Komatsu IR-DAY in 2019
The 4th ESG Meeting

December 11, 2019
10:00-11:30

<Komatsu Participants>
Kuniko Urano  Director and Senior Executive Officer
Takuya Imayoshi  Executive Officer and General Manager of Business Coordination Dept.
Yoshiko Kurasawa  General Manager of CSR Dept.
Yoshie Ideura  General Manager of Environmental Affairs Dept.
I. Solving ESG issues in the New Mid-Term Management Plan<PP3-21>

Takuya Imayoshi, Executive Officer and General Manager of Business Coordination Dept.

II. “Komatsu Report 2019”/Corporate governance<PP22-31>

Takuya Imayoshi, Executive Officer and General Manager of Business Coordination Dept.

III. Komatsu's social contribution activities<PP32-44>

Yoshiko Kurasawa, General Manager, CSR Dept.
I. Solving ESG issues in the New Mid-Term Management Plan

This Integrated Report mainly focuses on the value creation business model of working for sustainable growth by turning a positive cycle of improving earnings (financial indexes) and solving ESG issues (non-financial indexes) as it implements growth strategies in the mid-term management plan. It also includes the following,

- the President’s message (the mid-term management plan)
- the CFO’s message (financial strategy)
- The KPIs designed to track Komatsu’s contribution to solving ESG issues
- the human rights policy

The KPIs designed to track Komatsu’s contribution to solving ESG issues ⇒ Komatsu will disclose the progress in the next report and onward.
Based on the growth strategy and KPIs of the Mid-Term Management Plan, we have included the conventional Komatsu report, CSR and Environmental Report. Komatsu Report 2019 (Integrated Report) compiled and issued in Sep. 2019.

New Mid-Term Management Plan 《To solve ESG issues through the growth strategies of our core business》

Sustainable growth

A virtuous cycle between the main business and ESG

Komatsu Report  (Annual report of actual entities)

CSR・Environmental Report Digest

Solutions for ESG issues
CSR, environmental efforts of focus and KPIs
KPIs of ESG

We will work for sustainable growth through a positive cycle of improving earnings and solving ESG issues.
KPIs of ESG should be found in the area where improvement of earnings and solutions for ESG issues overlaps.

[Improvement of earnings]
Efforts of focus by all divisions and KPIs

[Improvement of earnings]
Efforts of focus by all divisions and KPIs

E S G Data Book
(Komatsu CSR・Environmental Web-site)

Corporate Governance Report

Financial Statements

Business report

Securities Report
（1）Komatsu’s Value Creation Model
Mid-Term Management Plan (FY2019 – FY2021)

DANTOTSU Value
FORWARD Together for Sustainable Growth

Linking every workplace through excellence

Our world is changing.
So are the challenges of our customers and society.
What can we do to help overcome these challenges while remaining sustainable?
Together, we can reach new, unrivaled heights of excellence in our products, services, and solutions to enable a better world. We can link every workplace and generate value with our global teams, customers, distributors, partners and communities.
We can make a difference.
We can do it by delivering DANTOTSU Value.
# External Environment and Our Tasks

The external environment is changing, as represented by multi-polarization of the world and growing concerns about climate change. To achieve sustainable growth, we need growth strategies that are not affected by changes of market demand.

## Changes in the External Environment and of ESG Issues

**[Politics & economy]**
- Multipolarization of the world
- Emergence of protectionism
- Growth of emerging economies

**[Technologies]**
- Further spread of IoT, AI, and big data
- The progress of electric and autonomous vehicles

**[Environment & energy]**
- Climate change
- Growing demand for energy, foods and water
- Decarbonization & renewable energy

**[Society & values]**
- Acceleration of diversity in advanced countries
- A decline of working-age population
- Achievement of a recycling-oriented society by accelerating the pace of sharing
- Growing pursuit and needs for safety and comfort

## Expectations of achieving a sustainable society

## Our Tasks in the Growth Strategies

1. To solve ESG issues through the growth strategies of our core business.
2. To promote sustainable growth based on our profit structure which is free of changes in the external environment and market demand.
We will strive to maximize our corporate value and achieve sustainable growth through a positive cycle of improving earnings and solving ESG issues. We will achieve this by working on our three strategic pillars: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth.

**Mid-term Management Plan: Concepts and Stance**

```
Stakeholders

Communities

Customers

Employees

Distributors

Suppliers

Business partners

Shareholders

Investors

Expectations of society and stakeholders

Solutions for ESG issues

Sustainable growth

Shared growth based on growth strategies

Sustainable increase of earnings

Growth Strategy Aligned with Management Principles

Maximize Corporate Value which is the Total Sum of Trust.

Enhance Corporate Brand.

ESG Solutions

Positive cycle = Sustainable growth

[ Three Pillars of Growth strategies]

1) Value creation by means of innovation
2) Growth strategies based on business reforms
3) Structural reforms for growth.

Positive cycle = Sustainable growth

Improvement of earnings
```
To maximize corporate value (the total sum of trust), we will work for sustainable growth. In developing this mid-term management plan, we have defined growth strategies and management targets by backcasting the roadmap to our future vision.

