantly improved by both parties.

#### Communication and Leading by Example

The next most important thing is the "Attitude of the Top." The employees are always watching their managers. If the managers are indifferent toward health and safety measures, no one else will follow these measures. Leading by example, like posting the policy and

measures and conducting health and safety patrols, is crucial.

One of the surprising outcomes from this initiative was that the managers and supervisors (management above the foreman) voluntarily began holding Daily Standing Meetings start from 8:00 AM for about 30 minutes to share information such as problems at the plant and near-miss occurrences, in order to improve communication. These meetings are great for understanding what is happening at the plant. These meetings continue to be held everyday, even now.

#### Safety Circle and Human Resource Development

At the moment, these safety initiatives are based on understanding the US laws and regulations, and working on understanding and incorporating methods used in Japan. However, I can confirm that these initiatives are helping to reduce the risk of industrial accidents. Out of these initiatives, the Safety Circle activities, Safety Action Requests, and communication have become absolutely essential. The Manager, Safety and Loss Control from Japan contributed by opening for the presentation of the Circle's activities, helped heighten motivation, and directed the dissemination of improvements.

The common challenge in each country is the human resource development. We are starting by reinforcing the responsibility of the management, particularly the supervisors and foremen, to work on health and safety management along with risk prediction, and to help their team heighten awareness of health and safety by instructing the responsibility of "returning his/her staff come to work healthy to home healthy."

As a result of keeping up these activities for a year, the number of accidents at the Peoria plant has been reduced to less than half the number of the previous year. We are planning to disseminate the implementation of the main principles of these activities to every plant in KAC, as well as all related manufacturing facilities. In the future, we hope that the health and safety levels throughout KAC will rise through more voluntary safety initiatives and internal audits. I believe that this will lead to better safety and reassurance for our customers.



The Safety Circle activities presentation



# Komatsu's Relationship with the Environment

Komatsu promotes environmentally-friendly activities throughout the entire Group to realize its vision of "What Komatsu Can Do and What It Must Do" for the environment and sustainable development.



## Key Areas and Principles

In recognition of the fact that our business activities affect the environment on a regional and global level, we, at Komatsu, have placed the focus on the following four key areas:

- 1) Climate Change
- 2) Establishment of a Sound Material-Cycle Society
- 3) Conservation of Air, Water and Other Natural Resources as well as Management of Chemical Substances
- 4) Biodiversity

In line with the Komatsu Earth Environment Charter revised in 2010, the Komatsu Group embarks on global initiatives across business areas guided by the fundamental principles of

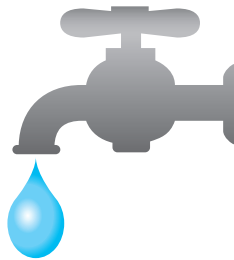
- (1) Contributions to Realization of Sustainable Society,
- (2) Simultaneous Realization of Environmental and Economic Performance, and
- (3) Observance of Corporate Social Responsibility.

## Environmental Impact Indicators (FY2013)

Energy  
**8.4**  
million GJ



Water Resources  
**4.7**  
million m<sup>3</sup>



CO<sub>2</sub>  
**438**  
thousand ton-CO<sub>2</sub>



Waste Recycling  
**92**  
thousand ton



Disposal  
**9**  
thousand ton

[Coverage of Data] Komatsu Group's 32 manufacturing facilities worldwide. For the details of calculating methods, please refer to "Environmental Report" on our Website.

## TOPICS

### Pursuing Environmental Management in Whole Value Chain

Komatsu's superior environmental activities underway have now evolved from Japan to cover overseas plants and subcontractors' plants as well in its bid to build a value chain-wide environmental management system.

#### ■ Strengthening Environmental Management Systems in China

In order to strengthen environmental management in China, from FY2013, environment committees were established in each production plant in China to facilitate the management of waste water, exhaust, noise, etc.

Additionally, a Global Environment Committee similar to Japan was established in China from March 2014, to promote environmental activities (CO<sub>2</sub> reduction, power reduction, improve the recycling rate of waste, green coverage improvement, logistics improvement, etc.) in each of the production plants in China.

#### ■ Promotion of Komatsu Midori-kai's Environmental Management System Certification

In order to strengthen the "environmental management" of business partners in supply chain, Komatsu Midori-kai companies that account for 76% of funds raised are requested to obtain certification for their environmental management system.



The first Global Environment Committee Meeting in the China Region (March 2014)

In FY2013, 163 companies (all companies requested to obtain environmental management system certification) had been certified for "ISO14001", "ECOSTAGE", etc., promoting environmental management activities.

# Environmentally-friendly Products and Services



Offering products and services that aid Komatsu customers in their environmental efforts can lead to abatement of the environmental loads across Komatsu' value chains.

## Medium-Sized Hybrid Hydraulic Excavator "HB205-2"

The HB205-2 greatly reduces the emissions of NOx (nitrogen oxide) and PM (particulate matter), newly equipped with a next generation engine that meets the emission regulations of Japan (Emissions from Non-Road Special Motor Vehicles, 2011 Standards), North America (EPA Tier4 Interim), and the EU (EU Stage 3B). Additionally, loss was reduced for the body's main valve and hydraulic circuit, a large capacity and high efficiency hydraulic pump as well as high efficiency hydraulic oil was adopted, along with other measures to reduce fuel consumption by 5% compared to our previous hybrid models.



**Comparison of fuel consumption**

- Previous hybrid model ⇒ 5% reduction
- Standard model introduced in 2012 ⇒ 20% reduction
- Standard model introduced in 2007 ⇒ 30% reduction

## Battery-powered Forklifts "FE25-1"

The new model forklift, "FE25-1", shares the characteristic of previous battery-powered forklifts of having "1/3 the CO2 emissions and 1/5 fuel costs" (compared to diesel engine models) combined with KOMATSU's original rapid supplementary recharging system to realize extended operation time. Additionally, enhanced water and dust resistance

allows it to handle various site environments including outdoors or dusty environments. By quickly expanding the previously limited operation environment to outdoor usage, it will contribute to the reduction of CO2 emissions from the 2.5-ton class, which accounts for approximately 40% of the market.

Also, the driver's side monitor displays an "eco gauge" to support environmental-friendly and energy-efficient driving.



**Comparison with our diesel engine models**

- CO2 emissions ⇒ 1/3
- Fuel consumption ⇒ 1/5
- Operation time extended & outdoor work available

## Desktop Grinding Machine

Komatsu NTC Ltd., reviewed the structure of grinding machines for tooling small parts and developed an energy-efficient and compact desktop grinding machine. This machine drastically reduces the grinding room, greatly reduces the use of coolants with a proprietary coolant supply method, and achieve both air-less and hydraulics-less to reduce power consumption by 70%. Also, the installation space is only 1/10 compared to previous machines.



