

# Komatsu's Worldwide Code of Business Conduct

## MESSAGE FROM CEO

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”).

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.

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.

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.

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.

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.

October 1, 2017

Tetsuji Ohashi

President and CEO, Komatsu Ltd.

## MANAGEMENT PRINCIPLES

The essence of Komatsu's management is to maximize its "Corporate Value" through the pursuit of "Quality and Reliability." We believe that "Corporate Value" represents the total sum of trust the general society and our stakeholders place in Komatsu.

In order to gain more trust, Komatsu shall recognize the notion of Komatsu's Corporate Social Responsibility (CSR) and principles and strive toward the following:

### **(1) Pursuit of Quality and Reliability**

The pursuit of "Quality and Reliability" is naturally applicable to our products and services to ensure that they are highly valued by our customers. However, this principle also covers aspects such as organizational structure, business operations, employees and management in general.

The following are guidelines for enhancing "Quality and Reliability." These guidelines are not only for management, but also for each and every employee of Komatsu companies in performing his/her jobs on a daily basis:

- a. To always think about the needs of customers and to strive to provide products, services and systems that are safe, environmentally-conscious and innovative, as well as to provide the most suitable solutions;
- b. To always pursue innovation of technology and management;
- c. To promote management of all Komatsu companies from a global perspective;
- d. To contribute to the welfare of the local community and be a good corporate citizen;  
and
- e. To provide employees with opportunities for development and achievement, while promoting the health and safety of employees and their families.

### **(2) Emphasis on Corporate Governance**

The Board of Directors plays the key role in corporate governance. Komatsu companies shall always endeavor to energize Board activities, so that the Board will substantively discuss important management matters, duly decide matters for Board resolution after ample review and deliberation, and consider other relevant matters properly reported to the Board.

Top management of each Komatsu company shall concentrate on steady and stable operations, establish and maintain an internal control system in compliance with all applicable laws, regulations and Komatsu's policies and thus enhance the soundness and transparency of management.

### **(3) Reinforcement of Manufacturing Competitiveness and The KOMATSU Way**

Komatsu's strength stems from its sound corporate governance and "Manufacturing Competitiveness" (*Monozukuri Kyosoryoku*).

"Manufacturing Competitiveness" means "providing our customers with those products, services and solutions that they highly appreciate for supporting expansion of their businesses." "Manufacturing Competitiveness" also requires due consideration of the environment and pursues safety throughout its process, so that our products and services will eventually be indispensable for customers.

Reinforcing our "Manufacturing Competitiveness" requires integrated joint activities within the company organization, involving relevant departments and sections such as R&D, procurement, production, marketing, servicing and administration, but it also requires the same level of integrated activities throughout the value chain involving our supply partners (*kyoryoku kigyo*), distributors and other business partners.

"The KOMATSU Way" describes Komatsu's strength in "Manufacturing Competitiveness", core beliefs and mindset underlying such strength, as well as patterns of behaviors for practical implementation.

Komatsu companies shall share the spirit of "The KOMATSU Way" in their day-to-day operations and endeavor to pass it on to the generations to come, so that "The KOMATSU Way" will be duly inherited in our organization regardless of any change in its members.

## DEFINITIONS

|                              |   |
|------------------------------|---|
| 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  |

# Part I

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. As such, executives and managers should read this Part I thoroughly and ensure that all Komatsu activities are carried out according to this Code.

## **1. COMPLIANCE WITH THE RULES**

### **(1) Compliance with the Rules**

Komatsu should fully understand its responsibilities as a good corporate citizen, and duly respect and comply with all the Rules. Such Rules include not only applicable laws, regulations and standards but also social responsibilities and other internationally established norms of behavior.

Because the Rules will change as society evolves, Komatsu should keep up to date with the latest information about the Rules.

Ignorance of the Rules is not an excuse for not complying with them. We should always inquire into and ascertain the Rules that are applicable to our business operations, and share all applicable Rules with our colleagues and business partners. In case of doubt or uncertainty, we should consult an authority (for example, departments in charge, or specialists/professional advisors) with a view to properly conducting business in accordance with the applicable Rules. We will vigorously seek solutions to any known problems without delaying necessary decisions.