**Management principle**
Make commitment to Quality and Reliability and maximize corporate value (the total sum of trust from society and all stakeholders)

**Previous plan (FY2016 – 2018)**
- Growth strategies based on innovation
- Growth strategies of existing businesses
- Structural reforms designed to reinforce the business foundation

**Current mid-term management plan (FY2019 – 2021)**
- Three Pillars of Growth Strategies
  1) Value creation by means of innovation
  2) Growth strategies based on business reforms
  3) Structural reforms for growth

**Integration of KMC* (FY2017)**

**Future Vision**
Positive cycle = Sustainable growth

Workplaces of the future: Safe, highly productive, smart and clean

**ESG Solutions**

**Imagery**

**100th anniversary and beyond**

Growth strategies and management targets by backcasting the roadmap to our future vision

* KMC stands for Komatsu Mining Corp. (The former Joy Global Inc.)
(2) Solving ESG issues with three strategic pillars
We will achieve sustainable growth in the face of changing external environment and challenges by focusing efforts on the following three pillars of growth strategies.

### Value creation by means of innovation
- Optimization platform and solutions business strategies
  - SMARTCONSTRUCTION, Autonomous Haulage System (AHS), and platforms (LANDLOG and IntelliMine)
- Automation, autonomous operation, electrification and remote controlling of construction, mining and utility equipment
- Smart forestry and agriculture

### Growth strategies based on business reforms
- KMC integration synergies and business reinforcement
- Value chain reforms and redefinition of the aftermarket business
  - Preventive maintenance by applying IoT and AI, and Lifecycle support under serial number-based management
  - Logistics reforms
- Next-generation key components
- Next-generation KOMTRAX
- Stronger focus on aggregate & cement, forestry, agriculture and other segments
- Efforts for “DANTOTSU NO. 1 in Asia” and in the growing markets of India and Africa
- Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)

### Structural reforms for growth
- Business reforms by means of ICT and IoT
- Structural reforms of development operation
  - Model base development
  - Open innovation
- Connected plants with Zero impact on environment and workers
- Global human resource development
DANTOTSU Value

We will accelerate the speed of advancing the level of DANTOTSU products, DANTOTSU services and DANTOTSU solutions, and create DANTOTSU Value (ESG solutions through the creation of customer value and improvement of earnings).

DANTOTSU Value (ESG solutions through the creation of customer value and improvement of earnings)

Workplaces of the future: Safe, highly productive, smart and clean

[Advancement of Construction]
Commitment to safety and productivity

- Optimization platform and solutions business strategies

[Advancement of Machine Operations]
Commitment to "visualization" of machine operations

- Preventive maintenance by applying IoT and AI
- Lifecycle support under serial number-based management
- Next-generation KOMTRAX

[Advancement of Machines]
Commitment to high quality and high value

- Automation, autonomous operation, electrification, remote controlling

Value

DANTOTSU Solution

DANTOTSU Service

DANTOTSU Product

Expansion of the value chain

Solving ESG issues in the New Mid-Term Management Plan: (2) Solving ESG issues with three strategic pillars
Roadmap to Construction Workplaces of the Future

We will achieve digital transformation of construction by advancing products (automation and autonomous operation) and processes (optimization) to help create safe, highly productive, smart and clean workplaces of the future.

Digital Transformation of Construction

- Automatic generation of daily tasks from daily optimized construction plans
- Collaboration and autonomous operation of equipment on the workplace

Products 【Level of Automation and Autonomous Operation】

- Level 1 Limited Operation Support
- Level 2 Advanced Operation Support
- Level 3 Advanced Solo Automation
- Level 4 Advanced Collaborative Autonomous Operation
- Level 5 Advanced Decision-making Autonomous Operation

“Visualization” of workplace data

ICT Construction

ICT-intensive construction & machines

Visualization of progress

Utilization of topographical data

KomEye

Introduction of advanced ICT-intensive models

Visualization of workplace data

Workplaces of the future: Safe, highly productive, smart and clean

**Solving ESG issues in the New Mid-Term Management Plan: (2) Solving ESG issues with three strategic pillars**
## ESG Solutions through Core Business