**Comparison with previous model**

- Power consumption ⇒ 70% reduction
- Installation space ⇒ 1/10

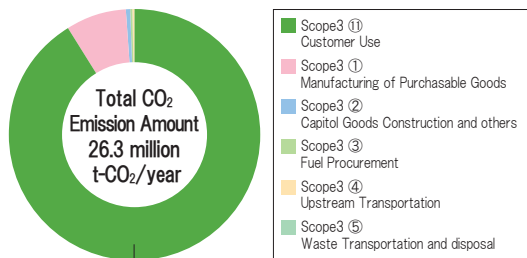
## TOPICS

### Amount of CO2 Emissions by Scope 3

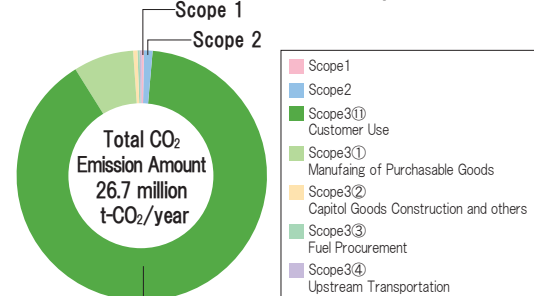
—CO2 emissions produced by our products in operation—

From actual data gathered by one of our group companies, KOMTRAX, Komatsu has gained perspective on the amount of CO2 emissions (Scope 3 Category 11) produced by our products in operation world-wide. For others, including the 14 remaining categories, the general CO2 emissions was calculated. The result is shown in the pie chart below. As evident from the results, emissions during product use makes up approximately 90% of total emissions. From this, we can see that fuel-efficient products have a significant effect on reducing CO2 emissions.

◆ Pie Chart of Scope3



◆ «Reference» Pie Chart of Scope1, 2, 3



CO2 emissions during product use (=emissions from products) makes up most part of total emissions. For this reason, fuel-efficient products have a significant effect on reducing CO2 emissions. (For the details of calculating methods, please refer to "Environmental Report" on our Website.)

# Environmental Conservation in Logistics / Remanufacturing Business



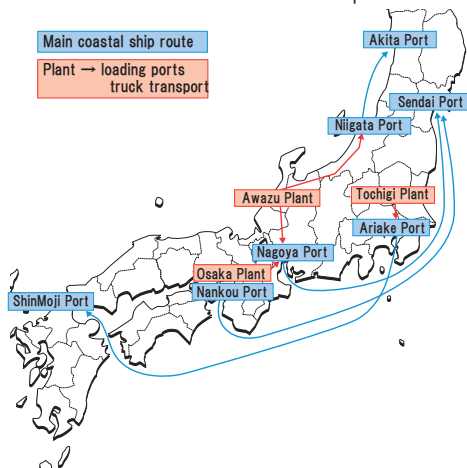
Komatsu works to cut CO<sub>2</sub> emissions during transport by gaining a global insight into their status. It has also developed a remanufacturing business to offer a broad suite of eco-friendly solutions to its customers.

## Reducing CO<sub>2</sub> Emissions in Logistics

In 2011, Komatsu began improving its assessment of CO<sub>2</sub> emissions from logistics operations for its 10 major international business locations. Improvements were made on a consolidated basis globally at all 25 business locations, including domestic locations. Average transport distance increased for domestic and overseas in FY2013. As a measure to address the reduction of increasing CO<sub>2</sub>, expanding the modal shift will be central to furthering improvements.

## Japan: Focus on Switching Tohoku Bound Long-Distance Truck Transport that Increased Since the Great East Japan Earthquake to Coastal Shipping

Efforts were made to reduce increasing CO<sub>2</sub> volume through the promotion of low energy basic unit transport. Improvements focused on increasing the use of coastal shipping for construction machinery products shipped from Awazu/Osaka plants to Tohoku region and using coastal shipping for forklifts shipped to Kyushu region from Tochigi plant. In FY2013, the effect of CO<sub>2</sub> emission reductions at domestic plants targeted for modal shift improvements was -1,086 (tCO<sub>2</sub>/year) and contributed to 4.5% reduction in the total CO<sub>2</sub> emissions from Komatsu transport.



## Overseas: Switching Long-Distance Transport of Products to Rail Transport on the American Continent

CO<sub>2</sub> was reduced through the promotion of low energy basic unit transport. The main improvement was to switch the transport of CMO (Chattanooga, America) plant products from truck transport to rail transport.

Previously components were transported by containers (rail) but products (finished vehicles) were transported by long-distance trucks. From FY2012 the transport of products (finished vehicles) were also transitioned to rail transport. The distance from CMO to the intermediate stockyard Rochester for supplying West Coast of the United States and Canada's West Coast area customers is a very long

4,145km and the CO<sub>2</sub> reduction effect of switching to rail is also great. The effect in FY2013 contributed to a 2.6% reduction in total CO<sub>2</sub> emission volume from North American region transport and a 1.3% reduction in CO<sub>2</sub> emissions by transporting from all targeted plants abroad.



## Promoting the Reman - Remanufacturing Business -

In our Reman business, the Komatsu Group remanufactures used engines, transmissions, and other key components (parts) of construction and mining equipment into "remanned" components that have the same high quality as newly manufactured components. We then put these components back on the market. The Group is promoting the Reman business at eleven Reman Centers around the world.

Reman, an abbreviation for remanufacturing, offers the following advantages to customers:

- Quality and performance that is the same as 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.

As the global center, Komatsu established PT Komatsu Reman Indonesia (KRI), which supplies parts, such as engines and transmissions for large-size construction machinery, and PT Komatsu Indonesia (KI), which supplies oil-pressure cylinders. Komatsu also established another global center, Komatsu Reman Center Chile (KRCC), which provides components for electric dump trucks. Additionally, Komatsu established PT KOMATSU REMANUFACTURING ASIA (KRA) in Indonesia to recycle components of large-size construction machinery. For countries that are not part of our global supply chains, such as China, Russia, India and Brazil, we have established individual Reman Centers.



(Left) Used components disassembly

(Right) Components are strictly inspected, cleaned, and remanufactured.

Then, remanned components are shipped after performance testing, painting, and performance inspection.



# Developing People

## Key Activities .....

- Contributing to human resource development in local communities
- Enhancing our employees and suppliers through The KOMATSU Way
- Enhancing our employees and distributors through brand management



## Special Story 2 Developing "People" Needed by the Community

When we asked ourselves, "What sort of social contribution activities would meet the needs of regional communities, and makes 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.

### Various Areas and Forms of Support

#### Developing Human Resources Tailored to Regional Needs World-Wide

Using the know-how cultivated through our core business, Komatsu is working to develop the kind of human resources that are needed, not only internally by our company, but for local communities.

Expectations for "Human Resources" can vary greatly from community to community. At Komatsu, as we do business on a global scale, we try to understand what kind of support is needed in each community and work on developing human resource accordingly, in various areas and in different forms.

The pyramid graph below shows the different areas in which Komatsu is supporting human resource development. The graph shows that the closer you get to the top of the pyramid, the more closely linked the program is with employment. The base of the pyramid shows our active support of such as science classes in elementary schools, mainly in different parts of Japan, USA and Europe. The next level up is providing basic education, which is support given to people who cannot or were not able to receive the level of education necessary to find employment due to circumstances specific to the country or region. We currently have such programs running in Chile and in Republic of 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 given includes Komatsu providing instructors and trainers; providing teaching materials, equipment, and other facilities; accepting apprentices; and various other ways in which the daily cultivated know-how can be put to best use.

