

Corporate Governance

Basic Stance on Corporate Governance

To become a company which enjoys more trust from shareholders and all other stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders and investors, the Company discloses information in a fair and timely manner and actively engages in investor relations' activities by holding meetings with shareholders and investors.

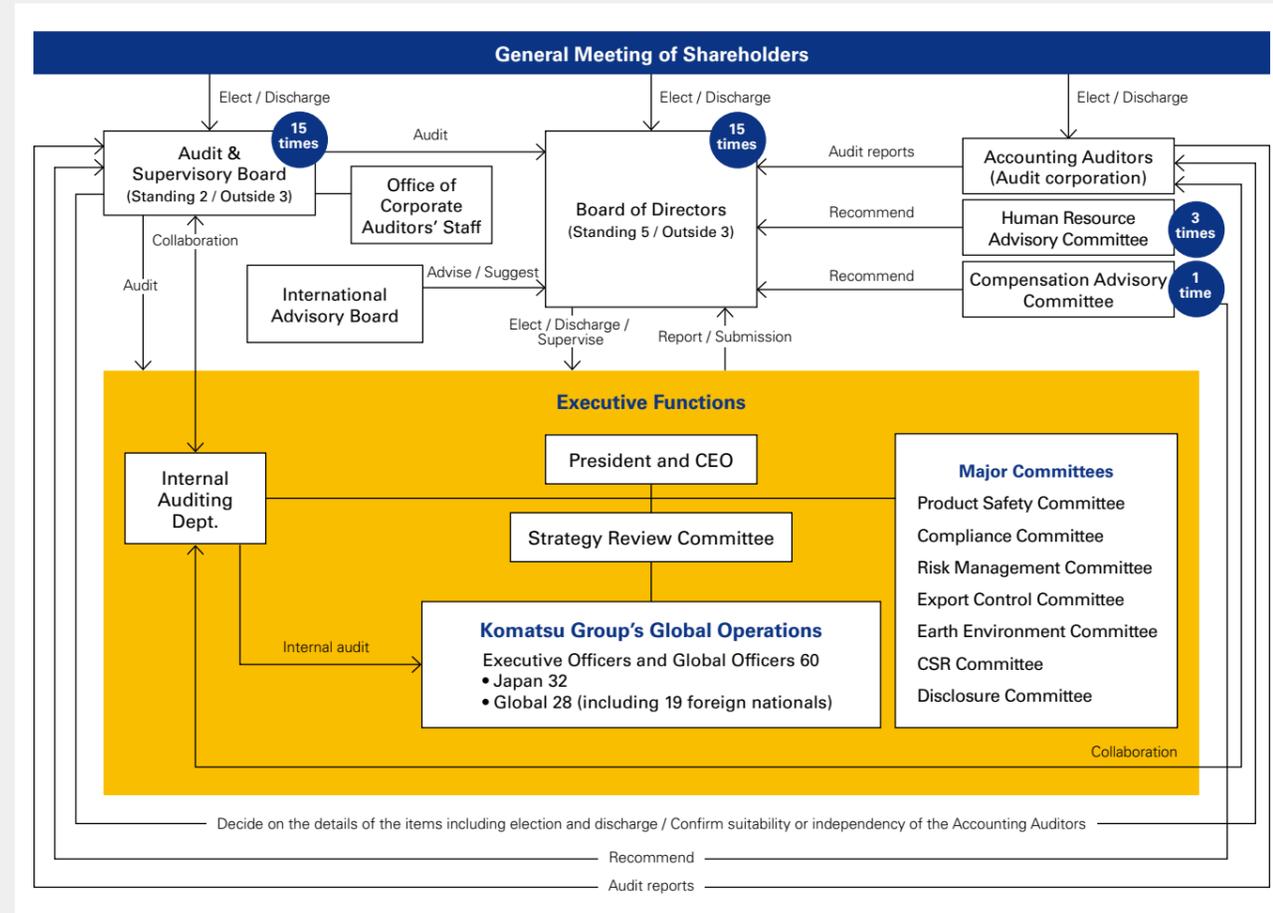
Corporate Governance Framework

At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision making, and reform their operational aspect. Having introduced the Executive

Officer (*Shikko Yakuin*) System in 1999, the Company has separated management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations, and while appointing both Outside Directors and Outside Audit & Supervisory Board Members, limits the Board of Directors to a small number of members.

Corporate Governance of the Company (As of June 30, 2020)

Figures in ● represent the number of meetings in FY2019.



