

# DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

## FINAL ASSESSMENT

### KOMATSU LTD

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	6/8
2. Internal Controls	6	2/12
3. Support to Employees	7	4/14
4. Conflict of Interest	4	2/8
5. Customer Engagement	7	1/14
6. Supply Chain Management	5	2/10
7. Agents, Intermediaries and Joint Ventures	10	2/20
8. Offsets	4	0/8
9. High Risk Markets	4	4/8
10. State-Owned Enterprises	0	N/A
<b>TOTAL</b>		<b>24 / 102</b>
<b>BAND</b>		<b>E</b>

\*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

## 1. Leadership and Organisational Culture

Question
<b>1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?</b>
Score
<b>1</b>
Comments
Based on public evidence, the company has a publicly stated commitment to integrity in its Code of Conduct, which includes its anti-bribery and corruption policy. The Code of Conduct is endorsed by the company's CEO. However, the company receives a score of '1' because this statement does not specifically make reference to anti-bribery and corruption.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  MESSAGE FROM CEO</p> <p>Komatsu is committed to maximizing its corporate value through pursuing "Quality and Reliability." We at Komatsu believe our "Corporate Value" is the total sum of trust given to us by society and all stakeholders. To enhance this trust, we need to not only improve our business results and the soundness and transparency of management, but also become a company which enjoys an even higher level of trust from society. Therefore, it is becoming even more important for us to comply thoroughly with the rules of the business community (the "Rules").</p> <p>The Rules are not limited to laws and regulations applicable to our business activities. They also include those rules that are generally recognized and respected in society. Today, as companies' role in the society grows more and more important, we should regard it as an essential part of the Rules that each constituent member of a company fully recognizes the notion of "Corporate Social Responsibilities" (CSR) and behaves in response to the trust of society.</p> <p>From the wide-ranging Rules, we have picked up and embodied in this "KOMATSU'S WORLDWIDE CODE OF BUSINESS CONDUCT" (the "Code") those basic principles and ways of thinking that should be observed and followed no matter where we are located in the world. Together with "The KOMATSU Way", which conveys such values and strength as all members of Komatsu should inherit over generations, the "Code" constitutes an important set of guidelines as to how we can make Komatsu what it should be. The top management and employees of each Komatsu company around the world as a global corporate citizen must carefully read, understand and abide by the Code.</p> <p>As I always state, all members of Komatsu are expected to make decisions regarding our business activities in accordance with the following principles, in the following order: Safety, Law, Quality, Delivery, and Cost. Safety (and Health) and Law (Compliance) are given the highest priority over all other principles. You should find that in each workplace of Komatsu there are posters of the "MESSAGE CONCERNING OCCUPATIONAL SAFETY AND HEALTH" and "FIVE PRINCIPLES OF COMPLIANCE" on the office wall. The principles described therein are constant and unchanging.</p> <p>The Code consists of two parts. Part I is to clearly establish Komatsu's compliance policies and to declare that all of Komatsu's executives and managers shall adhere to those policies. Part II contains the specific and concrete descriptions of actions that all members of Komatsu, including myself, must do or must not do to comply with the Rules. Obviously, this booklet has limited pages and it is not possible to cover all the Rules. Furthermore, details of the Rules may well differ from region to region or from country to country, even though the fundamental principles remain the same. Therefore, when handling particular matters, the executives and managers, as well as employees, of each Komatsu company are expected to reconfirm what exactly are the relevant Rules in light of Komatsu's basic stance and principles provided in the Code.</p>

All members of Komatsu should strive to create and maintain a safe and comfortable work environment where all employees of Komatsu can do their jobs in good health, and comply with the Rules in order to make Komatsu be truly trusted.

April 1, 2019

Hiroyuki Ogawa  
President and CEO, Komatsu Ltd.

Question
<b>1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:</b> <b>a) All employees, including staff and leadership of subsidiaries and other controlled entities;</b> <b>b) All board members, including non-executive directors.</b>
Score
<b>2</b>
Comments
<p>Based on publicly available information, there is evidence that the company publishes a comprehensive anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery and facilitation payments. This policy applies to all employees and board members.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>[...] From the wide-ranging Rules, we have picked up and embodied in this "KOMATSU'S WORLDWIDE CODE OF BUSINESS CONDUCT" (the "Code") those basic principles and ways of thinking that should be observed and followed no matter where we are located in the world. Together with "The KOMATSU Way", which conveys such values and strength as all members of Komatsu should inherit over generations, the "Code" constitutes an important set of guidelines as to how we can make Komatsu what it should be. The top management and employees of each Komatsu company around the world as a global corporate citizen must carefully read, understand and abide by the Code.</p> <p>As I always state, all members of Komatsu are expected to make decisions regarding our business activities in accordance with the following principles, in the following order: Safety, Law, Quality, Delivery, and Cost. Safety (and Health) and Law (Compliance) are given the highest priority over all other principles. You should find that in each workplace of Komatsu there are posters of the "MESSAGE CONCERNING OCCUPATIONAL SAFETY AND HEALTH" and "FIVE PRINCIPLES OF COMPLIANCE" on the office wall. The principles described therein are constant and unchanging.</p> <p>The Code consists of two parts. Part I is to clearly establish Komatsu's compliance policies and to declare that all of Komatsu's executives and managers shall adhere to those policies. Part II contains the specific and concrete descriptions of actions that all members of Komatsu, including myself, must do or must not do to comply with the Rules. Obviously, this booklet has limited pages and it is not possible to cover all the Rules. Furthermore, details of the Rules may well differ from region to region or from country to country, even though the fundamental principles remain the same. Therefore, when handling particular matters, the executives and managers, as well as employees, of each Komatsu company are expected to reconfirm what exactly are the relevant Rules in light of Komatsu's basic stance and principles provided in the Code.</p> <p>[...] Komatsu Members, you or your - All who work for Komatsu, from top management to each and every employee, including contract employee, temporary employee, and others.</p> <p>As stated in Part I, Section 1 (1), all Komatsu Members are expected to observe the Rules and to engage in honest, lawful and ethical business practices.</p> <p>Among other things, unethical behavior jeopardizes employee morale and productivity, and opens the door to more serious problems, such as loss of business, erosion of the client base or market share, potential lawsuits, monetary penalties, and criminal sentences.</p> <p>(1) Fraud  Example: One of my co-workers occasionally extends his business trips in order to attend to personal matters, and I overheard him tell someone that he charges the company for the extra cost (such as additional hotel room nights, and additional flight cost). Is it a problem to charge the company the extra cost?</p> <p>Komatsu prohibits all Fraud. [...] The term Fraud includes, but is not limited to, theft, embezzlement, misappropriation and other irregularities including such things as:</p> <ul style="list-style-type: none"> <li>• forgery or alteration of negotiable instruments such as company checks and drafts;</li> </ul>

- any conversion to personal use of cash, securities, supplies or any other company asset;
- any unauthorized handling or reporting of company transactions; and
- any falsification, or improper alteration, manipulation or destruction of company records or financial statements for business, personal or other reasons, including any actions made to impede, obstruct or influence any proceeding or investigation of any governmental agency or internal audit or in contemplation of any such proceeding or investigation.

The above list is not all-inclusive but is intended to be representative of fraudulent situations.

Komatsu Members shall not participate in methods or schemes to obtain personal or business advantage or reward, including those which depart from fundamental standards of honesty and good faith.

(2) Bribes and Kickbacks (vis-à-vis customers, suppliers, distributors etc.)

Example: I've noticed that my colleague always purchases from one supplier, even though their prices seem much higher than the other suppliers. It is said that he accepts something of value. Is this a problem?

Bribes, kickbacks and similar benefits from or to all suppliers or customers also present not only ethical but legal concerns and are also examples of Fraud.

Komatsu Members shall never offer or accept, directly or indirectly, anything of value (such as a bribe or kickback) to or from a customer, a supplier or any other business partner to influence or reward an action. A business courtesy, such as a gift, contribution or entertainment, should never be offered or accepted if it might create the appearance of an impropriety or is otherwise prohibited by law.

(Regarding Komatsu's policy on bribes to government officials, please refer to Part II, Section 5 of this Code.)

(3) Gifts

Example: A supplier's sales representative offers you two tickets to a sporting event. (The seats are in a prime location!) Although you don't have direct influence over the Komatsu decision maker that the sales rep works with, there may be some expectation of a return favor on your part if you accept the tickets. Can you accept this gift?

Komatsu Members and their Families shall not accept, directly or indirectly, any gift or favor from a competitor, supplier, customer or contractor, if the acceptance interferes with your ability to act objectively in dealings with such person or organization.

[...]

## 5. ANTI-BRIBERY

Example: An officer of a company owned by a certain country's government will visit my country for a tour of my local Komatsu factory. As a thank you for coming all the way, I am planning to take the officer sightseeing and present a souvenir. Is this a problem?

As stated in Part I, Section 2 (2), it is the policy of Komatsu to avoid questionable relationships with government officials, either domestic or foreign.

(1) Government Relations

Under no circumstances shall any Komatsu Member make or offer a payment, gift or other thing of value to a government employee or official or political candidate for the purpose of obtaining an unfair business advantage. This is not intended to restrict any of you from working for candidates and parties of your choice as an individual. Personal participation, including contributions of time or financial support, shall be entirely voluntary.

(2) Foreign Corruption Prevention

Komatsu Members must comply with all provisions of the U.S. Foreign Corrupt Practices Act (FCPA), the Unfair Competition Prevention Act of Japan and any other similar laws and regulations of different countries that apply to Komatsu. The FCPA and similar laws make it a criminal offense for Komatsu and its shareholders, agents, and Komatsu Members to give anything of value, directly or indirectly, to a foreign official for the purpose of influencing the official's discretion. Stated simply, these statutes prohibit any direct or indirect bribery or attempt to bribe any foreign official or politician to obtain business.

No distributor or agent may be appointed in connection with the solicitation or sale of Komatsu products outside each Komatsu company's home country until such distributor or agent has been approved in accordance with each Komatsu company's policy and procedure. Payments to distributors, sales agents, consultants or representatives

with the knowledge or with reason to believe that any portion of such payments will be passed along to a government employee or official or political candidate are also prohibited. Requests for commissions or payments that are unusual or unreasonable in amount should be reviewed by the Law Department or other relevant departments designated by Komatsu.

Proposed payments or use of Komatsu funds may be unlawful under the laws of countries other than an employee's home country. This is often true of payments requested by an agent or distributor. It is the policy of Komatsu to strictly comply with such laws.

It is also the policy of Komatsu to comply with the accounting and record keeping requirements of the FCPA and other applicable statutes to accurately reflect transactions in conformity with accepted methods of accounting. In some countries, industries such as mines and utilities are government-owned. Officers, directors, and employees of these industries are considered government employees, and cannot be offered payments, gifts or other valuable consideration in order to obtain an unfair business advantage.


In sum, any activities which result in an unlawful act are strictly prohibited. Consult the Law Department before engaging in any activities which you suspect may be unlawful.