#### Examples of Initiatives

In terms of specific activities, we have initiatives organized by Komatsu's Service Department, as well as those voluntarily started by subsidiaries in different regions. Here are a few examples of such activities.

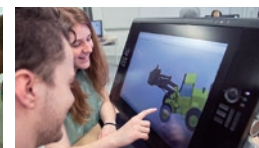
#### ◆ Examples of Human Resource Development Programs in Different Regions

<p><b>Germany (Komatsu Hanomag)</b> We donate educational materials for learning technical skills to elementary schools, train instructors, and conduct plant tours for children.</p>	
<p><b>Republic of South Africa (Komatsu Southern Africa)</b> We collaborate with our customer to operate a training facility that teaches young people the skills and knowledge needed for employment.</p>	
<p><b>Indonesia (Komatsu Indonesia)</b> We support the skills training required for employment in local industries.</p>	
<p><b>Japan (Komatsu)</b> At the "Komatsu-no-Mori" in Ishikawa prefecture, we have science classes for preschool and elementary school children taught by our retired employees.</p>	

#### ◆ Areas and Forms of Human Resource Development Support



Providing instructors



Providing teaching materials and equipment



Providing facilities and supporting operations



Accepting apprentices

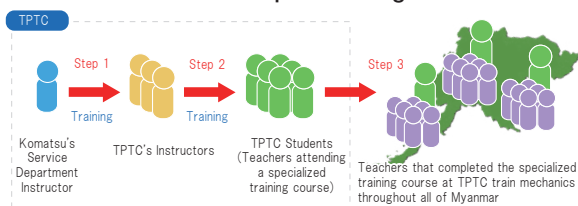


## Example of Activities in Myanmar

### Efficiently Spreading the Base of Human Resource Development

Since its democratization, the economy in Myanmar has been growing, resulting in a rising demand for construction and mining equipment. The local government soon voiced the need to “develop human resources as efficiently as possible to meet the growing need for more mechanics.” Accordingly, Komatsu set up a program to develop “teachers” that can train mechanics, at a facility in Mandalay, the middle part of Myanmar, where they train technical high school and university teachers (Technical Promotion Training Center, hereafter referred to as TPTC).

#### ◆ Human Resource Development Program Scheme



#### Taking Steps: 82 Teachers Graduated

At Komatsu, there is a “Department for Promotion of Distributor HR Development,” which plans and promotes the cultivation of mechanics (equipment maintenance and service personnel). This provides 51 different courses that encompass training in basic knowledge of our main products, and basic knowledge of the components that make up machinery, such as functions and performance, engines, hydraulics, and power transmissions. Some members of this office went to Myanmar, to assess the learning environment and the technical levels of potential students. Then a proposal for course content and duration was submitted to the Myanmar government and its Ministry of Science and Technology, and after many rounds of discussion, the program was launched.

As shown in the figure in the left column, this program was designed to take place in steps, to efficiently increase the number of instructors.

#### ◀Step 1▶

November 2012: Assessment of situation by conducting training tests in Myanmar  
April 2013: Invited 3 candidates identified as key persons to Japan and implemented Intensive training for them  
May 2013: Trained 8 instructors (including the 3 key persons) in Myanmar

#### ◀Step 2▶

July 2013: Training taught by the 8 trained TPTC instructors started  
March 2014: 82 people completed training

The next step, Step 3 will be to have the teachers that completed the training courses and gained expert knowledge at TPTC go to technical high schools and technical universities all over Myanmar to conduct training.

#### Instructing with Easy-to-Understand Teaching Materials Cultivated over Many Years

Since there is no opportunity to work with actual construction equipment during training, we make up for it by providing teaching materials that are very easy to understand.



(Left) Instruction with color-coded teaching materials that are easy to understand. The operation procedures are explained via film clip. (Right) Models and cut models provided. Increasing the depth of knowledge in mechanisms and understanding principles.

The know-how cultivated over many years of Komatsu's service personnel development is being used for human resource development in local communities. We hope to continue to make the best use of Komatsu's strengths to promote human resource development activities that benefit society.

## VOICE

### Human Resource Training in Myanmar –Support from Komatsu is contributing to enhancing the human capacity development of Myanmar–



#### Dr. Myo Thu

Deputy Director and Course Coordinator for Construction Machinery Training of TPTC, Ministry of Science and Technology

Technical Promotion Training Centre (TPTC) is one of the training centers under Ministry of Science and Technology (MOST), which develops technical human resources in Myanmar. Its main goal is to contribute to technical knowledge, not only for the teachers from several universities, colleges, and technical high schools under MOST, but also for the technicians from the industrial sector, by conducting training courses.

The greatest challenge facing TPTC is in upgrading training courses and equipment to gain long-term access for developing technical and industrial competence. This is why Komatsu's contribution to the Technical Promotion Training Centre fit well with

our aims, and also a great benefit for human capacity development in Myanmar. We really appreciate Komatsu's donation to TPTC such as technical training programs.

The training materials and equipment provided by Komatsu are excellent, and Komatsu's donation has played a pivotal role at TPTC. We have already noticed that this training course is attracting not only teachers from several universities and institutes but also technicians from the industrial sector. This will strengthen technical and industrial competence. We are convinced that Komatsu's support will make TPTC one of the best technical training programs in Myanmar. We have been overwhelmed by Komatsu's generosity, and the close collaboration that has emerged. The Technical Promotion Training Centre has worked ambitiously toward long-term sustainable development. We believe that we have a partner with whom we can work hand-in-hand to achieve our ambitions. We feel that this is the first step in collaborating with Komatsu, and hope that we can build the future together.

We think corporate social responsibility (CSR) activities conducted by private enterprises like Komatsu Ltd. should go further than just one-off donations, and instead be extended to providing sustainable opportunities. We hope that Komatsu will offer great opportunities to TPTC like advanced training programs, as well as scholarships and employment opportunities to outstanding students in Myanmar.

With mutual respect for each other's roles, we want to build further on these success factors.

# Creating the Right Working Conditions for Everyone

Employees of the Komatsu Group companies are an indispensable asset for the Group, which seeks to foster a safe and comfortable working environment, while maximizing opportunities for employees.



## Global Personnel Policy

Personnel systems reflect the history and culture of each particular region. It is therefore important to recognize and understand those differences.

Based on the basic policy outlined below, the members of the Komatsu Group are creating a personnel system tailored to the needs and reflecting the circumstances of each particular region.