Activities of the Board of Directors

The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the eight (8) Directors on the Board, three (3) are Outside Directors to ensure transparent

and objective management.

To promote efficient management of the Board of Directors, the Company has established a Strategy Review Committee consisting of Senior Executive Officers and senior managers. Based on the reviews of the Committee, Executive Officers and senior managers execute their duties within the authority delegated by the Board of Directors.

Characteristics of Komatsu's Board of Directors

- Monthly reports from the CEO (recent important items and other topics)
- Monthly reports from the CFO (performance, order trends, borrowings, etc.)
- Annual proposal plans and follow-up
- Multiple discussions on important items (deliberation → resolution)
- Business reports to Board of Directors covering nearly 100% of sales-generating activities
- Proactive expression of opinions by Audit & Supervisory Board Members in addition to Directors
- Opportunities for free discussion at Board of Directors meetings

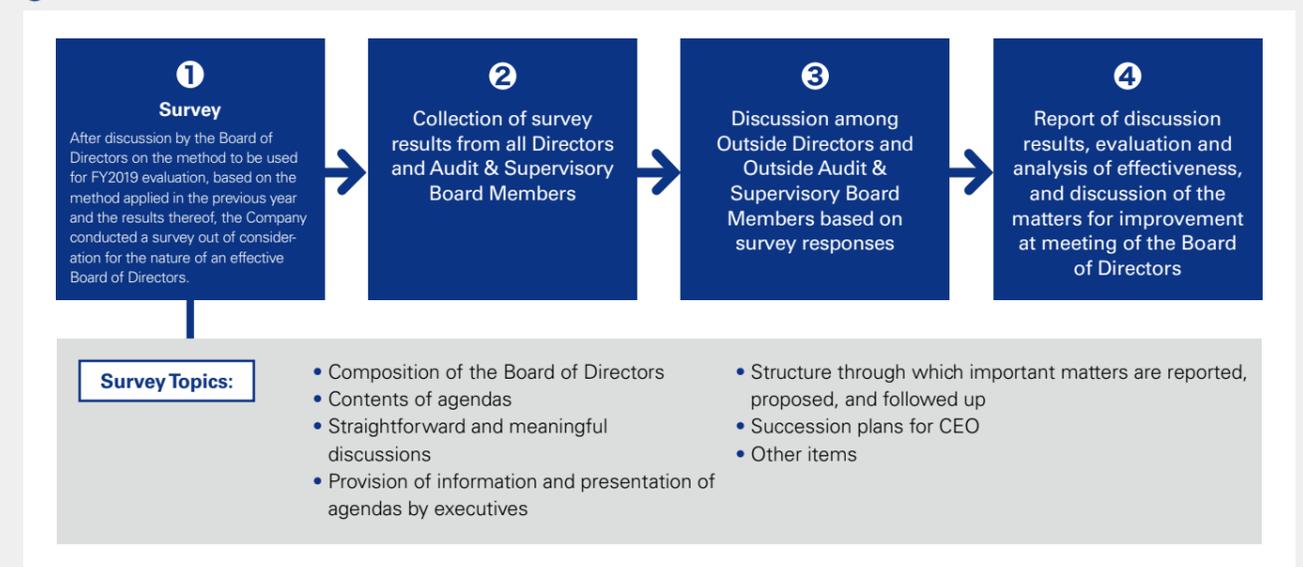
Board of Directors Meeting Attendance and Agenda Item Numbers in FY2019 (April 1, 2019–March 31, 2020)

Attendance	Outside Directors	100%
	Outside Audit & Supervisory members	100%
Agenda item numbers	Reports	45
	Deliberations, Resolutions	28
Free discussion		2 times

Evaluation of the Effectiveness of the Board of Directors

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

Evaluation Process



Outline of the the Results

The assessment shows a generally high level of achievement for each item and confirms that there were no serious problems concerning the effectiveness. The Company received excellent evaluations for factors, such as the following: the timely sharing of issues, problems, and other information provided in monthly reports by the President himself in Board meetings, the fact that Board members discussed the directions of overall business multiple times from a

variety of viewpoints, and the fact that Board members followed up the conditions of resolutions which were regularly reported.