We shall always give priority to complying with the Rules, to sustaining honesty and integrity, and to fulfilling the trust of society. We shall not behave in violation of the Rules. Under no circumstances shall Komatsu violate any of the Rules, whether as a result of instructions from superiors or requests from customers, or for the purpose of benefiting the company.

Once we learn about a violation of the Rules, we shall, with the assistance of the compliance department and/or related departments, immediately take appropriate measures to rectify and to prevent recurrence of such violation. No matter what the reasons may be, wrongdoings or mistakes should never be concealed or misrepresented.

### **(2) Customary Practices**

Komatsu recognizes that customary practices in business may vary from one country or region to another. Although we respect such customary practices in the country or region in which we operate, we shall give priority to fairness and compliance with the Rules and refrain from following the custom whenever we believe there is conflict. If there is conflict between customary practices and applicable laws and regulations, we must always follow the applicable laws and regulations.

### **(3) Avoidance of Criminal Organizations**

We shall completely resist any influence of, and thoroughly avoid any connection with, criminal organizations and other groups that pose threats to public order or security.

## **2. FAIR AND APPROPRIATE BUSINESS OPERATIONS**

### **(1) Fair Competition**

Komatsu shall comply with all applicable competition laws and regulations and be a leader of fair and free competition. In particular, we shall put special emphasis on the following principles:

- a. We oppose and shall not become involved in collusive bidding, cartels or any other arrangements that are designed to restrict or reduce fair and free competition, and shall refrain from any conduct that may give rise to suspicion or appearance of such arrangements;
- b. We shall refrain from engaging in defamation, false denunciation, interference and other unfair measures designed to drive out existing or potential competitors;
- c. We shall not engage in any trade practices that are deemed unfair or illegal under the laws and regulations of the jurisdictions in which we operate;
- d. We shall always properly represent the quality, price and other important factors of our products, services and systems, and strive to avoid confusion or misunderstanding among our distributors or customers;
- e. We shall respect the intellectual property of others and shall take appropriate measures not to infringe upon them; and
- f. We shall not unlawfully acquire, divulge or make use of trade secrets or other proprietary information belonging to others.

### **(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) Proper Export Control**

Komatsu shall implement export controls for maintenance of international peace and security. As such, Komatsu shall observe all applicable export control laws and regulations as well as relevant Komatsu policy and internal rules to ensure that, in relation to any transaction, the products or technology of our respective companies will not end up being used for the development, manufacture, use, and/or storage of weapons of mass destruction and conventional arms, support of terrorism or other activities of threat to world peace.

### **3. RELATIONSHIP WITH SOCIETY**

#### **(1) Corporate Social Responsibility (CSR)**

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.

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.

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.

#### **(2) Respect for Human Rights**

Komatsu shall support and respect the protection of internationally proclaimed human rights and make sure that we are not complicit in human rights abuses.

Komatsu shall uphold the elimination of all forms of forced and compulsory labor and the effective abolition of child labor.

#### **(3) Stakeholder Relations**

When we talk about “stakeholders”, we refer collectively to all parties that are affected by our business activities. Stakeholders include customers, shareholders, investors, distributors, business partners in the supply chain (“Supply Partners” or “*Kyoryoku Kigyō*”), local communities and employees. Since Komatsu and its stakeholders are mutually indispensable partners, we shall endeavor to establish and maintain long-lasting and healthy relationships of mutual trust, by way of disclosing accurate information in a fair, timely and impartial manner through our activities in such fields as public relations and investor relations.

##### **a. Customers**

Customers are the most important stakeholders for Komatsu. We shall provide our customers with relevant information according to their needs, seriously listen to their input, and provide them with suitable solutions by striving to deliver products, services and systems that are designed with safety in mind, environmentally-conscious, innovative and of superior quality.

Valuing our customers does not mean blind obedience to them. While we shall respect the requests of our customers, we shall not dispense with the efforts to ascertain whether such requests are consistent with the Rules and to the benefit of the customers. Whenever we believe that the answer is negative, we shall fully explain the problem and have the courage to say “No” to the request.

b. Shareholders and Investors

Komatsu shall exert its best efforts to preserve and maximize the value of shareholders’ investments in Komatsu.

Maximizing the value of shareholders’ investment does not mean that we concentrate on short-term profits. Rather, it means that we aim at long-term sustainable growth through stable management, while ensuring compliance with the Rules.

