

# 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 kigyō*), 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.

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## 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 Kigyo*”), 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:

<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>
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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

This Part II contains the specific and concrete descriptions of actions that all Komatsu Members must do or must not do to comply with the Rules. As such, you should read this Part II thoroughly and perform your respective daily jobs accordingly.

## 1. FIVE PRINCIPLES OF COMPLIANCE

“Five principles of Compliance” (the “5 Principles”) represent the basic actions of compliance that all Komatsu Members must observe. Komatsu Members must always keep the 5 Principles in mind and perform their respective daily jobs accordingly.

### Five Principles of Compliance

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

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

Every single employee of Komatsu Group must obey these Principles in order to make Komatsu a company that is truly trusted by society.

Following are explanations of each of the Principles:

#### Principle 1

Regardless of the circumstances, you must always comply with the “Rules” and fulfill the trust of society.

Failure to comply with the Rules may result in the loss of the trust of society.

Instructions from superiors or requests from customers, manipulation of figures to meet deadlines, or unsavory practices commonly found among other people do not constitute any kind of excuse for a violation of the Rules. When considering taking an action, it might be of help to consider whether you could face your family, children, or friends if your actions were made public.

In order to avoid such violations of the Rules, obedience to morals alone is not sufficient.

It is also important to understand the reasons why you should follow the Rules, so that you can convince not only yourself but also others.

You have many Rules to follow at your respective workplaces. None of those Rules were arbitrarily introduced without any reason or purpose. In most cases, those Rules were introduced for the purpose of earning the trust of the society. The very basis of compliance is not to stop at knowing the Rules, but to understand their purposes.

If you find your best effort may not prevent a violation of the Rules, do not hesitate to file whistle-blowing reports to the Compliance Hotline in accordance with the procedure described under Miscellaneous at the end of this Code.

## **Principle 2**

Ignorance of the Rules will not be tolerated. If you are not sure, you must check the Rules by yourself and consult a specialist for anything important.

If one employee violates a Rule because of his/her ignorance, society will attribute that ignorance to the employee and also to the company. Therefore, Komatsu Members must always keep in mind what Rules are applicable to their day-to-day jobs and private lives.

It is not sufficient if you look only to specialists on laws and regulations and simply follow their instructions because you are a layperson. Even if you find it difficult to fully understand detailed and nuanced discussions about laws and regulations, you should nonetheless exert your best efforts to generally understand what kind of Rules are applicable and what the consequences would be in case of violation.

Please also keep in mind that the Rules will continue to change as society evolves. You should occasionally check the latest Rules even if you believe you have a complete knowledge of the applicable Rules. In particular, abrupt changes may occur in what society expects from a company. In order to adapt to such changes, you should watch the latest news to see what kind of violations are viewed as serious.

Even if you are confident, you should still double-check the Rules with specialists if your judgment involves anything important.

### Principle 3

Never patch over or cover up any mistake or failure to follow the Rules. You must immediately report them to the company's manager/department in charge.

Corporate scandals have one thing in common: concealment.

On the other hand, you can often avoid serious corporate scandal and retain society's trust if you refrain from patching over or covering up a mistake or failure.

Komatsu Members who believe that the Rules may have been violated should report the incident to their immediate supervisor, relevant departments, or the Compliance Hotline as soon as possible.

Please note that all suspected fraudulent activity or questionable accounting and auditing matters must be promptly reported to the Compliance Hotline.

It does require courage to report bad news such as a mistake or a failure. However, dishonest practices such as patching over or covering up mistakes will be discovered sooner or later and you would then have to face a much bigger problem.

### Principle 4

You must correct any mistake or failure to follow the Rules without delay and implement effective preventive measures to ensure that it does not happen again.

A prompt response to a violation of the Rules is important for preventing greater damage. However, when solving an issue, the focus should always be on a lasting, appropriate solution rather than a quick, short-term solution.

For example, if you find a fire in a company warehouse, you should immediately notify the fire department. Then, taking actions to ensure safety, strive to put out the fire.

Your action after successfully putting out the fire is also very important. You will have to identify the cause of fire by conducting thorough on-site investigations. Why did the warehouse catch fire even though no one is normally working there? Unless you can find a scientifically plausible answer to that question and remove all possible root causes, you cannot exclude the possibility of another fire in the future.