We will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

<table>
<thead>
<tr>
<th>CSR Themes</th>
<th>ESG Solutions through Core Business</th>
<th>Relationship with SDGs</th>
</tr>
</thead>
</table>
| Enhancing Quality of Life       | ➢ Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry).  
➢ Improve productivity, efficiency, safety and environmental impact (lower CO2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain.  
➢ Make commitment to DANTOTSU value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value). | Innovation and Infrastructure  
Sustainable Cities and Communities  
Climate action  
Partnerships for the goals |
| 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. | Decent work and economic growth  
Sustainable Cities and Communities  
Partnerships for the goals |
| Growing with Society            | ➢ Offer solutions for social issues through collaboration with stakeholders.  
➢ Act as a responsible corporate citizen ensuring corporate governance, compliance and human rights.                                                                 | Sustainable Cities and Communities  
Partnerships for the goals |

Further Disclosure of Information

- **Express Support for TCFD** *(April 2019)*

*Task Force on Climate-related Financial Disclosures*
（3）Management Targets
Sustainable Growth by Focusing Investment in Three Pillars

We will strive for growth above the industry’s average by making priority investment in growth areas, as we assess cost effectiveness and strategic value under the three pillars of growth strategies.

<table>
<thead>
<tr>
<th>Sales/Demand</th>
<th>Period of the previous plan</th>
<th>Period of the mid-term management plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth strategies based on innovation</td>
<td>Value creation by means of innovation</td>
</tr>
<tr>
<td></td>
<td>Growth strategies of existing businesses</td>
<td>Growth strategies based on business reforms</td>
</tr>
<tr>
<td></td>
<td>Structural reforms designed to reinforce the business foundation</td>
<td>Structural reforms for growth</td>
</tr>
</tbody>
</table>

Demand recovery for mining equipment and in emerging economies

We assumed demand recovery would start in FY2019 in the previous plan. (Actually it started in FY2017.)

We assume gradual growth in the mid to long ranges, but the volatility will remain high in the short range.

Assumed range of demand change

Growth above the industry’s average by focusing investment in growth areas
In addition to striving for the industry's top-level growth, profitability, efficiency, and soundness, we have newly set up ESG indexes. Placing priority on investment for growth strategies, we will work to maintain stable dividends and keep 40% or higher for consolidated payout ratio.

<table>
<thead>
<tr>
<th>Index</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td></td>
</tr>
<tr>
<td>• Sales growth rate</td>
<td>• Growth rate above the industry’s average</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
</tr>
<tr>
<td>• Operating profit ratio</td>
<td>• An Industry’s top-level operating income ratio</td>
</tr>
<tr>
<td>Efficiency</td>
<td></td>
</tr>
<tr>
<td>• ROE</td>
<td>• ROE of 10% or higher</td>
</tr>
<tr>
<td>Financial position</td>
<td></td>
</tr>
<tr>
<td>• Net D/E ratio</td>
<td>• Industry’s top-level financial position</td>
</tr>
<tr>
<td>Retail finance</td>
<td></td>
</tr>
<tr>
<td>business</td>
<td>• ROA: 1.5-2.0%</td>
</tr>
<tr>
<td></td>
<td>• 5.0 or under for net debt-to-equity ratio</td>
</tr>
</tbody>
</table>

**[New] ESG**

- Reduction of environmental impact
- Evaluation by external organizations

- Reduction of environmental impact
  - CO₂ emissions: Decrease by 50% in 2030 from 2010.
  - Renewable energy use: Increase to 50% of total energy use in 2030.
- Evaluation by external organizations: Selected for DJSI "World & Asia Pacific" and CDP A-list (Climate Changes and Water Risk)

**Shareholder return**

- Dividend payout ratio

- Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment.
- Set the goal of a consolidated payout ratio of 40% or higher.

Notes: 1) Dow Jones Sustainability Indices: SRI indices operated by S&P Dow Jones Indices of U.S.A. and RobecoSAM of Switzerland
2) International non-profit organization, protecting water resources and forests by advocating the reduction of greenhouse gas emissions by companies and governments.
In our next mid-range management plan, we uphold the approach of promoting sustainable growth through a positive cycle of improving earnings and solving ESG issues. Accordingly, we will find and define KPIs of ESG in the area where the two major efforts of improving earnings and solving ESG issues overlap.

We will work for sustainable growth through a positive cycle of improving earnings and solving ESG issues. KPIs of ESG should be found in the area where improvement of earnings and solutions for ESG issues overlaps.

Maximization of corporate value
Enhancement of corporate brand value

Solutions for ESG issues

[Improvement of earnings]
Efforts of focus by all divisions and KPIs

[Solutions for ESG issues]
CSR, environmental efforts of focus and KPIs
KPIs of ESG

[Three pillars of Growth strategies]
1) Value creation by means of innovation
2) Growth strategies based on operation reforms
3) Structural reforms for growth.