Question
<b>1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?</b>
Score
<b>2</b>
Comments
Based on publicly available information, there is evidence that a designated board committee oversees the company's anti-bribery and corruption programme and engages in formal oversight functions. There is evidence that the Compliance Committee supervises the company's compliance and ethics activities and that it has the authority to require that any necessary changes are made.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework</p> <p>(1) Compliance Committee and Compliance Officer  For the purpose of ensuring compliance with the Rules throughout the Komatsu group, Komatsu Ltd. shall establish and maintain a Compliance Committee (the "Committee") at its headquarters. The Committee shall convene at regular intervals to discuss and decide on compliance-related matters. The Committee shall be chaired by the CEO of Komatsu Ltd.</p> <p>Komatsu Ltd. shall also appoint one of its Board Members or executive officers to the position of Compliance Officer, and make it clear to all Komatsu Members and to the public that the Compliance Officer is responsible for Komatsu's compliance with the Rules.</p> <p>(2) Roles of Compliance Committee  The Committee shall carry out the following roles in order to promote Komatsu's thorough compliance with the Rules:</p> <ol style="list-style-type: none"> <li>Determination of fundamental Komatsu policies on compliance with the Rules;</li> <li>Establishment and improvement of Komatsu's compliance structures;</li> <li>Communication and dissemination of established Komatsu policies to each Komatsu company and its employees;</li> <li>Supervision of Komatsu's compliance activities including Compliance Hotline; and</li> <li>Handling of those specific matters in connection with violation of the Rules and implementation of preventive measures against those matters.</li> </ol> <p>Komatsu Ltd. shall establish and maintain a Compliance Department as the secretariat of the Committee at its headquarters.</p> <p><b>[2] Komatsu Compliance (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>  Framework for promoting compliance  To make certain that the entire Komatsu Group complies with the rules of the business community, Komatsu has appointed an executive officer at the head office 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.</p>

Question
<b>1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?</b>
Score
<b>2</b>
Comments
<p>Based on publicly available information, there is evidence that a designated senior executive has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. It is clear that this person has a direct reporting line to the board/board committee that provides oversight of the anti-bribery and corruption programme. There is evidence of reporting and feedback activities between this person and the board as part of the company's reporting structure.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework</p> <p>(1) Compliance Committee and Compliance Officer  For the purpose of ensuring compliance with the Rules throughout the Komatsu group, Komatsu Ltd. shall establish and maintain a Compliance Committee (the "Committee") at its headquarters. The Committee shall convene at regular intervals to discuss and decide on compliance-related matters. The Committee shall be chaired by the CEO of Komatsu Ltd.</p> <p>Komatsu Ltd. shall also appoint one of its Board Members or executive officers to the position of Compliance Officer, and make it clear to all Komatsu Members and to the public that the Compliance Officer is responsible for Komatsu's compliance with the Rules.</p> <p>(2) Roles of Compliance Committee  The Committee shall carry out the following roles in order to promote Komatsu's thorough compliance with the Rules:</p> <ol style="list-style-type: none"> <li>Determination of fundamental Komatsu policies on compliance with the Rules;</li> <li>Establishment and improvement of Komatsu's compliance structures;</li> <li>Communication and dissemination of established Komatsu policies to each Komatsu company and its employees;</li> <li>Supervision of Komatsu's compliance activities including Compliance Hotline; and</li> <li>Handling of those specific matters in connection with violation of the Rules and implementation of preventive measures against those matters.</li> </ol> <p>Komatsu Ltd. shall establish and maintain a Compliance Department as the secretariat of the Committee at its headquarters.</p> <p><b>[2] Komatsu Compliance (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>  Framework for promoting compliance</p> <p>To make certain that the entire Komatsu Group complies with the rules of the business community, Komatsu has appointed an executive officer at the head office 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.</p>



## 2. Internal Controls

Question
<b>2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?</b>
Score
<b>0</b>
Comments
<p>There is no evidence that the company has a formal risk assessment procedure that is used to inform the company's anti-bribery and corruption policy. There is some evidence to indicate that the company has risk management systems in place, but it is not clear that this specifically includes anti-bribery and corruption considerations nor that it is used to inform the company's anti-bribery and corruption activities.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  7. Establishment of internal control systems and appropriate financial reporting  In order to ensure appropriate corporate governance, Komatsu shall establish and maintain, in accordance with corporate laws and other relevant laws and regulations, an intra-group control system including (i) improvement and maintenance of transparency, soundness and efficiency of management, (ii) group-wide compliance with the Rules, and (iii) appropriate risk management.  Accordingly, Komatsu companies shall establish and maintain effective internal control systems.</p> <p><b>[5] Komatsu 2018 CSR &amp; Environmental Report (Document)</b>  Accessed 20/07/2019  <a href="https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf">https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf</a>  [p.130]</p> <h3>Risk Management</h3> <hr/> <p>The Komatsu Group recognizes all uncertainties that could threaten the Group's sustained growth as risks, particularly compliance issues, environmental issues, product quality concerns, accidents, information security problems, and elimination of anti-social forces. The company has adopted the following measures to counter these risks.</p> <h3>Basic Principles and Structure for Risk Management</h3> <ul style="list-style-type: none"> <li>■ In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.</li> <li>■ Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the board of directors.</li> <li>■ Komatsu will establish an emergency headquarters when serious risks occur and implement appropriate measures to minimize damage.</li> </ul> <p><b>Risk Management Structure</b></p>  <pre> graph TD     Board[Board of directors] &lt;--&gt; President[President]     President &lt;--&gt; RMCommittee[Risk Management Committee (Emergency Headquarters)]     RMCommittee &lt;--&gt; RMCommittee2[Risk Management Committee]     RMCommittee2 &lt;--&gt; Departments[Each Department, Each Group Company Department responsible for each risk category]   </pre>

**[2] Komatsu Compliance (Webpage)**

Accessed 10/07/2019

<https://home.komatsu/en/csr/society/compliance.html>

Upholding through compliance

So that employees remain continuously aware of compliance, the Group is working to cultivate their consciousness of best business practices by displaying business unit posters in every Komatsu Group listing The Five Principles of Compliance (a condensed version of Komatsu's Code of Worldwide Business Conduct). The Group engages in awareness-raising initiatives, with a page dedicated to compliance on its intranet as well as well-developed compliance-related education and training that corresponds to each employee rank and their respective duties. The Group strives to detect risks early and implement reforms at Komatsu business units and Group companies through monitoring during financial audits and compliance and risk audits. The monitoring covers compliance in highly important areas such as safety and environmental practices.

Question
<b>2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?</b>
Score
<b>0</b>
Comments
There is no clear evidence that the company's anti-bribery and corruption programme is subject to regular audit or review. The company states that it has procedures to conduct compliance audits of areas such as safety, sales and export controls, but there is no evidence that it covers the company's anti-bribery and corruption programme.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  Principle 5  In addition to a supervisor reporting system and auditing system, a whistle-blowing system constitutes part of the self-purification function.</p> <p>(2) Internal/External Auditor Cooperation  No Komatsu Member may take any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit of Komatsu or any member of Komatsu engaged in the performance of an internal audit or investigation. All Komatsu Members must cooperate in any audit or investigation conducted by Komatsu's internal or external auditors.</p> <p><b>[05] Komatsu 2018 CSR &amp; Environmental Report (Document)</b>  Accessed 20/07/2019  <a href="https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf">https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf</a>  [p.131]  <b>Conducting Compliance and Risk Audits</b></p> <hr/> <p>As a part of its risk management activities, Komatsu has been conducting compliance and risk audits (CR audits) since FY2008. These cover areas are not included in the J-SOX audits, which are conducted in accordance with the Financial Instruments and Exchange Act of Japan to evaluate internal controls related to financial reporting and identify potential compliance risks within the company, with a particular focus on confirming and evaluating the status of legal compliance. Our internal specialist team conducts the internal audits at Komatsu and its Japanese/overseas affiliates, as well as independently-owned distributors and Midori-kai member companies.</p> <p>The audited items are: 1. Field instructor ;2. Safety; 3. Environment; 4. Labor; 5. Finance and Treasury; 6. Audit of sales office base business operation;7. Quality Assurance and Recall; 8. Vehicle Inspections and Specific Voluntary Inspections (inspections done on construction equipment, similar to vehicle inspections); 9. Export Control; 10. Information Security; and 11. Anti-monopoly Act.</p> <p>Through these audits, we strive to raise the control and compliance awareness levels at each company and in every department. Going forward, we would like to improve our case-by-case audit method and raise the operational level of CR audits as a part of risk management functions.</p>

Question
<b>2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is some evidence that the company commits to investigating incidents, and there is a specific procedure in place to deal with whistleblowing cases.</p> <p>However, the company receives a score of '1' because its procedure does not stipulate actions to be taken at each step, and it is unclear whether investigations are handled by an independent team which reports to an independent member of the board. There is also no stated commitment to provide whistleblowers with updates on the outcome of investigations. Furthermore, there is no evidence that the information on each investigation is documented and that summary information is reviewed by a central body on an annual basis.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework  [...]</p> <p>(3) Compliance Hotline  Komatsu Ltd. shall establish and maintain a Compliance Hotline at its headquarters, and publicize this Hotline number to all Komatsu Members. This Hotline shall handle whistle-blowing of alleged or suspected violation of the Rules, initiate investigations, and develop action plans for rectification, as necessary.</p> <p>(4) Protection of Reporting Employees  Komatsu guarantees that no employee of Komatsu shall be treated unfavorably because he/she consulted with, reported to, or in any other manner contacted the Compliance Hotline, unless it is proven that such consultation, reporting or other contact was made for purposes against the Rules.</p> <p>(5) Company Level Actions  Top management of Komatsu companies shall establish appropriate policies and structures to promote a culture of compliance within their respective organizations, including announcing specific responsibilities of those officers and managers in charge. Komatsu companies shall also keep in close contact with Komatsu Ltd. when designing and operating their compliance policies and structures so that all items described in this Section are implemented in substance, and all relevant written rules are published internally and made known to employees.</p> <p>In implementing the Compliance Hotline, Komatsu companies and Komatsu Ltd. shall collaborate to establish an effective network of contact-points that will enable all Komatsu Members throughout the world to use the Compliance Hotline in their native language. The Compliance Hotline will be staffed with experienced personnel and the written policy and process of claims handling shall be made available in advance.</p> <p>Komatsu companies shall endeavor to establish regional supplemental Codes, incorporating Rules that are specific to their respective countries of operation or business models; provided that the establishment or revision of such derivative Codes shall not take effect until after the Compliance Department of Komatsu Ltd. has fully reviewed and approved their contents.</p>

Question
<b>2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?</b>
Score
<b>0</b>
Comments
Based on publicly available information, there is no clear evidence that the company assures itself of the quality of its internal investigations. The company indicates that staff tasked with conducting investigations are experienced, but it is not clear that they receive specific training to perform this function. There is also no evidence that the company has a procedure in place to handle the escalation of complaints about the investigation process, if necessary.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework  [...]</p> <p>(6) Company Level Actions  Top management of Komatsu companies shall establish appropriate policies and structures to promote a culture of compliance within their respective organizations, including announcing specific responsibilities of those officers and managers in charge. Komatsu companies shall also keep in close contact with Komatsu Ltd. when designing and operating their compliance policies and structures so that all items described in this Section are implemented in substance, and all relevant written rules are published internally and made known to employees.</p> <p>In implementing the Compliance Hotline, Komatsu companies and Komatsu Ltd. shall collaborate to establish an effective network of contact-points that will enable all Komatsu Members throughout the world to use the Compliance Hotline in their native language. The Compliance Hotline will be staffed with experienced personnel and the written policy and process of claims handling shall be made available in advance.</p>

Question
<b>2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?</b>
Score
<b>0</b>
Comments
There is no evidence to suggest that the company's investigative procedure includes a commitment to report material findings to the board or to relevant authorities.
Evidence
No evidence found.