In order to maintain transparent management, we shall treat all shareholders and investors in an impartial manner, and shall disclose to them accurate information on Komatsu's business in a timely fashion. Such disclosure shall not be limited to information legally required and shall duly cover management policy, business results, dividend policy and other relevant issues about management.

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 Kigyō*)

Supply Partners (*Kyoryoku Kigyō*) 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.

e. Local Communities

Companies cannot continue to exist without maintaining good harmony with the local community. Komatsu shall maintain close communication with our local community and actively seek harmonious balance of interests, with a view to becoming a valued corporate citizen.

f. Employees

(Please see detailed explanations in Part I, Section 5 “Employment”)

**(4) Social Contribution**

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.

The following are the aims and basic principles that apply to our activities for social contribution:

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|--|
| <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> |
|--|

b. Employees' Volunteer Activities

We acknowledge that the essential factor of employees' volunteer activities is their self-initiated participation. We value employee participation in volunteer activities and shall assist such activities by way of introducing various systems and programs that support such participation without forcing our employees to participate in such activities.

## 4. ENVIRONMENTAL PROTECTION

Komatsu products, while contributing to the achievement of more prosperous and convenient living standards, also put burdens on the environment through their production, use and disposal. In this regard, we shall endeavor to reduce or counterbalance such burdens on the environment.

It is also our responsibility to strive to provide our customers with products and services that are increasingly friendly to both the environment and mankind.

Komatsu has clarified its commitment to environmental protection through its “Komatsu Earth Environment Charter.” Under this charter, we regard environmental protection as a high priority and proactively take relevant measures.

### **Summary of “Komatsu Earth Environment Charter”**

#### **<Corporate Principles>**

##### **(1) Contributions to Realization of Sustainable Society**

Komatsu defines environmental conservation as one of its high priority management tasks, and endeavors to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all our business activities.

##### **(2) Simultaneous Realization of Environmental and Economic Performance**

We are committed to improving both environmental performance and economic efficiency in our manufacturing for greater customer satisfaction.

##### **(3) Observance of Corporate Social Responsibility**

Each Komatsu company promotes environmental conservation by complying with all applicable laws and regulations, and also by establishing voluntary standards which consider global and local environmental concerns, thereby striving to fulfill its corporate social responsibility and promoting close-knit communication with all Komatsu stakeholders.

#### **<Guidelines for Major Corporate Activity>**

- Reduction of greenhouse gas emissions in the total life cycle of our products and services;
- Minimal use of natural resources, expanding Zero Emissions in our manufacturing activities, and increasing recycling of discarded products;

- Establishment of, and compliance with, voluntary standards concerning water quality, air quality, and thorough management of chemical substances in our business activities; and
- Promotion of activities for conservation of biodiversity.

Komatsu shall promote activities for environmental protection throughout its operations in accordance with the above Charter and policies.

## 5. EMPLOYMENT

Employees are the driving force of our business operations and indispensable assets to Komatsu. We shall respect human rights worldwide and treat each and every employee fairly, respecting his/her personality, individuality and legally-protected privacy.

We shall maintain close communication with employees and endeavor to provide a safe, healthy and comfortable working environment. We shall provide employees with appropriate education and training so that they can proactively enhance their respective skills and abilities. We shall also endeavor to provide them with development opportunities to fully utilize their respective abilities, enhance their careers and feel satisfaction and pride in being Komatsu Members.

### (1) Human Resources Management Policy

Human resources management differs based on historical and cultural backgrounds. We should respect and take these differences into consideration.

Komatsu companies shall establish systems of human resources management that are suitable for their respective regions and in accordance with the following basic principles:

- a. We shall respect each employee's human rights, personality, individuality and legally-protected privacy;
- b. We shall respect diversity and treat and appraise each and every employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability, marital status or other legally protected status. We shall vigorously promote equal opportunities for employment;
- c. We shall give due consideration to work-life balance and physical/mental health, and endeavor to provide the employees with workplaces where they can effectively accomplish their tasks with satisfaction and pride. We will not tolerate any kind of harassment, including sexual harassment, violence or other abusive conduct, in or outside the workplace;
- d. In designing and implementing Komatsu policies on employment conditions (such as wages, fringe benefits, performance appraisal, promotions), we shall assure that such policies are, and are understood to be, fairly and clearly implemented. Such policies shall be accurately communicated to employees and, to the extent practicable, made open and accessible;
- e. We shall comply with all applicable laws and regulations governing employees' rights and faithfully accommodate, whenever applicable, conversations or discussions with employees or their representatives;

- f. We shall not tolerate child labor or forced labor; and
- g. We shall offer terms and conditions of employment that are sufficiently competitive in their respective regions.