Positive cycle = Sustainable growth
## Resolving ESG issues with the three pillars of growth strategy-priority activities and KPIs (1)

- Follow KPIs that integrate financial and non-financial measures in order to measure the effects of solving ESG issues through the three pillars of the growth strategy.
- KPI was published in the integrated report issued in September. Each year, the degree of achievement is reported in an integrated report.

### Key Initiatives under New Mid-Term Management Plan (FY2021 KPIs)

<table>
<thead>
<tr>
<th>CSR Themes</th>
<th>Key Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enhancing Quality of Life</strong></td>
<td><strong>Providing products required by society</strong></td>
</tr>
<tr>
<td><strong>Reduction of CO2 emissions (in comparison to FY2010)</strong></td>
<td><strong>Plants with zero impact on environment and workers</strong></td>
</tr>
<tr>
<td>- Reduction of CO2 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)</td>
<td>- Rate of renewable energy use (including purchase of renewable energy)</td>
</tr>
<tr>
<td></td>
<td>- Work environment burden coefficient (particle matter density)</td>
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<td></td>
<td>- Water consumption</td>
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<td></td>
<td><strong>Value chain reforms and redefinition of the aftermarket business</strong></td>
</tr>
<tr>
<td></td>
<td>- Spare parts sales</td>
</tr>
<tr>
<td></td>
<td>- Component component lifespan (compared to new components)</td>
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<tr>
<td></td>
<td><strong>Assurance of mine operation safety and productivity</strong></td>
</tr>
<tr>
<td></td>
<td>- AHS units' population (promotion of mining platform business)</td>
</tr>
<tr>
<td></td>
<td><strong>DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution</strong></td>
</tr>
<tr>
<td></td>
<td>- ICT-intensive equipment introduced</td>
</tr>
<tr>
<td></td>
<td>- Sites adopting SMARTCONSTRUCTION</td>
</tr>
<tr>
<td></td>
<td>- Automation, autonomous operation, electrification, and remote-controlling of equipment</td>
</tr>
<tr>
<td></td>
<td>1. Automation of construction equipment</td>
</tr>
<tr>
<td></td>
<td>2. Automation, autonomous operation, and remote operation of mining equipment</td>
</tr>
<tr>
<td></td>
<td>3. Automation of utility equipment</td>
</tr>
<tr>
<td></td>
<td>4. Enhancement of mining equipment and hard rock mining businesses</td>
</tr>
<tr>
<td></td>
<td><strong>Agricultural solutions and smart forestry</strong></td>
</tr>
<tr>
<td></td>
<td>- Creation of construction equipment demand in agricultural field</td>
</tr>
<tr>
<td></td>
<td>- Smart forestry projects</td>
</tr>
<tr>
<td></td>
<td><strong>IoT and ICT work reforms</strong></td>
</tr>
<tr>
<td></td>
<td>- Sales in KOM-MICS platform business (visualization of production equipment operation)</td>
</tr>
</tbody>
</table>
## Resolving ESG issues with the three pillars of growth strategy-priority activities and KPIs (2)

<table>
<thead>
<tr>
<th>CSR Themes</th>
<th>Key Initiatives under New Mid-Term Management Plan (FY2021 KPIs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing People</td>
<td></td>
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<tr>
<td>- Development of a diverse workforce with a high level of productivity and technical skills</td>
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<tr>
<td>- Enhancing employee engagement</td>
<td></td>
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<tr>
<td>- Work process reforms through expansion of diverse and flexible workstyles</td>
<td></td>
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<tr>
<td>- Promotion of KOMATSU Way (global dissemination of KOMATSU Way)</td>
<td></td>
</tr>
<tr>
<td>- Strengthening and development of diverse and global-scope talent to help achieve sustainable workplaces</td>
<td></td>
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<tr>
<td>- Revision of role of Japan in global management</td>
<td></td>
</tr>
<tr>
<td>- Foundations for global measures (systems, frameworks)</td>
<td></td>
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<tr>
<td>- Ratio of employment of people with disabilities (comply with requirements in Japan)</td>
<td></td>
</tr>
<tr>
<td>- Support for regional human resource development for job creation (regional human resource development with Cummins Inc.)</td>
<td></td>
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<tr>
<td>- Development of talent with cross-value chain capabilities</td>
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<tr>
<td>- Cultivation of SMARTCONSTRUCTION consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)</td>
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<tr>
<td>- Resolutions to social issues through collaboration with stakeholders</td>
<td></td>
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<tr>
<td>- Promotion of industry-government-academia collaboration as well as of collaboration with customers</td>
<td></td>
</tr>
<tr>
<td>- Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings)</td>
<td></td>
</tr>
<tr>
<td>- Institutional investors (ESG meetings)</td>
<td></td>
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<tr>
<td>- Employees (meetings)</td>
<td></td>
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<tr>
<td>- Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights</td>
<td></td>
</tr>
<tr>
<td>- 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</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resolving ESG issues with the three pillars of growth strategy-priority activities and KPIs (2)</th>
<th>(3) Management Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution of global surveys and indexes</td>
<td></td>
</tr>
<tr>
<td>Total workhours of less than 2,100; introduction of telework system (Japan)</td>
<td></td>
</tr>
<tr>
<td>Training hours and number of participants</td>
<td></td>
</tr>
<tr>
<td>Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis</td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>(1) 12.5%, (2) 10.0%, and (3) 5.0%</td>
<td></td>
</tr>
<tr>
<td>Above 2.3% (legally mandated rate)</td>
<td></td>
</tr>
<tr>
<td>Chile, Australia, South Africa, others</td>
<td></td>
</tr>
<tr>
<td>430 (aggregate)</td>
<td></td>
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<tr>
<td>Promotion of Brand Management and activities creating value for customers</td>
<td></td>
</tr>
<tr>
<td>Number of meetings held</td>
<td></td>
</tr>
<tr>
<td>Number of meetings held</td>
<td></td>
</tr>
<tr>
<td>Number of meetings held</td>
<td></td>
</tr>
<tr>
<td>Ongoing improvements made in reflection of relevant laws and regulations and social expectations</td>
<td></td>
</tr>
</tbody>
</table>
II. “Komatsu Report 2019” / Corporate governance
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 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.
Efforts should be made to ensure that the composition and operation of the board of directors' function substantially

