



Message from Top Management



Tetsuji Ohashi
President and CEO

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 environmental 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 world-wide, 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.



July 2014
Tetsuji Ohashi
President and CEO

■Komatsu participates in [the UN Global Compact \(UNGC\)](#).
Regarding for relationship between UNGC’s Ten Principles and Komatsu’s activities, see [this link](#).



Network Japan
WE SUPPORT

■Komatsu participates in the World Business Council for Sustainable Development. Please see [this link](#).



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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:

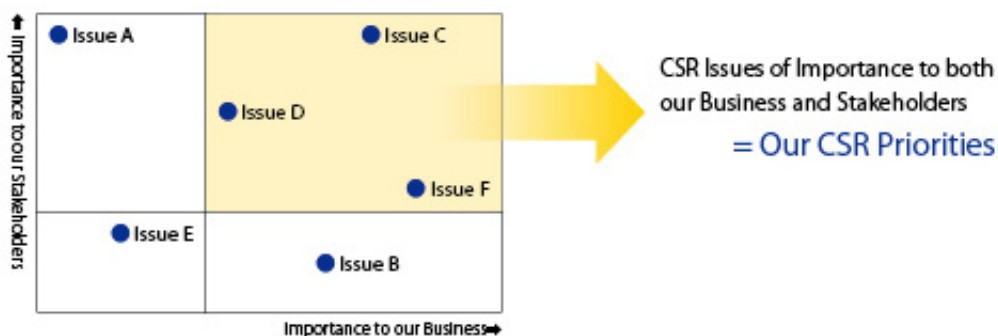
1. Identify a set of CSR issues and prioritize these CSR issues by their relevance to our business and their importance to our stakeholders
2. Define a set of global CSR themes and activities

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	Environment
Products that enhance safety	Environmentally-friendly products
Responsible marketing and customer care	Environmental efficiency (facilities, such as plants, and job sites)
Employees	Remanufacturing

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

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

1. 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

2. 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"

3. 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

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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.

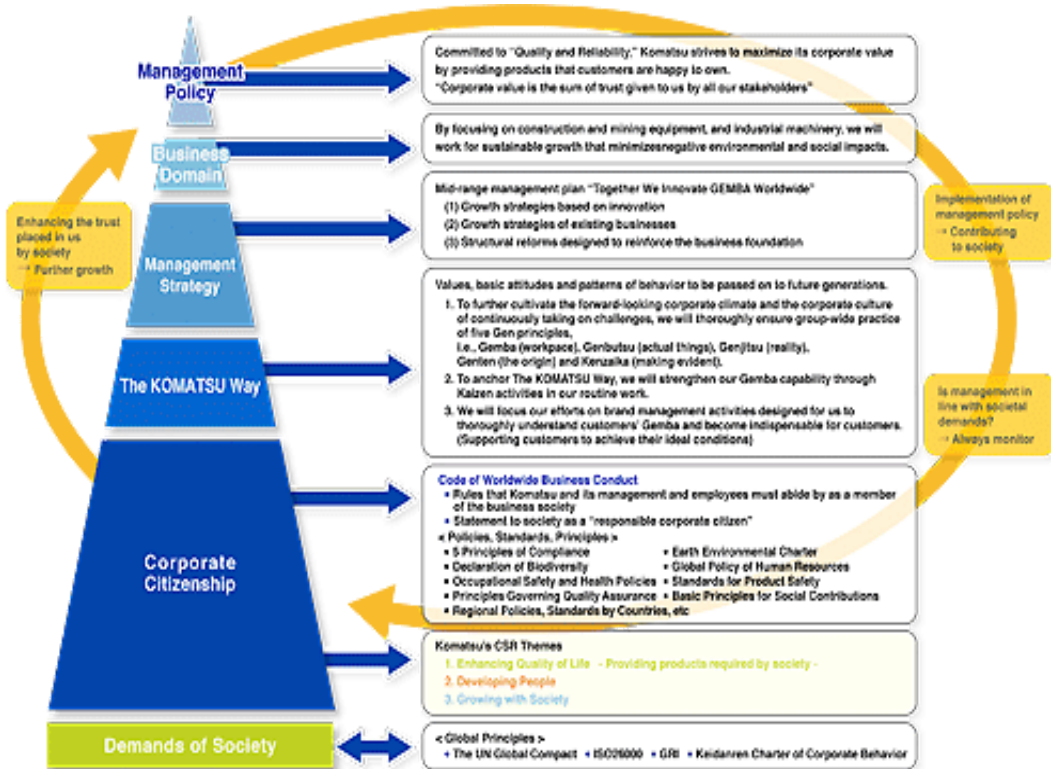


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Incorporating CSR Into Management

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.



(You can see expanding figure by clicking figure above.)

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.

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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 Our CSR Priorities)	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"> • Corporate Governance • Compliance • Compliance with social norms including business partners 	<ul style="list-style-type: none"> ■"Quality and Reliability" of organizational structure, business operations, employees and the management ■Emphasis on corporate governance ■Compliance with the Rules of the Business Community
Human Rights	[Human Rights] Principle 1 Principle 2	<ul style="list-style-type: none"> • Respecting human rights • Compliance with social norms including business partners • Development of local communities • Disaster relief • Improving local residents' quality of life 	<ul style="list-style-type: none"> ■Respect each employee's fundamental human rights ■Promote work life balance ●Respect human rights
Labour Practices	[Labour] Principle 3 Principle 4 Principle 5	<ul style="list-style-type: none"> • Equal employment • Safety and health • Human resource development • Compliance with social 	<ul style="list-style-type: none"> ■Engagement and discussions with employees or their representatives ■Shall not tolerate child labor or forced labor ■Promote equal opportunities for employment and eliminate discrimination/harassment in the workplace ■Realize a safe and comfortable work environment ●Never get involved in any child

	Principle 6	norms including business partners	<ul style="list-style-type: none"> or forced labor ●Create a work environment where there is no discrimination or harassment ●Build up an occupational safety and health operational structure ●Establish a fair and just personnel system
The Environment	[Environment] Principle 7 Principle 8 Principle 9	<ul style="list-style-type: none"> • Environmental-friendly products • Environmental efficiency (facilities, such as plants, and operation sites) • Remanufacturing 	<ul style="list-style-type: none"> ■Provide products, services and systems that are environment-friendly, safe and innovative ■Environment Protection ●Reduce environmental impact, manage chemical substances and build up environmental management systems - Komatsu Earth Environmental Charter - Declaration of Biodiversity by Komatsu
Fair Operating Practices	[Anti-Corruption] Principle 10	<ul style="list-style-type: none"> • Corporate governance • Compliance • Compliance with social norms including business partners 	<ul style="list-style-type: none"> ■Fair Competition ■Refrain from following the custom whenever we believe there is conflict ■Appropriate Sociality ■Fair and proper relationship with governmental agencies ●Engage in free and fair competition and business transactions ●Never accept inappropriate cash, gifts or other favors
Consumer Issues		<ul style="list-style-type: none"> • Products that enhance safety • Responsible marketing and customer care • Environmental-friendly products • Remanufacturing 	<ul style="list-style-type: none"> ■To always think about the needs of customers and to strive to provide products, services and systems that are safe, environment-conscious and innovative ■Environment Protection ●Reduce environmental impact, manage chemical substances and build up environmental management system
		<ul style="list-style-type: none"> • Development of local 	

Community Involvement and Development	communities <ul style="list-style-type: none">• Disaster relief• Improving local residents' quality of life• Human resources development	<ul style="list-style-type: none">■ To realize and fulfill CSR as a corporate citizen■ Groupwide social contribution (5 Principles for social contribution)
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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	Mid-range Issues and Targets of These CSR Themes	
1.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 ICT Improving environmental efficiency at operation sites and plants	Working for Society through Core Business	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	
	Increasing Product Safety with Innovation · Entire perimeter monitoring of dump truck "Kom Vision" · ICT-Intensive Construction using the ICT Bulldozer · Autonomous Haulage System (AHS)		
	Introducing Environmentally-friendly Products and Services		Environmental Action Plan · Environmental Management · Research and Development · Manufacturing
	Reducing the CO2 Emissions and Effective Utilization of Resources in Business Units		
	Taking Measures to Maintain Biodiversity at Business Units and Facilities		
Reducing environmental impact throughout the product life cycle	Reducing CO2 Emissions in Logistics	Environmental Action Plan · Procurement and Logistics · Sales and After-sales Services	
	Promoting the "Reman" Business		
	Raising the Recyclability of Construction Equipment		
Enhancing safety for customers, society, employees, and business	Increasing the Safety of Products and Workplace · Occupational health and	Increasing Safety in Workplace · Eliminating accidents	

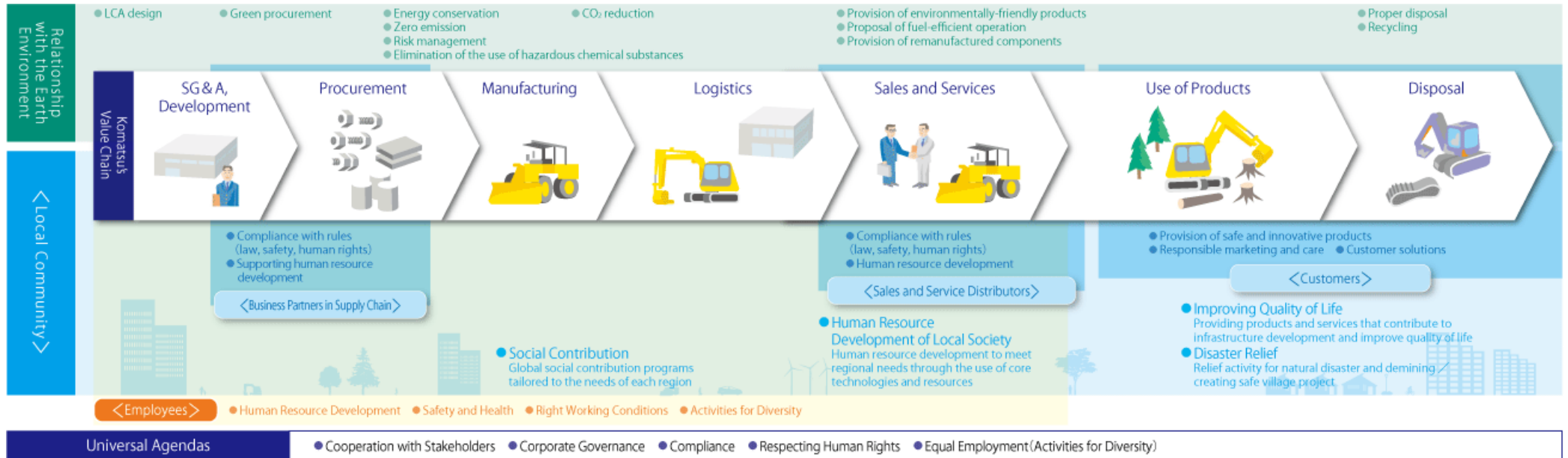
partners	safety <ul style="list-style-type: none"> · Increasing safety in workplace · Quality assurance system of products 	accompanied by lost worktime/fatal occupational injuries in the entire the Komatsu Group including the overseas subsidiaries.
2.Developing People		
Contributing to human resource development in local communities	Contribution to Society through Human Resource Development <ul style="list-style-type: none"> · Offering the equipment service education in collaboration with the Myanmar government · Offering educational materials and education support for German elementary schools · Offering basic education for young people in South Africa · Developing vocational abilities useful to Indonesian industries · Science education for children in Komatsu-no-Mori 	Contribution to Society through Human Resource Development <ul style="list-style-type: none"> · Reinforcement of the cooperation with business partners · Ongoing offering of education opportunity leading to employment in the fields related to construction equipment and manufacturing
Enhancing our employees and suppliers through The KOMATSU Way	The KOMATSU Way and Human Resource Development <ul style="list-style-type: none"> · The KOMATSU Way · Received the Demming Prize at Komatsu Shantui · Employee training/human development in distributors 	Ongoing Practice of the KOMATSU Way <ul style="list-style-type: none"> · Developing experts who disseminate the KOMATSU Way (Overseas) · Deploying TQM in the overseas subsidiaries
Enhancing our employees and distributors through "Brand Management"	Brand Management Initiatives	Ongoing Practice of Brand Management <ul style="list-style-type: none"> · Ongoing activities (to broaden the base) inside/outside Japan
		Reinforcement of Human Resource Development System mainly with the Distributor Human Resource Development Promotion Division <ul style="list-style-type: none"> · Promoting training according to the distributor needs/functional level · Preparing the training system for the distributors · Developing the in-house instructors
3.Growing with Society		