If you do not conduct meticulous investigations into the real causes but instead simply post a "Beware of Fire" sign on the wall of the warehouse, that would be far from a scientific measure to prevent recurrence. If another fire of similar nature were to break out under such circumstances, the omission of effective preventive measures would result in more severe condemnation by society and the company will lose the trust of society.

## Principle 5

Never take any action to prevent or hinder any person from reporting to the Compliance Hotline (whistle-blowing) or to other relevant offices of the company; never take unfavorable action against that person.

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

In order for a company to earn and maintain the trust of society, the company must have a “self-purification function”; that is, a process to find out a hidden problem so the company can correct the problem on its own.

In addition to a supervisor reporting system and auditing system, a whistle-blowing system constitutes part of the self-purification function.

To ensure that the above systems work in an effective manner, you should never prevent any person who would bring useful information to the company from reporting to the Compliance Hotline. The corporate self-purification function will never be firmly established when people believe “honesty does not pay.”

You should likewise refrain from seeking out the identity of the whistleblower because that would put undue pressure on potential whistleblowers. Komatsu has made a clear commitment that it will never take any unfavorable action against any person because of his/her whistle-blowing.

It is equally important for a whistleblower to correctly understand the goal of the Compliance Hotline and to refrain from exploiting the Hotline for the purpose of defaming or falsely denouncing others.



## 2. ETHICAL BUSINESS PRACTICES

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.

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.

In particular, the following topics present ethical concerns:

### (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?*

Komatsu prohibits all Fraud. Fraud is the intentional, false representation or concealment of information in order to induce another to part with something of value, or to act to his/her injury.

Each Komatsu Member is responsible for the detection and prevention of Fraud. You should be generally familiar with the types of fraud or similar improprieties that might occur in your area of responsibility, and be alert for any indication of such activities whether by Komatsu Members, agents, or outside parties.

The term Fraud includes, but is not limited to, theft, embezzlement, misappropriation and other irregularities including such things as:

- forgery or alteration of negotiable instruments such as company checks and drafts;
- 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.

## **(4) Political Contribution**

*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?*

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.

#### **(5) Records Retention**

*Example: You just opened a drawer in storage and found documents of design drawings from 20 years ago. You need the drawer space. Can you throw the drawings away?*

Komatsu Members shall retain records in accordance with Komatsu company's records retention policy and applicable laws and regulations. Documents concerning matters which are the subject of litigation or government investigation shall be retained and not destroyed until approval is received from the Law Department, even though such documents can be destroyed under Komatsu company's records retention policy. This also applies to electronic data including emails and other computer files. If there are any questions about whether records may be destroyed, please contact the Law Department.

### 3. CONFLICTS OF INTEREST

*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?

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.

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:

- 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);
- 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;
- any outside business activity which is competitive with any of Komatsu's businesses;
- 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;
- being in the position of supervising, reviewing or having any influence over the job evaluation, pay, or benefits of any Family employed by Komatsu;
- processing or supervising payments (i.e., payroll, employee benefits) directly or indirectly to your Family employed by Komatsu;
- loans to or guarantees of obligations of employees or their respective Families;
- 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;
- selling anything to Komatsu or buying anything from Komatsu (not applicable to buying novelty goods, such as miniatures); and
- using Komatsu assets (funds, facilities, property, know-how or personnel) for other

business or personal endeavors.

Anything that presents a conflict for the employee's Family would also present a conflict for the employee.

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.

#### 4. ANTITRUST COMPLIANCE AND FAIR COMPETITION

*Example:* At a recent trade show, I was having lunch with sales reps from several competitors when the topic of rising steel prices came up. We all agreed that there will soon be a need to raise our prices to cover the impact down the road. Should I have participated further in the discussion, left the room, or documented the discussion in some way?

As stated in Part I, Section 2 (1) all Komatsu Members must comply with antitrust and competition laws throughout the world. These laws protect the free enterprise system and encourage vigorous, but fair, competition. Planning or acting together with any competitor to fix prices or to agree about the nature, extent or means of competition in any market is against Komatsu policy and in violation of antitrust laws. Antitrust laws may also prohibit agreements to boycott, to allocate products, territories, or markets, and to limit the production or sale of products. Using illegal or unethical means to obtain competitive information or gain a competitive advantage is prohibited. All Komatsu Members must exercise caution when attending trade association functions to ensure that all interactions with competitors in the trade association's legitimate business activities comply with antitrust and competition laws and Komatsu policy.