**<Directors’ Execution of Duties>**

In FY2018, the Board of Directors met 15 times. The Board made decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors, and reported on business execution.

Business execution reports cover virtually 100% of businesses on a consolidated net sales basis. Even extremely small-scale businesses are reported at a meeting of the Board of Directors, mainly with respect to safety, compliance, and risk.

Sufficient time is secured to ensure full discussions at a meeting of the Board of Directors and the Company has adopted a process of raising important matters for discussion and decision-making on predetermined days over two meetings of the Board of Directors.

The Board of Directors also receives a monthly report from the President regarding recent important matters and topics, such as safety, compliance, and risk. The CFO also reports each month on the status of sales, profits and losses, orders received, and borrowings.
Human Resource Advisory Committee:

The Human Resource Advisory Committee, consisting of three (3) Outside Directors (one of them as Committee Chairperson), Chairperson of the Board and President, discusses appointment and discharge of senior management officers including President (CEO), and reports the results to the Board of Directors. Based on the report, the Board of Directors discusses and decides appointments of the candidates for directors and Audit & Supervisory Board Members as well as appointments and discharges of executive and other officers.

Members of the Human Resource Advisory Committee
Chairperson: Masayuki Oku
Members: Mitoji Yabunaka, Makoto Kigawa, Tetsuji Ohashi, Hiroyuki Ogawa

Compensation Advisory Committee:

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, which consists of four (4) external members (one (1) outside expert, two (2) Outside Audit & Supervisory Board Members and one (1) Outside Director) and one (1) internal member. 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.

Members of the Compensation Advisory Committee
Chairperson: Tsuguoki Fujinuma
Members: Hirohide Yamaguchi, Eiko Shinotsuka, Masayuki Oku, Tetsuji Ohashi
Komatsu’s Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company emphasizes independence when selecting Outside Directors and Outside Audit & Supervisory Board Members, and has therefore established its own “Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members.” In addition, through its departments engaged in business transactions with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), the Company reviews the business relationship of these companies by making direct inquiries to the concerned companies and implementing other means, thereby evaluating their independence from the Company.

Basic Stance
Independent Outside Board Members are defined as Outside Board Members who have no potential conflict of interest with ordinary shareholders of the Company. In the event that they are critically controlled by the top management of the Company or they can critically control the top management of the Company, they are deemed to have a conflict of interest with ordinary shareholders of the Company. Therefore, the Board of Directors determines that they have no independence from the Company.
### Aims

To provide objective advice and suggestions concerning Komatsu Group’s management and business operations to the Board of Directors.

### Three advisers

<table>
<thead>
<tr>
<th>Present position As of May 2016</th>
<th>Mr. John Bellinger</th>
<th>Mr. Theodore Solso</th>
<th>Mr. Jouko Karvinen</th>
</tr>
</thead>
</table>
| **Present position As of May 2016** | Partner, ARNOLD & PORTER LLP, a law firm in the United States | Independent Lead Director, General Motors Company | • Chairman, Board of Directors of Finnair  
• Member, Foundation and Supervisory Board, IMD (a Swiss business school) |
| **Background** | Legal Adviser, US State Department  
Senior Associate Counsel to the President and Legal Adviser to the National Council | CEO, Cummins, Inc. | • CEO, Stora Enso Oyj (a Finnish paper manufacturer)  
• Member, Supervisory Board of Nokia |
Evaluation of the Effectiveness of the Board of Directors

Komatsu 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

1. Survey
   After discussion by the Board of Directors on the method to be used for FY2018 evaluation, based on the method applied in the previous year and the results thereof as well as the 2018 revision to Japan's Corporate Governance Code, the Company conducted a survey out of consideration for the nature of an effective Board of Directors.