Question																
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?																
Score																
1																
Comments																
<p>There is evidence that the company publishes high-level information on its ethics and compliance-related incidents involving employees, including the number of reports received and the number of disciplinary actions as a result of investigation findings.</p> <p>However, the company receives a score of '1' because it is unclear whether this information applies to employees at all levels. Additionally, the company does not publish the number of investigations launched as a result of reports and the information provided does not cover the past 12 months.</p>																
Evidence																
<p><b>[2] Komatsu Compliance (Webpage)</b> Accessed 10/07/2019 <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a></p> <p>Data</p> <p>1. Number of Internal Repots</p> <table><tr><th></th><th>FY2015</th><th>FY2016</th><th>FY2017</th></tr><tr><td>Number of Internal Reports (number of serious cases)</td><td>68 (0)</td><td>95 (0)</td><td>105 (0)</td></tr></table> <p>4. With regard to anti-corruption</p> <table><tr><td>Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)</td><td>Fiscal Year 2017: Zero</td></tr><tr><td>Fines imposed on Komatsu related to corruption / Amount of penalties (global)</td><td>Fiscal Year 2017: Zero</td></tr><tr><td>Number of employee training sessions on anticorruption prevention (in Japan)</td><td>Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)</td></tr><tr><td>Establishment of internal reporting system related to corruption (global)</td><td>Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.</td></tr></table>		FY2015	FY2016	FY2017	Number of Internal Reports (number of serious cases)	68 (0)	95 (0)	105 (0)	Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)	Fiscal Year 2017: Zero	Fines imposed on Komatsu related to corruption / Amount of penalties (global)	Fiscal Year 2017: Zero	Number of employee training sessions on anticorruption prevention (in Japan)	Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)	Establishment of internal reporting system related to corruption (global)	Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.
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### 3. Support to Employees

Question									
<b>3.1 Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?</b>									
Score									
<b>1</b>									
Comments									
<p>Based on publicly available information, there is evidence that the company provides a training module that outlines the basic principles of its anti-bribery and corruption policy. The company indicates that this training is provided on an annual basis.</p> <p>However, there is no evidence that the training is systematically provided to all employees across all divisions, all country regions of operation or in all appropriate languages or that the training includes whistleblowing options available to employees.</p>									
Evidence									
<p><b>[2] Komatsu Compliance (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>  Upholding through compliance  So that employees remain continuously aware of compliance, the Group is working to cultivate their consciousness of best business practices by displaying business unit posters in every Komatsu Group listing The Five Principles of Compliance (a condensed version of Komatsu's Code of Worldwide Business Conduct). The Group engages in awareness-raising initiatives, with a page dedicated to compliance on its intranet as well as well-developed compliance-related education and training that corresponds to each employee rank and their respective duties. The Group strives to detect risks early and implement reforms at Komatsu business units and Group companies through monitoring during financial audits and compliance and risk audits. The monitoring covers compliance in highly important areas such as safety and environmental practices.</p> <p>4. With regard to anti-corruption</p> <table> <tr> <td>Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)</td><td>Fiscal Year 2017: Zero</td></tr> <tr> <td>Fines imposed on Komatsu related to corruption / Amount of penalties (global)</td><td>Fiscal Year 2017: Zero</td></tr> <tr> <td>Number of employee training sessions on anticorruption prevention (in Japan)</td><td>Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)</td></tr> <tr> <td>Establishment of internal reporting system related to corruption (global)</td><td>Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.</td></tr> </table>		Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)	Fiscal Year 2017: Zero	Fines imposed on Komatsu related to corruption / Amount of penalties (global)	Fiscal Year 2017: Zero	Number of employee training sessions on anticorruption prevention (in Japan)	Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)	Establishment of internal reporting system related to corruption (global)	Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.
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Question									
<b>3.2 Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:</b> a) Employees in high risk positions, b) Middle management, c) Board members.									
Score									
1									
Comments									
<p>Based on publicly available information, there is some evidence that the company tailors its compliance training to certain employees. However, the company does not make specific reference to all three categories of employee referred to in the question and there is no evidence that the training is refreshed at least on an annual basis.</p>									
Evidence									
<p><b>[2] Komatsu Compliance (Webpage)</b>            Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>            Upholding through compliance            So that employees remain continuously aware of compliance, the Group is working to cultivate their consciousness of best business practices by displaying business unit posters in every Komatsu Group listing The Five Principles of Compliance (a condensed version of Komatsu's Code of Worldwide Business Conduct). The Group engages in awareness-raising initiatives, with a page dedicated to compliance on its intranet as well as well-developed compliance-related education and training that corresponds to each employee rank and their respective duties. The Group strives to detect risks early and implement reforms at Komatsu business units and Group companies through monitoring during financial audits and compliance and risk audits. The monitoring covers compliance in highly important areas such as safety and environmental practices.</p> <p>4. With regard to anti-corruption</p> <table border="1"> <tbody> <tr> <td>Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)</td><td>Fiscal Year 2017: Zero</td></tr> <tr> <td>Fines imposed on Komatsu related to corruption / Amount of penalties (global)</td><td>Fiscal Year 2017: Zero</td></tr> <tr> <td>Number of employee training sessions on anticorruption prevention (in Japan)</td><td>Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)</td></tr> <tr> <td>Establishment of internal reporting system related to corruption (global)</td><td>Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.</td></tr> </tbody> </table>		Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)	Fiscal Year 2017: Zero	Fines imposed on Komatsu related to corruption / Amount of penalties (global)	Fiscal Year 2017: Zero	Number of employee training sessions on anticorruption prevention (in Japan)	Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)	Establishment of internal reporting system related to corruption (global)	Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.
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Question
<b>3.3 Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?</b>
Score
<b>0</b>
Comments
There is no evidence that the company measures or reviews the effectiveness of its anti-bribery and corruption communications or training programme.
Evidence
No evidence found.

Question
<b>3.4 Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?</b>
Score
<b>0</b>
Comments
<p>There is no evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles. The company publishes some information about its remuneration system, but there is no evidence that anti-bribery and corruption considerations factor into this, nor that it applies to all employees across the organisation.</p>
Evidence
<p><b>[07] Corporate Governance Report (Document)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/ir/profile/corporate-governance/pdf/cgr_190213_e.pdf">https://home.komatsu/en/ir/profile/corporate-governance/pdf/cgr_190213_e.pdf</a></p> <p>[p.10] In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit &amp; Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee, which consists of four (4) external members (two (2) Outside Audit &amp; Supervisory Board Members, one (1) Outside Director and one (1) outside expert) and one (1) internal member. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit &amp; Supervisory Board Members is determined by discussions by the Audit &amp; Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. Similarly, the Audit and Supervisory Board discusses and decides the amounts for Audit &amp; Supervisory Board Members. The chairperson of the Committee is elected by mutual vote from the four (4) external members every year.</p> <p>[p.14] The Company used to offer the performance-based remuneration linked to the Company's consolidated performance for a single year in the form of stock-based remuneration with stock acquisition rights since 2010. In 2018, the Company revised the performance-based remuneration by newly introducing the performance-based remuneration which will reflect the degree of achievement of the targets raised in the midrange management plan in addition to the aforementioned, conventional performance-based remuneration. To the Directors, excluding the Outside Directors, the Company shall pay two-thirds (2/3) of the total amount of performance-based remuneration linked to the Company's consolidated performance for a single year in the form of cash as Directors' bonuses. Concerning the remaining one-third (1/3) of the aforementioned total amount as well as the performance-based remuneration which will reflect the degree of achievement of the targets raised in the mid-range management plan, the Company shall offer stock acquisition rights in order to foster the same perspective on corporate value with the shareholders and consequently clarifying their incentive to enhance the long-term corporate value of the Company.</p> <p>[p.16] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods  In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit &amp; Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee, which consists of four (4) external members (two (2) Outside Audit &amp; Supervisory Board Members, one (1) Outside Director and one (1) outside expert) and one (1) internal member. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit &amp; Supervisory Board Members is determined by discussions by the Audit &amp; Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. With regards to remuneration levels, comparison of other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations. The remuneration for Directors (excluding Outside Directors) comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated performance for a single fiscal year, and mid-range management plan-linked remuneration which will reflect the degree of achievement of the targets defined in the plan. The total amount paid of performance-based remuneration for a single fiscal year. shall be calculated each year by evaluating the basic indicators of ROE*1, ROA*2 and the operating income ratio for a single fiscal year at the percentages indicated below and making adjustments for growth (growth rate of consolidated sales).  [Basic Indicators] Consolidated ROE*1 50% Consolidated ROA*2 25% Consolidated operating income ratio 25%  [Adjustment Indicators] Adjustment according to growth rate of consolidated sales Notes: 1)ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2] 2)ROA=Income before income taxes and equity in earnings of</p>

affiliated companies/[(total assets at the beginning + total assets at the end of the fiscal year)/2] With regards to the performance-based remuneration levels for a single fiscal year, the upper limit shall be twice the basic remuneration (twelve (12) × monthly remuneration) of the Director, and the lower limit shall be zero (0) payment (remuneration in this case will comprise only the basic remuneration). Two-thirds (2/3) of the total amount of performance-based remuneration for a single fiscal year shall be paid in the form of cash as Directors' bonuses (provided, however, the upper limit is twelve (12) × monthly remuneration), and the amount remaining after deducting the Directors' bonuses shall be paid by granting Stock Acquisition Rights as stock-based remuneration for the purpose of fostering the same perspective on corporate value with the shareholders and consequently clarifying their incentive to enhance the long-term corporate value of the Company. Similarly, the mid-range management plan-linked remuneration for a single fiscal year shall be paid by granting Stock Acquisition Rights as stock-based remuneration, equivalent to the amount of three (3) monthly remunerations for a single fiscal year. The Stock-Based Remuneration B shall be linked to degree of achievement of the targets raised in the current mid-range management plan as shown below and the number of shares with respect to which restrictions will be lifted shall be determined based on the values of valuation bases and valuation indicators in the final year of the mid-range management plan.

[p.17]

**[Targets, Valuation Bases and Valuation Indicators in Current Mid-Range Management Plan (for Fiscal Year Ended March 31, 2017 – Fiscal Ending March 31, 2019)]**

Targets in Current Mid-Range Management Plan	Valuation Bases and Valuation Indicators
Growth (Aim at a growth rate above the industry's average)	Comparison of growth rate of consolidated sales with those of major competitors*3
Profitability (Aim at industry's top-level operating income ratio)	Comparison of consolidated operating income ratio with those of major competitors*3
Efficiency (Aim at 10%-level ROE)	Achievement of a consolidated ROE of 10% or more
Financial Position (Aim at the industry's top-level financial position)	Comparison of net debt-to-equity ratio*4 with those of major competitors*3
Management focused on ESG (Environment Social and Corporate Governance)	Achievement rate of targets in respect of mid-range ESG activities

Notes: 3) Relative comparison with domestic and foreign major competitors in the same industry. 4) Net debt-to-equity ratio = (Interest-bearing debt – Cash and equivalents – Time deposits) / Shareholders' equity of the Company. In order to clarify the Outside Directors' role to make recommendations with respect to overall management of the Company as a member of the Board of Directors, the remuneration for the Outside Directors only consists of basic remuneration (fixed remuneration). Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without getting fettered by the movements of corporate performance of the Company. The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

Question
<b>3.5 Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?</b>
Score
<b>0</b>
Comments
There is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
<p><b>[2] Komatsu Compliance (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>  Internal Reporting System  Komatsu has established the "Compliance Hotline" consultation office both internally and externally at Komatsu Group companies to respond to consultations or reporting from Group company employees that pertain to best business practices or questionable actions. The Group actively encourages consultations and reporting through Komatsu's Worldwide Code of Business Conduct, the Five Principles of Compliance, and Group companies' workplace rules, making it clear that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of their action.</p> <p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework  [...]</p> <p>(1) Company Level Actions  Top management of Komatsu companies shall establish appropriate policies and structures to promote a culture of compliance within their respective organizations, including announcing specific responsibilities of those officers and managers in charge. Komatsu companies shall also keep in close contact with Komatsu Ltd. when designing and operating their compliance policies and structures so that all items described in this Section are implemented in substance, and all relevant written rules are published internally and made known to employees.</p>