Antitrust laws are vigorously enforced. Among other things, communication with competitors, both direct and indirect, is governed by antitrust laws. Failure to comply with antitrust or competition laws could result in severe criminal penalties, including imprisonment, and heavy fines for both Komatsu and for the employee or employees who violate them. Komatsu Members may not participate in any activity which would result in a violation. These laws are complex and if there is any doubt in connection with any activity that may constitute a problem under the antitrust laws, the Law Department of your company must be consulted for further advice before proceeding. You must always seek guidance from the Law Department when confronted with interactions between competitors. Komatsu Members should also review and comply with each Komatsu company policy regarding antitrust compliance.

Please specifically note the following:

##### **a. Relations With Competitors**

Any agreement, understanding or arrangement with a competitor concerning price, terms of sale, production, pricing movements or allocation of territory or customers is strictly illegal and can result in criminal prosecution. Therefore, discussions of any of these activities with competitors are strictly forbidden.

All Komatsu Members must immediately leave any meeting at which policies or cooperative conduct concerning prices or other prohibited matters are discussed. Also, the Law Department of the affected Komatsu Members' company must be immediately notified in writing about the meeting. These guidelines apply to all contact with

competitors, including those at trade shows or meetings of professional organizations.

**b. Relations With Distributors or Customers**

Requiring a distributor or customer to resell a product at a particular price is known as “resale price maintenance” or “vertical price fixing” and is prohibited.

Examples that could present antitrust problems:

Exclusive Dealing	Arrangements for exclusive dealing with a distributor.
Tying	Requiring that a distributor buy one type of product in order to purchase another type of product.
Territorial Restrictions	Restricting territories in which a distributor may resell products.
Price Discrimination	Selling an identical product to competing distributors for different prices.

Generally speaking, these matters may or may not present an antitrust problem. It will depend upon the individual facts and circumstances of each situation. However, none of these activities may be undertaken without advance review by the Law Department and approval at the highest management level within the appropriate operating unit.

Also, since distributors may be competitors of one another, care must be exercised at all advisory council meetings to ensure that Komatsu is not a party to, or facilitator of, any agreements between distributors with respect to territorial restrictions, dealer price restrictions, or similar matters. If such proposals are brought into conversation in an advisory council meeting, you must immediately and conspicuously leave the meeting. Then, consult with the applicable Law Department and document that you left.

## 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.

## 6. EXPORT CONTROL

As stated in Part I, Section 2 (3), it is the policy of Komatsu to comply with applicable trade laws throughout the world, especially all applicable export control laws and regulations as well as relevant Komatsu policy and internal rules in order to ensure that the products or technology of Komatsu will not be used for the development, manufacture, use, and/or storage of weapons of mass destruction and conventional arms, support of terrorism or other activities that are a threat to world peace. The laws of various countries impose requirements and restrictions on Komatsu in conducting international business and trade. These laws may require the submission of accurate information regarding importations and exportations to government authorities. They may also restrict or prohibit the importation or exportation of certain goods, services, or technology depending on the nature of the items involved, the parties to the transaction, the ultimate destination, or the end use. In addition, the laws may require government approval prior to a particular importation, exportation, or transfer of technology, goods, or services between countries or citizens of different countries. Failure to comply with these laws can result in civil, administrative and criminal penalties for Komatsu and individual employees, officers and directors.

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.

## **7. PRODUCT SAFETY AND RELIABILITY**

It is the policy of Komatsu to provide products and services that are designed to be as safe and reliable as possible for their designed use. To assure the full realization of this policy, Komatsu Members shall strive to:

- provide products and services that comply with international standards and the legal requirements particular to individual countries;
- provide products and services that are safe and provide a sense of assurance, and do no harm to the customer;
- provide products and services that minimize any injury that might occur to a customer who has an accident;
- on an ongoing basis, provide advance safety warnings after receiving information from the customer and, in the case of a defect arising in a product or service, provide prompt response measures and information; and
- in order to create a corporate climate in which product safety is emphasized, to standardize the safety management system and safety techniques as well as make ongoing efforts to improve them.