2. Collection of survey results from all Directors and Audit & Supervisory Board Members

3. Discussion among Outside Directors and Outside Audit & Supervisory Board Members based on survey responses

4. Report of discussion results, evaluation and analysis of effectiveness, and discussion of the matters for improvement at meeting of Board of Directors

Survey Topics:
- Composition of the Board of Directors
- Contents of agendas
- Straightforward and meaningful discussions
- Provision of information and presentation of agendas by executives
- Structure through which important matters are reported, proposed, and followed up
- Succession plans for CEO
- Other items

Overview of Results of FY2018 Evaluation

The assessment shows a generally high level of achievement for each item and confirms that there were no serious problems concerning the effectiveness. As in the case of the previous survey, the Company received excellent evaluations for monthly reports by the President himself in Board meetings. The Company also enjoyed high marks for new efforts, such as improved diversity of the Board with a female inside director, the holding of the Board meeting at Komatsu Mining Corp. (acquired in 2017) as part of Board of Directors’ visit and discussions and reviews held four times by the Board when the Company was developing the new mid-term management plan.

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.
Message from CFO
For shareholders and investors, we are working to become a company, which they can invest in at ease, by improving IR programs and information disclosure. We are also working to reduce cost of shareholders’ equity through a positive cycle of solving ESG issues and improving and stabilizing earnings in our core businesses, as we strengthen our governance in compliance with Japan’s corporate governance code, and provide high-quality, high-efficiency products, services and solutions, reducing environmental impact and ensuring safety.

Concerning cross-shareholdings, unless they are necessary due to business relations or collaboration with Komatsu, under the policy of not owning stocks of listed companies in light of avoiding the risk of stock price fluctuation as well as ensuring the efficiency of assets, we had sold all concerned stocks by the end of FY2017 (ended March 31, 2018).

Cross-Shareholdings (Non-Consolidated)
As a supplement to Komatsu’s Code of Conduct, we have created the President’s “Message concerning Occupational Safety and Health” and the "Compliance 5 Principles", then posted them in workplaces around the world.

**Message concerning Occupational Safety and Health**

1. The Komatsu Group shall, first of all, strive to “ensure a safe and comfortable work environment” and “maintain and promote employees’ health.”
2. The Komatsu Group shall promote “proactive occupational safety and health activities” in order for all employees to achieve the above conditions by working together as one team.
3. The Komatsu Group shall proactively strengthen occupational safety and health efforts not only within the Komatsu Group but also at our partners, such as customers, distributors and suppliers.
4. Each and every person in a senior management position of the Komatsu Group shall acknowledge as top priority tasks the above three matters and shall take the initiative in demonstrating the execution of daily duties accordingly.

The persons who are in charge of occupational safety and health as well as all other employees are requested to promote specific activities based on the above message, specifically according to the following action guidelines.

1. To fully understand and comply with the laws and regulations concerning occupational safety and health as well as internal rules, and promptly respond to any problems.
2. To respond to problems through fact finding activities by all employees. To accomplish the above task, management and the labor union are expected to work together and further improve communications.
3. To make the utmost daily efforts to prevent fire or other disasters by any means and remove all possible risks at workplace. It’s also required to make the utmost efforts to minimize the damages if a natural disaster should occur.
4. To create a comfortable and engaging work environment for sound mental and physical health of employees.

April 1, 2019  
Hirofumi Ogawa  
President and CEO, Komatsu Ltd.

**FIVE PRINCIPLES OF COMPLIANCE**

1. Regardless of the circumstances, you must always comply with the “Rules” and fulfill the trust of society.
2. Ignorance of the Rules will not be tolerated. If you are not sure, you must check the Rules by yourself and consult a specialist for anything important.
3. Never patch over or cover up any mistake or failure to follow the Rules. You must immediately report them to the company's manager/department in charge.
4. You must correct any mistake or failure to follow the Rules without delay and implement effective preventive measures to ensure that it does not happen again.
5. Never take any action to prevent or hinder any person from reporting to the Compliance Hotline (whistle-blowing) or to other relevant offices of the company; never take unfavorable action against that person.

(Komatsu is committed to ensuring that no unfavorable action will be taken by any Komatsu Group entity against any person for providing such reporting or whistle-blowing.)

To be fully trusted by society, every Komatsu member must adhere to the above Principles, using the priorities of Safety, Law, Quality, Delivery, and Cost. Each member, including top management, should observe the actual workplace (Genbatsu), the real thing (Genbatsu), and the real situation (Genjitsu) to find the solution.