<p>Engaging in dialogues with our stakeholders</p>	<p>Communication/Dialogue with Our Stakeholders</p> <ul style="list-style-type: none"> · Dialogue with our stakeholders · Holding the technology convention with the academic-industrial alliance partners · Communication with shareholders, local communities and employees · Communication with business partners 	<p>Ongoing Communication/Dialogue with Our Stakeholders</p>
<p>Providing social contributions through the use of our core technologies and resources</p>	<p>Disaster Relief</p> <ul style="list-style-type: none"> · Clearing of anti-personnel landmines and provincial reconstruction project · Support in regard to the typhoon disaster that hit the Philippines · Ongoing support in regard to the Great East Japan Earthquake 	<p>Disaster Relief</p> <ul style="list-style-type: none"> · 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)
<p>Contributing to local communities where we do business</p>	<p>Contributing to our Local Communities</p> <ul style="list-style-type: none"> · Contributing to our Local Communities in Chile · Support center for people with disabilities in Great Britain · Desert greening activities in China · Inviting Russian children to a hockey game · Supporting the lives of the minority people in Indonesia · Supporting The Flower Association of Japan 	<p>Contributing to our Local Communities</p> <ul style="list-style-type: none"> · Ongoing efforts to provincial needs (Subsidiary) · Promotion of information sharing in the Group about global activities
<p>Strengthening corporate governance and compliance</p>	<p>Governance and Legal Compliance</p> <ul style="list-style-type: none"> · Corporate Governance · Corporate Governance 	<p>Compliance</p> <ul style="list-style-type: none"> · Using tools such as e-Learning to ensure that every person in the organization is

	<p>(Data)</p> <ul style="list-style-type: none"> · Efforts of Compliance 	<p>very familiar with both Komatsu's Worldwide Code of Business Conduct and the Five Principles of Compliance.</p>
	<p>Risk Management</p> <ul style="list-style-type: none"> · Business Continuity Plan (BCP) Training and Information Security Education in the head office, production base and subsidiaries · Conducting CR Audits 	<p>Risk Management</p> <ul style="list-style-type: none"> · Enhancing BCP/information security system throughout the Group · Improving the CR Audit Technique/Increasing the operation Level
<p>Promoting compliance with environmental, labor, and social norms within our group and among business partners</p>	<p>CSR Procurement</p> <ul style="list-style-type: none"> · Together with Business Partners · Reducing CO2 emissions in business partners 	<p>CSR Procurement</p> <ul style="list-style-type: none"> · Ongoing CSR Awareness Campaign to our business partners · Activating Overseas Komatsu Midori-kai Organization

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Our Activities for Our Stakeholders within the Value Chain



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



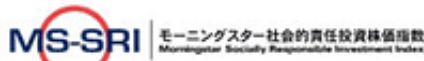
External Evaluations and Activities to Date

Commendations from Assessment Bodies

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



- 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

External Evaluations for CSR Activities (2013)

2013	January	Ranked 19th (out of 438 companies) in Nihon Keizai Shimbun's 16th Environmental Management Survey
		Selected in Dow Jones Sustainability Index (DJSI)'s World, Asia Pacific category
	September	By CDP evaluation, given an A-rating in the Climate Performance Leadership Index, with 95 points for Corporate Information Disclosure(more)
	October	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.
	November	Selected by CDP as Japan's "Climate change performance leading companies" and "Climate change information disclosure leading

companies”

Letter of Appreciation for “Contributing to the development of JISHA Occupational Health and Safety Management System Certification” from Industrial Safety and Health Association (JISHA)

2014

January

Ranked 20th (out of 429 companies) in Manufacturing Sector in Nihon Keizai Shimbun's 17th Environmental Management Survey

February

The Autonomous Haulage System won “Nikkei Sangyo Newspaper Launch's 40th Anniversary Special Award” at the Nikkei Superior Products and Services Awards

March

Awazu Plant and Osaka Plant both awarded the “2013 QC Circle Excellent Company/Business Site”

April

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”

[Please click this link for previous years' information](#)

CSR Activities to Date (2014)

February

Established the “Komatsu Development Trust,” a trust created to provide human resources training program in South Africa

[Please click this link for previous years' information](#)

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Growth Strategies of Existing Businesses

Lifecycle Costs

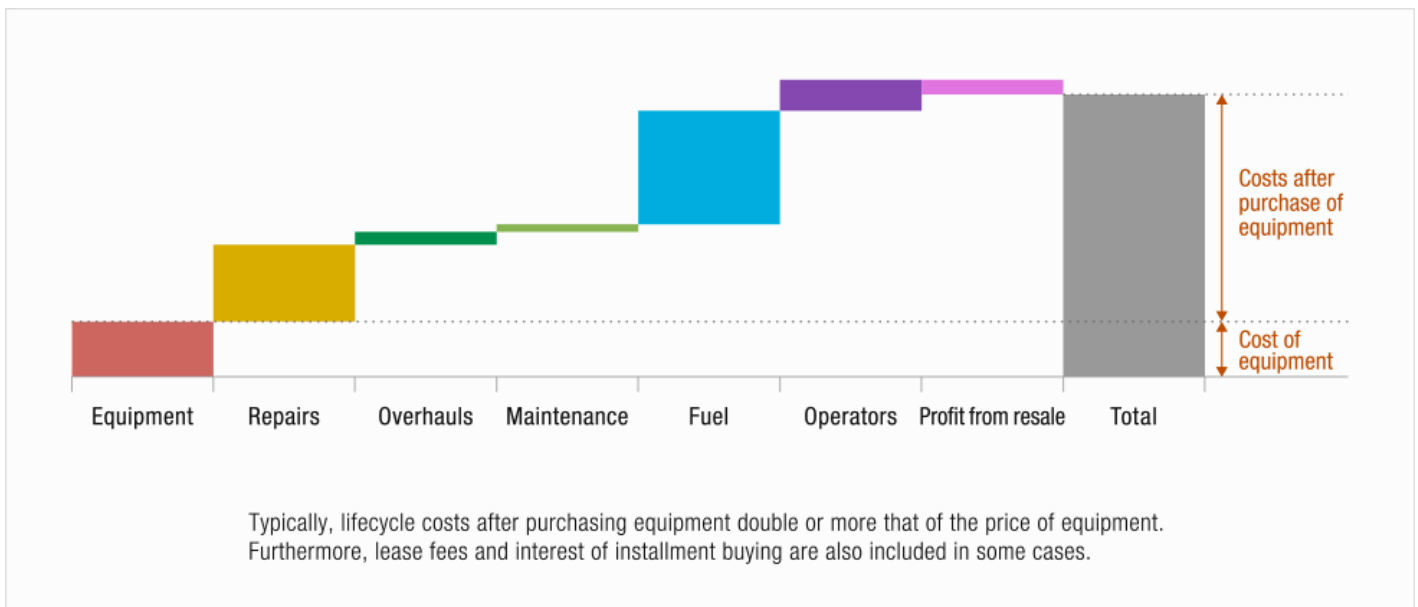
[Analyzing Running Costs of Construction and Mining Equipment](#)[B-Connect Warranty Program](#)[Providing High Value-added Aftermarket Part](#)

Analyzing Running Costs of Construction and Mining Equipment

Construction and mining equipment must meet the two most important needs of customers; 1) no downtime, especially that caused by mechanical failure, and 2) larger profits from more work at smaller costs.

After purchasing new equipment, customers have to meet lots of expenses while operating their machines until reselling as used equipment or scrapping them. Such expenses include for spare parts, maintenance service, fuel and operators in addition to the equipment itself. These expenses are called lifecycle costs.

Lifecycle Costs in Emerging Countries (Conceptual)



As lifecycle costs differ depending on the country, region, machine type, way of machine use, etc., it was extremely difficult for us to accurately determine them. While working to understand customers' jobsite operations, we are utilizing a massive amount of data transmitted from over 340,000 units equipped with KOMTRAX (Komatsu Machine Tracking System) from around the world. We are now better positioned to analyze their lifecycle costs.

Thailand: B-Connect Warranty Program

We are also developing methods to curtail lifecycle costs. Bangkok Komatsu Sales Co., Ltd. (BKS), our sales affiliate in Thailand, commercialized the B-Connect Warranty program, designed to minimize the lifecycle costs of Komatsu equipment, in 2010. By providing periodic service focused on preventive maintenance, we can keep the best possible machine performance, improve utilization rates, and increase their trade-in values. BKS' product support service representatives can learn about customers' jobsite operations and propose ideas to improve their operations.

Based on a survey conducted by BKS in the first half of FY2013, we have found that, among customers of 20-ton hydraulic excavators, compared to those who had not used the B-Connect Warranty program, 21% more program users continued to buy new Komatsu equipment. Common praise for the program by customers included:

"I feel more confident about machine performance, because I can rely on a long-term coverage, that is, three years or 7,000 hours, whichever comes first, and 14 maintenance services which consist of replacement of oil filters and inspection of the equipment, especially when we are short of workers."

"I am highly satisfied with this program, because BKS inspects our equipment every 500 hours by using KOMTRAX and submits the reports of inspection."

"I think the extended warranty period for seven kinds of key components demonstrates Komatsu's confidence in Quality and Reliability, BKS's product support capability and the B-Connect Warranty program. I feel completely safe about our machines and I appreciate this warranty program very much."



During periodic maintenance under the B-Connect Warranty program, BKS's product support service representative reports maintenance findings to a customer and recommends better use of machines.

South Africa: Providing High Value-added Aftermarket Part

Komatsu Africa Holdings (Pty) Ltd. (formerly, Komatsu Southern Africa (Pty) Ltd.: KSAf) has been working to reduce lifecycle costs of Komatsu machines at mineral sands operations. At Namakwa Sands, in the north-western part of South Africa, KSAf's customer, Tronox, mines hard mineral sands which consist of jircon for manufacturing refractory materials as well as rutile, a raw material of titanium. Due to the hard ground of the mine, the wear-out rate of their bulldozer's undercarriage was drastic, expanding its lifecycle costs. KSAf recommended the use of dual bushings, which feature better resistance to wear and easy replacement, and successfully improved the lifecycle costs.

KSAf has also been improving productivity at Namakwa Sands by using KOMTRAX data. For HM400 articulated dump trucks, they have offered training programs to improve operators' driving skills, based on KOMTRAX data, and have received excellent remarks from their customer.



HM400 articulated dump truck at Namakwa Sands

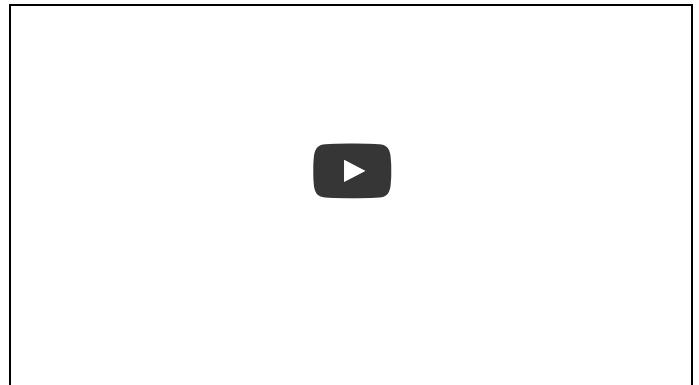


Our service mechanics inspecting the wear conditions of D375A's undercarriage

Interview

Komatsu's service and support offer high value. We welcome Komatsu as a good partner.

Mr. Hannes Du Randt, Mining Manager, Namakwa Sands



FY2013 Highlights

- Consolidated Results
- Environmental Performance

To All Our Stakeholders

Mid-range Focused Activities

- Growth Strategies: Innovation
- Growth Strategies: Existing Businesses
- Structural Reforms (1)

For Sustainable Growth

- Risk Management
- Corporate Governance
- Environmental Conservation Efforts
- CSR Efforts

For further details, please click here

Financial conditions: Securities Report

Social activities: CSR report

To All Our Stakeholders

Structural Reforms (2)

Information

Environmental performance:
Environmental Report

Sources of Growth

Basic Management Principles
Outline of Operations
Our Strengths
Mid-range Management Plan

Review of FY2013 Operations

5-Year Summary
Construction, Mining & Utility
Equipment
Industrial Machinery & Others

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Home > CSR > Enhancing Quality of Life -Providing products required by society- > Contribute to Society through Core Business

Japanese

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.

Initiatives 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 CO₂ 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.

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Increasing Safety by Innovation

Innovation brings about a variety of valuable ideas such as environmental design and economic efficiencies.