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

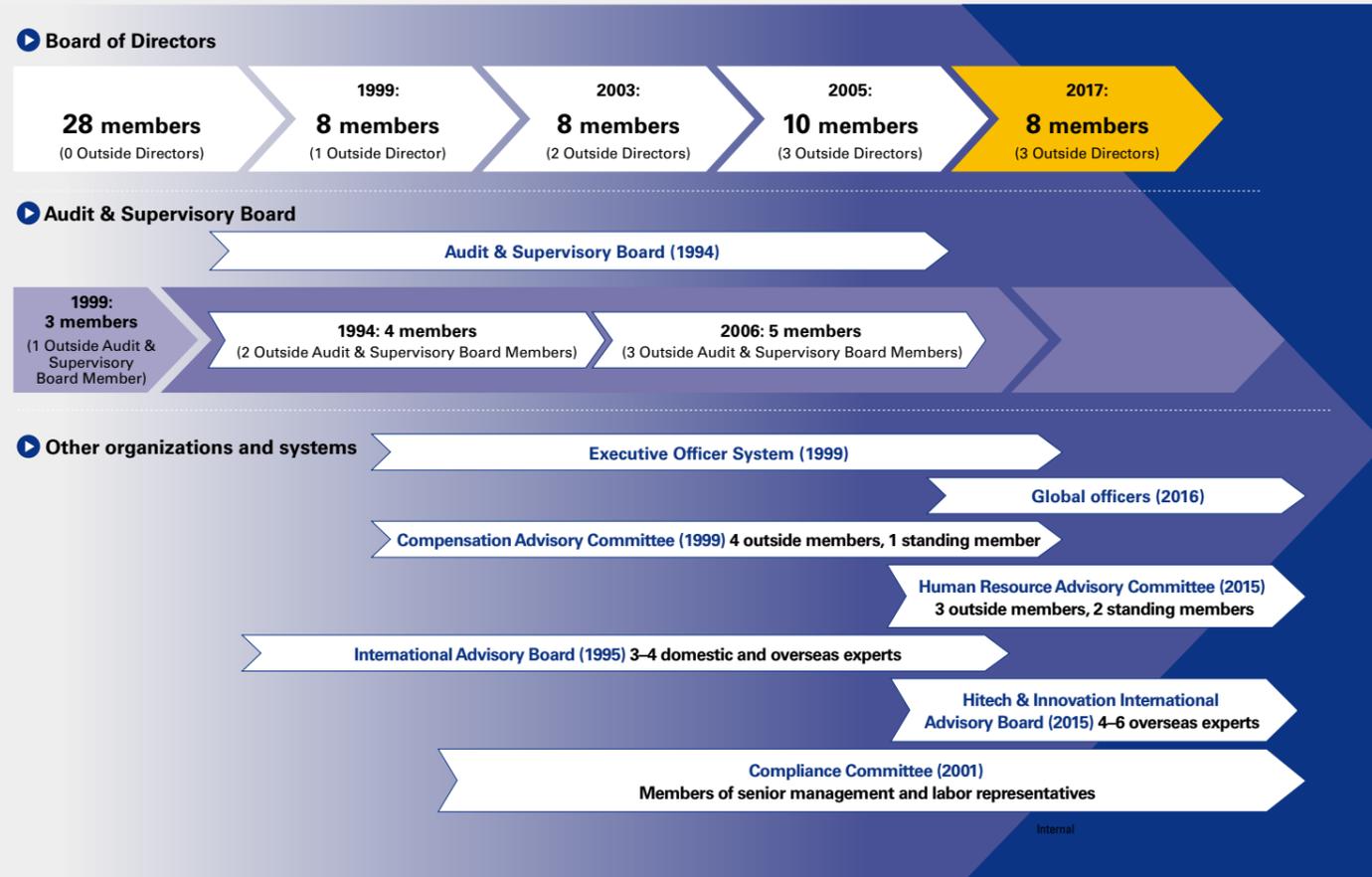
Resolution of ESG Issues

Corporate Governance

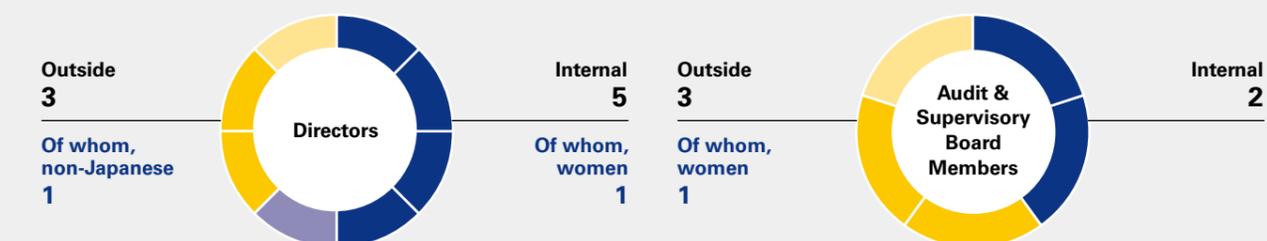
Corporate Governance Reforms

The Company has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to decision making, management and supervision, such as separation of corporate management from business execution, enhancement of corporate management decision making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit & Supervisory Board to appropriately audit Directors' execution of duties. As a means to

supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions. Going forward, the Company will pursue increases to the effectiveness of the Board of Directors while appointing Outside Directors to ensure transparency and soundness and promoting openness and accountability in management.



Composition of Directors and Audit & Supervisory Board Members (As of June 30, 2020)



Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in FY2019

Outside Directors

Masayuki Oku

Major Career

Representative Director of Sumitomo Mitsui Banking Corporation

Attendance to the Meetings Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Mr. Masayuki Oku previously served as Representative Director of Sumitomo Mitsui Banking Corporation. During the fiscal year ended March 31, 2020, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as product and service demand trends, business strategy and utilization of AI. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Mitoji Yabunaka

Major Career

Vice-Minister for Foreign Affairs

Attendance to the Meetings Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Mr. Mitoji Yabunaka previously served as Vice-Minister for Foreign Affairs. During the fiscal year ended March 31, 2020, based on his standpoint as a specialist in international affairs, he provided comments at the meetings of the Board of Directors concerning such issues as market conditions in the Asian region, development of emerging markets and environmental measures. In addition, he was a member of the Company's Human Resource Advisory Committee.

Makoto Kigawa

Major Career

Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd.

Attendance to the Meetings Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. During the fiscal year ended March 31, 2020, based on his rich experience in the business world, he provided comments at the meetings of Board of Directors concerning such issues as the utilization of new technologies, information disclosure policies and ICT strategies using platforms. In addition, he was a member of the Company's Human Resource Advisory Committee.

Outside Audit & Supervisory Board Members

Hirohide Yamaguchi

Major Career

Deputy Governor of the Bank of Japan

Attendance to the Meetings Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Meeting of the Audit & Supervisory Board 100%
(15 meetings out of the 15 meetings held)

Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During the fiscal year ended March 31, 2020, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as M&A risks, inventory management and audit systems. In addition, he was a member of the Company's Compensation Advisory Committee.

Eiko Shinotsuka

Major Career

Professor Emeritus, Ochanomizu University, Commissioner, National Personnel Authority, Member of the Bank of Japan's Policy Board

Attendance to the Meetings Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Meeting of the Audit & Supervisory Board 100%
(15 meetings out of the 15 meetings held)

Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2020, based on her professional standpoint, she provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as the compliance system, securing and utilizing human resources, and mental care for employees. In addition, she was a member of the Company's Compensation Advisory Committee.

Kotaro Ohno

Major Career

Prosecutor-General, Special Counsel, Mori Hamada & Matsumoto

Attendance to the Meetings Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Meeting of the Audit & Supervisory Board 100%
(15 meetings out of the 15 meetings held)

Mr. Kotaro Ohno possesses rich experience in the legal profession. During the fiscal year ended March 31, 2020, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as legal compliance, internal reporting system and risk management. In addition, he was an observer of the Company's Compliance Committee.

Introduction of New Outside Directors

In conjunction with the resignation of Masayuki Oku and Mitoji Yabunaka, the following two new directors were appointed at the General Meeting of Shareholders held in June 2020.

New

Takeshi Kunibe

Takeshi Kunibe has considerable knowledge and rich experience in the business world, including the field of finance and in group company management, etc., having served successively as Representative Director, President and Chief Executive Officer of SMBC, as well as Representative Director and President, Director President and Representative Executive Officer, and Chairman of the Board of SMFG.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. Therefore, the Company appointed him as an Outside Director.

New

Arthur M. Mitchell

Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan, and has considerable knowledge and rich experience in the field of international legal affairs.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations, and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company appointed him as an Outside Director.