- (1) We shall respect each employee's fundamental human rights, inherent personality, individuality, and legally protected privacy.
- (2) We shall treat and appraise each individual employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of nationality, race, religion, age, gender, physical or mental disability or other legally protected attributes that are irrelevant to his or her performance.  
We shall vigorously endeavor to promote equal opportunities for employment and eliminate harassment in the workplace.
- (3) We shall endeavor to provide employees with workplaces where they can seek a good balance between their private and professional lives, while effectively accomplishing their respective tasks with satisfaction and pride.
- (4) We shall endeavor to design and administer the system of human resource management in a manner that is most reasonable and persuasive to the employees. We shall make such systems open and clearly explain them to the employees to the maximum extent practicable.
- (5) Komatsu Group companies shall comply with all applicable laws and regulations governing employee rights in the jurisdictions in which they operate, and faithfully accommodate, wherever applicable, conversations or discussions with employees or their representatives.
- (6) We shall not tolerate child labor or forced labor.
- (7) Komatsu Group companies shall endeavor to offer to their respective employees those terms and conditions for employment that are sufficiently competitive in their respective regions.

## Enhancing Work-Life Balance

### Reducing the Total Number of Working Hours

Reducing the total number of working hours is a key factor in achieving a healthy work-life balance for employees. In Japan, for example, Komatsu has worked in coordination with labor unions on this issue to formulate numerical targets, which are now set at 2,100 or fewer working hours per year and at least 17 days of paid leave taken per year. Efforts are continuing to achieve efficient working conditions through measures such as the formulation of an activity schedule for each workplace.

## ◆ Main Programs and Measures Designed to Enhance Work-Life Balance

Program/Measure		Description
Childcare support	Childcare leave program	Available for a maximum of three years from the birth of the child to the time the child enters nursery school. Also available for a maximum of three years for children up to the third year of elementary school in cases where a spouse is transferred, etc.
	Part-time work	Shortening of working hours by a maximum of 3 hours per day to allow for care of children up to the third grade of elementary school
	Allowance toward the cost of using childcare services	Allowance toward the cost of childcare for infants up to age 2 before entering nursery school (10,000 yen/month)
	Nursing leave	5 days for nursing care of one child up to the third grade of elementary school, and 10 days for the second child onward (Paid leave)
Care support	Family-care leave program	A maximum of 3 years available to employees taking care of family members
	Part-time work	Shortening of working hours by a maximum of 3 hours per day
	Care leave	5 days per year for attending to one family member in need of nursing care, and 10 days for the second family member onward (Paid leave)
Other leave programs.	Life support leave	Can be used as sick leave, pregnancy leave, childcare leave, or for care of family members. An employee may add 5 new days of accumulated leave per year. A maximum of 40 days of unused annual leave may be accumulated. Childcare leave may be used for school events for children aged up to sixth grade in elementary school
	Flexible leave	Provided to encourage employees to take 5 consecutive days of leave for the mental and physical rejuvenation Employees receive an additional 5 days of annual leave and a travel voucher upon completion of their 15th, 25th and 35th year of continued service
	Volunteer incentive program	Long-term paid leave of up to 2 years, or short-term paid leave of 12 days per year

## Further Enhancing Diversity in the Workplace

Komatsu has set numeric goals for the number of female employees to hire, the ratio of the number of female employees and the ratio of the number of female managers in its continuing active commitment to expanding female employment. As of April 2014, Komatsu alone houses 1,101 female employees (accounting for 10.5% of the total number of employees), 57 female managers (3.6% of the total number of managers), and two female executive officers, including subsidiaries' presidents. Komatsu works to boost the ratio of the number of female managers to above 5% by April 2016.

Regarding employing persons with disabilities, as of April 2013, 2.46% of employees at Komatsu were persons with disabilities. Recognizing the need to enhance its hiring rate of persons with disabilities, in April 2008 Komatsu established the Business Creation Center within the Human Resources Department. The Center is designed exclusively for increasing the hiring of persons with mental disabilities. As of April 2014, 88 people with such disabilities were employed by Komatsu, raising the rate of employment for persons with disabilities compared to the previous year.

# The KOMATSU Way and Human Resource Development



Developing global human resources is one of Komatsu's continuing challenges. While constantly working towards making the "KOMATSU Way" a commonality in all our companies world-wide, we are also continually developing our training system to help our employees become experts in each division.

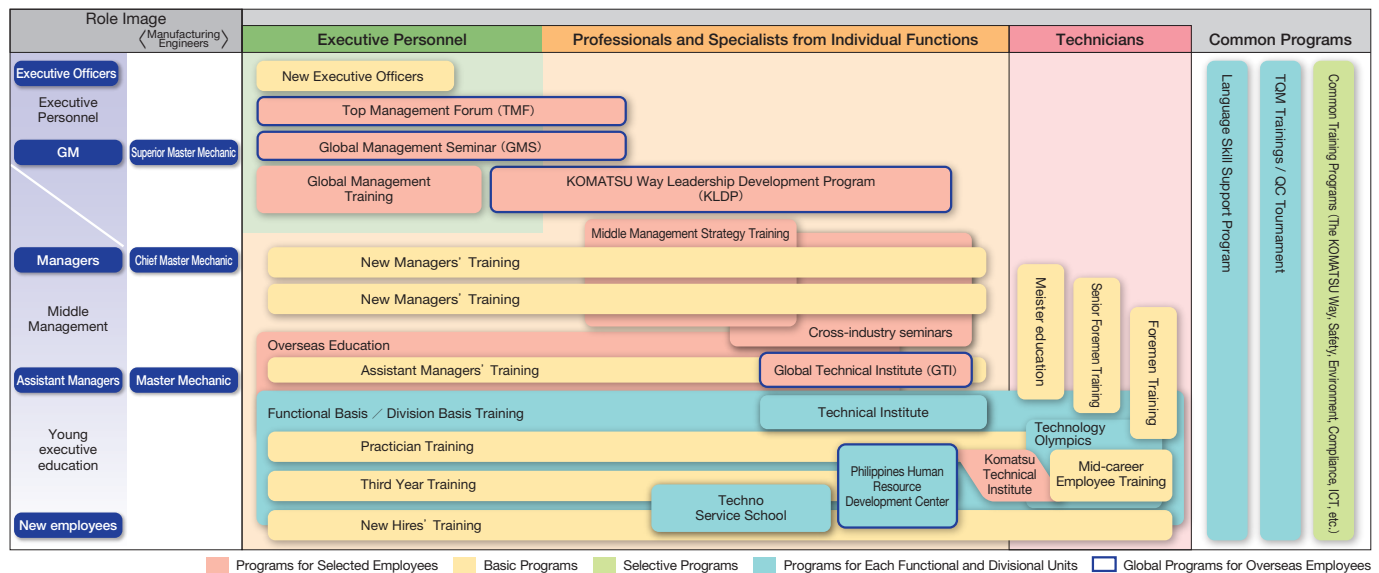
## Human Resource Development and Training Structure

Komatsu strives for sustainable growth of both the company and employees through human resource development. Our policy is that "each employee should set high goals and be self-reliant and self-motivated in acquiring knowledge and skills" and that "the company should support employee career development through the implementation of necessary education for both the

company and employees in a focused manner."

While fulfilling the education of professionals in a variety of fields, the company also supports the acquisition of knowledge and skills at every level at the company. Regular explanatory sessions and discussions are convened at Group companies to disseminate the KOMATSU Way and incorporate it into human resource development around the world at each level of the company hierarchy, as well as to allow this knowledge to be handed down to younger generations.