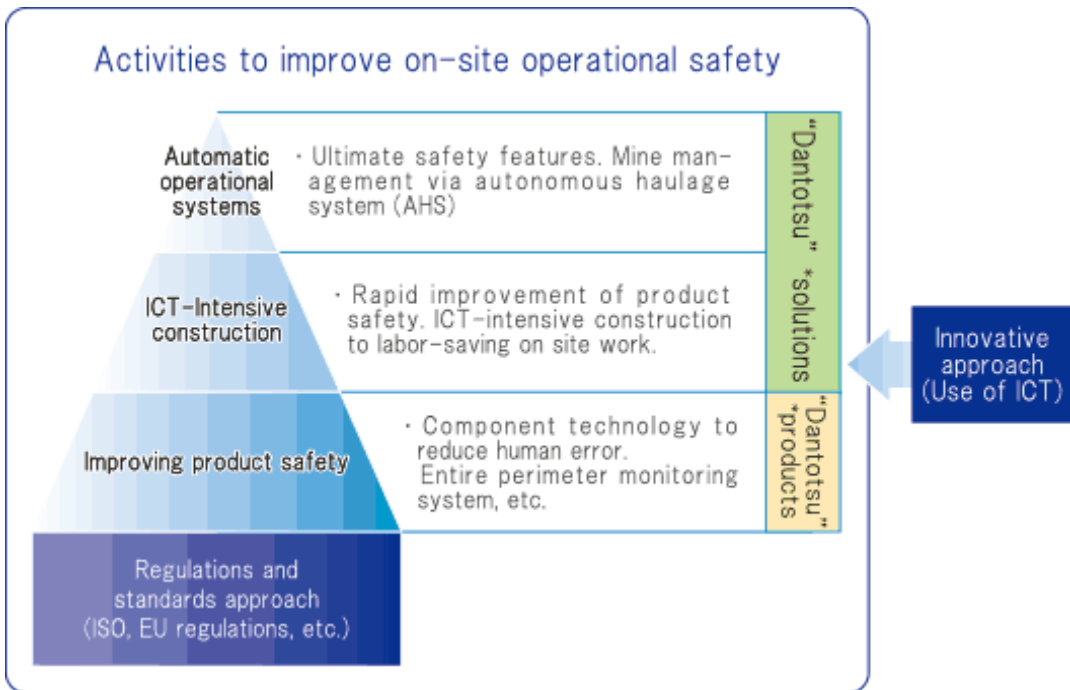
Out of these, our highest priority is "Safety."

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.

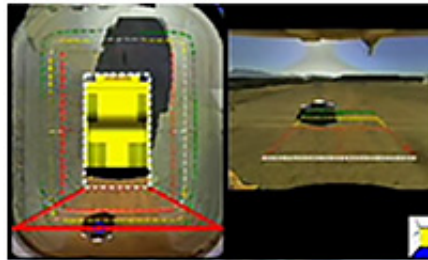
The ultimate safety feature to be realized is the "Automatic Operational System." At some major mines in Australia and Chile, the Autonomous Haulage System (AHS) is in full-scale operation. This is the system where giant dump trucks automatically drive themselves, carrying over 300 tons of soil and minerals. 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.



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Quality and Reliability

Enhancing Quality and Reliability

The fundamental principle of Monozukuri (manufacturing competitiveness) lies in Komatsu's commitment to Quality and Reliability in order to provide products—both hardware and software—that customers are happy to own. To achieve this, Komatsu puts the customer first as one of its Basic Managerial Policies, with the pursuit of maximum customer satisfaction at the foundation. The company carries out a continuous process of reform and refinement with all divisions responsible for putting this policy into practice, whether in development, manufacturing, sales, after-sales service, or administration.

In practical implications, Komatsu includes the global environment, quality assurance, and the education and training of human resources within the scope of its quality management and uses indices to promote such management.

Komatsu's Principles Governing Quality Assurance

Komatsu has established the following principles on quality in its products and services, which all subsidiaries and employees are responsible for putting into practice.

Principles that Increase Quality and Reliability

Provide products, services, and systems that are environment friendly, safe, and innovative from the perspective of the customer.

Definition of Quality Assurance

The company has a responsibility to take actions that will ensure it is able to provide products and services that the customer can purchase and use with a sense of assurance and satisfaction and use for many years to come.

Principles Governing Quality Assurance

<1> Putting customers first, being receptive to the views of the customer, and responding appropriately to the customer, thereby earning the customer's satisfaction, are fundamental to the job of every employee and constitute the responsibility of every employee.

<2> Complying with international standards and the legal requirements particular to individual countries as a matter of course, and providing products and services that, from the perspective of the customer, have incorporated proper regard for safety and a sense of assurance and that do not easily malfunction, are fundamental to the job of every employee and constitute the responsibility of every employee.

<3> Providing products and services that incorporate proper regard for global environmental conservation is fundamental to the job of every employee and constitute the responsibility of every employee.

<4> Providing products and services that are creative and provide benefits to the customer is fundamental to the job of every employee and constitute the responsibility of every employee.

<5> Giving the customer a sense of safety, assurance, satisfaction, and the ability to use the product for many years to come is a source of happiness for every employee.

Mechanisms for Quality Assurance

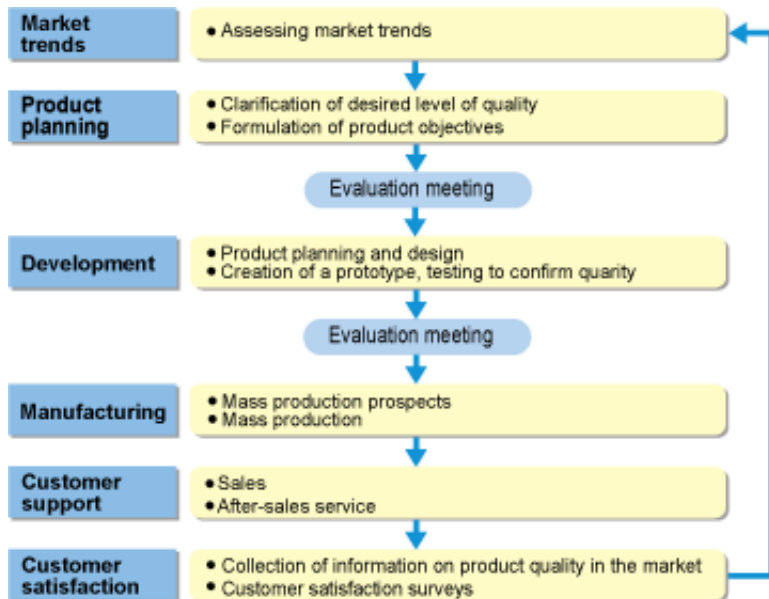
At Komatsu, all employees in each division, from product planning to development, manufacturing,

sales, and after-sales service, share a sense of working as a single unit to continually develop products that are safe, innovative, and of high quality. Through a strengthening of Komatsu's unique Monozukuri system, the company is able to introduce competitive DANTOTSU products to the market and provide services and systems with substantial features.

At each step of the development and manufacturing system, meetings are held to consider and evaluate the product. The product's suitability is then assessed and enhanced until the ultimate goal is attained. In this way, the company conducts quality assurance activities that firmly ensure Quality and Reliability.

Through such approaches the company is able to strengthen safety assurance and satisfaction for customers while simultaneously providing products and services that take the global environment into account and comply with both international specifications and the regulatory requirements of individual countries.

Komatsu's Mechanisms for Quality Assurance



Structure for Quality Assurance

The majority of Komatsu's products— construction and mining equipment, presses, and forklifts— are used as manufacturing equipment at customers' sites of operation. These products are expected to contribute to customers through a higher rate of operation and productivity over long hours every day. In reflection of these product characteristics, sales and after-sales service personnel at Komatsu visit customers to give detailed recommendations on products and their usage and conduct maintenance activities. They then provide feedback to relevant divisions regarding the views and requirements that the customers have for these products. The company has created a system to increase customer satisfaction through rapid responses to such information.

Moreover, Komatsu maintains a database on product quality in the market so that the company can respond rapidly upon discovering a quality-related problem and have all the company's sales and after sales service divisions able to access the information they need to help remedy the issue.

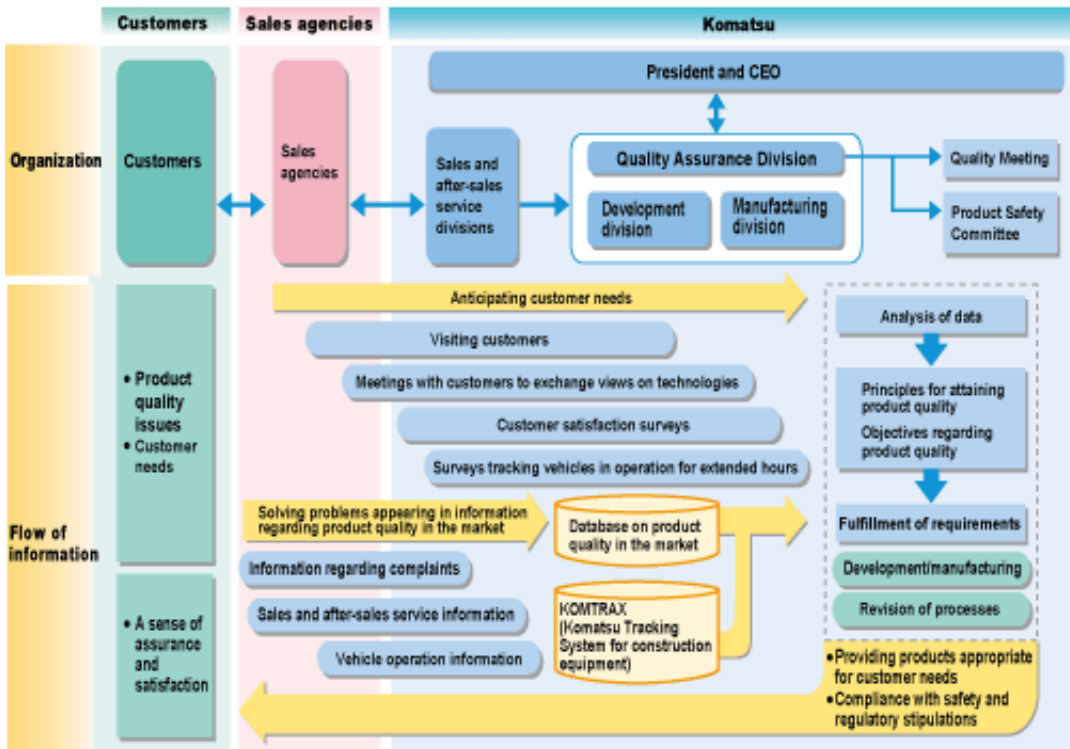
Increasing the Degree of Customer Satisfaction

Based on its Principles Governing Quality Assurance, Komatsu has piloted a variety of initiatives to increase customer satisfaction.

First, Komatsu believes it is extremely important to give serious consideration to customers' views and examine them on a continuous basis. Consequently the company conducts regular customer satisfaction surveys, including post-launch field surveys. Komatsu uses the results to improve both the products themselves and the structure promoting quality assurance. The surveys help furnish new value to customers as the company develops DANTOTSU products that anticipate customer needs in advance and delivers services with distinct features.

Komatsu is able to raise the level of customer satisfaction through these approaches.

Komatsu's Structure for Quality Assurance



Post-launch Field Surveys and Feedback of Results

Komatsu's post-launch field survey is part of its system for comprehensively assessing customers' degree of satisfaction, with company personnel visiting purchasers of newly launched products to request product evaluations.

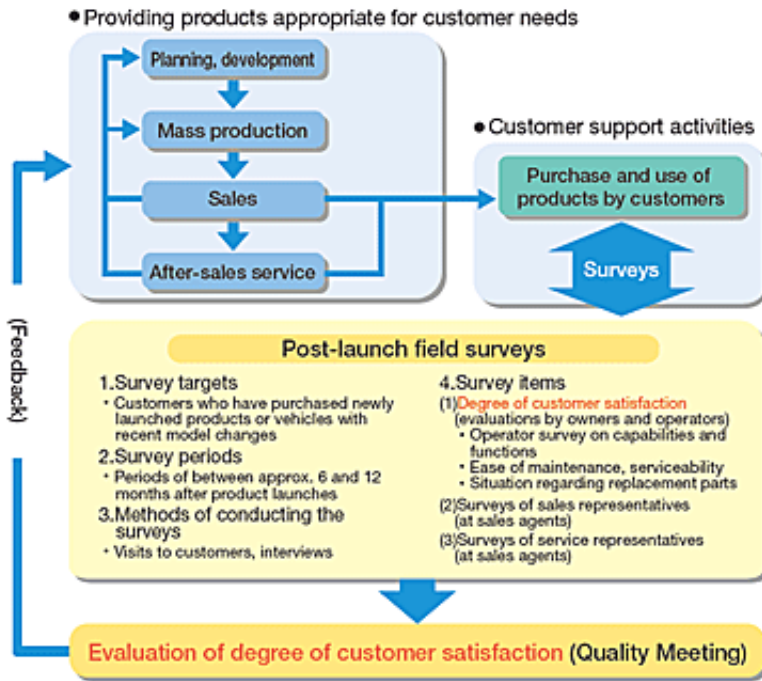
In concrete terms, these personnel listen to customers' feedback on a day-to-day basis regarding the degree of satisfaction towards the quality and reliability of its products. The company pays careful attention to the evaluations, views, and requests concerning its sales and after-sales service and replacement parts. Komatsu processes and analyzes the gathered data to decide upon objectives for improvement. The resulting information is shared across the company, notably with top management, and provided as feedback to divisions at every step in the process, including development, manufacturing, and sales and after-sales service. With the means to improve upon problems and revise the quality assurance system, the company can deliver products and services that satisfy customers.