Activities of Advisory Committees

Committee Name	Human Resource Advisory Committee	Compensation Advisory Committee
Chairperson	Outside Director (Masayuki Oku)	External expert (Advisor: Tsuguoki Fujinuma, The Japanese Institute of Certified Public Accountants)
Members	3 Outside Directors (Masayuki Oku, Mitoji Yabunaka, Makoto Kigawa) Chairperson of the Board President	1 external expert (Advisor: Tsuguoki Fujinuma, The Japanese Institute of Certified Public Accountants) 1 Outside Director (Masayuki Oku) 2 Outside Audit & Supervisory Board Members (Hirohide Yamaguchi, Eiko Shinotsuka) Chairperson of the Board
Purpose	Selection of next President and deliberation, resolution, and reporting to the Board of Directors on human resource development methods, succession plans, and appointment and dismissal of Directors	Deliberation, resolution, and reporting to the Board of Directors and Audit & Supervisory Board on remuneration systems for Directors, Audit & Supervisory Board Members, and Executive Officers to ensure objectivity and transparency
Meetings in FY2019	3	1
Agenda items in FY2019	<ul style="list-style-type: none"> Selection and cultivation of candidates for next President Proposal of Directors and Audit & Supervisory Board Members for FY2020 Terms of Directors and Audit & Supervisory Board Members Composition of Outside Directors Concurrent positions held by Chairman of the Board and Outside Directors, etc. 	<ul style="list-style-type: none"> Monthly compensation levels for Directors and Audit & Supervisory Board Members in FY2020 Performance-based remuneration for Directors for FY2019 (projections) Evaluation methods for the mid-term management plan

Succession Plans

One of the items contained in the Code of Conduct for Leadership/Top Management that has been described in the KOMATSU Way since its establishment in 2006 is "continue to think about your succession plan."

In order to ensure that Komatsu's management values are transmitted to the next generation, the basic requirements for candidates for the position of President are discussed and clearly defined by the Human Resource Advisory Committee. In addition, successors for

important domestic and overseas positions up to and including that of the President are decided through the annual implementation of succession plans (see chart below).

Selected successors are assigned to challenging tasks and granted even larger roles in the organization to systematically develop them in an environment that encourages the pursuit of mutual growth.

Overview of Succession Plans



Key Points for Cultivating Leadership/Top Management Successors

1. Foster willpower necessary to overcome challenges by having candidates experience extremely difficult situations
2. Nurture organizational operation capabilities needed to unite parties with differing interests
3. Cultivate compliance awareness to prevent misconduct

Remuneration Systems

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. With regards to remuneration levels, their comparison by position at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations. The remuneration for Directors excluding the Outside Directors (hereinafter "Internal Director") comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated performance for a

single fiscal year (bonus in cash and the Stock-Based Remuneration A) as well as the performance-based remuneration (Stock-Based Remuneration B) that will reflect the degree of achievement of the targets raised in the mid-term management plan, so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company, by linking the remuneration. The remuneration for Outside Directors only consists of basic remuneration (fixed remuneration) designed to support their role to make recommendations with respect to the overall management of the Company as a member of the Board of Directors. Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without getting fettered by the movements of corporate performance of the Company. The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

Composition of Remuneration of Directors and Audit & Supervisory Board Members

Internal Directors	Basic Remuneration (Fixed Remuneration)	Performance-Based Remuneration for a Single Year (Monthly Remuneration x 0-24 months)		Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan (Monthly Remuneration x 0-3 months)
	Monthly remuneration x 12 months	Bonus in Cash (2/3, in principle)*	Stock-Based Remuneration A (1/3, in principle) Restricted Stocks	Stock-Based Remuneration B Restricted Stocks
Outside Directors and Audits	Basic Remuneration (Fixed Remuneration)	← Not influenced by Company performance		
	Monthly remuneration x 12 months			

* The upper limit for Bonus in Cash is set at 12 months' worth of monthly remuneration; the remainder of bonuses is to be paid as Stock-Based Remuneration A.

Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's Mid-Term Management Plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within range of 0-100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan presented in the following table and as a general rule, the restriction of transfer on the shares will be lifted after three years from delivery.