### ◆ The Komatsu Education System



## VOICE

### Using TQM Activities to Grow the Company and its People



**Mr. Liu Fangchang** (Right)  
President

**Mr. Zhu Lei** (Left)  
Manager,  
TQM Division  
Komatsu Shantui  
Construction Machinery  
Co., Ltd.

At Komatsu Shantui, our TQM (Total Quality Management) activities have been highly rated, and we received the Demming Prize in November 2013. At first, we didn't know where to begin in our TQM activities. However, we decided to start by fully examining the "current status" of our Quality Control, thought about how to start implementing improvement measures, and began conducting QC training at different management levels. We supplied employees that had been with the company for over 2 years with QC manuals, and while Japanese managers conducted training sessions, we appointed certain Chinese national staff members as implementation officers so that they could go back to their divisions to teach other staff members about the QC story.

As a result of promoting the implementation of TQM activities, some major issues in quality control at the production base were greatly improved, with fewer cases of faulty welding and assembly, and the percentage of complaints being significantly reduced compared to previous years' numbers. However, the most remarkable change was the employees' heightened awareness regarding production issues. Even if you want to start improvement activities, if you can't pinpoint the problems, the problems cannot be addressed. Saying, "There are no problems," just means you are not aware of the problems. If you can change the angle from which you are approaching the issue, often you will be able to find the problems. And then, once the problems are identified, the next step is to get employees to think independently about ways to fix the problem. Our staff members began to voluntarily meet with relevant departments to discuss our issues, and this has also been beneficial in improving internal communication. As the quality of managers improved among the national staff, we were able to significantly reduce the number of Japanese expatriate staff.

The thought behind TQM directly relates to the aims of the KOMATSU Way, and I can confirm that these TQM activities are in line with the direction of the KOMATSU Way. Going forward, we would like to continue to improve the quality of our staff, and to implement these activities with our partner companies. With help from our mother plant, we hope to continue to move forward with our TQM activities and our human resource development.

Enhancing Quality of Life

Developing People

Growing with Society



# Growing with Society

## Key Activities .....

- Engaging in dialogues with our stakeholders
- Providing social contributions through the use of our core technologies and resources (e.g., disaster relief or activities to remove antipersonnel land mines)
- Contributing to our local communities where we do business
- Strengthening our corporate governance and compliance
- Promoting compliance with environmental, labor, and social norms within our group and among business partners



## Special Story 3 Living with the Local Community -Thinking about CSR using Chile as an Example-

For Komatsu, Chile in South America is a very important country, both in terms of its market and the number of our employees. And another thing, Chile can be said to be the country that is most advanced and most zealously engaged in CSR activities. The report from Karin Eggers at Komatsu Cummins Chile (KCC) makes us think about how we can better engage in CSR activities.

### CSR Activities of Komatsu Cummins Chile (KCC)

#### Taking responsibility for the business, and changing the culture

At KCC we believe it is important to understand CSR as a new way of looking at the business, and at the same time, as a powerful tool for creating social value and transformation within the company.

CSR has provided a way to clarify our goals and to promote cultural change. A change that helps us expand our vision and allows us to systematically look at our organization within its environment. A change that allows us to ask ourselves, how are we doing? and how are the relationships we are building with different stakeholders?

Today companies can no longer be established in isolation from the rest of the world; we have to expand our vision and understand that companies play an increasingly important role in social transformations, and that there are expectations from various societal parties.

#### Everyone has an affection to help others

The cultural change that involves integrating CSR into the business is a long, and not always easy, process. It is a process that requires design, conviction, and leadership, as well as opportunities for employee participation, with motivating and effective communication tools.

In this sense, we have seen that for CSR to completely permeate a company, CSR should be integrated into the business strategy and be constructed with plenty of participation from employees. It is the participation of our people that has enriched and given strength to this process of change.

Most people want to help others in need, but do not

know how, or do not have the resources. Most people want to do things that are transcendent and meaningful. The CSR Volunteer Programs at KCC are designed to give our employees the opportunity to help others, and become involved in CSR programs to the level they want, in the area they want, which is very much appreciated by our employees. KCC Management sets the general guidelines for the CSR programs and assigns the budget, but the individual programs are generated from within the company by the employees themselves, via a competitive funds system, which helps to foment interest in the programs and ensures participation from our employees. We have discovered over the last few years that this system has not only resulted in high levels of involvement and interest in our CSR programs by our employees, but has also had a very positive influence on the working environment within the company. Our employees feel proud of the company.

In addition to the internal benefits, CSR has also become an opportunity to work more closely with our major mining customers, developing joint community projects and helping them achieve their social investment goals.

#### The most important thing is the participation of top-level leaders

Finally, we believe that the key to implementing a CSR model is the involvement of the top leadership of the organization. In this sense, we feel privileged to have CSR leadership from the highest authority of KCC, and managers who devote time to engaging with these issues, and who understand the multiple benefits associated with this new way of understanding business enterprise.

Above all, CSR allows us to build a better company and contribute to developing sustainability where we operate. That should make us feel proud!



Reporter: Ms. Karin Eggers Gutierrez  
CSR Manager, Komatsu Cummins Chile Ltda.



**Rehabilitation Program for Youth**

This is a program that allows youth, who have been involved in crime and have finished their prison sentence, to be accepted by the company to gain skills necessary for finding employment, such as basic learning and getting a driver's license. Employees will become guardians and treat them like a close family member. A large percentage of the youth that complete the training program goes on to be employed by Komatsu.



**Hydroponic Cultivation of Vegetables in the Desert**

Antofagasta City, a city in the desert, is experiencing population growth due to the increase in mining activities. To help resettle farmers in this region who are facing water shortages and problems with land use, we are supporting the management and commercial transactions for a project to research hydroponic cultivation of vegetables.



**Rebuilding a School in Haiti that had been Destroyed in the Earthquake**

In 2010, Haiti experienced a major earthquake. KCC is working with the Chile government and the NPO organization "América Solidaria Internacional Foundation" to reconstruct elementary school buildings that were destroyed in the earthquake. In addition to providing donations, grants, and construction equipment, several of our employees have been sent to Haiti, which is several thousand kilometers away, to help out on-site.



**Supporting the Local Nursery**

This nursery, which is situated in our company's neighborhood, was initially set up and funded by donations to support mothers who had to work due to various circumstances. However, the nursery was increasingly unable to provide adequate childcare due to lack of funding without government's subsidies. Therefore our employees have volunteered to provide grassroots support by helping to repair the building, and donate used equipment.



**Reducing Traffic Jams and CO2 Emissions through Car Share**

Traffic jams: a problem all major cities have in common. To help reduce these traffic jams and CO2 emissions, our employee volunteers have launched a "car share" project. They have set up a system that creates car share groups by having people registering their commuting routes and desired times for travel. In addition, people who commute by car pooling get an added bonus of getting to use the VIP parking spaces that are right near the office buildings.



**Lots of Other Initiatives**



Employee volunteers spend holidays with victims of domestic violence to help heal emotional scars.

Mining sites — are often located in remote areas. We make visits to the elementary schools in such areas to give the children a fun day.