Hotline: Compliance Department, Komatsu Ltd.  
(Compliance Hotline)  
Phone: +81-3-3582-2506  
Fax: +81-3-3581-1937  
E-mail: komatsu_hq@global.komatsu

April 1, 2019  
Hirofumi Ogawa  
President and CEO, Komatsu Ltd.

◆SLQDC’s concept

**Priority**

- Safety ⇒ Law ⇒ Quality ⇒ Delivery ⇒ Cost

**Commitment**

- To yourself, your family and your friends
- Commitment to society
- Commitment to our customers
- Commitment to Agencies and DBs
- Commitment to The Management for the survival of the company
III. Komatsu's social contribution activities
Komatsu’s Social Contribution Activities

1. Our Approach for Social Contribution Activities

2. Case Study
   - Technical Education for Communities (Collaboration with Cummins Inc.)

December 11, 2019
Kako Kurasawa
General Manager, CSR Dept.
1. Our Approach for Social Contribution Activities
(1) Komatsu’s CSR is Consistent with our Founder’s Philosophy and Core Business

Founder’s Philosophy

1990 -

1990’s Activities as good corporate citizen

2000’s Enhancing governance and compliance

2010

Announcing that our business activities are in fact CSR activities.

Top messages

Komatsu recognizes that the business activities which embody our strength are in fact CSR activities. We strive to respond to the demands of society, through our core business.

Social Contribution
Giving back to society leveraging our know-how and resources of our core business

2011

Identifying our CSR Priorities (Materiality Analysis)

High

Value for society

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 including 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

Value for Komatsu

High

1) Enhancing Quality of Life - Solving social issues through business -

2) Developing People

3) Growing with Society
We will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

<table>
<thead>
<tr>
<th>CSR Themes</th>
<th>ESG Solutions through Core Business</th>
<th>Relationship with SDGs</th>
</tr>
</thead>
</table>
| Enhancing Quality of Life   | ➢ Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry).  
➢ Improve productivity, efficiency, safety and environmental impact (lower CO2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain.  
➢ Make commitment to DANTOTSU value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value). | Innovation and Infrastructure  
Sustainable Cities and Communities  
Climate action  
Partnerships for the goals                                                                 |
| 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. | Decent work and economic growth  
Sustainable Cities and Communities  
Partnerships for the goals                                                                |
| Growing with Society        | ➢ Offer solutions for social issues through collaboration with stakeholders.  
➢ Act as a responsible corporate citizen ensuring corporate governance, compliance and human rights.                                                                 | Sustainable Cities and Communities  
Partnerships for the goals                                                                |

**Social Contribution Activities**

We will promote social contribution activities to address social issues in regions throughout the world, by leveraging Komatsu technologies, management resources, potential, and people.
Leveraging Komatsu technologies, management resources, potential, and people, we promote social contribution activities to address social issues in regions throughout the world.

<table>
<thead>
<tr>
<th>CSR Themes</th>
<th>ESG Solutions</th>
<th>Specific Programs</th>
<th>Relationship with SDGs</th>
</tr>
</thead>
</table>
| Enhancing Quality of Life       | ➢ Providing products that apply know-how and technologies developed through our core business for communities  
                              | ➢ Social contribution programs addressing environmental issues and improving safety | ➢ Support for Agriculture (using our equipment) and Consortium (in Ishikawa Prefecture/Japan) | Innovation and Infrastructure  
                              |                                                                                | Sustainable Cities and Communities | Decent work and economic growth |
| Developing People               | ➢ Contributing to human resource development in communities                    | ➢ Contributing to human resource development for job creation                     |  
                              |                                                                                | ➢ Support in training/education for the next generation                       | Climate action  
                              |                                                                                |  
                              |                                                                                | Sustainable Cities and Communities | Partnerships for the goals |
| Growing with Society           | ➢ Support in resolving social issues in areas where we operate                | ➢ Programs for regional development through partnerships with customers and employee participation |  
                              | ➢ Social contribution through partnerships with stakeholders (customers, employees, local communities, business partners) | ➢ Clearing anti-personnel landmines and community developing support |  
                              |                                                                                | ➢ Support in disaster relief |  
                              |                                                                                |  |  |
Our affiliates respond to the needs of local communities through their social contribution activities. We are seeing more programs which promote employee's participation and collaboration with our customers. The following are just some examples:
2. Case Study
Technical Education for Communities
(Collaboration with Cummins Inc.)
1. Komatsu’s Concept of Support
Supporting human resources development of communities by leveraging Komatsu’s unique skills

- Areas related to Komatsu’s business
  ✓ Construction equipment that is needed for local economic and infrastructure development
  ✓ Passing along the culture of manufacturing
- Practical support through engagement of our people (Participating in running a program, dispatching instructors, receiving apprentices, etc.)
- Support to vocational schools, support in collaboration with customers

Needs of local communities
- Local residents: Acquire skills that lead to employment
- Local companies: Acquire good talent
- Local needs are diverse according to the region
- Unemployment is high despite a large number of students finishing high education

Support must be provided to fill the gap between school education and skills needed at companies. Support must be provided that leads to employment based on local skills needs.