Komatsu shall duly observe the basic principles above and, upon discovery of a situation or action in deviation from the above, shall immediately conduct a proper investigation and implement remedial measures as necessary.

## **(2) Occupational Safety and Health Policy**

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

## **(3) Enhancement of Human Security**

Komatsu shall pay due attention to threats that might be posed by terrorism, conflicts, riots, natural disasters, and other events beyond our control. Komatsu shall continuously endeavor to enhance security measures to minimize human losses even if such uncontrollable events occur.

## **(4) Protection of Corporate Properties and Interests**

Komatsu shall endeavor to protect our properties and interests against theft, misappropriation, impairment, loss or dilution, by establishing appropriate company rules, policies and procedures and making them fully known to and observed by all employees. Such protections shall include the following points:

### **a. Protection of Assets**

All assets of Komatsu, including our facilities, fixtures, equipment, office supplies, inventory, funds and information, shall be used solely for Komatsu's business. To minimize the risk of theft, misappropriation, leaks or misplacement, Komatsu shall have asset management processes detailed in writing and meticulously followed and checked.

### **b. Protection of Intellectual Property**

Komatsu companies shall ensure that their respective employees understand that intellectual property rights constitute an important corporate asset. Each Komatsu

company shall establish a company rule that requires all inventions, breakthroughs, works of authorship, and other works made or created in relation to employment to be protected as the company's intellectual property, and shall take all relevant steps to legally implement such protection. Komatsu companies shall ensure that their intellectual property is properly and effectively utilized in its business operations, and take prompt countermeasures against any potential infringement or misappropriation by third parties.

## 6. HANDLING OF INFORMATION

### (1) Protection and Management of Information

We acknowledge that our business information as well as our systems for information management (collectively “Information and Systems”) constitute valuable assets to Komatsu. In this regard, Komatsu companies shall endeavor to protect Information and Systems against theft, misappropriation, impairment, loss or leakage, by way of establishing appropriate company rules and making them fully known to and observed by their employees. In particular, Komatsu shall take firm action to prevent the following acts (even if such acts arise from negligence):

- Disclosure of any non-public information to any unauthorized person (inside or outside of Komatsu);
- Use of Information and Systems for any purposes other than legitimate business operations;
- Unauthorized modification or alteration of any information;
- Any behavior or action that hinders or obstructs legitimate utilization of Information and Systems; or
- Failure to take appropriate preventive measures against cyber-attack, hacking and other unlawful access to, and use of, the Information and Systems.

In addition, Komatsu shall also consider the specific nature of the Information and Systems:

#### a. Company Business Data and Technology

Technologies, sales and other business data constitute important assets. Komatsu shall require our employees to use such information solely for business, and to never make any unauthorized disclosure, modification, alteration or destruction of the same.

#### b. Customers and Business Partners

Because we are legally obligated to properly manage and protect the information of our business partners and customers (including information about their equipment, process management and production management), Komatsu shall require our employees to handle any information regarding customers and business partners with special care and not to make any disclosure or use of the same unless authorized in writing or legally required.

#### c. Employees

Because we are legally obligated to properly manage and protect the confidentiality

of employee information, Komatsu shall require our employees not to make any unauthorized disclosure or unauthorized use of such employee information without satisfying all legal requirements to do so (including but not limited to the consent of the employee concerned) or unless legally required.

## **(2) Use of Information**

Komatsu shall make it clear to our employees that Information and Systems are intended for use solely in proper business operations, and in no event shall Information and Systems be used in any manner against the Rules or for any personal or non-business purposes. Komatsu companies shall establish their respective internal rules for handling and management of Information and Systems, and shall share those rules with employees and have them observed by employees according to their respective job responsibilities.

## **(3) Prohibition of Insider Trading**

Komatsu shall not engage in insider trading or any transactions that may cause suspicion of insider trading on the basis of any non-public information, whether concerning Komatsu, our customers, business partners or otherwise.