We donate the money saved by switching from paper Christmas cards to an electronic version to the local fire department. Each year we raise close to \$1,000 in donations.

**VOICE**

**The way to becoming a company trusted by the society**



**Mr. Benito Baranda**

Executive President América Solidaria Internacional Foundation

Having a relationship with Komatsu Cummins Chile for over three years, and as the president of América Solidaria Foundation, I've witnessed the valuable trajectory that has helped Komatsu Cummins to be socially responsible from a

comprehensive perspective. Its efforts are not superficially associated to marketing or occasional actions, nor is it limited to the "outside". On the contrary, your company has sought to give their CSR work the utmost internal and external consistency, staying innovative, having good corporate practices, and committing to activities within the community.

I must highlight your interest in certain social challenges where nobody else is willing to act (e.g., the marginalized youth), and in the territories of the American continent where development opportunities are scarce (e.g., the education in Haiti). I find it admirable that you always include all the executives and employees in this notable work, which undoubtedly makes it a serious, honest, and consistent undertaking.

Komatsu Cummins Chile has certainly set the standard for the authentic way of becoming an organization that comprehensively assumes the responsibility for being a Socially Responsible Corporation, and it is an honor to be a part of this process.

# Community Based Social Contribution around the World



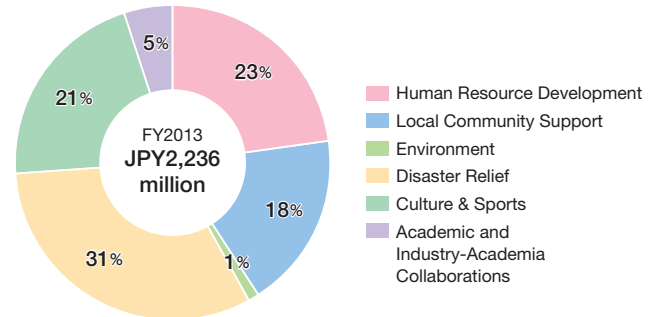
We are engaged in social contribution activities in every area of the world where we do business. Based on 6 different categories of activities, we are continually involved in initiatives that make the best use of Komatsu's strengths.

## Activities in FY2013

The social contribution activities Komatsu is involved in can be divided into 6 main categories.

- (1) Human Resource Development
- (2) Local Community Support
- (3) Environment
- (4) Disaster Relief
- (5) Culture & Sports
- (6) Academic and Industry-Academia Collaborations

The graph below shows the performance of CSR activities by the Japanese / overseas subsidiaries in FY2013.



## Local Contribution Activities around the World

Introducing a few of our activities.

For more details of on activities other than the ones showcased here, please check out the pages listed below

- Social Contribution through Human Resource Development (P.19)
- Social Contribution Activities in Chile (P.23)
- Disaster Relief (P.26)



### United Kingdom (Komatsu UK) Support to people with disabilities

At Komatsu UK, the unused buildings on our premises are being used to support and assist people with disabilities into employment. We have helped over 1,000 people so far.



### Russia (Komatsu CIS) Inviting children to a hockey game

The Komatsu plant in Russia is in the city of Yaroslavl. To promote sports, we invite children from the area to ice hockey games of the local team.



### Indonesia (Komatsu Indonesia) Activities using company funding

We are using the fund designated for local social contribution activities. After interacting with the Badoui tribe, whose custom is to not incorporate modern customs into their way of life, we were able to provide a special pump for supplying clean water.



### China (Komatsu (China) Ltd.) Inner Mongolia desert greening activities

From a foundation operating on donations from each of Komatsu companies in China and from its employees, we have donated to elementary schools and participated in desert greening activities. Some employees participate in the actual planting work.



# Disaster Relief

Komatsu supports various forms of recovery and reconstruction work in areas affected by disasters. Using our technology and know-how as a construction equipment manufacturer, Komatsu tries to identify how to best come along side disaster affected areas to offer our support.



## Clearing Anti-personnel Landmines and Reconstruction Support

Since 2008, Komatsu has partnered with the Japan Mine Action Service (JMAS), a certified NPO, to support demining activities in areas of Cambodia and Angola that suffer from damages caused by anti-personnel landmines, which also includes reconstruction work as part of this community development project. The demining machines and construction machinery, that were developed using our company's technical expertise and manufacturing knowledge, are being put to full use in this endeavour. At the Mabubas reservation in Angola, which has become a safe area due to demining, the city rebuilding plan is moving forward. In Cambodia, the four elementary schools that were built by this project received bookshelves and books from Komatsu and JMAS. At these schools, where most of the children were seeing a book for the first time, these gifts are being very much enjoyed by both students and teachers. This year, we are in the 6th year of being involved in this project. We are seeing steady progress in making villages safe and improving the lives of the people there.

This project by Komatsu and JMAS is being introduced to children in Japan by Komatsu employees that go to elementary and middle schools to do visiting lectures.



Library at Chror Narb Phes Elementary School



Visiting Lecture

## Supporting Natural Disaster Recovery Work

Komatsu is using its technical expertise and know-how as a construction equipment manufacturer to support reconstruction work in areas affected by natural disasters like earthquakes and typhoons.

Right after the typhoon debris flow disaster in Izu-Oshima in October 2013, Komatsu proposed the disaster waste separation process and commenced support work in response to the needs of the area. Since then, we have continued to work towards recovery by increasing the service of not stopping the operation of machinery, and holding on-site training sessions so that the islanders are able to learn the skills for the demolition, for which there is increasing demand.

For the typhoon disaster that hit the Philippines in November, Komatsu was involved on a global scale, and partnered with the local Philippine distributor MAXIMA Machineries Inc. to move forward with support work (see VOICE).

In regards to the Great East Japan Earthquake, since the earthquake hit in March 2011, Komatsu has provided support such as free rental of construction machinery and temporary shelters, and providing tuition assistance for skills training. Going forward, Komatsu proposes supporting decontamination work by using the ICT bulldozer, and other ways to make use of Komatsu's unique technology. In addition, Komatsu is planning to gather support from all over Japan to strengthen our service system as the major reconstruction work starts in earnest, to continue contributing to the recovery work of the disaster affected area.

### VOICE

## Supporting the Transportation of Goods Immediately after Disaster —Support for Victims of the Typhoon by our Philippines Distributor—



**Ms. IRMA JOAQUIN SABAS**

Rental and Used Car Section Manager,  
MAXIMA Machinery Inc.

Typhoon Haiyan, which caused the worst destruction in Philippines' history, damaging many buildings over a massive area, destroying a large number of people's homes and taking many lives. In response to this catastrophic disaster, many channels of help and support were extended from all over the nation and the world.

At MAXIMA, the president of our company immediately put together a team and set up a system to transport support

goods. We provided ten vehicles to transport various goods from the Philippines Department of Social Welfare and Development's warehouses to the freightliner terminal in Manila. With our support, they were able to transport enough food items to make over 70,000 meals.