## 8. ENVIRONMENT

As stated in Part I, Section 4, Komatsu recognizes the importance of preserving the environment, conserving global resources and protecting human health. Each Komatsu Member shall strive to ensure that Komatsu conducts its business activities in an environmentally responsible manner by:

- complying with all applicable environmental laws and regulations in all of the countries in which we operate;
- undertaking continuous improvement of operations to enhance pollution prevention (air quality and water quality), minimize waste production, increase recycling, efficiently use non-renewable resources, reduce greenhouse gas emissions and conserve biodiversity;
- integrating environmental considerations in the planning and execution of all work activities and corporate processes, including strategic planning;
- conducting environmental audits to evaluate conformance with this policy and applicable environmental laws and regulations;
- using production processes that minimize environmental impacts; and
- immediately reporting any suspected violations of an environmental law or regulation to your immediate supervisor, a department in charge of environmental management or Compliance Hotline.

Managers have a special obligation to be aware of environmental, health and safety requirements and standards and to advise senior management of any issues which come to their attention. Distributors, independent contractors, suppliers and business partners should be informed of Komatsu policy and should assist and support Komatsu in achieving our environmental, health and safety goals.

All complaints received from any governmental agency alleging noncompliance with any environmental law or permit should be promptly reported to the Law Department.

## 9. EQUAL EMPLOYMENT OPPORTUNITY/NON-DISCRIMINATION

*Example: A member of my staff is very talented, works enthusiastically and aims to advance her career. However, she is going to have a child, so I am sure that she will not be able to do the same work as previously as she will be raising her child. Although I haven't asked her, I will assign her a light or simple workload, instead of many business trips or challenging projects. Is this a problem?*

As stated in Section 5 (1) b, Part I, Komatsu values and respects the diversity of its employee and the communities in which it operates. Komatsu Members shall not discriminate against any employee on the basis of nationality, race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability, marital status or other legally protected status.

Any Komatsu Member who becomes aware of a suspected violation of this policy should promptly bring it to the attention of his/her manager or the Human Resource Department and/or report it to the Compliance Hotline.

## 10. HARASSMENT

As stated in Part I, Section 5 (1) c, it is the policy of Komatsu to provide and maintain a work environment that is free from harassment and unlawful bias. Komatsu will provide and maintain a workplace free from harassment based on an individual's nationality, race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability or marital status or other legally protected status.

All Komatsu Members are responsible for ensuring compliance with this policy. Harassment in any form and at any level will not be tolerated.

Komatsu's policy is to intervene early so that it may take the necessary steps to prevent a violation of this policy. Therefore, early reporting of any conduct which may violate this policy, whether it is directed at the employee or others, is important. Any Komatsu Member who believes that he/she has been, or knows that others may have been, subjected to harassment should immediately report the incident to his/her manager or the Human Resource Department, and/or report it to the Compliance Hotline.

## **11. EMPLOYEE PRIVACY**

As stated in Part I, Section 6 (1) c, Komatsu is committed to protecting employee data maintained by Komatsu. Employee data will be used for the sole purpose of supporting company operations and providing employee benefits. Komatsu will comply with all applicable local data protection regulations.

Komatsu has put safeguards in place to ensure that personal data is protected from unauthorized access and disclosure, including limiting access to such data only to those employees with a legitimate business purpose.

All Komatsu Members are responsible for ensuring compliance with this employee privacy policy. No Komatsu Member shall make any disclosure or use of personal data about other employees that he/she acquires through his/her work. Exceptions to this policy are those authorized in advance by the Law Department.

## 12. SAFETY AND HEALTH

*Example: The metalworking machinery I use for my job is equipped with a safety device to stop the machinery when it detects an entry of a hand or any part of the body. The sensors of the safety device, however, are so sensitive that the machinery sometimes stops unexpectedly. Because of this, production is lowered and so I am going to turn it off. Is this a problem?*

As stated in Part I, Section 5 (2), Komatsu is committed to providing a safe, healthful and injury-free workplace for employees, contractors and the surrounding community. Health and safety are a priority consideration in the planning and execution of all work activities at Komatsu facilities.

Each facility shall meet or exceed all applicable standards in its jurisdiction and shall ensure that safe and healthful working conditions exist for all employees. Unsafe conditions observed by employees shall be promptly reported to the operating manager.