Surveys Tracking Vehicles in Operation for Extended Hours*

Komatsu pursues improvements in product durability and reliability through a system of surveys tracking vehicles in operation for extended hours. This allows the company to provide products satisfying the customer and consuming fewer resources. Most recently, confirmation of equipment operating conditions is made possible by the utilization of a ICT remote management system called KOMTRAX Plus. Based on the information provided by KOMTRAX Plus, we are able to confirm and analyze the status of the machine in terms of durability, efficiency and functionality. The company assesses whether or not the results satisfy customers' expectations and the degree to which their demands match product quality objectives at Komatsu. The company designs proposals to rectify areas not achieving desired quality levels, later integrating these proposals into product revisions or the development of new products. This process increases product durability and reliability and thus extends product lifecycles, leading to greater customer satisfaction and less resource consumption and waste.

*Defined as vehicles with an operating history of 5,000 hours or more

System for Assessing the Degree of Customer Satisfaction



Using ICT to Support Customers throughout the Product Life Cycle

Komatsu uses ICT-based remote vehicle management systems known as the Komatsu Tracking System (KOMTRAX) for conventional construction equipment and KOMTRAX Plus for large mining equipment to indicate the current state of the vehicle's "health," its operating status, and other key information.

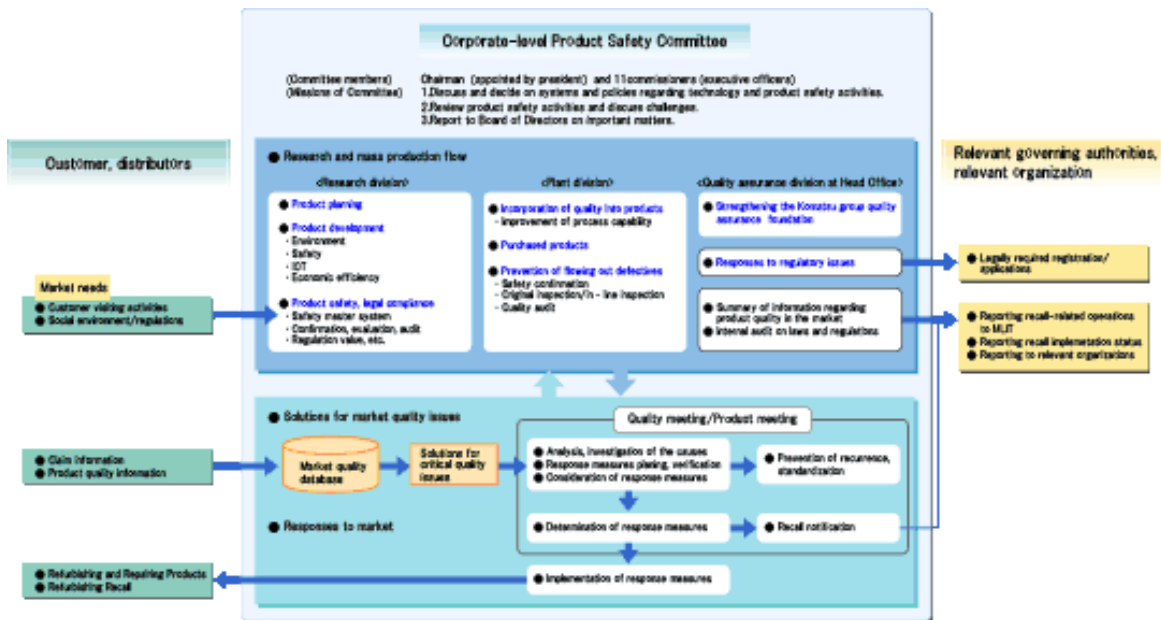
Using this information to improve vehicle quality or assess customer needs for after-sales services, Komatsu provides customers support throughout the product lifecycle by increasing vehicles' rates of operation while decreasing their maintenance costs.

Quality Assurance Activities at the Global Level

Komatsu provides products of the highest quality at every location throughout the world by fully implementing quality assurance activities globally. For this purpose, the company aims for uniform technical drawings, manufacturing systems, inspection methods, information collection, and quality management across the globe.

Komatsu labels as "mother plants" certain global manufacturing locations with product development capabilities. These plants serve at the center of worldwide development and manufacturing activities, with their leading-edge technologies and techniques then transferred to other manufacturing locations around the world. This improves technology and enhances product quality, making them uniform throughout the company.

The Komatsu Information System for Product Safety



You can see expanding figure by clicking figure above.

Promoting Product Safety to Ensure Customer Safety and Assurance

Komatsu puts safety and assurance at the forefront in its quality assurance activities. The company has formulated Standards for Product Safety and associated Principles and has all employees comply with them in order to deliver products that are safe, provide a sense of assurance, and can be used for many years.

Information System for Product Safety and Services

In seeking to get information on problems with product safety as early as possible, Komatsu has established an information system for product safety and promptly deals with issues.

It continuously strives to make improvements so that the company, including top management, can respond quickly through coordinated actions, including (1) assessing the cause of the incident and procedures to be taken, (2) contacting the relevant governing authorities, (3) deciding to take remedial measures such as a recall of products still on the market.

Standards for Product Safety

(1) Compliance

The provision of products and services that comply with international standards and the legal requirements particular to individual countries is fundamental to the job of every employee and constitutes the responsibility of every employee.

(2) Safety via prevention

The provision of products and services that are safe and provide a sense of assurance, and do no harm to the customer is fundamental to the job of every employee and constitutes the responsibility of every employee.

(3) Security regarding accidents

The provision of products and services that minimize any injury that might occur to a customer who has an accident is fundamental to the job of every employee and constitutes the responsibility of every employee.

(4) Transparency

The ongoing provision of advance safety warnings after receiving information from the customer and, in the case of a defect arising in a product or service, prompt response measures and the provision of information, are fundamental to the job of every employee and constitute the responsibility of every employee.

(5) Improvement of organizational climate

In order to create a corporate climate in which product safety is emphasized, the standardization of the safety management system and safety techniques as well as ongoing efforts to improve them

are at all times fundamental to the job of every employee and constitute the responsibility of every employee.

Providing Product Safety Information to Customers

Komatsu meets legal requirements for providing safety information to customers through (1) direct indication on products or in user's manuals, (2) direct explanations by sales and after-sales service personnel, and (3) telephone consultations with sales and after-sales service divisions at plants. The company seeks to address each particular situation, with, for example, engineers or top management visiting customers as the situation might require.

System for Dealing with Recalls

In recent years, customers have become more concerned about product safety in general and product recalls in particular. To help ensure product safety in the market, Komatsu is reinforcing its recall related organizational strength, comprehensive response capabilities, procedures for prompt corrective measures, and proactive information disclosure while employing increasingly rigorous monitoring.

Procedure Governing Recalls

- (1) Proposal for rectification of the situation based on information regarding the defect; decision regarding what measures the company will take towards the market
- (2) File notice with relevant authorities as provided under the law
- (3) Inform customers by appropriate means
- (4) Take appropriate corrective measures, including, for example, repair, replacement, or refund

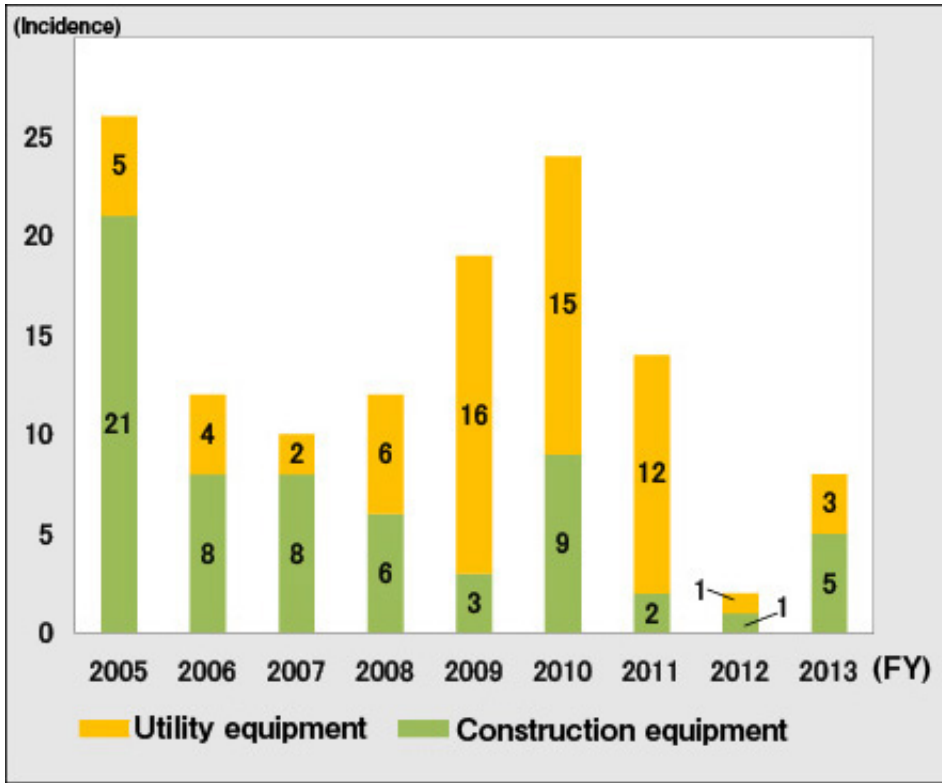
Means for Preventing Recalls

- (1) Strengthening of system for collecting information on product quality in the market
- (2) Promotion of technical verification of the problem involved in the recall and timely decision-making
- (3) Regular auditing of recall-related operations

Number of Incidents with Recall Notices Filed

Komatsu strictly oversees compliance with legal requirements. Should a defect somehow be found in its products or services, the company initiates prompt correction measures and moves forward with proactive information disclosure. The graph below indicates the number of incidents in which recall notices were filed. The company will continue to pursue safety to the greatest extent possible in the years to come.

Number of Incidents with Recall Notices Filed (for construction equipment and utility equipment products sold in Japan)



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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.

[Komatsu's Worldwide Code of Business Conduct, Occupational Safety and Health](#)

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.

[Overview of Health and Safety System](#)

Japan-USA's Joint Health and Safety Project

Mr. Michael Hoffman

Manager, Safety & Loss Control

Peoria Manufacturing Operation (PMO),

Komatsu America Corp. (KAC)

『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.



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.

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.



Daily Standing Meeting

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

Safety simulation sensory training by supervisor

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Home > CSR > >Enhancing Quality of Life -Providing products required by society- > Overview of Health and Safety System

▶Japanese

Overview of Health and Safety System

Komatsu formulates health and safety policies based on the message from the president and disseminates it throughout the group. We address occupational safety and work on mental and physical healthcare to create a safe and comfortable work environment.

Message from the President Concerning Occupational Safety and Health

- (1) The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "maintain and promote employee health."
- (2) The Komatsu Group shall promote "proactive occupational safety and health activities" in order for all employees to achieve the above conditions by working together as one team.
- (3) Each and every person in a senior management position of the Komatsu Group shall acknowledge the above two matters as top priority tasks and shall take the initiative in demonstrating the execution of daily duties accordingly.

We have established a health and safety guideline based on this message: "In order for each group company to create a work environment where employees can work safely and comfortably, we will promote safety and health standards and health management activities, in accordance with the following policy."