Management Indicators and Management Targets in Mid-Term Management Plan (FY2019-FY2021)

	Management Indicator	Management Target
Growth	• Sales growth rate	• Growth rate above the industry's average*1
Profitability	• Operating income ratio	• Industry's top-level operating income ratio*1
Efficiency	• ROE	• ROE of 10% or higher
Financial position	• Net debt-to-equity ratio*2	• Industry's top-level financial position
Retail finance business	• ROA • Net debt-to-equity ratio*2	• ROA 1.5% to 2.0% • 5.0 or under for net debt-to-equity ratio*2
ESG	• Reduction of environmental impact • Evaluation by external organizations	• CO ₂ emissions: Decrease by 50% in 2030 from 2010 • Renewable energy use: Increase to 50% of total energy use in 2030 • Selected for DJSI*3 (World & Asia Pacific) and for CDP*4 A-list (Climate Changes and Water Risk), etc.
Shareholder return	• Consolidated payout ratio	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment • Set the goal of a consolidated payout ratio of 40% or higher

*1 Relative comparison with domestic and foreign major competitors in the same industry.

*2 Net debt-to-equity ratio = (Interest-bearing debt - Cash and cash equivalents - Time deposits) / Shareholders' equity of the Company

*3 Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland.

*4 International non-profit organization which advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments.

Resolution of ESG Issues
Corporate Governance

► Major Executive Committees

Committee Name (Committees indicated with an asterisk [*] are chaired by the President.)	Purpose	Meeting Frequency
Product Safety Committee	Effective promotion of Companywide product safety activities based on basic product safety policies defined in product safety regulations	2 times a year and when necessary
Compliance Committee*	Discussion on and decision and execution of policies and important measures pertaining to group-wide compliance	2 times a year and when necessary
Risk Management Committee	Primarily discussion and approval of group-wide risk management tasks and risk countermeasures	1 time a year and when necessary
Export Control Committee	Discussion on and decision and execution of policies and important measures regarding group-wide export control (trade security management)	1 time a year and when necessary
Earth Environment Committee*	Formulation of group-wide environmental measures and discussion of progress to facilitate promotion of environmental preservation throughout the Group	1 time a year
CSR Committee*	Discussion on and decision and execution of group-wide CSR policies and important measures and activities	1 time a year
Disclosure Committee	Discussion and assessment to facilitate accurate information disclosure as required by the Financial Instruments and Exchange Act and submission of recommendations to internal information control representatives regarding judgments on material developments	4 times a year and when necessary
KOMATSU Way Committee*	Discussion on and decision and execution of policies and important measures regarding human resources, labor affairs, education and human resource development, the KOMATSU Way, total quality management, employee benefits, and occupational health and safety management for the Company and the Group	2 times a year

Stakeholder Engagement

In order to gain more trust from all stakeholders, the Company is strengthening corporate governance and top management is practicing direct engagement with stakeholders.



Major Investor Relations Activities in FY2019

To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations activities by holding meetings with shareholders and investors.

For Institutional Investors




Financial results briefings (4 times)
Small meetings (7 times)
Business briefings (2 times)
Business site tours (1 time)
Overseas investor relations activities (5 times; approx. 70 companies)
Individual meetings (over 240)

For Shareholders and Individual Investors




Shareholder meetings (2 times)
Factory tours for shareholders (10 times)
Individual investor meetings (7 times)
Gifts of appreciation for long-term shareholders
* Certain tours and briefings have been cancelled as a result of the global COVID-19 pandemic.

Homepage



Financial information

- Financial results briefings
- Sales and profits gains reports
- Quarterly reports, etc.

Web interviews with the president (4 times)
KOMATSU REPORT, etc.

Engagement Topics

Komatsu holds meetings with institutional investors and securities analysts to deepen their understanding of the Company.

Date	Meeting Name	Attendants	Contents
September 18, 2019	Investors Meeting	39	(1) Komatsu business development in Africa and (2) Komatsu's digital transformation strategy
December 11, 2019	ESG Meeting	40	(1) Solving ESG issues in the new mid-term management plan, (2) KOMATSU REPORT 2019 / corporate governance, and (3) KOMATSU REPORT 2019 / Komatsu's social contribution activities

For materials from meetings held in FY2019, please refer to Komatsu's corporate website: https://home.komatsu/en/ir/library/results/1203311_1764.html

TOPICS Appointments of Advisors of the International Advisory Board

Komatsu established the IAB back in 1995 for the Board of Directors to incorporate, from external experts, objective advice and suggestions concerning management and operations of Komatsu as a global company. The IAB has met a total of 35 times in the conventional and new organizations combined. In April 2020, Komatsu is going to start the 8th the session of the IAB for Management of the IAB with the following new advisors. The term of service for each advisor is set at three years as a general rule. Komatsu will continue to incorporate advice and suggestions from IAB members with expertise in global business, further improve management and strengthen its corporate governance in order to enhance its corporate value.