Question
<b>3.6 Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. There is clear evidence that this policy applies to all employees across the organisation.</p> <p>However, the company receives a score of '1' because there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means. It is also not clear that the policy applies to third parties, suppliers and joint venture partners.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework  [...] (3) Compliance Hotline  Komatsu Ltd. shall establish and maintain a Compliance Hotline at its headquarters, and publicize this Hotline number to all Komatsu Members. This Hotline shall handle whistle-blowing of alleged or suspected violation of the Rules, initiate investigations, and develop action plans for rectification, as necessary.</p> <p>(4) Protection of Reporting Employees  Komatsu guarantees that no employee of Komatsu shall be treated unfavorably because he/she consulted with, reported to, or in any other manner contacted the Compliance Hotline, unless it is proven that such consultation, reporting or other contact was made for purposes against the Rules.</p> <p>(5) Company Level Actions  Top management of Komatsu companies shall establish appropriate policies and structures to promote a culture of compliance within their respective organizations, including announcing specific responsibilities of those officers and managers in charge. Komatsu companies shall also keep in close contact with Komatsu Ltd. when designing and operating their compliance policies and structures so that all items described in this Section are implemented in substance, and all relevant written rules are published internally and made known to employees.</p> <p>In implementing the Compliance Hotline, Komatsu companies and Komatsu Ltd. shall collaborate to establish an effective network of contact-points that will enable all Komatsu Members throughout the world to use the Compliance Hotline in their native language. The Compliance Hotline will be staffed with experienced personnel and the written policy and process of claims handling shall be made available in advance.</p> <p>Komatsu companies shall endeavor to establish regional supplemental Codes, incorporating Rules that are specific to their respective countries of operation or business models; provided that the establishment or revision of such derivative Codes shall not take effect until after the Compliance Department of Komatsu Ltd. has fully reviewed and approved their contents.</p> <p><b>[2] Komatsu Compliance (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>  Internal Reporting System  Komatsu has established the "Compliance Hotline" consultation office both internally and externally at Komatsu Group companies to respond to consultations or reporting from Group company employees that pertain to best business practices or questionable actions. The Group actively encourages consultations and reporting through Komatsu's Worldwide Code of Business Conduct, the Five Principles of Compliance, and Group companies' workplace rules, making it clear that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of their action.</p>

Data

- Number of Internal Reports

	FY2015	FY2016	FY2017
Number of Internal Reports (number of serious cases)	68 (0)	95 (0)	105 (0)



Question
<b>3.7 Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence the company has whistleblowing and advice channels that are available to all employees in all countries of operations and in all appropriate languages. There is evidence that the company provides both internally- and externally-operated channels.</p> <p>However, it is not clear that the channels are not available to employees of third parties, suppliers or joint venture partners. Furthermore, these channels are not explicitly stated to be anonymous or confidential.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  8. Compliance Framework  [...]</p> <p>(4) Compliance Hotline  Komatsu Ltd. shall establish and maintain a Compliance Hotline at its headquarters, and publicize this Hotline number to all Komatsu Members. This Hotline shall handle whistle-blowing of alleged or suspected violation of the Rules, initiate investigations, and develop action plans for rectification, as necessary.</p> <p>(5) Protection of Reporting Employees  Komatsu guarantees that no employee of Komatsu shall be treated unfavorably because he/she consulted with, reported to, or in any other manner contacted the Compliance Hotline, unless it is proven that such consultation, reporting or other contact was made for purposes against the Rules.</p> <p>(6) Company Level Actions  Top management of Komatsu companies shall establish appropriate policies and structures to promote a culture of compliance within their respective organizations, including announcing specific responsibilities of those officers and managers in charge. Komatsu companies shall also keep in close contact with Komatsu Ltd. when designing and operating their compliance policies and structures so that all items described in this Section are implemented in substance, and all relevant written rules are published internally and made known to employees.</p> <p>In implementing the Compliance Hotline, Komatsu companies and Komatsu Ltd. shall collaborate to establish an effective network of contact-points that will enable all Komatsu Members throughout the world to use the Compliance Hotline in their native language. The Compliance Hotline will be staffed with experienced personnel and the written policy and process of claims handling shall be made available in advance.</p> <p>Komatsu companies shall endeavor to establish regional supplemental Codes, incorporating Rules that are specific to their respective countries of operation or business models; provided that the establishment or revision of such derivative Codes shall not take effect until after the Compliance Department of Komatsu Ltd. has fully reviewed and approved their contents.</p> <p><b>[2] Komatsu Compliance (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>  Internal Reporting System  Komatsu has established the "Compliance Hotline" consultation office both internally and externally at Komatsu Group companies to respond to consultations or reporting from Group company employees that pertain to best business practices or questionable actions. The Group actively encourages consultations and reporting through Komatsu's Worldwide Code of Business Conduct, the Five Principles of Compliance, and Group companies' workplace rules, making it clear that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of their action.</p>



## 4. Conflict of Interest

Question
<b>4.1 Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has a policy for conflicts of interest that covers perceived conflicts of interest as well as specific categories of conflict such as employee relationships, financial interests and other employment. The policy applies to all employees and board members.</p> <p>However, the company receives a score of '1' because there is no evidence that its policy covers potential or actual conflicts, or conflicts that may arise from government relationships.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>3. Conflicts of interest</p> <p>Example: I became aware that the company is planning to hire a new office cleaning contractor. My uncle is CEO of a company which provides such cleaning services and I would like to recommend his company. Is this a problem?</p> <p>Komatsu Members should not compete with Komatsu, and they should not sacrifice the interests of Komatsu to benefit themselves or third parties. Although conflicts may arise in many different situations, try to avoid situations which have even the appearance of a conflict of interest.</p> <p>The following are common situations in which a conflict is likely to arise. Situations of possible conflict, including such common situations, must be avoided, unless such situation is fully disclosed and approved in advance through consultation with the Law Department or by an authorized officer pursuant to Komatsu's written policies:</p> <ul style="list-style-type: none"> <li>• direct or indirect ownership or beneficial interest in a competitor, distributor, supplier, customer, or contractor (Except when ownership is less than one percent (1%) of publicly traded securities);</li> <li>• any consulting or employment relationship, either direct or indirect, with any customer, distributor, supplier or competitor, or service on the board of directors of any customer, distributor, supplier or competitor;</li> <li>• any outside business activity which is competitive with any of Komatsu's businesses;</li> <li>• engaging in work or services for another business, civic or charitable organization to the extent that the activities prevent you from devoting the time and effort to Komatsu's business which your position requires;</li> <li>• being in the position of supervising, reviewing or having any influence over the job evaluation, pay, or benefits of any Family employed by Komatsu;</li> <li>• processing or supervising payments (i.e., payroll, employee benefits) directly or indirectly to your Family employed by Komatsu;</li> <li>• loans to or guarantees of obligations of employees or their respective Families;</li> <li>• appropriating, whether for yourself or others, any business opportunity which you learn or develop in the course of your employment relating to any current or prospective business of Komatsu;</li> <li>• selling anything to Komatsu or buying anything from Komatsu (not applicable to buying novelty goods, such as miniatures); and</li> <li>• using Komatsu assets (funds, facilities, property, know-how or personnel) for other business or personal endeavors.</li> </ul> <p>Anything that presents a conflict for the employee's Family would also present a conflict for the employee.</p> <p>Conflicts of interest are not always clear-cut. Any time a conflict appears, or you are concerned that a conflict exists or might develop, you must discuss the matter with your immediate supervisor, the Law Department or the Human Resources Department.</p>

Question
<b>4.2 Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has procedures to identify, declare and manage conflict of interest, including actual, potential and perceived, with oversight from the Law and Human Resources Department.</p> <p>However, the company receives a score of '1' because it does not state that all employee and board member declarations are held in a dedicated register or central depository that is accessible to those responsible for oversight of the process. The policy also does not indicate that disciplinary measure will apply of breached.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>4. Conflicts of interest</p> <p>Example : I became aware that the company is planning to hire a new office cleaning contractor. My uncle is CEO of a company which provides such cleaning services and I would like to recommend his company. Is this a problem?</p> <p>Komatsu Members should not compete with Komatsu, and they should not sacrifice the interests of Komatsu to benefit themselves or third parties. Although conflicts may arise in many different situations, try to avoid situations which have even the appearance of a conflict of interest.</p> <p>[...]</p> <p>Conflicts of interest are not always clear-cut. Any time a conflict appears, or you are concerned that a conflict exists or might develop, you must discuss the matter with your immediate supervisor, the Law Department or the Human Resources Department.</p>

Question
<b>4.3 Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?</b>
Score
<b>0</b>
Comments
There is no evidence that the company has a policy regulating the employment of current or former public officials.
Evidence
No evidence found.

Question
4.4 Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company reports details of the contracted services of serving politicians.
Evidence
No evidence found.

## 5. Customer Engagement

### 5.1 Contributions, Donations and Sponsorships

Question
<b>5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?</b>
Score
<b>0</b>
Comments
Based on publicly available information, there is evidence that the company prohibits corporate political contributions, regardless of whether they may be permitted under local laws. However, the company receives a score of '0' because there is some indication that the company may make political contributions in certain circumstances, with proper authorisation and approval.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>Example: Political Party X promises to promote the mining market. You have a little left in your budget and feel that supporting the party could benefit the company. Can you issue a check to the party on behalf of the company?</p> <p>Unless otherwise duly authorized and approved by Komatsu Ltd., no Komatsu funds or other assets shall be offered or contributed to a political party or used for any political purposes whatsoever, whether or not permitted under local laws. Meetings and plant tours with candidates and lawmakers conducted in compliance with applicable campaign finance laws are permitted, however.</p>

Question
<b>5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?</b>
Score
<b>0</b>
Comments
There is no evidence that the company discloses any details of its political contributions, nor a statement that it has not made any contributions.
Evidence
No evidence found.

Question
<b>5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?</b>
Score
<b>0</b>
Comments
<p>Based on publicly available information, there is evidence that the company makes charitable donations, referred to as 'social contributions'. However, the company receives a score of '0' because there is no evidence that it has a clear policy on charitable donations and sponsorships to ensure that such donations are not used as vehicles for bribery and corruption.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>3. Relationship with society</p> <p>(1) Corporate Social Responsibility  Our business is highly dependent on the soundness and stability of society. In this regard, we realize the growing importance of Corporate Social Responsibility (CSR) in our business operations, and consider it our duty to fulfill CSR as a corporate citizen, with a view to contributing to the sustainable development of society.</p> <p>Komatsu understands that our CSR activities are to respond to the demands of society through our business operations. We shall continue to vigorously promote those activities that are encompassed in this Code, such as compliance with the Rules, care for the environment, and contributions to the community, while taking appropriate measures to have such activities duly perceived and understood by our stakeholders.</p> <p>To reinforce these activities, Komatsu Ltd. has established a CSR Department at its headquarters that coordinates Komatsu's CSR activities in collaboration with other relevant offices.</p> <p>[...]</p> <p>(4) Social Contribution</p> <p>a. Basic Stance  Specific elements of CSR may differ from country to country, region to region or business to business. However, regardless of such differences, the key question remains the same; that is, how to respond to the expectations from society and thus gain trust from society. As already stated, it is Komatsu's world-wide common principle that Komatsu should fulfill our corporate social responsibilities through its own business operations. Additionally, we also acknowledge that a company, as a good corporate citizen, should promote harmonious relations with, and contribute to the benefit of, the community in which it operates. Accordingly, we will proactively and continuously engage in regional corporate social responsibility (CSR) activities.</p> <p>The following are the aims and basic principles that apply to our activities for social contribution:</p> <p>--Aims:  To clarify the responsibilities of Komatsu and our employees as members of the local community and guide their activities for social contribution accordingly.</p> <p>--Principles: Activities for social contribution should:</p> <ul style="list-style-type: none"> <li>• have continuity;</li> <li>• contribute to the advancement of public welfare;</li> <li>• be chosen voluntarily (not forced);</li> <li>• be appropriate for the employee base; and</li> <li>• not be designed to advertise our products or services.</li> </ul>

## 5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
0
Comments
There is no evidence that the company has a policy or procedure on lobbying.
Evidence
No evidence found.



