

Resolution of ESG Issues

# Resolution of ESG Issues through Growth Strategies

## Komatsu's CSR Themes and Mid-Term Management Plan KPIs

Komatsu seeks to help resolve ESG issues by promoting the three pillars of growth strategies defined in the new mid-term management plan. We strive to realize a positive cycle of sustainable growth through improvements of earnings and resolutions to ESG issues. Our initiatives include reducing environmental impacts to combat climate change and

supplying high-quality, high-performance products, services, and solutions ensuring safety. KPIs have been set to guide these initiatives solving ESG issues through our core business.

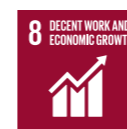
### Enhancing Quality of Life —Providing Products Required by Society—

- Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry).
- Improve productivity, efficiency, safety and environmental impact (lower CO<sub>2</sub> emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain.
- Make commitment to DANTOTSU Value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value).



### Developing People

- Develop a diverse workforce with a high level of productivity and technical skills.
- Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces.
- Develop talent with cross-value chain capabilities.



### Growing with Society

- Offer resolutions for social issues through collaboration with stakeholders.
- Act as a responsible corporate citizen ensuring corporate governance, compliance, and human rights.



Key Initiatives under Mid-Term Management Plan	FY2019 KPI Performance	FY2021 KPIs
<b>Reduction of CO<sub>2</sub> emissions (in comparison to FY2010)</b>		
• Reduction of CO <sub>2</sub> emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of SMARTCONSTRUCTION use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment)	14% reduction	16% reduction (in comparison to FY2010)
• Reduction of CO <sub>2</sub> emissions from production (plants with zero impact on environment and workers)	31.5% reduction	40% reduction (in comparison to FY2010)
<b>Plants with zero impact on environment and workers</b>		
• Rate of renewable energy use (including purchase of renewable energy)	10.7%	15%
• Work environment burden coefficient (particle matter density)	10.7% reduction	30% reduction (in comparison to FY2018)
• Water consumption	49.4% reduction	55% reduction (in comparison to FY2010)
<b>Value chain reforms and redefinition of the aftermarket business</b>		
• Spare parts sales	3% increase	11% increase
• Reman component lifespan (compared to new components)	26,866 workhours (134% of new components)	20,000 workhours (100% of new components)
<b>Assurance of mine operation safety and productivity</b>		
• AHS units' population (promotion of mining platform business)	221 units	380 units (aggregate)
<b>DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution</b>		
• ICT-intensive equipment introduced (United States, Europe, and Australia)	1,361 units	1,590 units (per year)
• Sites adopting SMARTCONSTRUCTION	2,440	4,850 (per year)
• Automation, autonomous operation, electrification, and remote-controlling of equipment		
1. Automation of construction equipment	Verification tests conducted on user sites	Test introduction of hydraulic excavators for automated loading
2. Automation, autonomous operation, and remote operation of mining equipment	Preparations advanced to launch mining bulldozer with level 2 automation	Entry into mining bulldozer market (level 4 automation)
3. Automation of utility equipment	Development of peripheral safety technologies for supporting automation	Development of technology for automated forklifts
4. Enhancement of mining equipment and hard rock mining businesses	Under development	Expansion of product series
<b>Agricultural solutions and smart forestry</b>		
• Creation of construction equipment demand in agricultural field	Japan: Commencement of verification tests at five agriculture business operators Indonesia: Started mass production and sales of D31PLL agricultural bulldozer	Japan: Expand lineup of agricultural loaders Indonesia: Increase number of users of agricultural techniques employing agricultural bulldozers
• Smart forestry projects	10	50
<b>IoT and ICT work reforms</b>		
• Sales in KOM-MICS platform business (visualization of production equipment operation)	865 units	1,900 units (including for internal use)
<b>Development of a diverse workforce with a high level of productivity and technical skills</b>		
• Enhancing employee engagement	Scheduled for FY2020	Improvement of global surveys and indexes
• Work process reforms through expansion of diverse and flexible workstyles	(1) 1,950 workhours per person/year (2) Commencement of trial in August 2019	Total workhours of less than 2,100; introduction of telework system (Japan)
• Promotion of KOMATSU Way (global dissemination of KOMATSU Way)	• Training hours: 31,625 hours (aggregate hours for all participants) • Number of participants: 1,461 in Japan, 307 overseas	Training hours and number of participants
<b>Strengthening and development of diverse and global-scope talent to help achieve sustainable workplaces</b>		
• Revision of role of Japan in global management	Human resource system revisions started in Japan	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis
• Foundations for global measures (systems, frameworks)	Preparations advanced for introduction	Introduction
• Empowerment of female employees ((1) non-consolidated ratio of female employees, (2) non-consolidated ratio of female managers, (3) consolidated ratio of female managers (Japan))	(1) 12.3%, (2) 7.2%, and (3) 4.5%	(1) 12.5%, (2) 10.0%, and (3) 5.0%
• Rate of employment of people with disabilities (comply with requirements in Japan)	2.58% (non-consolidated)	Above 2.3% (legally mandated rate)
• Support for regional human resource development for job creation (regional human resource development with Cummins Inc.)	• Human resource development program launched in Chile • Ongoing support provided in Peru, South Africa, and Australia • Participants' success in finding employment tracked	Chile, Australia, South Africa, others
<b>Development of talent with cross-value chain capabilities</b>		
• Cultivation of SMARTCONSTRUCTION consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)	396	430 (aggregate)
<b>Resolutions to social issues through collaboration with stakeholders</b>		
• Promotion of industry-government-academia collaboration as well as of collaboration with customers	Examination of cutting-edge tools through activities with domestic customers and regional dissemination	Promotion of Brand Management and activities creating value for customers
• Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings)	• Shareholder meetings: 2 times • Shareholder factory tours: 10 times • Individual investor meetings: 7 times • Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic	Number of meetings held
• Institutional investors (ESG meetings)	11 (ESG-related meetings)	Number of meetings held
• Communities (business site fairs)	Business fairs at nine factories (Awazu, Osaka, Ibaraki, Kanazawa, Tochigi, Oyama, Koriyama, Shonan, and Himi); canceled only at Shonan Plant due to impacts of Typhoon Hagibis	One fair held at each of nine factories per year
• Employees (meetings)	34 (30 in Japan, 4 overseas)	Number of meetings held
<b>Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights</b>		
• Occupational health and safety, support for establishing environmental and safety systems at suppliers, response to Japan's Corporate Governance Code (corporate governance reports), evaluations of effectiveness of Board of Directors, internal control, and internal audits	Establishment of Human Rights Policy, disclosure in integrated report	Ongoing improvements made in reflection of relevant laws and regulations and social expectations