Name	Current Position and Brief Background	
R. David Hoover	2018–Present 2015–Present 2009–2018 2000–2015 1996–2013	Chairman of the Board, Elanco Animal Health Board of Directors, Edgewell Personal Care Company Board of Directors, Eli Lilly and Company Board of Directors, Energizer Holdings, Inc. Board of Directors, Ball Corporation (Chairman, 2002–2013)
Kusmayanto Kadiman	2015–Present 2010–Present 2004–2009 2001–2004	Vice President Commissioner of PT Adaro Power President Commissioner of BFI Finance The State Minister for Research and Technology of the Republic of Indonesia President of Bandung Institute of Technology (ITB)
Risto Siilasmaa	2006–Present 2012–May, 2020	Chairman of the Board of Directors, F-Secure Corporation (He is the founder of F-Secure Corporation.) Chairman of the Board of Directors, Nokia Corporation
Mitoji Yabunaka	2010–Present 2014–June, 2020 2008–2010	Visiting Professor, Ritsumeikan University Outside Director, Komatsu Ltd. Vice Minister, Ministry of Foreign Affairs

Risk Management

Basic Principles and Structure for Risk Management

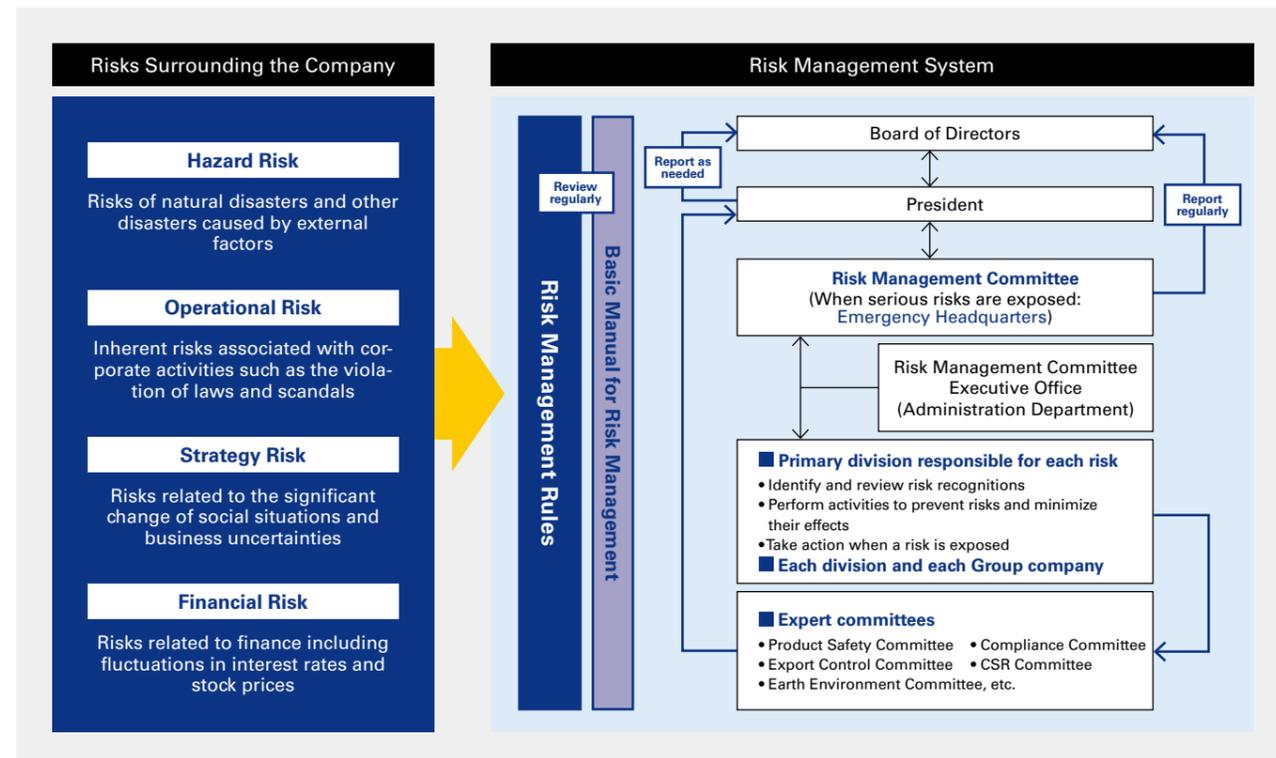
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the board of directors.