Question
<b>5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any information on its lobbying aims, topics or activities.
Evidence
No evidence found.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company publishes details about its global lobbying expenditure.
Evidence
No evidence found.

### 5.3 Gifts and Hospitality

Question
<b>5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company has a policy on the giving and receipt of gifts and hospitality. There is evidence that this policy addresses the risks associated with gifts and hospitality given to and received from domestic or foreign public officials.</p> <p>However, the company receives a score of '1' because it does not specify financial or proportional limits or different approval procedures for different types of promotional expenses, and there is no evidence that gifts and hospitality above a certain threshold are recorded in a dedicated register that is accessible to those responsible for oversight of the process.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>(1) Bribes and Kickbacks (vis-à-vis customers, suppliers, distributors etc.)  Example: I've noticed that my colleague always purchases from one supplier, even though their prices seem much higher than the other suppliers. It is said that he accepts something of value. Is this a problem?</p> <p>Bribes, kickbacks and similar benefits from or to all suppliers or customers also present not only ethical but legal concerns and are also examples of Fraud.</p> <p>Komatsu Members shall never offer or accept, directly or indirectly, anything of value (such as a bribe or kickback) to or from a customer, a supplier or any other business partner to influence or reward an action. A business courtesy, such as a gift, contribution or entertainment, should never be offered or accepted if it might create the appearance of an impropriety or is otherwise prohibited by law.  (Regarding Komatsu's policy on bribes to government officials, please refer to Part II, Section 5 of this Code.)</p> <p>(3) Gifts  Example: A supplier's sales representative offers you two tickets to a sporting event. (The seats are in a prime location!) Although you don't have direct influence over the Komatsu decision maker that the sales rep works with, there may be some expectation of a return favor on your part if you accept the tickets. Can you accept this gift?</p> <p>Komatsu Members and their Families shall not accept, directly or indirectly, any gift or favor from a competitor, supplier, customer or contractor, if the acceptance interferes with your ability to act objectively in dealings with such person or organization.</p> <p><b>5. ANTI-BRIBERY</b>  Example: An officer of a company owned by a certain country's government will visit my country for a tour of my local Komatsu factory. As a thank you for coming all the way, I am planning to take the officer sightseeing and present a souvenir. Is this a problem?</p> <p>As stated in Part I, Section 2 (2), it is the policy of Komatsu to avoid questionable relationships with government officials, either domestic or foreign.</p> <p>(1) Government Relations  Under no circumstances shall any Komatsu Member make or offer a payment, gift or other thing of value to a government employee or official or political candidate for the purpose of obtaining an unfair business advantage. This is not intended to restrict any of you from working for candidates and parties of your choice as an individual. Personal participation, including contributions of time or financial support, shall be entirely voluntary.</p>

(2) Foreign Corruption Prevention

Komatsu Members must comply with all provisions of the U.S. Foreign Corrupt Practices Act (FCPA), the Unfair Competition Prevention Act of Japan and any other similar laws and regulations of different countries that apply to Komatsu. The FCPA and similar laws make it a criminal offense for Komatsu and its shareholders, agents, and Komatsu Members to give anything of value, directly or indirectly, to a foreign official for the purpose of influencing the official's discretion. Stated simply, these statutes prohibit any direct or indirect bribery or attempt to bribe any foreign official or politician to obtain business.

No distributor or agent may be appointed in connection with the solicitation or sale of Komatsu products outside each Komatsu company's home country until such distributor or agent has been approved in accordance with each Komatsu company's policy and procedure. Payments to distributors, sales agents, consultants or representatives with the knowledge or with reason to believe that any portion of such payments will be passed along to a government employee or official or political candidate are also prohibited. Requests for commissions or payments that are unusual or unreasonable in amount should be reviewed by the Law Department or other relevant departments designated by Komatsu.

Proposed payments or use of Komatsu funds may be unlawful under the laws of countries other than an employee's home country. This is often true of payments requested by an agent or distributor. It is the policy of Komatsu to strictly comply with such laws.

It is also the policy of Komatsu to comply with the accounting and record keeping requirements of the FCPA and other applicable statutes to accurately reflect transactions in conformity with accepted methods of accounting. In some countries, industries such as mines and utilities are government-owned. Officers, directors, and employees of these industries are considered government employees, and cannot be offered payments, gifts or other valuable consideration in order to obtain an unfair business advantage.

In sum, any activities which result in an unlawful act are strictly prohibited. Consult the Law Department before engaging in any activities which you suspect may be unlawful.

## 6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
0
Comments
There is no evidence that the company requires the involvement of its procurement department in the establishment and oversight of its supplier base.
Evidence
No evidence found.

Question
<b>6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?</b>
Score
<b>0</b>
Comments
Based on publicly available information, there is some evidence that the company conducts due diligence on its business partners. However, the company does not provide further information on this process and there is no evidence that due diligence specifically includes anti-bribery and corruption considerations, so the company receives a score of '0'.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>6. Export Control</p> <p>Komatsu Members must be familiar with the companies and people with whom it does business. Reasonable due diligence and screening of customers and new business partners, including vendors, service providers, agents, consultants, and distributors, is critical to ensure compliance with laws that regulate international trade. Komatsu expects that Komatsu Members will fully understand the policy above and take necessary steps to become familiar with Komatsu's business partners and customers and implement safeguards to comply with international trade laws.</p>

Question
<b>6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is evidence that the company encourages its suppliers to act in the spirit of its Code of Conduct, which includes its anti-bribery and corruption policy.</p> <p>However, there is no evidence of steps that the company takes to ensure this in practice, nor whether it assures itself of this for all its suppliers or if this assurance is conducted when onboarding new suppliers or when there is a significant change in the business relationship.</p>
Evidence
<p><b>[3] Komatsu CSR Procurement Guidelines (Webpage)</b>  Accessed 10/07/2019  <a href="https://komatsu.disclosure.site/en/themes/100">https://komatsu.disclosure.site/en/themes/100</a>  CSR Procurement Guidelines  Komatsu Group CSR Procurement Guidelines: What we would like to ask our business partners in the supply chain</p> <ol style="list-style-type: none"> <li>1. Operations for Sound Management <ol style="list-style-type: none"> <li>1. Build a system or operational structure designed to meet various risks.</li> <li>2. Establish legal and transparent decision-making processes concerning management.</li> <li>3. Conduct appropriate accounting procedures, tax filing and settlement of accounts.</li> <li>4. Place importance on communication with stakeholders (customers, shareholders, business partners, employees, etc.).</li> <li>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).</li> <li>6. Fulfill accountability to society through active disclosure of corporate information.</li> </ol> </li> <li>2. Thorough enforcement of compliance <ol style="list-style-type: none"> <li>1. Engage in business operations while complying with the laws and regulations, as well as the rules of the business community in the countries and regions where we conduct business operations. In addition, make efforts to respect internationally accepted standards.</li> <li>2. Define a code of conduct, comprising company rules, under the leadership of senior management, and develop a corporate climate that places top priority on compliance.</li> <li>3. Establish a compliance regime, in accordance with the scale and characteristics of the company, that prevents the company, executives, and employees from engaging in illegal conduct, and promptly addresses situations where issues have occurred (e.g. a whistle-blowing system)</li> </ol> </li> </ol> <p>[...]</p> <ol style="list-style-type: none"> <li>6. Fair Business Practices <ol style="list-style-type: none"> <li>1. Comply with all related laws and regulations and engage in free and fair competition and business transactions.</li> <li>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.</li> <li>3. Never accept inappropriate cash, gifts or other favors.</li> <li>4. Carry out proper foreign trade transactions (goods and technologies) while complying with the related laws and regulations.</li> <li>5. Never have any relationship with antisocial forces or groups.</li> </ol> </li> </ol> <p>[...]</p> <ol style="list-style-type: none"> <li>8. Spread of the guidelines throughout the Entire Supply Chain <ol style="list-style-type: none"> <li>1. Encourage business partners of the company to observe the items stipulated in the guidelines. Make efforts to encourage the spread of these guidelines into the entire supply chain.</li> </ol> </li> </ol>

**[1] Komatsu Worldwide Code of Business Conduct (Webpage)**

Accessed 10/07/2019

<https://home.komatsu/en/company/conduct/>

## 2. Fair and appropriate business operations

[...]

## (2) Relationship with Governmental Agencies and Officials

Our relationship with any governmental bodies and agencies, whether domestic or foreign, shall be fair and proper and without any kind of corruptive or unlawful association. Komatsu shall observe all relevant laws and regulations and keep transparent relationships with all government officials so that there is no appearance of any improper arrangements.

Komatsu shall not provide, offer or promise money, goods, services, convenience or any other thing of value to government officials (including those who are deemed government officials under applicable laws or regulations), whether domestic or foreign, for the purpose of obtaining or retaining business or any other advantages. Komatsu shall also strictly prohibit its trade partners, distributors, agents and other intermediaries from being involved in such bribery-type activities.

Komatsu shall set up practical guidelines, in light of applicable anti-corruption laws and regulations as well as the international standards of anti-corruption and make such guidelines thoroughly known among their employees.

[...]

## 3. Relationships with society

[...]

## (3) Stakeholders relationships

[...]

## c. Distributors

Distributors are important business partners of Komatsu and the backbone of Komatsu's sales and service network. We shall honor our distributor contracts and seek to establish long-lasting stable relationships on the basis of mutual trust. We shall also provide our distributors with reasonable support according to their respective needs and cooperate with them so that they comply with the Rules and encourage them to act in accordance with the spirit of this Code.

We shall appoint our distributors on the basis of financial soundness and other objective business criteria, as well as from the viewpoint of compliance with the Rules.

d. Supply Partners (*Kyoryoku Kigyo*)

Supply Partners (*Kyoryoku Kigyo*) are important business partners of Komatsu. We seek long-lasting stable relationships based on mutual trust. We shall keep our relationships appropriate and business-oriented and shall not indulge in excessive entertainment or gifts, or any other favor that is impermissible under the Rules. We shall also encourage our Supply Partners to act in accordance with the spirit of this Code.

We shall use free competition to select our Supply Partners. Selection shall be made on the basis of operational safety, quality, cost, delivery and other objective and operational criteria as well as from the viewpoint of compliance with the Rules.



Question
<b>6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?</b>
Score
<b>1</b>
Comments
<p>There is some evidence that the company encourages its suppliers to cascade the substance of its Code of Conduct, which includes its anti-bribery and corruption programme and standards, to sub-contractors throughout the supply chain.</p> <p>However, the company receives a score of '1' because this evidence is in the form of a simple statement and it is unclear what steps the company takes to ensure this in practice.</p>
Evidence
<p><b>[3] Komatsu CSR Procurement Guidelines (Webpage)</b>  Accessed 10/07/2019  <a href="https://komatsu.disclosure.site/en/themes/100">https://komatsu.disclosure.site/en/themes/100</a>  CSR Procurement Guidelines  Komatsu Group CSR Procurement Guidelines: What we would like to ask our business partners in the supply chain</p> <p>3. Operations for Sound Management</p> <ol style="list-style-type: none"> <li>7. Build a system or operational structure designed to meet various risks.</li> <li>8. Establish legal and transparent decision-making processes concerning management.</li> <li>9. Conduct appropriate accounting procedures, tax filing and settlement of accounts.</li> <li>10. Place importance on communication with stakeholders (customers, shareholders, business partners, employees, etc.).</li> <li>11. 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).</li> <li>12. Fulfill accountability to society through active disclosure of corporate information.</li> </ol> <p>4. Thorough enforcement of compliance</p> <ol style="list-style-type: none"> <li>4. Engage in business operations while complying with the laws and regulations, as well as the rules of the business community in the countries and regions where we conduct business operations. In addition, make efforts to respect internationally accepted standards.</li> <li>5. Define a code of conduct, comprising company rules, under the leadership of senior management, and develop a corporate climate that places top priority on compliance.</li> <li>6. Establish a compliance regime, in accordance with the scale and characteristics of the company, that prevents the company, executives, and employees from engaging in illegal conduct, and promptly addresses situations where issues have occurred (e.g. a whistle-blowing system)</li> </ol> <p>[...]</p> <p>7. Fair Business Practices</p> <ol style="list-style-type: none"> <li>6. Comply with all related laws and regulations and engage in free and fair competition and business transactions.</li> <li>7. Respect intellectual properties of other parties and work to prevent infringement thereof. Appropriately handle information (including personal information) of your company and other companies.</li> <li>8. Never accept inappropriate cash, gifts or other favors.</li> <li>9. Carry out proper foreign trade transactions (goods and technologies) while complying with the related laws and regulations.</li> <li>10. Never have any relationship with antisocial forces or groups.</li> </ol> <p>[...]</p> <p>9. Spread of the guidelines throughout the Entire Supply Chain</p> <ol style="list-style-type: none"> <li>2. Encourage business partners of the company to observe the items stipulated in the guidelines. Make efforts to encourage the spread of these guidelines into the entire supply chain.</li> </ol>

**[1] Komatsu Worldwide Code of Business Conduct (Webpage)**

Accessed 10/07/2019

<https://home.komatsu/en/company/conduct/>

2. Fair and appropriate business operations

[...]