The persons who are in charge of occupational safety and health as well as all other Komatsu Members are requested to promote specific activities based on Part I, Section 5 (2), specifically according to the following action guidelines:

- To fully understand and comply with the laws and regulations concerning occupational safety and health as well as internal rules, and promptly respond to any problems;
- To respond to problems through fact finding activities by all employees. To accomplish the above task, management and labor unions are expected to work together and further improve communications;
- To make the utmost daily efforts to prevent fires or other disasters by any means and remove all possible risks at workplace. It is also required to make the utmost efforts to minimize the damages if a natural disaster should occur;
- To create a comfortable and engaging work environment for sound mental and physical health of employees; and
- To proactively strengthen occupational safety and health efforts not only within Komatsu but also at our partners, such as customers, distributors and Supply Partners.



### **13. ELECTRONIC COMMUNICATIONS TOOLS**

Komatsu provides electronic communication tools and computer systems to assist employees in the conduct of Komatsu's business. These tools are provided for primarily business-related purposes, such as to communicate with other employees, customers and suppliers, to research relevant business topics, and to obtain useful business information.

All messages, files, software or other material composed, sent, received or stored on Komatsu computer and communication systems are and remain the property of Komatsu, and are not the private property of any employee.

Unauthorized use of Komatsu's computer systems, including e-mail and Internet access, is strictly prohibited. Komatsu Members should also review and comply with Komatsu's policy with respect to information technology. A Komatsu Member who violates this policy is subject to revocation of e-mail privileges, electronic communication tools or Internet access, and discipline, up to and including termination of employment.

## 14. TRADE SECRETS AND PROPRIETARY INFORMATION

*Example: You're so proud of the unique and advanced technology used in Komatsu equipment that you want to tell your friends all about it, even though it's not been publicized. What can you tell them?*

Komatsu Members shall maintain as secret and confidential Komatsu's trade secrets and proprietary and confidential information and those of any third party entrusted to Komatsu. Proprietary and confidential information includes any Komatsu information which is not generally known to the public. Examples often include financial data, sales figures, new product information, manufacturing methods, customer and supplier lists, pricing information, information concerning corporate acquisitions or divestitures, capital investment plans, supplier prices, engineering data and drawings and certain employee information.

Trade secrets and proprietary or confidential information shall not be disclosed to anyone outside Komatsu except in accordance with applicable policies or a written non-disclosure agreement approved by the Law Department, and only on a "need-to-know" basis. Komatsu Members with access to such information should only disclose it to others within Komatsu on a "need-to-know" basis. Komatsu Members should also be alert to inadvertent disclosures which may arise in social conversations or in communications with the employees of suppliers and customers. Komatsu Members must also maintain as secret and confidential the trade secrets and proprietary and confidential information of customers, suppliers and others.

In case that a Komatsu Member is required to disclose or provide Komatsu's trade secret or proprietary and confidential information by a public office, court or other government organization, the Komatsu Member shall first consult with the applicable Law Department.

## 15. PROHIBITION OF INSIDER TRADING

*Example:* You learn that Komatsu is going to have a very good fiscal quarter, but this information is not public yet. Should you buy stock in Komatsu before this information is released to the public?

Komatsu Members are prohibited from trading in the securities of any company on the basis of “material non-public information”. Material non-public information is any non-public information concerning a company, including its business, prospects, securities, or markets, which a reasonable investor would consider to be significant to an investment decision. Examples include actual or estimated financial results; obtaining or losing significant contracts; possible mergers, acquisitions or divestitures; and major changes in business strategies. Laws applicable to Komatsu worldwide prohibit the intentional disclosure of material non-public information unless Komatsu discloses the information publicly.

If you have access to material non-public information, whether it pertains to Komatsu or to another company, do not buy or sell Komatsu securities or those of the other company until the information has been officially disclosed to the public in accordance with applicable law. This Komatsu policy applies to all securities, including common stock, debt securities, etc.

In order to implement Komatsu policy, Komatsu Members shall not:

- use material non-public information for personal or third party’s gain; or
- pass along such information to someone else who has no need to know.

Any questions should be directed to the Law Department.

## 16. DISCLOSURE

As stated in Part I, Section 6 (4), it is the policy of Komatsu to disclose financial data and material information about Komatsu only in a manner designed to make such information publicly available, and not to comment on analysts' projections. Limited exceptions to this policy may be authorized by the CEO or CFO of Komatsu Ltd., or other officers formally designated from time to time.

Any unintentional disclosure of material non-public information concerning Komatsu by any Komatsu Member must be immediately reported to the Law Department for review and determination as to whether the information must be broadly disclosed.