●Occupational Safety and Health Policies

(Communication on April 1, 2011 regarding Komatsu's standard of behavior)

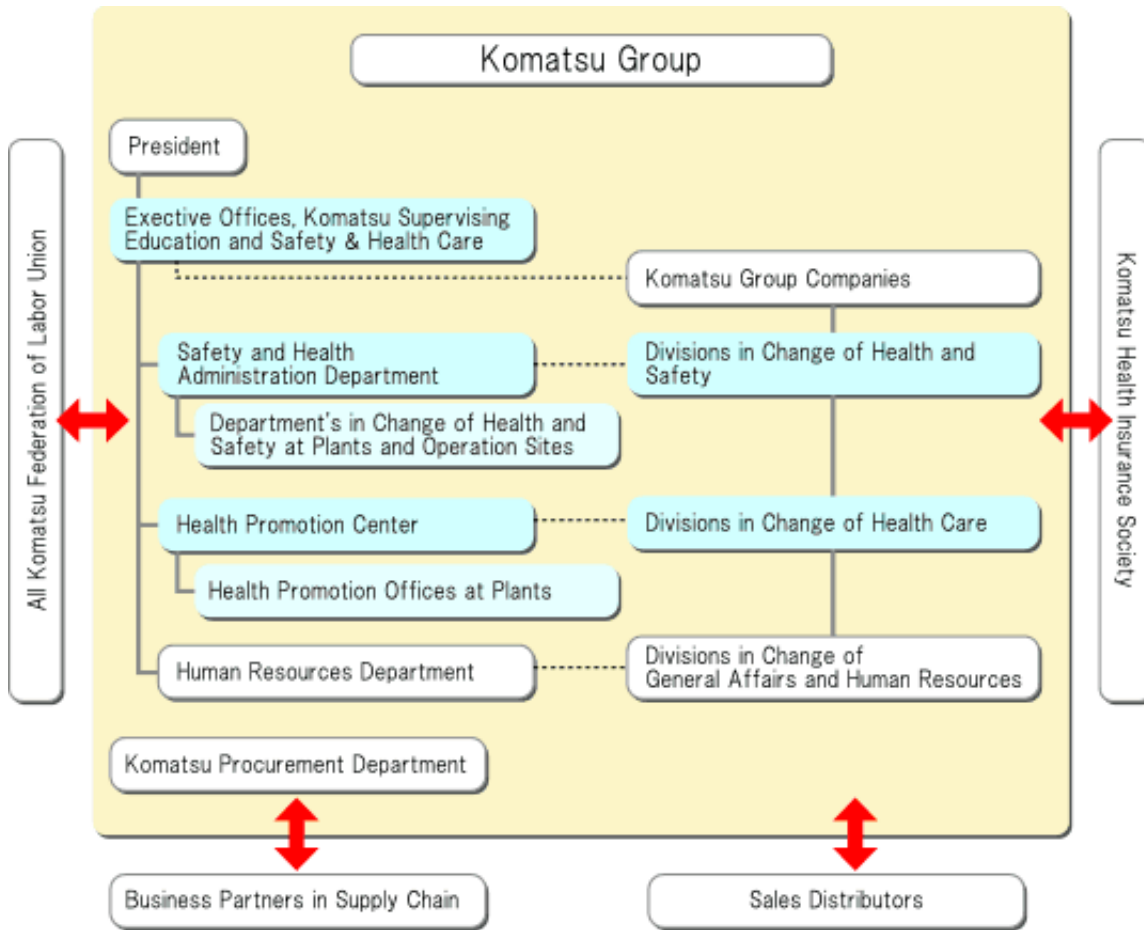
- (1) Observe the laws and regulations concerning occupational safety and health as well as internal rules, key items common to Komatsu Group about occupational safety and health, and particularly items agreed as a result of labor-management consultations in each workplace.
- (2) Set up targets for activities based on occupational safety and health policies, review their progress, and endeavor to continuously improve and enhance occupational safety and health activities.
- (3) Carry out occupational safety and health activities in management-and-labor partnership on full participation basis and keep good communication with stakeholders with regard to occupational safety and health.
- (4) Identify and evaluate the risk for occupational safety and health of a workplace and take appropriate actions accordingly.
- (5) Actively promote employees' healthcare management and support the maintenance and promotion of employees' health.
- (6) Actively promote education, training and qualification acquisition necessary for employees' occupational safety and health activities, and endeavor to develop human resources for safely carrying out their responsibilities in workplace.
- (7) Subject to appropriate protection of personal information, publicly offer the knowledge and information about occupational safety and health activities obtained through the business activities in order to secure safety and health in society.

Excerpted from "Komatsu's Code of Worldwide Business Conduct"

Overview of Health and Safety System

The Komatsu Group enforces strict compliance of health and safety management through the following system structure.

Organization



Meeting Committee Structure

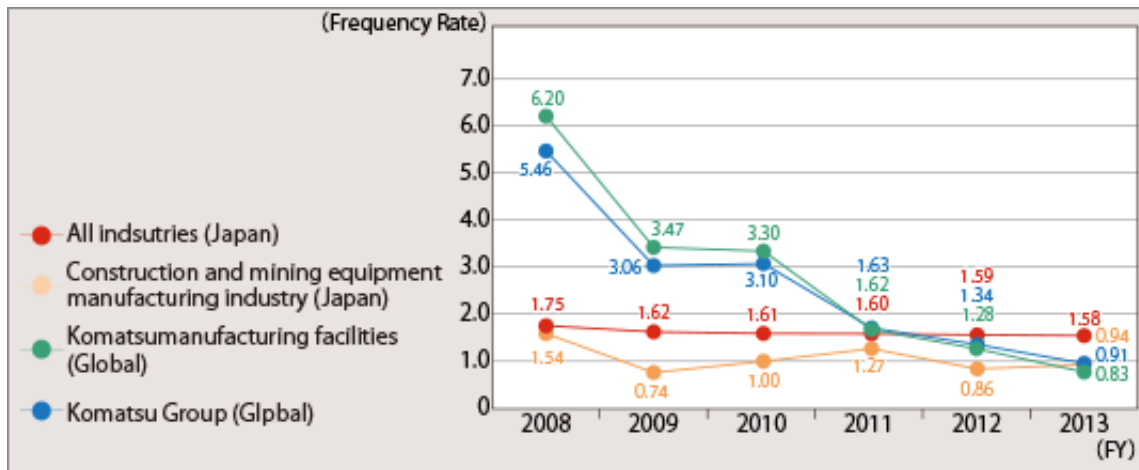
<p>Group Health and Safety Conference</p> <ul style="list-style-type: none"> Group Companies Safety Committee, "zero accidents" presentation etc 	<ul style="list-style-type: none"> Aimed to enhance and stimulate the Komatsu group and partner employee awareness of health and safety management. For seeking superb health and safety activities throughout Komatsu group and partner companies, sharing information and incorporating the activities into its other divisions in addition to administering presidential awards involving health and safety.
<p>Group Safety and Health Committee</p> <ul style="list-style-type: none"> Group Companies Health and Safety Committees Health and Safety Committees at Plants and Operation Sites 	<ul style="list-style-type: none"> For labor and management to cooperate in examining, debating, and deciding measures for the basis of preventing hazards or health risks. Formulating regulations concerning health and safety. Examining, debating, and deciding activity policies of the fiscal year, in addition to managing the progress of those activities. Etc.
<p>Global Safety and Environmental Affairs Meeting</p>	<ul style="list-style-type: none"> For discussing and sharing on information on activities to be implemented globally, and colligating them to activities of various overseas subsidiaries.
<p>Group Safety Supervising Managers Meeting</p>	<ul style="list-style-type: none"> For formulating and proposing company-wide safety activities. For the purpose of implementing and expanding activities in business sites based on company policy.
<p>Health Promotion Meeting</p>	<ul style="list-style-type: none"> For formulating and implementing company-wide health and safety management policies.

	· The overall supervision of health management activities throughout various business sites.
Health Promotion Committee	· Business owners and employees (representative: union) in addition to the Health Insurance Society, affirm a common recognition of "Health" and formulate enforcements and policies intended for enhancing health maintenance of employees and their families.

Health and Safety Activities

- (1) Enhancement of management level by implementing the Labor Health and Safety Management System
- (2) Elimination of disaster elements by Risk Assessment
- (3) Stimulating voluntary improvement activities through small-group "Zero Accidents"
- (4) Hazard simulation training at the "Safety Training Hall"
- (5) Enhancing the quintessential safety of equipment
- (6) Building physical health (health supervision for preventing diseases related to lifestyle, diabetes management program, support for smokers who would like to quit, etc.)
- (7) Attaining mental health (diagnosing stress, implementing activities to improve work environment, mental health training, establishing consultation services in and outside of company, support for work recovery)
- (8) Improvement and maintenance to adequate working conditions
- (9) Prevention of second-hand smoking
- (10) Global and group-wide activity support towards overseas subsidiaries and business partners in the supply chain in Japan.

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.

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▶ Japanese

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

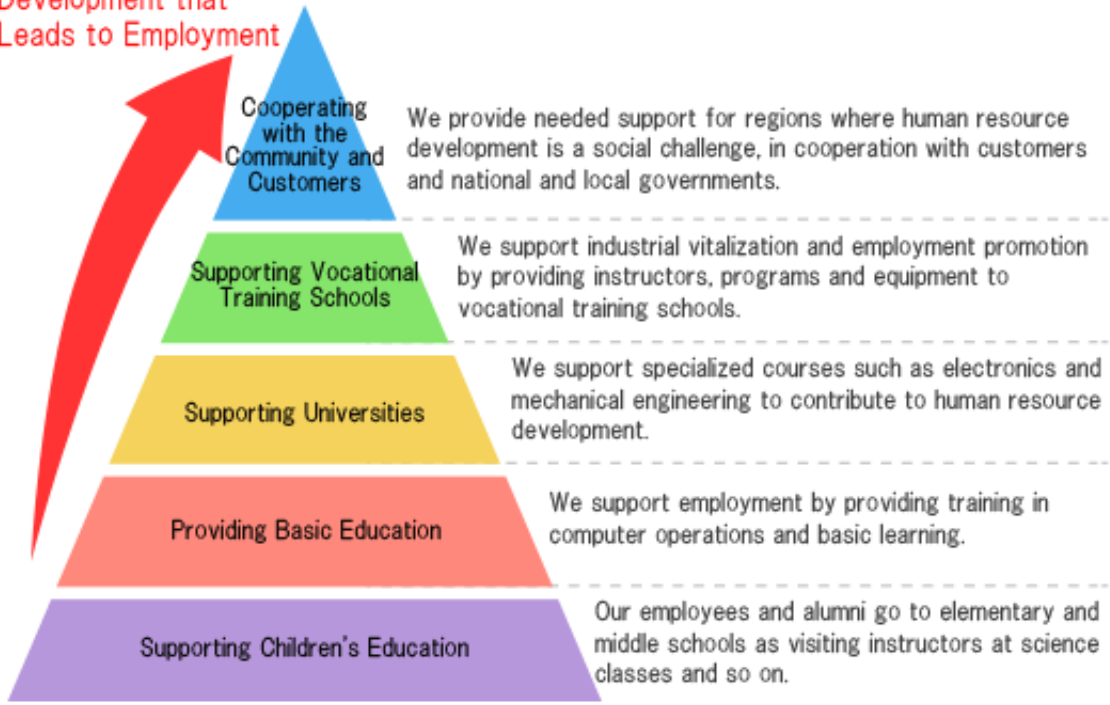
Using the know-how cultivated through our core business, Komatsu is working to develop the kind of human resources that are needed, not only internally by our company, but for local communities. Expectations for "Human Resources" can vary greatly from community to community. At Komatsu, as we do business 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.

■ Areas and Forms of Human Resource Development Support

Human Resource Development that Leads to Employment



Providing instructors



Providing teaching materials and equipment



Providing facilities and supporting operations



Accepting apprentices

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**

Germany (Komatsu Hanomag)

We donate educational materials for learning

technical skills to elementary schools, train instructors, and conduct plant tours for children.



Republic of South Africa (Komatsu Southern Africa)

We collaborate with our customer to operate a training facility that teaches young people the skills and knowledge needed for employment.



Indonesia (Komatsu Indonesia)

We support the skills training required for employment in local industries.



Japan (Komatsu)

At the "Komatsu-no-Mori" in Ishikawa prefecture, we have science classes for preschool and elementary school children taught by our retired employees.

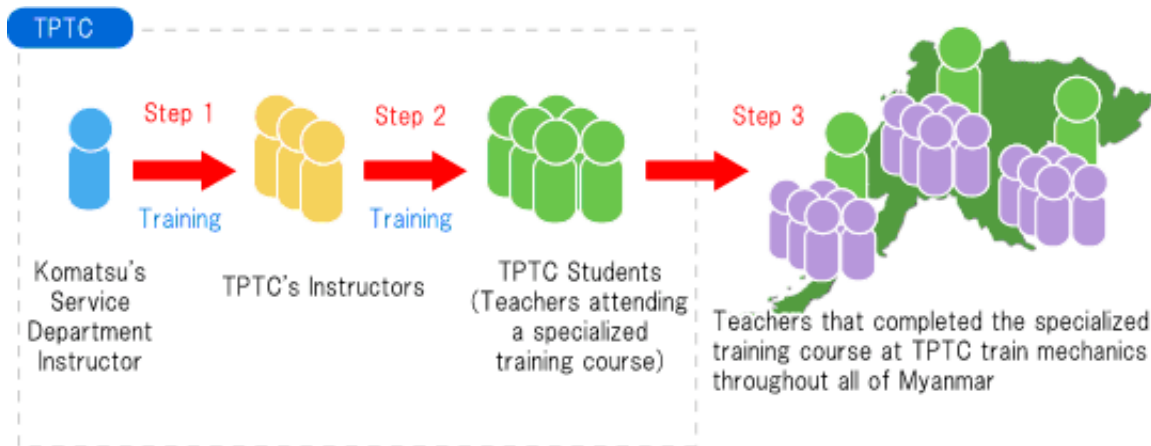


Example of Activities in Myanmar

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 above, 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.