(2) Relationship with Governmental Agencies and Officials

Our relationship with any governmental bodies and agencies, whether domestic or foreign, shall be fair and proper and without any kind of corruptive or unlawful association. Komatsu shall observe all relevant laws and regulations and keep transparent relationships with all government officials so that there is no appearance of any improper arrangements.

Komatsu shall not provide, offer or promise money, goods, services, convenience or any other thing of value to government officials (including those who are deemed government officials under applicable laws or regulations), whether domestic or foreign, for the purpose of obtaining or retaining business or any other advantages. Komatsu shall also strictly prohibit its trade partners, distributors, agents and other intermediaries from being involved in such bribery-type activities.

Komatsu shall set up practical guidelines, in light of applicable anti-corruption laws and regulations as well as the international standards of anti-corruption and make such guidelines thoroughly known among their employees.

Question
<b>6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations relating to its suppliers.
Evidence
No evidence found.

## 7. Agents, Intermediaries and Joint Ventures

### 7.1 Agents and Intermediaries

Question
<b>7.1.1 Does the company have a clear policy on the use of agents?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is some evidence that the company has a policy covering the use of agents. The company indicates that the employment and payment of sales agents or representatives must comply with any relevant laws or regulations.</p> <p>However, the company receives a score of '1' because its policy does not address the corruption risks associated with the use of agents and does not provide details of specific controls to mitigate these risks. The policy also does not explicitly commit to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function. It is unclear whether this policy applies to subsidiaries and joint ventures.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>(2) Relationship with Governmental Agencies and Officials</p> <p>Our relationship with any governmental bodies and agencies, whether domestic or foreign, shall be fair and proper and without any kind of corruptive or unlawful association. Komatsu shall observe all relevant laws and regulations and keep transparent relationships with all government officials so that there is no appearance of any improper arrangements.</p> <p>Komatsu shall not provide, offer or promise money, goods, services, convenience or any other thing of value to government officials (including those who are deemed government officials under applicable laws or regulations), whether domestic or foreign, for the purpose of obtaining or retaining business or any other advantages. Komatsu shall also strictly prohibit its trade partners, distributors, agents and other intermediaries from being involved in such bribery-type activities.</p> <p>Komatsu shall set up practical guidelines, in light of applicable anti-corruption laws and regulations as well as the international standards of anti-corruption and make such guidelines thoroughly known among their employees.</p> <p>[...]</p> <p>2. Ethical Business practices</p> <p>[...] Komatsu Members shall not participate in methods or schemes to obtain personal or business advantage or reward, including those which depart from fundamental standards of honesty and good faith.</p> <p>[...]</p> <p>5. ANTI-BRIBERY</p> <p>Example: An officer of a company owned by a certain country's government will visit my country for a tour of my local Komatsu factory. As a thank you for coming all the way, I am planning to take the officer sightseeing and present a souvenir. Is this a problem?</p>

As stated in Part I, Section 2 (2), it is the policy of Komatsu to avoid questionable relationships with government officials, either domestic or foreign.

(1) Government Relations

Under no circumstances shall any Komatsu Member make or offer a payment, gift or other thing of value to a government employee or official or political candidate for the purpose of obtaining an unfair business advantage. This is not intended to restrict any of you from working for candidates and parties of your choice as an individual. Personal participation, including contributions of time or financial support, shall be entirely voluntary.

(2) Foreign Corruption Prevention

Komatsu Members must comply with all provisions of the U.S. Foreign Corrupt Practices Act (FCPA), the Unfair Competition Prevention Act of Japan and any other similar laws and regulations of different countries that apply to Komatsu. The FCPA and similar laws make it a criminal offense for Komatsu and its shareholders, agents, and Komatsu Members to give anything of value, directly or indirectly, to a foreign official for the purpose of influencing the official's discretion. Stated simply, these statutes prohibit any direct or indirect bribery or attempt to bribe any foreign official or politician to obtain business.

No distributor or agent may be appointed in connection with the solicitation or sale of Komatsu products outside each Komatsu company's home country until such distributor or agent has been approved in accordance with each Komatsu company's policy and procedure. Payments to distributors, sales agents, consultants or representatives with the knowledge or with reason to believe that any portion of such payments will be passed along to a government employee or official or political candidate are also prohibited. Requests for commissions or payments that are unusual or unreasonable in amount should be reviewed by the Law Department or other relevant departments designated by Komatsu.

Proposed payments or use of Komatsu funds may be unlawful under the laws of countries other than an employee's home country. This is often true of payments requested by an agent or distributor. It is the policy of Komatsu to strictly comply with such laws.

It is also the policy of Komatsu to comply with the accounting and record keeping requirements of the FCPA and other applicable statutes to accurately reflect transactions in conformity with accepted methods of accounting. In some countries, industries such as mines and utilities are government-owned. Officers, directors, and employees of these industries are considered government employees, and cannot be offered payments, gifts or other valuable consideration in order to obtain an unfair business advantage.

In sum, any activities which result in an unlawful act are strictly prohibited. Consult the Law Department before engaging in any activities which you suspect may be unlawful.

Question
<b>7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?</b>
Score
<b>0</b>
Comments
Based on publicly available information, there is some evidence that the company conducts due diligence on its business partners. However, the company does not provide further information on this process and there is no evidence that due diligence specifically includes anti-bribery and corruption considerations, so the company receives a score of '0'.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>6. Export Control</p> <p>Komatsu Members must be familiar with the companies and people with whom it does business. Reasonable due diligence and screening of customers and new business partners, including vendors, service providers, agents, consultants, and distributors, is critical to ensure compliance with laws that regulate international trade. Komatsu expects that Komatsu Members will fully understand the policy above and take necessary steps to become familiar with Komatsu's business partners and customers and implement safeguards to comply with international trade laws.</p>

Question
<b>7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?</b>
Score
<b>0</b>
Comments
There is no evidence that the company aims to establish the beneficial ownership of its agents, nor does it explicitly commit to not engaging or terminate its engagement with agents or intermediaries if beneficial ownership cannot be established.
Evidence
No evidence found.

Question													
<b>7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?</b>													
Score													
<b>0</b>													
Comments													
There is no publicly available evidence that the company includes anti-bribery and corruption clauses in its contracts with agents and intermediaries.													
Evidence													
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>            Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p><b>DEFINITIONS</b></p> <table border="1"> <tr> <td>Code</td><td>This "Komatsu's Worldwide Code of Business Conduct"</td></tr> <tr> <td>Family</td><td>Members of family such as spouse, partner, parent, child, sibling, grandparent, grandchild and other close relatives</td></tr> <tr> <td>Komatsu, we, our, or us</td><td>Komatsu Ltd. and its direct and indirect group companies</td></tr> <tr> <td>Komatsu Members, you or your</td><td>All who work for Komatsu, from top management to each and every employee, including contract employee, temporary employee, and others</td></tr> <tr> <td>Law Department</td><td>Law or Legal Department in charge of handling legal matters generally or other applicable departments in charge of matters related to specific legal areas (labor laws, environmental laws, etc.)</td></tr> <tr> <td>Rules</td><td>Laws and regulations applicable to Komatsu's business activities, and those rules that are generally recognized and respected in society</td></tr> </table> <p>2. Fair and appropriate business operations            [...]            (2) Relationship with Governmental Agencies and Officials            Our relationship with any governmental bodies and agencies, whether domestic or foreign, shall be fair and proper and without any kind of corruptive or unlawful association. Komatsu shall observe all relevant laws and regulations and keep transparent relationships with all government officials so that there is no appearance of any improper arrangements.</p> <p>Komatsu shall not provide, offer or promise money, goods, services, convenience or any other thing of value to government officials (including those who are deemed government officials under applicable laws or regulations), whether domestic or foreign, for the purpose of obtaining or retaining business or any other advantages. Komatsu shall also strictly prohibit its trade partners, distributors, agents and other intermediaries from being involved in such bribery-type activities.</p> <p>2. Ethical Business practices            [...]            (1) Bribes and Kickbacks (vis-à-vis customers, suppliers, distributors etc.)            Example: I've noticed that my colleague always purchases from one supplier, even though their prices seem much higher than the other suppliers. It is said that he accepts something of value. Is this a problem?</p>		Code	This "Komatsu's Worldwide Code of Business Conduct"	Family	Members of family such as spouse, partner, parent, child, sibling, grandparent, grandchild and other close relatives	Komatsu, we, our, or us	Komatsu Ltd. and its direct and indirect group companies	Komatsu Members, you or your	All who work for Komatsu, from top management to each and every employee, including contract employee, temporary employee, and others	Law Department	Law or Legal Department in charge of handling legal matters generally or other applicable departments in charge of matters related to specific legal areas (labor laws, environmental laws, etc.)	Rules	Laws and regulations applicable to Komatsu's business activities, and those rules that are generally recognized and respected in society
Code	This "Komatsu's Worldwide Code of Business Conduct"												
Family	Members of family such as spouse, partner, parent, child, sibling, grandparent, grandchild and other close relatives												
Komatsu, we, our, or us	Komatsu Ltd. and its direct and indirect group companies												
Komatsu Members, you or your	All who work for Komatsu, from top management to each and every employee, including contract employee, temporary employee, and others												
Law Department	Law or Legal Department in charge of handling legal matters generally or other applicable departments in charge of matters related to specific legal areas (labor laws, environmental laws, etc.)												
Rules	Laws and regulations applicable to Komatsu's business activities, and those rules that are generally recognized and respected in society												



Bribes, kickbacks and similar benefits from or to all suppliers or customers also present not only ethical but legal concerns and are also examples of Fraud.

Komatsu Members shall never offer or accept, directly or indirectly, anything of value (such as a bribe or kickback) to or from a customer, a supplier or any other business partner to influence or reward an action. A business courtesy, such as a gift, contribution or entertainment, should never be offered or accepted if it might create the appearance of an impropriety or is otherwise prohibited by law.

(Regarding Komatsu's policy on bribes to government officials, please refer to Part II, Section 5 of this Code.)

## 5. ANTI-BRIBERY

[...]

### (2) Foreign Corruption Prevention

Komatsu Members must comply with all provisions of the U.S. Foreign Corrupt Practices Act (FCPA), the Unfair Competition Prevention Act of Japan and any other similar laws and regulations of different countries that apply to Komatsu. The FCPA and similar laws make it a criminal offense for Komatsu and its shareholders, agents, and Komatsu Members to give anything of value, directly or indirectly, to a foreign official for the purpose of influencing the official's discretion. Stated simply, these statutes prohibit any direct or indirect bribery or attempt to bribe any foreign official or politician to obtain business.