2. Areas

<table>
<thead>
<tr>
<th>Service mechanic</th>
<th>Production engineering/Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production/Manufacturing</td>
<td>Operator skills</td>
</tr>
<tr>
<td>Electronics</td>
<td>Mechanical engineering</td>
</tr>
<tr>
<td>Basic education</td>
<td>Getting a job/Being in the workforce</td>
</tr>
<tr>
<td>Onsite classes</td>
<td>Science classes</td>
</tr>
</tbody>
</table>

Levels of Support
- Basic Education
  - Support to universities
  - Support to vocational schools
  - Partnership with local communities and customers
- Employment

3. Methods

- Donations/Scholarships
- Provide school materials and equipment
- Provide facilities/support operations
- Dispatch instructors
- Accept trainees
- Provide onsite classes
In April 2016, Komatsu and Cummins concluded a cooperation agreement for “TEC,” skills development utilizing their existing business partnership. Both companies comprehensively utilize each other’s management resources and best practices to provide opportunities to learn about mechanical and electrical engineering to address their shared focus of “support for development of people in local communities.” Improves job opportunities in local communities and supports the vitalization and advancement of local industries.

**Peru**
- Launched program for developing maintenance engineers for vehicles and construction equipment collaborating with both companies’ common distributor.
- Both Komatsu and Cummins provided teaching materials, such as cutaway engines.
- The first students graduated in June 2019.

**United States (Utah)**
- Diesel engine technology program has been established, being introduced as vocational curriculum at many high schools and junior colleges.
- 175 students advanced to the next grade in 2019.
- The number of applicants exceeds the capacity in every program.

**Chile**
- Launched maintenance training program for construction equipment in March 2019.
- Workshops for development of lecturers held as well, in January and February.
- 56 students have joined the program, including 6 females.

**Australia**
- Train engineers to be employed in the local community.
- 50 students in total graduated in December 2018.

**South Africa**
- 3-year curriculum launched at Sedibeng Technical College in Johannesburg in May 2018.
- In the first year, 31 students (14 females) were selected from 120 applicants for enrollment. They will graduate in December 2021.
Three-year vocational curriculum launched at Sedibeng Technical College in Johannesburg in May 2018. There are 31 new students to learn about engine maintenance skill and how to operate construction and mining equipment. Both companies' local subsidiaries will dispatch dedicated instructors, provide teaching materials, and support to prepare curriculum, etc.

Above: First cohort of 31 students

Left: Minister of Higher Education and Training Naledi Pandor delivers the keynote address

Right: Leaders of local education institutions, Komatsu and Cummins
Objectives
1. Information sharing about Komatsu’s Global CSR and best practices
2. Discussions towards setting Komatsu’s Global CSR policy, deciding on focus areas/programs, and aligning future direction
3. Clarification of communication structure as a team, for enhancing sustainable CSR initiatives globally

Outline
Date: November 22, 2019
Attendees: CSR managers/members of each country: 32 persons representing 24 companies from 17 countries

Subjects
1. Komatsu’s approach to CSR
2. Communicating the concept “Solving ESG issues through Core Business” to employees
3. Group discussion

“One Komatsu”
Review of (global common social contribution activity themes in line with Komatsu’s core businesses that all employees worldwide can participate in with a sense of unity)
(5) Enhancing Employee Engagement

Opinions of CSR Managers

Requests from customers
"Customer strongly requesting for CSR"
• Important customers are asking to discuss CSR strategy and requesting for clarity on our sustainability goals.
• Relationships with customers or business partners can be improved through CSR initiatives.

Employee Engagement
“We (the company) should encourage employees to actively participate in CSR.”
“CSR can motivate employees worldwide and can be used to create a sense of unity.”
• Employees want to feel useful and do good.
• Good initiatives can create “Team Komatsu” connection among employees.
• Through CSR, employees can be felt motivated and a sense of belonging.

Requests from employees
"Employees seeking a sense of belonging"
• Many employees in their 20s/30s are seeking a sense of belonging to the Komatsu brand.
• Establishing an identity for regional employees is a must.

Encourage employees to participate in CSR
• Establish global common pillars (HR development, local community support, etc.)
• When promoting employee participation, it should be voluntary
• Quantify and measure the progress (volunteer hour, ratio, etc.)
• Company (management)’s role is to motivate and support.
Thank you