## **(4) Disclosure of Information**

Komatsu shall disclose appropriate information on Komatsu's business operations to our shareholders, investors and other stakeholders to the extent permissible under the relevant laws, regulations and contracts with third parties, and subject to appropriate protection of trade secrets and other confidential information. We will respond to inquiries from our stakeholders in a timely and impartial fashion taking into consideration the principle of impartiality. We will also proactively disclose relevant business information to employees when appropriate, no matter where they are geographically located.

At the same time, to prevent damage to Komatsu's reputation through inappropriate disclosure or by employee misuse of social media, Komatsu shall establish and circulate relevant written policies regarding public communications and the proper use of social media.

## **7. ESTABLISHMENT OF INTERNAL CONTROL SYSTEMS AND APPROPRIATE FINANCIAL REPORTING**

### **(1) Establishment of Internal Control Systems**

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.

### **(2) Appropriate Financial Reporting**

Under the Japanese Companies Act and other relevant laws and regulations, Komatsu Ltd., as a publicly traded company, must fulfill highly demanding duties of preparing, disclosing and submitting appropriate financial reports on a consolidated basis. Komatsu Ltd. is also under a statutory obligation to prepare and submit to the authorities an “Internal Control Report” concerning the effectiveness of Komatsu’s internal controls and other procedures relevant to financial reporting.

Effective internal controls are a prerequisite of appropriate financial reporting and are closely linked to all aspects of daily business operations. Therefore, the responsibility to establish and maintain an effective internal control system lies not only with the company’s accounting personnel but with all other Komatsu Members.

Accordingly, Komatsu companies shall establish and maintain effective internal control systems to ensure the reliability of their respective financial reports. Komatsu companies shall also ensure that their books and records are properly kept, and their reports are timely made from the financial, accounting and tax points of view, in full compliance with all applicable laws, regulations, accepted accounting principles and internal rules.

The CEO and the CFO or their equivalents of each Komatsu company must certify annually to the CEO and the CFO of Komatsu Ltd. that the financial reports of their respective Komatsu company are appropriate in light of applicable laws, regulations and accounting principles. If any significant deficiency is found in their financial reports, they must report it to Komatsu Ltd.

## **8. COMPLIANCE FRAMEWORK**

### **(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.

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.

### **(2) Roles of Compliance Committee**

The Committee shall carry out the following roles in order to promote Komatsu's thorough compliance with the Rules:

- a. Determination of fundamental Komatsu policies on compliance with the Rules;
- b. Establishment and improvement of Komatsu’s compliance structures;
- c. Communication and dissemination of established Komatsu policies to each Komatsu company and its employees;
- d. Supervision of Komatsu’s compliance activities including Compliance Hotline; and
- e. Handling of those specific matters in connection with violation of the Rules and implementation of preventive measures against those matters.

Komatsu Ltd. shall establish and maintain a Compliance Department as the secretariat of the Committee at its headquarters.

### **(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.

### **(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.

## **(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.

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.

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.

Part II contains easy-to-understand descriptions of the following items for all members of Komatsu.

1. FIVE PRINCIPLES OF COMPLIANCE
2. ETHICAL BUSINESS PRACTICES
3. CONFLICTS OF INTEREST
4. ANTITRUST COMPLIANCE AND FAIR COMPETITION
5. ANTI-BRIBERY
6. EXPORT CONTROL
7. PRODUCT SAFETY AND RELIABILITY
8. ENVIRONMENT
9. EQUAL EMPLOYMENT OPPORTUNITY/NON-DISCRIMINATION
10. HARASSMENT
11. EMPLOYEE PRIVACY
12. SAFETY AND HEALTH
13. ELECTRONIC COMMUNICATIONS TOOLS
14. TRADE SECRETS AND PROPRIETARY INFORMATION
15. PROHIBITION OF INSIDER TRADING
16. DISCLOSURE
17. INTERNAL CONTROL SYSTEMS
18. FINANCIAL CONTROLS AND RECORDS

First edition published on January 1, 1998  
Second edition published on January 1, 1999  
Third edition published on June 1, 2000  
Fourth edition published on October 1, 2001  
Fifth edition published on February 1, 2003  
Sixth edition published on December 1, 2004  
Seventh edition published on January 15, 2007  
Seventh edition second printing on October 1, 2008  
Eighth edition published on April 1, 2011  
Ninth edition published on April 1, 2014  
Tenth edition published on October 1, 2017