A forklift being taken to the disaster area by the air-force plane

Komatsu in Japan also donated JPY10 million, and gave support by providing machinery. Two forklifts were operating at the freightliner terminal for two weeks, being used to load and unload goods. Four machines were transported to Tacloban on the Leyte island by the Philippines air force to support the government's recovery efforts. Our electricity generators were also used at the air force hubs and at the warehouses of the Department of Social Welfare and Development.

MAXIMA plans to lend two construction machines to the UN development program, the Tacloban Project, until the end of April 2014.

As part of MAXIMA's CSR activities, our employees are volunteering to help with the packing of goods at the Department of Social Welfare and Development's offices.

# Implementing Risk Management / Compliance



Komatsu recognizes as major risks those risk factors that could threaten the company's sustained growth. The company has adopted various measures to counter these risks. Also, following the principle that compliance is a top priority, Komatsu will ensure that it fully understands and complies with business rules while promoting structural improvements.

## Implementing Risk Management

### Basic Principles and Structure for Risk Management

- In addition to the basic policy for risk management to ensure the 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 Komatsu Group, to review the risk management system, and evaluate and improve upon response measures in place for each risk, and take control of risks when they arise. The Risk Management 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.

### Implementing a Business Continuity Plan for Komatsu

In order to quickly confirm the safety of employees and their families in the event of an accident or disaster, and to be able to continue or quickly restart important business operations, Komatsu has formulated a Business Continuity Plan (BCP). In addition, at our head office buildings and at all production plants, we assume the possible occurrence of earthquakes and conduct regular training so that in the event of an actual disaster everyone one will be able to act quickly and appropriately. Furthermore, at our production plants, we are working on seismic strengthening for buildings and equipment, as well as reinforcement against damage from torrential rains, according to the production plant's plans. Also, in case of an outbreak or epidemic of a new type of influenza, we will establish a special committee and take appropriate measures. For our employees we will compile a manual with information regarding preventative measures and what action to take in case of infection, and also have training sessions to promote thorough understanding.



BCP Initial Response Training at the Head Office



BCP Training at the Awazu Plant (Ishikawa Prefecture)

### Promoting Risk Management throughout the Group

To reinforce the risk management structure across the

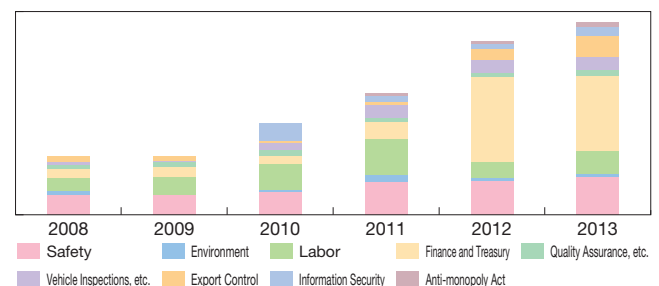
Group, Komatsu is establishing a route for risk reporting, creating a risk management manual, as well as refining the level of risk management at each Group company through explanatory meetings and study sessions on risk management and BCPs. Additionally, Komatsu is strengthening its Group-wide system for emergency contact function by introducing safety confirmation systems, broad-area wireless devices, and conducting regular training for safety reporting and communication.

### Conducting CR Audits

As a part of our risk management activities, Komatsu has been conducting compliance and risk audits (CR audits) since FY2008. This is to cover areas that are not included in the SOX Act (Sarbanes-Oxley Act. Internal control rules to prevent accounting fraud) audits, with the goal to visualize compliance risk potentials within the company. Internal audits are conducted by our internal specialist team at our main sites, including those overseas. The list of items to be audited are 1. Safety, 2. Environment, 3. Labor, 4. Finance and Treasury, 5. Quality Assurance and Recall, 6. Vehicle inspections and specific voluntary inspections (inspections done on construction equipment, similar to vehicle inspections), 7. Export Control, 8. Information Security, and 9. Anti-monopoly Act.

Through these activities, we aim to better our levels of control and compliance awareness at each company, in every department. Going forward, we would like to improve our case-by-case audit method, and increase the operational level of CR audits as a part of risk management functions

### Actual Achievements of Conducting CR Audits (Number of Operations)



### Strengthening Information Security

Komatsu is developing an information security structure for the entire Group, placing the Information Security Committee at its center. As one sphere of this structure, the Company distributes an Information Security Guidebook to all employees. In conjunction with this, it provides education and awareness-raising activities based on the



Guidebook, with the belief that it is essential to raise individual employee consciousness of information security. In addition, the company is developing a structure to protect information from being falsified, leaked, or lost, even against cases of negligence or outside intrusion. The company is also conducting information security audits, to ensure that these measures are working effectively, and to detect and address any problems.



2008. In an effort to tackle one of its main principles, the issue of human rights, in 2014, with the help of external experts, Komatsu conducted a human rights risk assessment for all our construction/mining equipment and forestry machinery businesses world-wide. The results showed that the degree of urgency for problems occurring is low, while the degree of effect if a problem does occur is moderate.

Komatsu understand that it is important to not only focus our efforts on Komatsu alone, but to consider the implications for our partner companies, such as our parts suppliers, as well as our network of distributors that provide products and services to our customers. Going forward, we would like to work towards having full awareness for our entire supply chain.

## Perception of Risk for Human-Rights Issue

Komatsu signed the United Nations Global Compact in

## Compliance

### Promoting Compliance

Following the principle that compliance is a top priority, Komatsu will ensure that it fully understands and complies with business rules while promoting structural improvements.

### Frameworks for Promoting Compliance

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

### Komatsu's Worldwide Code of Business Conduct

The company has formulated Komatsu's Worldwide Code of Business Conduct (established in 1998 and revised eight times to date) as a compilation of best business practices to be observed by officers and employees of Komatsu Group companies all around the globe. The code addresses items such as free and fair business practices, appropriate relationships between the company and its employees, endeavors for the global environment, the handling of information, and the establishment of an internal control structure. The text of the code has been released to the public in its entirety.

Komatsu considers CSR as a key responsibility and Komatsu's Worldwide Code of Business Conduct clearly conveys its policy of giving full weight to CSR. The pillar of Komatsu's CSR activities is based on constant repetition of the following process, outlined in the Code of Worldwide Business Conduct: (1) Establish the Code of Business Conduct, (2) Implement the Code of Business Conduct, (3) Determine the Code's current status and (4) Address inadequacies.

### Process for Compliance Activities

#### (1) Establish the Code of Business Conduct:

Formulate Komatsu's Worldwide Code of Business Conduct as a foundation for compliance activities and revise this code (currently in its 9th edition) as required to reflect social change.

#### (2) Implement the Code of Business Conduct:

Implement the Code of Conduct through education that corresponds to employee rank and the types of operations in which they are involved, and by communicating information in accordance with Komatsu's Worldwide Code of Business Conduct.

#### (3) Determine the Code's current status:

Determine the level at which Komatsu's Worldwide Code of Business Conduct is being applied by having all business units regularly report on their use of the code and by conducting audits and enhancing the Internal Reporting System.

#### (4) Address inadequacies:

Any issues identified during the above activities will be addressed in accordance with Komatsu's Worldwide Code of Business Conduct and preventive measures will be implemented.