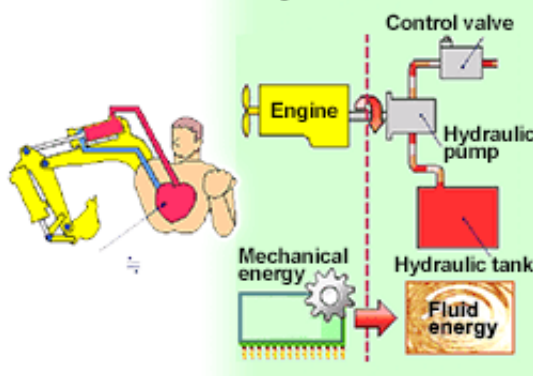


(Left) Instruction with color-coded teaching materials that are easy to understand. The operation procedures are explained via film clip.



(Right) Models and cut models provided. Increasing the depth of knowledge in mechanisms and understanding principles.

Basic Structure of Hydraulic Excavator



(Left) Explaining the mechanical workings of a hydraulic excavator using the human arm as an example

5S

- Seiri** : Sorting
- Seiton** : Setting in Order
- Seiso** : Shining
- Seiketsu** : Standardizing
- Shitsuke** : Sustaining



(Right) Explaining the Japanese "5S" acronym by translating it in to an English version: "Sorting, Setting in Order, Shining, Standardizing, Sustaining"

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.

**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.

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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

[▶ Please click this link for more information regarding our personnel system.](#)

[▶ Please click this link for more information regarding our stance on equal employment opportunity and diversity.](#)



Further Enhancing Diversity in the Workplace

Gender-equal Opportunity

Komatsu is working towards creating a work environment that facilitates work success for our employees who are women. Childcare leave and shorter working hours are among the working conditions that would contribute to an environment that facilitates productive careers, particularly for women. In 2007, Komatsu acquired the Japanese Ministry of Health, Labour and Welfare mark designating companies that assist in the growth of the next generation. Since then, the company has advanced discussions on working conditions through the newly launched Panel on Fostering Future Generations. Due to our continuing efforts to expand our childcare support system, we were again granted the mark in 2010.

Since then, we have continued in our efforts, such as increasing childcare leave allowance (maximum three years) in 2011, granting childcare allowance for when a partner is being transferred, and increasing the amount of subsidy for childcare support service expenses through the Cafeteria Plan in 2013.

The number of employees that have taken advantage of the childcare leave system has increased from 74 employees in FY2012 to 85 employees (out of which 7 were men) in FY2013.

In addition, we are aware that there is a need to be more active in recruiting women and in promoting more women to management positions. We are working on a mid- to long-term plan to increase our ratio of female employees and ratio of female management-level employees by setting specific targets.

The number of women in management positions in April 2014 was 57 women, an increase of 7 women from the 50 women in October 2013.

We will continue to work on creating a women-friendly work environment by advancing our efforts.

Enhancing Work-Life Balance

Reducing the total number of actual working hours is one of the key aspects in achieving a healthy work-life balance for employees. Komatsu has worked in coordination with labor unions on this issue to formulate numerical targets, which are now set at 2,100 or less working hours per year, and at least 17 days of paid vacation taken per year. The company has brought down to an average level the workload of divisions that are chronically shouldering intense levels of operations by hiring more employees, both newly graduated and experienced, and investing in necessary facilities and equipment. Komatsu has each workplace formulate a concrete Action Plan for seriously considering and addressing working hour management, in order to daily work towards staying within an appropriate number of working hours.

Aside from our efforts to reduce working hours, we are also supporting the achievement of work-life balance for our employees by introducing the "Life Support Leave System" in FY2014. Life Support Leave is separate from regular annual leave, in which employees can take paid time off for personal circumstances such as non-work related illness, pregnancy, childcare, and family-care. An employee is allotted five days of this type of annual leave per year, and may accumulate up to 40 days of annual leave.

Also, in FY2013, we focused on family-care, and have introduced a family-care allowance that can be received during family-care leave to provide financial support. We have also launched an internal website that publishes information on family-care.

Komatsu will continue to work on helping our employees achieve a healthy work-life balance.

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. Komatsu established branch offices of the center in Ishikawa in April 2010, in Osaka and Shonan in December 2010, in Oyama and Ibaraki in February 2011, Koriyama in April 2011, Kanazawa in August 2012 and Manda in October 2012. The staff of the Business Creation Center are currently active in 9 business sites.

Each workplace has advisors on site, who provide training and advice regarding daily work. Instead of having the employees just do work they are given, we conduct a semi-annual goal-setting interview, just as we do with our regular employees, and award an increase in compensation according to the evaluation of individual work performance. In this way we encourage goal-setting and working towards achieving targets, so that we provide an employment opportunity that helps work towards independence and self-support.

With the expansion of our organization, many labor and time consuming tasks that used to be outsourced or done internally has been handed over to the Business Creation Center, which has resulted in heightened efficiency and cost reduction throughout the company.

The active hiring of people with disabilities is one of the efforts in which all of Komatsu Group is investing. We hope to continue to see an even bigger increase in the employment of people with disabilities, and to continue to create a workplace where anyone can do their best.

Elderly Employment

Since the implementation of the 2006 re-employment system, the number of retirement age persons that have been re-employed at Komatsu has been 90% of all who wish to continue working. As of April 2013, the implementation of the system to re-employ all persons who wish to continue working until the age of 65 was established as a basic policy.

In addition, we have introduced the new, "Second-Career Support System" where we provide training opportunities, paid annual leave, and assistance grant for employees who want to pursue a new line of work before the age of 65.

As the ageing population continues to grow in Japan, we believe that an effort to increase the hiring of elderly people is one of the strategies that we as a business must continue to pursue.

[▶ Please click this link for more information on labor and human resources.](#)

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The KOMATSU Way and Human Resource Development

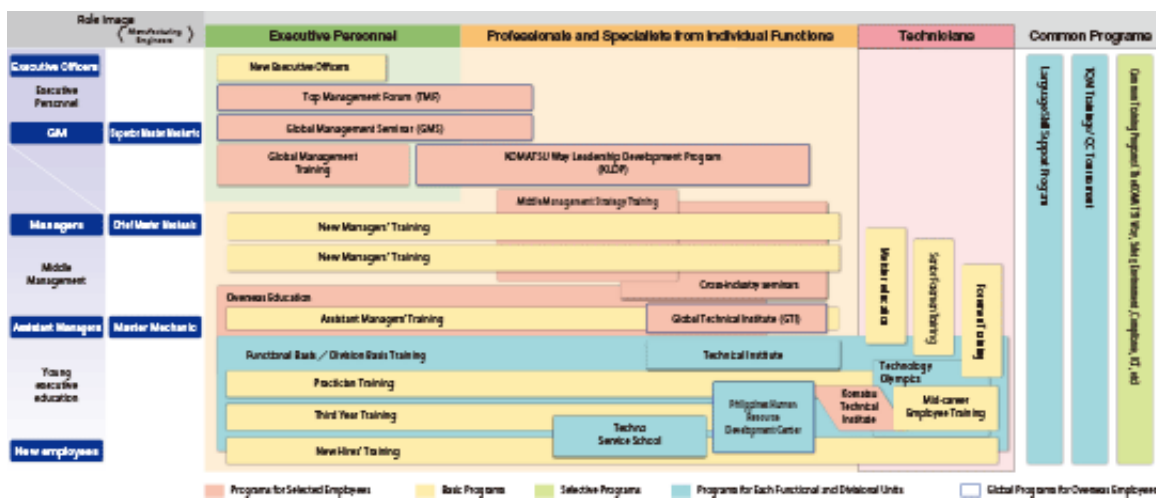
Developing global human resources is one of Komatsu's continuing challenges.

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

Using TQM Activities to Grow the Company and its People

Mr. Liu Fangchang, President
Mr. Zhu Lei, 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.

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Global Employee Training

Global Human Resource Development

Global human resource development for senior management (including potential candidates) is divided into : Training (1) - Developing top management and executive roles of overseas subsidiaries, and Training (2) - Developing human resources in Japan for group employees that will play an important role globally. Komatsu's business policy is to promote the localization of management at overseas subsidiaries and Training (1) aims to foster regionally hired career employees to become business leaders that can be a part of top management at regional subsidiaries. Already, major subsidiaries are managed by regionally hired top executives, with a Japanese resident officer supporting them as the second-in-command at the company. For subsidiaries managed by top management officers who are Japanese, Komatsu is working to train regional executives and hand over the top positions to them. The main roles of Japanese resident officers are to transfer the KOMATSU Way, Komatsu-style management, technology, and skills to overseas employees, and are expected to become bridge human resources that connect Komatsu (Japan) to regional subsidiaries.

Training (1) : This program is intended for regionally hired executives in subsidiaries, and mainly consists of explaining and debating topics, such as Komatsu management policies, The KOMATSU Way, and business strategies. The actual implementation of the project began in 2006. In 2006, training for regionally hired top executives of subsidiaries was held at the Komatsu Head Office (Tokyo), and training for top management candidates for local subsidiaries have been held at the Head Office (six times up to FY2008). The "KOMATSU Way Leadership Development Program (KLDP)", intended for regionally hired executives of subsidiaries in strategic markets—mainly emerging market and resource-rich countries—, has been held in overseas locations since 2009. Beginning in China, and later other overseas locations, the KLDP has been held seven times up to the end of March 2012. Since 2012, KLDP has also been held twice in traditional markets, such as Japan, USA, and Europe. In the future, Komatsu will hold more training programs such as these and work on the development of regionally hired executives of subsidiaries who have an understanding of Komatsu business policies and the KOMATSU Way.

Training (2) : This program is intended for Komatsu Group employees (within Japan) and places an emphasis on developing professionals for various occupational functions. The program includes selected leader candidate training, training by hierarchical level, and training customized to different occupational skills. For selected leader candidate training, Komatsu implemented global management training, to develop top management candidates that can be active globally. Selected candidates are either young managers or top-level executives of overseas subsidiaries, and each year about 10 candidates are sent to short-term business schools overseas.

Efforts to Strengthen Manufacturing (Monozukuri), and Workplace (Gemba) Capabilities

Globalization of Komatsu's production organization is progressing, and the manufacturing workplace is requiring a high level of technical capability. Therefore, we designated the third Saturday of every October as "Technical Capability Day" and hold all-Komatsu technical competitions on this day. Participants include employees from overseas subsidiaries and business associates; whose aim is to maintain and improve Komatsu Group's technical capabilities by mutually dedicating themselves to their studies. In FY2013, 203 participants (out of which 49 were from overseas, with 11 countries represented) attended.

In addition, Komatsu established the Meister system for passing down technical capabilities from

the production site in FY2006. Techniques and skills that merit handing down are divided into 9 fields of 15 capabilities, and a First Meister is certified for each capability. Certified Meisters (there are 41 as of April 2013, and are authorized by each factory), with their high-level of proficiency for a particular technical capability, are engaged in teaching and training technicians, including technicians at overseas subsidiaries. Komatsu is also enthusiastically conducting improvement activities. Every year on the third Saturday of November, we hold the all-Komatsu QC competitions, and like the technical competitions, many people from overseas subsidiaries and business partners in supply chain participate. In FY2013, we had 76 participants (out of which 21 were from overseas, with 11 countries represented).

*At Komatsu, the term "Manufacturing (Monozukuri)" is not restricted to the strictest definition of activities done at manufacturing workplaces. Any activity engaged in by departments and partners that make up the value chain—internal departments, such as Research and Development, Production, Sales, Product Support, along with Management departments, as well as suppliers and distributors—working together as one, is called "manufacturing (monozukuri)."

Services Personnel Human Resource Development

The services personnel—those who support our customers with the operation of our products that they have purchased—play a very important role in Komatsu's "Quality and Reliability." Komatsu puts a lot of effort into the human resource development of our distributor services personnel all over the world. We have two training programs for services personnel human resource development: internal human resource development for services support, and distributor human resource development.

We have created an internal training program called, "Product Support College" for training our Japanese staff, and a "Komatsu Human Resource Development Center" for training essential personnel who will be working at future mining sites, and conduct planned training within departments and at overseas sites by rotation.

Distributor human resource development, depending on the content, will be created or supported by Komatsu, and for the basic courses on products and services, Komatsu provides the curriculum and training materials and conducts the training on site (at the local company and distributors). We also provide advanced courses by inviting senior managers and mechanics to Japan to conduct the training, and technical training provided by the local company's training center (mother training center) for more specialized training. We track each type of training via LMS (Learning Management System), to keep making sure that we can see and fortify the services personnel's human resource development.

For places that do not have a training center at the distributors, or if there is an urgent need for human resource development, Komatsu finds ways to efficiently develop human resources, such as by establishing a training center in Africa, and working with local schools in Russia, Brazil, and China to start a construction equipment training course.

To further strengthen our distributor human resource development, in April 2014 we created the Department for Promotion of Distributor HR Development at the Komatsu Head Office.