Question
<b>7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?</b>
Score
<b>1</b>
Comments
<p>Based on publicly available information, there is some evidence that the company addresses incentive structures for agents as a factor in bribery and corruption risk. There is evidence that the company makes payments in accordance with local laws of the country in which the agent is located, and that unreasonable requests for commission payments are handled primarily by the Law Department. The company also acknowledges the risk that payments to agents may be transferred to government employees, and states that it will not engage where this risk is present.</p> <p>However, the company receives a score of '1' because there is no evidence that the company imposes a threshold on the payment of sales commissions to agents nor that remuneration is paid in stage payments throughout the contractual relationship.</p>
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>          Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a></p> <p>(2) Foreign Corruption Prevention          Komatsu Members must comply with all provisions of the U.S. Foreign Corrupt Practices Act (FCPA), the Unfair Competition Prevention Act of Japan and any other similar laws and regulations of different countries that apply to Komatsu. The FCPA and similar laws make it a criminal offense for Komatsu and its shareholders, agents, and Komatsu Members to give anything of value, directly or indirectly, to a foreign official for the purpose of influencing the official's discretion. Stated simply, these statutes prohibit any direct or indirect bribery or attempt to bribe any foreign official or politician to obtain business.</p> <p>No distributor or agent may be appointed in connection with the solicitation or sale of Komatsu products outside each Komatsu company's home country until such distributor or agent has been approved in accordance with each Komatsu company's policy and procedure. Payments to distributors, sales agents, consultants or representatives with the knowledge or with reason to believe that any portion of such payments will be passed along to a government employee or official or political candidate are also prohibited. Requests for commissions or payments that are unusual or unreasonable in amount should be reviewed by the Law Department or other relevant departments designated by Komatsu.</p> <p>Proposed payments or use of Komatsu funds may be unlawful under the laws of countries other than an employee's home country. This is often true of payments requested by an agent or distributor. It is the policy of Komatsu to strictly comply with such laws.</p> <p>It is also the policy of Komatsu to comply with the accounting and record keeping requirements of the FCPA and other applicable statutes to accurately reflect transactions in conformity with accepted methods of accounting. In some countries, industries such as mines and utilities are government-owned. Officers, directors, and employees of these industries are considered government employees, and cannot be offered payments, gifts or other valuable consideration in order to obtain an unfair business advantage.</p> <p>In sum, any activities which result in an unlawful act are strictly prohibited. Consult the Law Department before engaging in any activities which you suspect may be unlawful.</p>

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for or on behalf of the company.
Evidence
No evidence found.

Question
<b>7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption-related investigations, or the associated disciplinary actions, involving agents.
Evidence
No evidence found.

## 7.2 Joint Ventures

Question
<b>7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?</b>
Score
<b>0</b>
Comments
Based on publicly available information, there is some evidence that the company conducts due diligence on its business partners, which may include joint venture partners. However, the company does not provide further information on this process and there is no evidence that due diligence specifically includes anti-bribery and corruption considerations, so the company receives a score of '0'.
Evidence
<p><b>[1] Komatsu Worldwide Code of Business Conduct (Webpage)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>  6. Export Control</p> <p>Komatsu Members must be familiar with the companies and people with whom it does business. Reasonable due diligence and screening of customers and new business partners, including vendors, service providers, agents, consultants, and distributors, is critical to ensure compliance with laws that regulate international trade. Komatsu expects that Komatsu Members will fully understand the policy above and take necessary steps to become familiar with Komatsu's business partners and customers and implement safeguards to comply with international trade laws.</p>

Question
<b>7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture relationships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?</b>
Score
<b>0</b>
Comments
There is no evidence that the company commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures.
Evidence
No evidence found.

Question
<b>7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?</b>
Score
<b>0</b>
Comments
There is no publicly available evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
Evidence
No evidence found.

## 8. Offsets

Question
<b>8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?</b>
Score
<b>0</b>
Comments
There is no evidence that the company addresses the corruption risks associated with offset contracting, or that a dedicated team is responsible for monitoring the company's offset activities.
Evidence
No evidence found.




Question
<b>8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?</b>
Score
<b>0</b>
Comments
There is no evidence that the company has a procedure in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations.
Evidence
No evidence found.

Question
<b>8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its offset obligations or contracts.
Evidence
No evidence found.

## 9. High Risk Markets

Question
<b>9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?</b>
Score
<b>0</b>
Comments
There is no evidence that the company acknowledges the corruption risks of operating in different markets, or that risk assessment procedures are used to inform the company's operations in high risk markets.
Evidence
<p><b>[05] Komatsu 2018 CSR &amp; Environmental Report (Document)</b>  Accessed 20/07/2019  <a href="https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf">https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf</a>  [p.130]</p> <h3>Risk Management</h3> <p>The Komatsu Group recognizes all uncertainties that could threaten the Group's sustained growth as risks, particularly compliance issues, environmental issues, product quality concerns, accidents, information security problems, and elimination of anti-social forces. The company has adopted the following measures to counter these risks.</p> <h3>Basic Principles and Structure for Risk Management</h3> <ul style="list-style-type: none"> <li>In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.</li> <li>Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the board of directors.</li> <li>Komatsu will establish an emergency headquarters when serious risks occur and implement appropriate measures to minimize damage.</li> </ul> <p><b>Risk Management Structure</b></p>  <pre> graph TD     Board[Board of directors] &lt;--&gt; Exec[Executive Function]     Exec --&gt; President[President]     President &lt;--&gt; RMCEH[Risk Management Committee (Emergency Headquarters)]     RMCEH &lt;--&gt; RMCom[Risk Management Committee]     RMCom --&gt; Bottom[Each Department, Each Group Company Department responsible for each risk category] </pre> <p>• Each Department, Each Group Company • Department responsible for each risk category</p>
<p><b>[08] Annual Securities Report (Document)</b>  Accessed 11/07/2019  <a href="https://home.komatsu/en/ir/library/annual-security-report/sir_info_02/_icsFiles/afieldfile/2019/06/24/e150th_1.pdf">https://home.komatsu/en/ir/library/annual-security-report/sir_info_02/_icsFiles/afieldfile/2019/06/24/e150th_1.pdf</a>  [p.19] (4) Laws and regulations of different countries Komatsu is subject to relevant regulations and approval procedures in the countries in which it operates. If any new laws and regulations or amendments to existing laws and regulations relating to customs duties, currency restrictions and other legal requirements are implemented in the countries where Komatsu operates, Komatsu may incur expenses in order to comply with such laws and regulations or its development, production, sales and service operations may be affected adversely by them. With respect to transfer pricing between Komatsu and its affiliated companies, Komatsu is careful to comply with applicable taxation laws of Japan and the concerned foreign governments. Nevertheless, it is possible that Komatsu may be viewed by the concerned tax authorities as having used inappropriate pricing. Furthermore, if</p>

intergovernmental negotiations were to fail, Komatsu may be charged with double or additional taxation. When facing such an unexpected situation, Komatsu may experience an unfavorable impact on its business results.

Question					
<b>9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?</b>					
Score					
<b>2</b>					
Comments					
There is evidence that the company publishes a list of its consolidated and non-fully consolidated holdings. For each entity, the company publishes its percentage voting rights – which is understood to reflect percentage ownership – as well as the country of operation and incorporation. There is evidence that this list is current and updated on an annual basis due to the fact that the information is published in the Annual Report.					
Evidence					
<b>[08] Annual Securities Report (Document)</b> Accessed 11/07/2019 <a href="https://home.komatsu/en/ir/library/annual-security-report/sir_info_02/_icsFiles/afidfile/2019/06/24/e150th_1.pdf">https://home.komatsu/en/ir/library/annual-security-report/sir_info_02/_icsFiles/afidfile/2019/06/24/e150th_1.pdf</a> [p.8]					
<b>4. Overview of Subsidiaries and Affiliates</b> Consolidated subsidiaries (Millions of yen, unless otherwise stated)					
Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Customer Support Japan Ltd. *1, 2, 7	Minato-ku, Tokyo, Japan	950	Construction, Mining and Utility Equipment	100.0	Sales and service of construction and utility equipment and industrial vehicles. Rental of construction equipment, etc. (Note 2)
Komatsu Used Equipment Corp.	Yokohama, Kanagawa, Japan	290	Construction, Mining and Utility Equipment	100.0	Sales of used construction equipment, etc.
Komatsu Logistics Corp.	Yokohama, Kanagawa, Japan	1,080	Construction, Mining and Utility Equipment	100.0	Transportation, warehousing, packing and other services. (Note 2)
Komatsu Cabtec Co., Ltd.	Gamo, Shiga, Japan	300	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction equipment parts. Supply of some products to the Company.
Komatsu Business Support Ltd.	Minato-ku, Tokyo, Japan	1,770	Retail Finance	100.0	Retail financing related to construction equipment.
Komatsu Industries Corporation	Kanazawa, Ishikawa, Japan	990	Industrial Machinery and Others	100.0	Development, sales and service of metal forging and stamping presses, sheet-metal machines, etc. (Note 2)
Komatsu NTC Ltd.	Nanto, Toyama, Japan	6,014	Industrial Machinery and Others	100.0	Manufacture, sales and service of machine tools, etc. (Note 1)
GIGAPHOTON INC.	Oyama, Tochigi, Japan	5,000	Industrial Machinery and Others	100.0	Development, manufacture, sales and service of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductors. (Notes 1 and 2)
KELK Ltd.	Hiratsuka, Kanagawa, Japan	390	Industrial Machinery and Others	100.0	Manufacture and sales of thermo-electric modules and temperature control equipment. (Note 2)

[p.9]

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu America Corp. *1, 2	Rolling Meadows, U.S.A.	1,071 million US dollars	Construction, Mining and Utility Equipment	100.0	Manufacture and sales of construction, mining and utility equipment and supervision in the Americas.
Hensley Industries, Inc.	Dallas, U.S.A.	2 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture and sales of parts of construction and mining equipment.
Komatsu Mining Corp.	Milwaukee, U.S.A.	5 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Overall management of mining equipment business
Joy Global Underground Mining LLC *1, 3	Warrendale, U.S.A.	1,406 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Surface Mining Inc	Milwaukee, U.S.A.	3 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Joy Global Longview Operations LLC *1, 4	Longview, U.S.A.	992 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture, sales and service of mining equipment.
Komatsu Finance America Inc.	Rolling Meadows, U.S.A.	1 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Financing within Komatsu Group, fundraising, etc.
Komatsu Equipment Company	Salt Lake City, U.S.A.	100 US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Modular Mining Systems, Inc.	Tucson, U.S.A.	16 thousand US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Development, manufacture, and sales of large-sized mining equipment management systems. (Note 1)
F&M Equipment, Ltd	Hatfield, U.S.A.	11 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Komatsu do Brasil Ltda.	Suzano, Brazil	143 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Manufacture of construction equipment and casting products.
Komatsu Brasil International Ltda. *1	Sao Paulo, Brazil	287 million real	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Komatsu Holding South America Ltda. *1	Santiago, Chile	156 million US dollars	Construction, Mining and Utility Equipment	[100.0] 100.0	Sales and service of construction and mining equipment.
Komatsu Cummins Chile Ltda.	Santiago, Chile	34 million US dollars	Construction, Mining and Utility Equipment	[81.8] 81.8	Sales and service of construction and mining equipment.

[List continues in the same format on pp. 8-12].