### Upholding Thorough Compliance

In order to achieve continual awareness among employees about compliance, the Group is working to raise their consciousness of best business practices by displaying in every Komatsu Group business unit posters listing The Five Principles of Compliance, a condensed version of Komatsu's Code of Worldwide Business Conduct. The Group fully engages in awareness-raising initiatives through a permanent web page dedicated to compliance on its intranet along with well-developed compliance-related education and training tailored to employees' ranks and the types of operations for which they are responsible. The Group pursues early detection of risks and reforms at Komatsu business units and Group companies through monitoring during the course of financial audits and compliance and risk audits. This monitoring covers compliance in important areas such as safety and environmental practices.



# Implementing Risk Management / Compliance

## Internal Reporting System

Komatsu has established consultation offices both internally at Komatsu Group companies and externally at law firms, collectively known as the Compliance Hotlines, to respond to consultations or reporting from Group company employees pertaining to best business practices or questionable actions. The Group fosters active consultations and reporting by clearly stating in Komatsu's Worldwide Code of Business Conduct, the Five Principles of Compliance and Group companies' workplace rules that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of that action.

## The State of Compliance in FY2013

We revised Komatsu's Worldwide Code of Business Conduct (on April 1st, 2014). In this (9th edition) revision, the anti-corruption rules have been made stricter, particularly in regards to bribery of foreign public officials. The Five Principles of Compliance have also been revised in conjunction with Komatsu's Worldwide Code of Business Conduct. For both the Five Principles of Compliance and Komatsu's Worldwide Code of Business Conduct, we plan to use tools such as e-Learning to ensure that every person in the organization is very familiar with both.



### Komatsu's Worldwide Code of Business Conduct

**URL** <http://www.komatsu.com/CompanyInfo/profile/conduct/>

## VOICE

### Expectations for Your Response to Global Change



**Ms. One Akiyama**  
President and Chief Executive Officer, Integrex Inc.

Komatsu's compliance and risk management initiatives are supported by the values, attitudes, and behaviors passed down and embodied in the "KOMATSU Way," by Komatsu's Worldwide Code of Business Conduct which delineates the rules of the business world, and by firmly having in place risk management procedures that detail proper responses to various situations that put sustainable development of business at risk.

The most notable characteristic of Komatsu is that, because

its many activities are backed by the firmly instilled corporate value of, "We are the summation of the amount of trust placed in us by all our stakeholders," it is difficult to be formalized or to become a mere facade.

For example, from conducting compliance-related education and training that includes group discussions and corresponds to employee rank so that "the KOMATSU Way" is thoroughly understood by all employees worldwide, to revising the Komatsu's Code of Business Conduct established in 1998 eight times in order to be in line with social changes, to compliance activities being seamlessly carried out while going through the cycle based on the Code of Conduct of activity development, situation assessment, and deficiency correction, and in the CSR guidelines-based approach toward partner companies and the way issues such as conflict minerals is handled by the entire supply chain as a whole, it seems that all compliance and risk management activities are very functional and practical.

However, as globalization and the resulting localization continue to develop and changes happen faster and at a greater scale in countries all over the world and in every region, the need for strong group discipline will grow. It is absolutely imperative that Komatsu continues to be ever more innovative in every area, including compliance and risk management.

# Together with Business Partners

## —CSR Procurement—

Our business partners, who are the suppliers of materials, parts, and components, are important partners that support Komatsu's manufacturing. Komatsu believes that engaging in CSR procurement will contribute to our business partners' expansion, and therefore endeavours to do so in cooperation with our partners.



### Komatsu's Procurement Policy

Komatsu's basic policy is to produce products in the area where the said product is in demand. Out of the 41 plants that manufacture construction and mining machinery, 30 plants are located outside of Japan. In following with the manufacturing of machinery at an overseas plant, we are actively working on procuring parts and materials from the same area. Aside from engines and main components that are shipped everywhere in the world from Japan, and a few specific parts that are only supplied by specialized manufacturers, the overseas plants are on their own in terms of procurement, to promote local and optimal procurement for parts like sheet metal.

### Business Partners Organization, Komatsu Midori-kai

Komatsu Midori-kai is an organization made up of our business partners, with 164 member companies in Japan, out of which the procurement amount is approximately over 75% of domestic purchasing goods. At the regular meetings where the management members of each company are present, such as the general assembly, general meetings, and New Years' special meetings, Komatsu's top executives explain our policies, emphasize the importance of CSR management, and ask for raising of awareness regarding CSR management.

Even overseas, in North America, Europe, and China, there are Midori-kai organizations made up of their main business partners. At the moment, the number of members in the North America chapter are 38 companies (procurement amount approximately 50%), in Europe 54 companies (approximately 35%), and in China 62 companies (approximately 90%). We hope that these Midori-kai chapters will take advantage of the characteristics of each region to further expand their business activities.

### CSR Procurement Guidelines and Activities Support

Aside from our ongoing awareness campaign to all our business partners to comply with the CSR Procurement Guidelines (see below) established in August 2011, we are supporting individual initiatives.

With Japan's Komatsu Midori-kai member companies, we are making certain certifications, like ISO14001 and Eco Stage, mandatory, and directing and supporting efforts to get these certifications. In addition, as a part of the effort to reinforce occupational health and safety initiatives, we have implemented the Japan Industrial Safety and Health Association's Small and Medium-sized Enterprises Occupational Health and Safety Assessment for 97 companies, with Komatsu bearing the cost of the assessment fees, to ask each company to increase the level of safety on their sites.

### Komatsu's Policy on Conflict Minerals

Komatsu has adopted a policy of not using conflict minerals produced by the Democratic Republic of Congo (DRC) or its neighbors (Angola, Central African Republic, Republic of the Congo, Rwanda, Southern Sudan, Tanzania, Uganda and Zambia) from our corporate social responsibility perspective.

During the regular meetings we hold with our suppliers at each Komatsu plant in Japan, we explain this policy as well as Komatsu's response to the conflict minerals issue and related requests to our suppliers. With the cooperation of suppliers, we are now conducting a country-of-origin survey to determine the location of origin of the conflict minerals we use.

Looking ahead, we will conduct a more detailed survey that includes refineries in its scope and continue taking steps to prevent the use of conflict minerals from the DRC and its neighbors and thereby restrict funding for military groups.

Enhancing Quality of Life

Developing People

Growing with Society

## TOPICS

### Risk Management for Procurement

Komatsu is strengthening its risk management system for procurement. Since FY2012, we have started conducting assessments in Japan, so that we would be able to quickly know the status of partner companies in the event of a disaster such as an earthquake or tsunami, and be able to continue procurement activities without delay, to minimize the effect on production. We input the location and production content for each of the over 20,000 sites of all our partner companies to create a database for "visualization," and assessed the

degree of risk. In addition to considering prevention measures for each partner company that have higher levels of risk, the procurement staff will be able to consider risks from this aspect when considering new agreements, so that we can heighten the accuracy of the information.

In the event of an emergency, we will —as we did when the Great East Japan Earthquake happened— dispatch security personnel from our plant to our partner company to help support speedy production recovery.



**KOMATSU**

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