[▶ Please click this link for more information on labor and human resources.](#)

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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 systemically 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.



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

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!

From Company-wide Activities to Smaller Group Activities, the Various Initiatives by our Employees

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.

[\(Please click this link to see the video that introduces this program.\)](#)



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.

[\(Please click this link to see the video that introduces this program.\)](#)



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 — a part of KCC's business — 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.

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.

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▶ Japanese

Community Based Social Contribution around the World

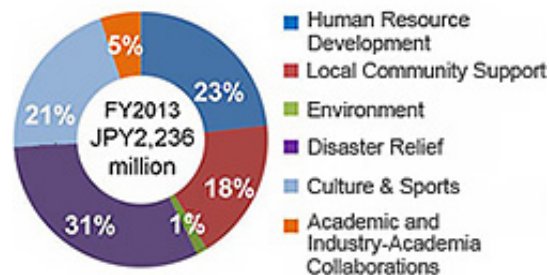
We are engaged in social contribution activities in every area of the world where we do business. Based on 6 different categories of activities, we are continually involved in initiatives that make the best use of Komatsu's strengths.

Activities in FY2013

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

- | | |
|--------------------------------|---|
| (1) Human Resource Development | (4) Disaster Relief |
| (2) Local Community Support | (5) Culture & Sports |
| (3) Environment | (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](#)
- ▶ [Social Contribution Activities in Chile](#)
- ▶ [Disaster Relief](#)
- ▶ [Social Contribution Activities at Komatsu Head Office](#)



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.

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Social Contribution (in Japan)

Basic Stance on Social Contributions

Komatsu holds the firm conviction that contributing to society leads to raising its corporate value over the long term and the Group as a whole proactively engages in social contribution activities on a continuing basis to fulfill one part of its corporate social responsibilities.

Komatsu's basic stance on social contributions (the purpose and the five basic principles concerning social contributions) is as follows.

Purpose

The Komatsu Group and its employees will contribute to society as members of the local community.

Basic Principles

Contributions shall be:

- ◆ Consistent
- ◆ In the public interest
- ◆ Voluntary
- ◆ Acceptable by employees
- ◆ Not aimed at advertisement

Major Areas of Activity

Komatsu's main activities for social contributions are in the following areas.

- Supporting the Flower Association of Japan (Public Interest Incorporated Foundation)
- Promoting culture and education and local community development
- Promoting sports
- Providing humanitarian assistance and recovery from disasters

Contributing to Local Communities

Making Business Units Open to the Public

In addition to opening up its gymnasium, field, tennis courts, and various other recreational facilities, Komatsu hosts various events so as to foster harmony and a spirit of coexistence with local communities.

Holding "Open House" Day

Komatsu convenes "open house" days at its business units on a regular basis, taking advantage of various events to enhance the local community's understanding of its business operations.

Running Kids' Tour of Working Vehicles at the Komatsu Techno Center

Twice a year, the Komatsu Techno Center in the city of Izu in Shizuoka Prefecture, Japan runs a Kids' Tour of Working Vehicles, which allows the children to come into direct contact with large construction equipment.

Through this tour Komatsu hopes to foster children's dreams and furnish an opportunity for parents and children to play together, thereby encouraging deeper understanding towards construction

equipment and Komatsu's corporate ideal.



Kids' Tour of Working Vehicles at the Komatsu Techno Center

Promoting Sports -The Komatsu Women's Judo Club

Founded in 1991 as part of social contribution activities during the 70th anniversary of the company founding, the Komatsu Women's Judo Club is celebrating its 24th year. During this time, a total of 82 athletes have participated in competitions worldwide. The club has actively engaged in teaching judo at home and abroad, and in welcoming foreign judo competitors, with the goal to develop and popularize judo.

In August 2013, at the World Judo Championships held in Rio de Janeiro, Japan's representative athletes accomplished some great victories, with Haruna Asami (48kg class) winning a silver medal, Yuki Hashimoto (52kg class) winning bronze, and Ruika Sato (78kg class) placing 7th. Yuki Hashimoto also contributed to the team competition, in which Japan won a gold medal.

Approximately 50 Komatsu employees who are based in Brazil — mainly people from Komatsu do Brasil and Komatsu Brasil International — took a 7-hour trip on the night bus from Sao Paulo to show support for the athletes.



Komatsu Team Supporters at World Judo Championships in Rio de Janeiro

During FY2013, each of the athletes entered competitions all over the world, including Bangkok (Thailand), Tyumen (Russia), Ulan Bator (Mongolia), Moscow, St. Petersburg (Russia), Tianjin (China), Paris (France), and Dusseldorf (Germany) in overseas competitions, and Tokyo,

Yokohama, Fukuoka, Okayama, Amagasaki, and Chiba in Japan. Komatsu employees and their families based in the region where the competitions were held went to show support to the athletes. This worldwide support of judo has contributed to both the popularization of judo and in raising corporate awareness (global teamwork).

The Komatsu Women's Judo Club won the first women's section of the 64th Group Tournament of the All Japan Businessmen's Judo Federation held this June without losing a single match to mark its 10th victory in history.



The Group Tournament of the All Japan Businessmen's Judo Federation w on by the Komatsu Women's Judo Club w ithout a single defeat.

Since its establishment, the Komatsu Women's Judo Club has been training athletes from over 10 countries around the world. Athletes that have trained in judo at Komatsu are active all over the world, including at the Olympics held in Athens, Beijing, and London, and have won medals in world championships. It is our dream that one day we will get to see an athlete that had been supported by Komatsu competing against one of the Komatsu Women's Judo Club athletes in an Olympic competition.

Komatsu Women's Judo Club has continued to coach the Komatsu Kids Judo Team at the Eitai Dojo (in Koto-ku, Tokyo), while also directing and coaching at judo classes in different places around the world, in order to popularize judo and to invest in educating children, who will be the next generation. Coach Mika Sugimoto even conducted judo classes at Otsuchi City in Iwate, which is an area affected by the Great East Japan Earthquake.

During FY2013, overseas judo classes were held in regions with Komatsu manufacturing sites. In Russia's Yaroslavl, judo classes were held for a third consecutive year, and in China, classes were held for three days at the Komatsu Judo Gymnasium — which had been donated by Komatsu — in Shandong Jining. In addition, last year for the first time judo classes were held in Sao Paulo, Brazil. Sisters Ayumi and Ikumi Tanimoto — who are currently studying abroad — are participating and leading in spreading judo in places like France, UK, and Italy.



Komatsu Brasil Judo Class



China Shandong 'Jining Komatsu Judo Gymnasium' Judo Class

As an organization that has supported the activities of athletes that have accomplished outstanding achievements in worldwide sports competitions over many years, Komatsu received the “Excellent Organization Award” from the Minister of Education, Culture, Sports, Science.

▣ The Komatsu Women's Judo Club

Supporting the Flower Association of Japan

As one of its contributions to society, Komatsu has been supporting the Flower Association of Japan since it was established in 1962, an organization that develops venues for viewing cherry blossoms and cultivates local environments rich in flowers, to thereby foster areas of beauty and abundant greenery. The Flower Association of Japan provides support to its members throughout Japan, as well as to local residents and municipalities, in creating spaces filled with flowers and greenery.

Creating Venues Renowned for Cherry Blossoms

The Association supports those entrusted with developing venues for viewing cherry blossoms and including them in urban planning, and supplies them with free cherry saplings.

The many cherry trees at the Meiji Shrine Outer Gardens in Shinjuku City, Tokyo are mostly from the Flower Association. In 1970, 1,500 cherry trees — mainly of the double-flowered cherry tree variety

— were planted, and is now admired by many as one of the main cherry blossom venues in the city center.

Currently, as part of disaster recovery assistance for areas affected by the tsunami during the Great East Japan Earthquake, the Flower Association is helping to produce and propagate successor cherry trees and providing saplings to affected areas. The estimated number of cherry trees the Association has given to affected areas so far is over 2,800.



Cherry Blossoms at the Meiji Shrine



Planting the Saplings Given to a Disaster-affected Area (SDF members and Volunteer Staff)

Preserving and Revitalizing Cherry Blossoms

The Flower Association is also active in recovery efforts for preserving and revitalizing ageing trees and existing cherry blossom viewing venues. When trees at old noted sites become diseased or weakened due to environmental changes, the organization uses its accumulated expertise to provide advice on how to restore the trees to vigor.

In Hokuto City, Yamanashi, there is a 2,000 year old cherry tree called Yamataka Jindaizakura, known as Japan's oldest cherry tree. Based on plans created by the Association, revitalization recovery work was done on the tree over a four-year period, from 2002. Now the number of cherry blossoms have increased, and even strong new branches are starting to grow.



Japan's Oldest Cherry Tree·Yamataka Jindaizakura

Cities in Bloom

The National Competition of Japan in Bloom was started as a way to establish a nationwide civic movement to develop local environments in bloom. It was inaugurated in 1991. The Flower Association of Japan, in its capacity as secretariat for the competition, is encouraging the creation of spaces that are rich in flowers and greenery, while supporting residents associations and local

authorities in these activities.



Cities in Bloom (Fukaya City, Saitama)

- [▶ Komatsu's CSR Activities through the Flower Association of Japan](#)
- [▶ Flower Association of Japan website](#)

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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.

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.

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.



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

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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.

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 Group CSR Procurement Guidelines : What we would like to ask our business partners in the supply chain

(Established on August 30, 2011)

1. Operations for Sound Management

- 1) Build a system or operational structure designed to meet various risks.
- 2) Establish legal and transparent decision-making processes concerning management.
- 3) Conduct appropriate accounting procedures, tax filing and settlement of accounts.
- 4) Place importance on communication with stakeholders (customers, shareholders, business partners, employees, etc.).
- 5) Ensure that top management will be notified promptly when any abnormal condition develops and that your company will be able to promptly and accurately respond to the situation(s).

2. Thorough Enforcement of Compliance

- 1) Engage in business operations while complying with the laws and regulations as well as the rules of the Business Community of the host countries and regions.
- 2) Develop a corporate climate under the leadership of top management, which places top priority on compliance.
- 3) Build up compliance-responsive operations, according to the scale and characteristics of your company, designed to prevent your company, executives or employees from wrongdoings and to respond to any compliance-related problems promptly when they occur.

3. Product Safety, QCD and Technology Innovation

- 1) Comply with the laws and regulations concerning product safety and deliver products and

services which will offer safety and peace of mind to customers.

2) In addition to maintaining the quality and cost competitiveness of products and services which your company delivers to customers, stand by the agreed upon date of delivery and supply your products in a stable manner.

3) Establish quality control operations.

4) Constantly engage in technology development and provide innovative, safe and environmental-friendly products and services.

4. Considerations for the Environment

1) Continue efforts to reduce environmental impact resulting from business operations.

2) Appropriately manage chemical substances contained in products.

3) Build up environmental management systems such as the ISO14000 series and "Eco Stage."

5. Measures to Respect Human Rights, Appropriate Labor Conditions and Occupational Safety and Health

1) Respect human rights.

2) Never get involved, directly or indirectly, in any child or forced labor.

3) Create a work environment where there is no discrimination or harassment in any aspect of employment.

4) Build up an occupational safety and health operational structure under the leadership of top management and create a work environment where all employees can work in safe and healthy conditions.

5) In addition to establishing a fair and just personnel system, pay attention to human resource development and employee education as well.

6) Give consideration to improving communication between top management and employees.

6. Fair Business Practices

1) Comply with all related laws and regulations and engage in free and fair competition and business transactions.

2) Respect intellectual properties of other parties and work to prevent infringement thereof. Appropriately handle information (including personal information) of your company and other companies.

3) Never accept inappropriate cash, gifts or other favors.

4) Carry out proper foreign trade transactions (goods and technologies) while complying with the related laws and regulations.

5) Never have any relationship with antisocial forces or groups.

7. Social Contributions and Co-existence with the Local Community

1) Engage in social contribution activities based on your company's management principle(s) and support employees' volunteer activities.

2) Place importance on co-existence with local communities which is the foundation of your business, and proactively support the growth of local communities.

Note: These guidelines will be revised as needed.

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Dialogue with Our Stakeholders

In addition to maintaining a dialogue with all of our stakeholders, including employees, business partners, investors, shareholders and local communities, we also invite stakeholders from outside the company to voice their opinions on Komatsu's management and business.

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(*1)	At any opportunity, any activity of problem-solving for customers	Daily
Business Partners	Various meetings for Midori-kai(*2)	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	2-3 times a year, held at major cities in Japan

	business performance, policies, and strategies	
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*1:For more information on Brand Management Activities, please refer to FY2012 "CSR and Environmental Report."

*2:For more information on communication with our business partners, please refer to "Together with Business Partners"

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 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.

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.