[p.13]

Affiliated companies accounted for by the equity method

(Millions of yen, unless otherwise stated)

Company name	Location	Common stock, investments	Principal business	Ownership of voting rights (%)	Relationship
Komatsu Cummins Engine Co., Ltd.	Oyama, Tochigi, Japan	1,400	Construction, Mining and Utility Equipment	50.0	Manufacture and sales of diesel engines. (Note 2)
QUALICA Inc.	Shinjuku-ku, Tokyo, Japan	1,234	Industrial Machinery and Others	20.0	Sales and development of software, sales of hardware, etc. Supply of some products to the Company. (Note 1)
Cummins Komatsu Engine Company *6	Seymour, U.S.A.	-	Construction, Mining and Utility Equipment	[50.0] 50.0	Manufacture and sales of diesel engines.
PT Komatsu Astra Finance	Jakarta, Indonesia	436,300 million Indonesian rupiah	Retail Finance	[50.0] 50.0	Retail financing related to construction and mining equipment.
Other 38 companies					

#### [06] Komatsu Subsidiaries and Affiliates (Webpage)

Accessed 11/07/2019

<https://home.komatsu/en/company/group/japan/>

#### Construction and Mining Equipment, Utility Equipment (Compact Machines)

Komatsu Customer Support Japan Ltd. [KCSJ] 

##### ■ Outline of Operations

Sale, service and rental of construction equipment and forklift trucks

##### ■ URL

> [home.komatsu/jp/kcsj/](https://home.komatsu/jp/kcsj/) 

##### ■ Representative

Kazuaki Miura

##### ■ Address

1-17-3, Shirogane, Minato-ku, Tokyo 108-0072, Japan

##### ■ TEL

81-50-3486-4123

##### ■ FAX

81-3-3473-8128

Komatsu Used Equipment Corp.[KUEC] 

##### ■ Outline of Operations

Sale of used construction equipment

##### ■ URL

> [www.kuec.com](http://www.kuec.com) 

##### ■ Representative

Michitaka Kikuchi

##### ■ Address

4th Floor, Iwasawa Bldg., 2-16-15, Kanagawa 2-Chome, Kanagawa-ku, Yokohama-shi, Kanagawa 221-0045, Japan

##### ■ TEL

81-45-450-5567

##### ■ FAX

81-45-450-5568

[...]



## Industrial Machinery and Others

### Komatsu America Industries LLC. [KAILLC]



- **Outline of Operations**

Sales & Service of Press machinery & Fabricating Machinery

- **URL**

> [www.komatsupress.com](http://www.komatsupress.com) 

- **Representative**

Shuichiro Ozawa

- **Address**

1701 W. Golf Rd. One Continental Towers, Rolling Meadows, IL 60008, U.S.A.

- **TEL**

1-847-437-3888

- **FAX**

1-847-437-1811

### NTC AMERICA Corporation [NAC]



- **Outline of Operations**

Sale and service of machine tools and industrial machinery

- **URL**

> [www.ntcamerica.com](http://www.ntcamerica.com) 

- **Representative**

Daisuke Yokota

- **Address**

46605 Magellan Dr. Novi, MI 48377, U.S.A

- **TEL**

1-248-560-1200

- **FAX**

1-248-560-0215

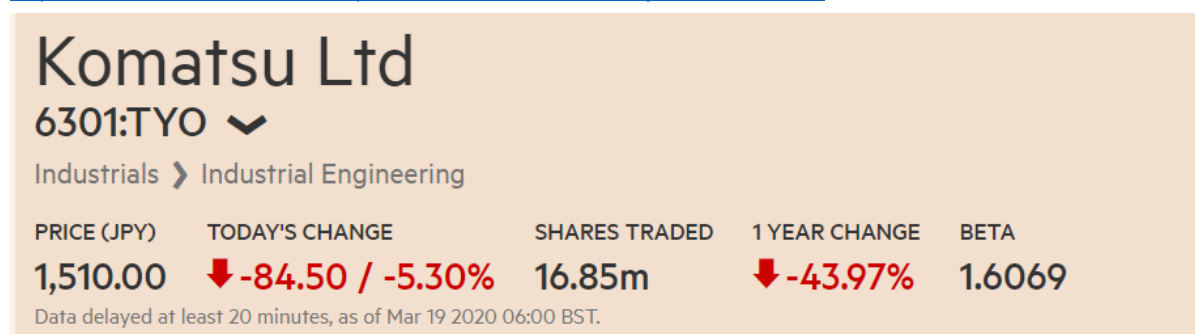
[Website continues to list all subsidiaries described on pp.9-13 of the Annual Report]

**Question****9.3 Does the company disclose its beneficial ownership and control structure?****Score****2****Comments**

The company is a publicly listed entity at the Tokyo Stock Exchange and therefore automatically receives a score of '2'. There is also evidence that the company publishes general information on its beneficial ownership in its Annual Report.

**Evidence****[9] Financial Times Markets Data (Document)**

Accessed 19/03/2020

<https://markets.ft.com/data/equities/tearsheet/summary?s=6301:TYO>
**[4] Komatsu 2018 Annual Report (Document)**

Accessed 10/07/2019

[https://home.komatsu/en/ir/library/annual/icsFiles/afieldfile/2018/08/10/KOMATSU\\_REPORT\\_2018e\\_Interactive.pdf](https://home.komatsu/en/ir/library/annual/icsFiles/afieldfile/2018/08/10/KOMATSU_REPORT_2018e_Interactive.pdf)

[p.24]

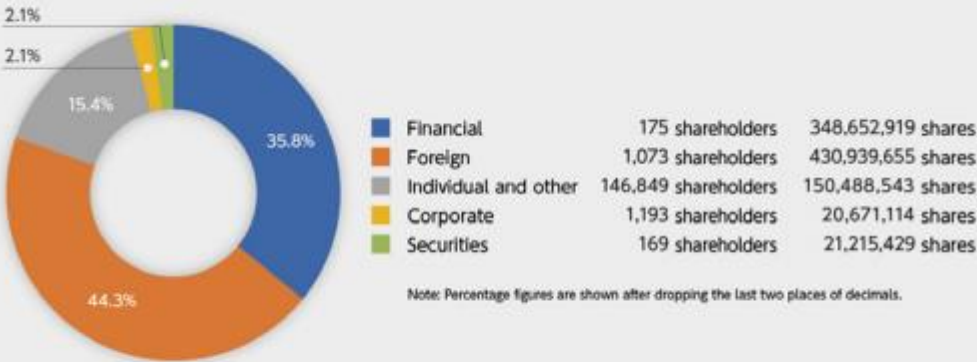
**Major Shareholders**

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,612	6.63
Japan Trustee Services Bank, Ltd. (Trust Account)	62,405	6.61
Taiyo Life Insurance Company	34,000	3.60
JP MORGAN CHASE BANK 380055 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	33,514	3.55
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	20,339	2.15
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	18,638	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,451	1.95
Sumitomo Mitsui Banking Corporation	17,835	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 7)	17,183	1.82
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	17,029	1.80

Notes: 1) Shareholding ratio is calculated by subtracting treasury stock.

2) Although Komatsu Ltd. holds 28,190 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Breakdown of Shareholders



Stock Prices on the Tokyo Stock Exchange

Question
<b>9.4 Does the company publish a percentage breakdown of its defence sales by customer?</b>
Score
<b>0</b>
Comments
There is no evidence that the company publishes a percentage breakdown of its defence sales by customer.
Evidence
<p><b>[4] Komatsu 2018 Annual Report (Document)</b>  Accessed 10/07/2019  <a href="https://home.komatsu/en/ir/library/annual/_icsFiles/afidfieldfile/2018/08/10/KOMATSU_REPORT_2018e_Interactive.pdf">https://home.komatsu/en/ir/library/annual/_icsFiles/afidfieldfile/2018/08/10/KOMATSU_REPORT_2018e_Interactive.pdf</a>  [p.18]</p> <p><b>Highlights of FY2017 Results</b></p> <hr/> <p>For FY2017 (April 1, 2017 – March 31, 2018), consolidated net sales totaled JPY2,501.1 billion, up 38.7% from the previous fiscal year, partly reflecting the benefits of including Joy Global Inc. (currently, Komatsu Mining Corp.) as a new consolidated subsidiary. We acquired this leading manufacturer of mining equipment in the United States in April 2017. With respect to profits, operating income expanded by 56.0% to JPY271.5 billion, and the operating income ratio improved by 1.2 percentage points to 10.9%. Net income attributable to Komatsu Ltd. totaled JPY196.4 billion, up 73.2%.</p> <p><b>Construction, Mining and Utility Equipment</b>  In addition to steadfastly capturing demand in China, Indonesia and many other countries, we also acquired Komatsu Mining Corp. As a result, sales of the construction, mining and utility equipment business expanded by 44.7% from the previous fiscal year, to JPY2,280.9 billion. Segment profit reached JPY275.9 billion, an increase of 70.7% from the previous fiscal year, supported by expanded sales around the world, more than offsetting temporary expenses incurred in relation to the acquisition of Joy Global Inc.</p> <p><b>Retail Finance</b>  Revenues advanced by 22.8% from the previous fiscal year, to JPY60.3 billion, mainly supported by increased assets in North America. Segment profit climbed by 191.1% to JPY12.9 billion, mainly reflecting no more allowance for doubtful accounts recorded in China.</p> <p><b>Industrial Machinery and Others</b>  Sales decreased by 2.9% from the previous fiscal year, to JPY185.4 billion, as affected by reduced sales of presses and wire saws as well as declined sales to Japan's Defense Agency, while sales of machine tools to the automobile manufacturing industry increased. Segment profit improved by 16.0% to JPY14.4 billion.</p>

## 10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence



Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

## List of Evidence & Sources

<b>N o.</b>	<b>Type</b> (Webpage or Document)	<b>Name</b>	<b>Download Date</b>	<b>Link</b>
01	Webpage	Komatsu Worldwide Code of Business Conduct	10/07/19	<a href="https://home.komatsu/en/company/conduct/">https://home.komatsu/en/company/conduct/</a>
02	Webpage	Komatsu Compliance	10/07/19	<a href="https://home.komatsu/en/csr/society/compliance.html">https://home.komatsu/en/csr/society/compliance.html</a>
03	Webpage	Komatsu CSR Procurement Guidelines	10/07/19	<a href="https://komatsu.disclosure.site/en/themes/100">https://komatsu.disclosure.site/en/themes/100</a>
04	Document	Komatsu 2018 Annual Report	10/07/19	<a href="https://home.komatsu/en/ir/library/annual/_icsFiles/afiedfile/2018/08/10/KOMATSU_REPO RT_2018e_Interactive.pdf">https://home.komatsu/en/ir/library/annual/_icsFiles/afiedfile/2018/08/10/KOMATSU_REPO RT_2018e_Interactive.pdf</a>
05	Document	Komatsu 2018 CSR & Environmental Report	10/07/19	<a href="https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf">https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-komatsu-s3/en/csr/pdf/KOMATSUCSR2018_en.pdf</a>
06	Webpage	Komatsu Subsidiaries and Affiliates	10/07/19	<a href="https://home.komatsu/en/company/group/japan/">https://home.komatsu/en/company/group/japan/</a>
07	Document	Corporate Governance Report	10/07/19	<a href="https://home.komatsu/en/ir/profile/corporate-governance/pdf/cgr_190213_e.pdf">https://home.komatsu/en/ir/profile/corporate-governance/pdf/cgr_190213_e.pdf</a>
08	Document	Annual Securities Report	10/07/19	<a href="https://home.komatsu/en/ir/library/annual-security-report/sir_info_02/_icsFiles/afiedfile/2019/06/24/e150th_1.pdf">https://home.komatsu/en/ir/library/annual-security-report/sir_info_02/_icsFiles/afiedfile/2019/06/24/e150th_1.pdf</a>
09	Webpage	Financial Times Markets Data	20/03/2020	<a href="https://markets.ft.com/data/equities/tearsheet/summary?s=6301:TYO">https://markets.ft.com/data/equities/tearsheet/summary?s=6301:TYO</a>