Komatsu will establish an emergency headquarters when serious risks occur and implement appropriate measures to minimize damage.

We are developing risk reporting lines, preparing related manuals and making other efforts to further improve the risk management system of the entire Group, including overseas subsidiaries.

We have reflected climate change risks in this system for management.



Compliance

The Company shall establish the "Compliance Committee" as Komatsu to oversee compliance, and the Committee regularly reports its reviews and activities to the Board of Directors. The Company shall also establish a system to ensure all Directors and employees thorough compliance to business rules as well as laws and regulations through a variety of measures, including the provision of "Komatsu Code of Worldwide Business Conduct," appointment of the Executive Officer in charge of compliance, and

establishment of the Compliance Department. Through all of these, we work to supervise, educate and train Directors, Audit & Supervisory Board Members and employees.

In addition, the Company shall establish the internal reporting system where those who are discretely reporting questionable actions in light of laws and regulations and business rules will not be given any disadvantageous treatment.

Establishing a business continuity plan (BCP) and providing training

Komatsu has established business continuity plans (BCPs) for individual bases and conducts initial response training drills to prepare primarily for earthquakes. At production bases, we implement measures to reinforce the seismic resistance of structures and production equipment while implementing countermeasures to safeguard against water and wind damage from concentrated heavy rains and other weather events in order to minimize the impacts of increasingly more severe natural disasters. Moreover, the disaster response reporting chains and standards for frontline sites have been clarified to facilitate

swift decisions by senior management should a disaster strike.

We are focused on not only strengthening the BCPs of Komatsu Group but also on strengthening the supply chain system through support of our business partners. Recent initiatives to this effect have included holding nationwide seminars on initial disaster responses and hazard map use led by experts on these subjects. Several partners were invited to take part in these seminars.

Going forward, we will continue to promote and enhance our Groupwide BCP initiatives.

Recent Natural Disasters and Response Measures



Response to the COVID-19 Pandemic

With the safety and health of our customers, partner companies, people in local communities, and our employees and their families set as our priority, the Komatsu Group is striving to prevent the spread of the COVID-19 pandemic based on the government policies in each country.

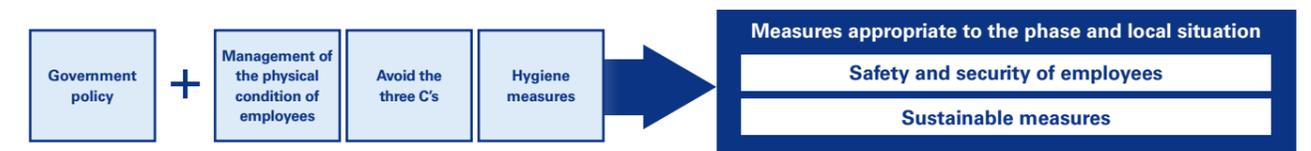
To fulfill our responsibilities to customers involved in businesses that support social infrastructure (essential businesses), we have continued to supply products, parts, and services to our customers while thoroughly taking measures to prevent infection.

In the middle of March, we determined that we had entered the Infection and Pandemic phase, a management item in the Basic Manual for Risk Management, and set up an emergency

headquarters with our president as its Chairperson. Since the state of emergency was declared in Japan in April, we have carried out remote meetings almost every day that include the president, internal directors, and the heads of functions to share the latest information about the situation at the global level and determine the correct actions to take. In addition, the president has also regularly reported this information and these actions to the board of directors.

We have posted news releases on our website to keep all stakeholders updated on the status of our mask donation and other support activities, our global production activities, and other matters as needed.

We will continue to exercise accountability toward stakeholders through timely and appropriate information disclosure going forward.



Response to Climate Change

Approximately 90% of the CO₂ emissions associated with Komatsu Group's operations are attributable to product operation. Accordingly, we have the potential help mitigate climate change by providing low-carbon products and solutions. However, if efforts to deliver such offerings do not conform to the regulatory requirements of the relevant countries or with the demands of markets, we will risk suffering future impacts to our earnings. For this reason, Komatsu has set the goal of halving the CO₂ emissions from product

operation by 2030, and R&D activities are being advanced toward the accomplishment of this goal (response to transition risks). Meanwhile, the rise in natural disasters associated with climate change is creating risks of damages to the Company and its supply chain. We are therefore taking steps to identify the water-related risks threatening the Company and its supply chain while instituting BCP drills and other measures to mitigate these risks (response to physical risks).