Communication with Shareholders

Along with striving for high managerial transparency, Komatsu discloses information in a proper and timely manner through constructive approaches to investor relations (IR) around the world. On the same day that quarterly business results are announced, the company holds explanatory sessions in Japan for institutional investors and securities analysts and also releases this information on its website. Corporate representatives visit institutional investors outside Japan, primarily in the U.S. and Europe, to explain recent business performance and other critical information.

Shareholders' Meetings

To furnish an opportunity to communicate with individual shareholders, Komatsu convenes shareholders' meetings in major cities in Japan two to three times annually, with top management explaining the company's performance and management strategy. In 2013, shareholders' meetings were held in December in Nagano City in Nagano Prefecture and in Morioka City in Iwate Prefecture with a combined total of some 200 shareholders attending. President Ohashi explained the business environment surrounding Komatsu and the company's business performance. During the question-and-answer session, we received a wide range of questions concerning topics such as our management policies and social contribution activities.

Since their launch in 1997, these meetings have been convened 37 times, with about 10,700 shareholders participating to date.



Shareholders' meeting convened in Morioka in December 2013



Shareholders' meeting convened in Nagano in December 2013

Plant Tours for Shareholders

Komatsu has been holding plant tours for individual shareholders to further deepen their understanding of the company.

The plant tours were held for two days in the Awazu Plant (Ishikawa), the Osaka Plant (Osaka) in September 2013, and two days in the Ibaraki Plant (Ibaraki) in March 2014, drawing approximately 260 participants.



Plant tour for shareholders held in Osaka Plant in September 2013



Plant tour for shareholders held in Ibaraki Plant in March 2014

Techno Center Tours

Komatsu opened **Techno Center** tours (Izu City, Shizuoka Prefecture) in March 2014 for two days for shareholders and their children or grandchildren. Approximately 180 individuals participated in the tour. We demonstrated machines such as dump trucks, hydraulic excavators and wheel loaders, and held quiz event. We also had participants actually sit in the operation seats of the construction equipment, letting them familiarize with Komatsu products. In addition, as a new feature starting this fiscal year, the staff from the "Kids Pavilion of Komatsu Green Park," an exhibition facility in Komatsu-shi, Ishikawa, held a field trip science class. We plan to hold more tours in the future where families can participate.



Techno Center tours science class held in March 2014

Communication with the Local Community

Each of the business units of Komatsu tries to harmonize with the local community and make itself open to society in attempt to be a responsible corporate citizen. In addition to hosting regular opportunities to interact with representatives of residents' associations from the surrounding community, business units welcome to plant tours and meet for the community to gain a better understanding of their business activities.

Communication with Employees

At Komatsu, the President and CEO convenes a "Meeting with the President" periodically at each business site in Japan. At these meetings, along with the President directly explaining the business environment and issues, active question and answer session are held between the employees and the top management. The content of these meetings held at the Head Office in Tokyo is simultaneously transmitted by TV broadcast to other business units in Japan and later published on the company Intranet in English to share it with Komatsu Group employees around the world.



Meeting with the President held at the Head Office in April 2014 on the day after the announcement of term-end business results

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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.

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.

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.

[▣ Komatsu's Worldwide Code of Business Conduct](#)

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Corporate Governance

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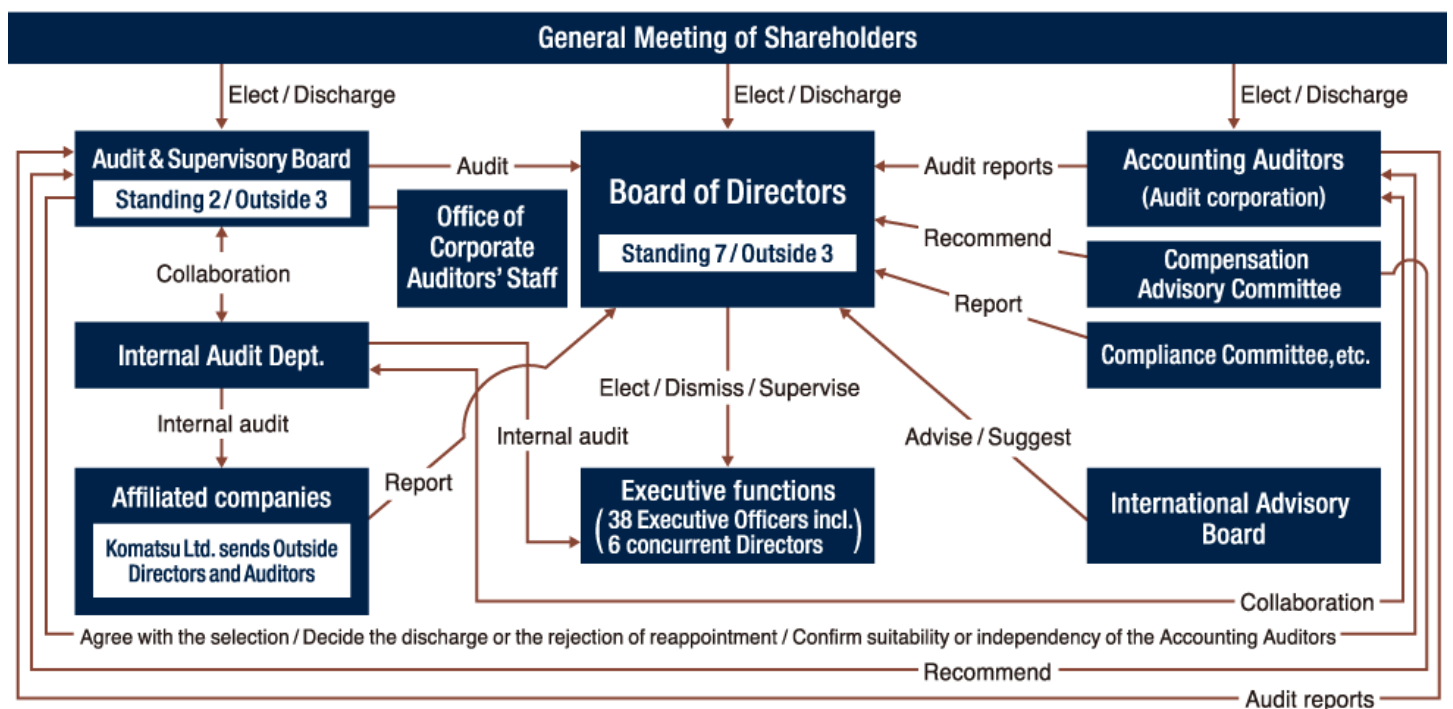
Basic Stance

We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are 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 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.

Establishment and Improvement of Corporate Governance

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decisionmaking and supervisory functions from executive functions to the extent permitted by laws and regulations. At the same time, we also limit the Board of Directors to a small number of members and appoint Outside Directors and Outside Audit & Supervisory Board Members. To improve the effectiveness of discussions at meetings of the Board of Directors, we have worked to reform their operational aspect, primarily by putting in place a system to ensure thorough discussions of important management matters and prompt decision making. We have also established the International Advisory Board (IAB) as a means to supplement executive functions.

Corporate Governance of Komatsu



NOTE: Figures in the diagram are as of June 18, 2014

Organizational Profile

Board of Directors

Komatsu Ltd. holds Board of Directors' meetings periodically once or twice every month as a general rule. 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 10 Directors on the Board, three are Outside Directors to ensure transparent and objective management.

Outside Directors (As of June 18, 2014)

Name	Title	Reasons for Selection
Kouichi Ikeda	Corporate Advisor of Asahi Group Holdings, Ltd.	Having served as Representative Director of Asahi Breweries, Ltd. (name then), Mr. Kouichi Ikeda has considerable insight and rich experience in the business world. Using this insight and experience, his proposals concerning the overall management of Komatsu Ltd. are expected to contribute to sustaining and improving the transparency and soundness of management and enhancing corporate governance. Therefore, we have elected him as an Outside Director.
Masayuki Oku	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.	Having served as Representative Director of Sumitomo Mitsui Banking Corporation, Mr. Masayuki Oku has been active internationally in the financial field and has considerable insight and rich experience in the business world. Using this insight and experience, his proposals concerning the overall management of Komatsu Ltd. are expected to contribute to sustaining and improving the transparency and soundness of management and enhancing corporate governance. Therefore, we have elected him as an Outside Director.
Mitoji Yabunaka	Adviser to the Ministry of Foreign Affairs	Having served as Vice-Minister of the Foreign Affairs, Mr. Mitoji Yabunaka has been active in such fields as international policy coordination and overseas consular work, and has considerable insight and rich experience in international relations. Using this insight and experience, his proposals concerning the overall management of Komatsu Ltd. 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, we have elected him as an Outside Director.

Audit & Supervisory Board

The Audit & Supervisory Board determines such matters as audit policies and the division of duties among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings, and audits the execution of duties by Directors. Meetings of the Audit & Supervisory Board are in principle held periodically once or twice every month as a general rule, and the Board performs appropriate audits by such means as hearing reports from members of the executive management team on their execution of duties. The Company has also established the Office of Corporate Auditors' Staff to assist the Audit & Supervisory Board Members in their duties. At least half of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

Outside Audit & Supervisory Board Members (As of June 18, 2014)

Name	Title	Reasons for Selection
Hiroyuki Kamano	Partner (Attorney at law) of Kamano Sogo Law Offices	Having served as an international attorney at law, Mr. Hiroyuki Kamano has rich experience in the field of international legal affairs. Using this experience, we expect him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit & Supervisory Board Member.
Kunihiro Matsuo	Attorney at law	Having served as Prosecutor-General of the Supreme Public Prosecutors Office, Mr. Kunihiro Matsuo has rich experience in the legal profession. Using this experience, we expect him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit & Supervisory Board Member.

Hirohide Yamaguchi	Chairman of the Advisory Board of Nikko Financial Intelligence, Inc.	Having served as Deputy Governor of the Bank of Japan, Mr. Hirohide Yamaguchi has been active internationally in the financial field and has considerable insight and rich experience in the finance world. Using this insight and experience, we expect him to execute his duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, we have elected him as Outside Audit & Supervisory Board Member.
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Compliance

Komatsu Ltd. has established the Compliance Committee as the group to oversee compliance, and it regularly reports its reviews and activities to the Board of Directors. The Company has also established a system to ensure 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, the Company works to supervise, educate and train Directors, Audit & Supervisory Board Members and employees. In addition, the Company has established the internal reporting system where those who are discretely reporting questionable actions in light of laws and regulations and business rules will not be penalized.

FY2013 Highlights

Consolidated Results
Environmental Performance

To All Our Stakeholders

To All Our Stakeholders

Sources of Growth

Basic Management Principles
Outline of Operations
Our Strengths
Mid-range Management Plan

Mid-range Focused Activities

Growth Strategies: Innovation
Growth Strategies: Existing Businesses
Structural Reforms (1)
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Review of FY2013 Operations

5-Year Summary
Construction, Mining & Utility Equipment
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For Sustainable Growth

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Implementing Risk Management

Komatsu recognizes as major risks those risk factors that could threaten the company's sustained growth, particularly compliance issues, environmental issues, product quality concerns, accidents, and information security problems. The company has adopted the following measures to counter these risks.

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)

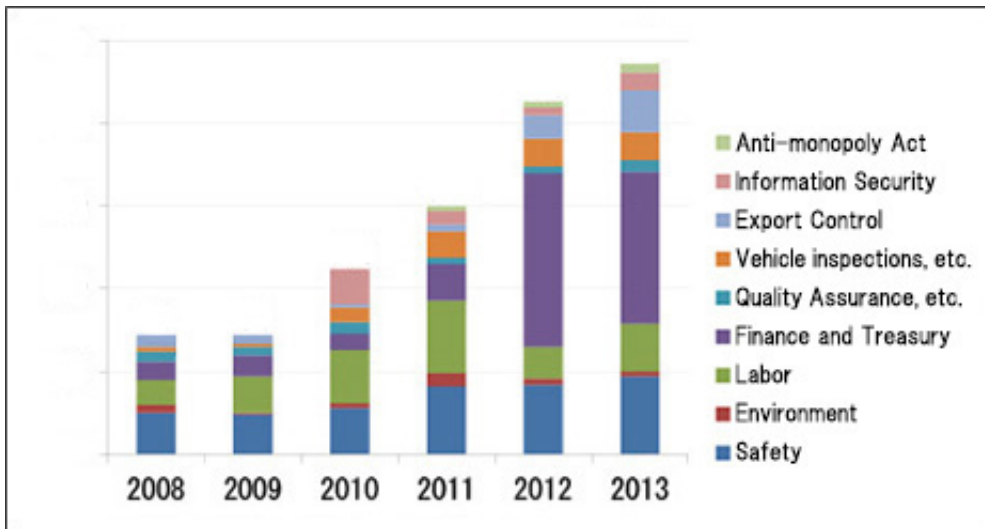
Promoting Risk Management throughout the Group

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.



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.

Perception of Risk for Human-Rights Issue

Komatsu signed the United Nations Global Compact in 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.