All contact with the media may be made only in accordance with Komatsu's Disclosure/Communication policy. Komatsu Members should not answer questions from anyone outside Komatsu asking for material nonpublic information. Information is "material" if in light of the total mix of information available about Komatsu a reasonable investor would consider the information significant. The CEO or its equivalent of each Komatsu company shall identify those employees authorized to communicate non-material information to trade publications or other media devoted to our industry or customers.

Do not post any Komatsu information on personal social media. Also, do not impair Komatsu's reputation by communicating on social media in any way that makes it look like such communications are made or approved by Komatsu. Such communications include, but are not limited to, topics that could create controversy about race, gender, sexual orientation, creed, religion, national origin, and political issues.

Any questions should be directed, through the general manager of public relations or the general affairs department of each Komatsu company, to the Corporate Communications Department of Komatsu Ltd.

## **17. INTERNAL CONTROL SYSTEMS**

As stated in Part I, Section 7 (1), applicable laws and regulations also require Komatsu to maintain a system of internal accounting controls.

### **(1) System of Internal Control**

Each Komatsu Member has a responsibility to implement and maintain the internal controls related to his/her particular job duties and to report defects of internal controls or misconduct relating to internal controls that come to their attention.

### **(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.

## 18. FINANCIAL CONTROLS AND RECORDS

As stated in Part I, Section 7 (2), Komatsu is responsible for properly recording, preserving and reporting financial information to investors, government agencies, stockholders and others, and for maintaining accurate, reasonably detailed records which fairly reflect Komatsu's transactions and disposition of assets. Applicable laws and regulations also require Komatsu to maintain a system of internal accounting controls.

False or misleading entries regarding both the amount or purpose of transactions, as well as any other misrepresentations or omissions, are prohibited. Some examples of relevant documents and records include vouchers, bills, invoices, financial data, expense reports, bills of lading, submissions to government agencies, performance records and agreements with agents, consultants or other third parties.

Company record keeping and reporting must be consistent to provide a uniform basis for measuring, managing and reporting Komatsu operations. To this end, Komatsu Members shall:

- maintain complete and accurate records and accounts to reflect transactions and the disposition of assets;
- follow all accounting, reporting and control procedures established or approved by the CFO of Komatsu Ltd.;
- obtain and document all required management approvals before involving Komatsu in any transaction or releasing any financial information;
- keep records secure, including computer-based information resources; and
- give Komatsu's auditors and other authorized individuals accurate and complete information along with access to supporting records.

# Miscellaneous

## A. PENALTIES

Violation of the Rules, concealment of violations, as well as alteration, falsification, forgery or misrepresentation of facts related to any violations may result in appropriate sanctions and disciplinary actions. This may include termination of employment. In some cases, Komatsu may report violations of this Code to appropriate law enforcement authorities where a violation of this Code may also be a violation of the law.

## B. COMPLIANCE HOTLINE

Komatsu Ltd. maintains Global Compliance Hotline that handles whistle-blowing reports from Komatsu Members regardless of where they are located.

### Contact point of Global Compliance Hotline

Phone: +81-3-3582-2506
Fax: +81-3-5561-1837
E-mail: comp_hot@komatsu.co.jp

In addition to the above, Komatsu companies establish and maintain Regional Compliance Hotlines that properly handle complaints of alleged or suspected violation of the Rules so that whistleblowers can raise claims in their native language.

Employees of Komatsu Mining Corp. and its group companies can also contact the former Joy Global Employee Hotline.

<a href="https://secure.ethicspoint.com/domain/media/en/gui/21291/index.html">https://secure.ethicspoint.com/domain/media/en/gui/21291/index.html</a>
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Please note that reports directed to the Global Compliance Hotline will be forwarded to the corresponding Regional Compliance Hotline for investigation and application of the relevant Rules. The Global Compliance Hotline will monitor how the report is handled by the employees in charge of the Regional Compliance Hotline, with to the goal of assuring standard processes across the globe.

All hotlines will try to maintain the confidentiality of any disclosures, but Komatsu Members must recognize that legal requirements and the best interests of Komatsu may sometimes prevent this. However, Komatsu will not tolerate any retaliation against a whistleblower who raises a good faith concern regarding compliance with the Rules or provides information in good faith to an inquiry or investigation. Any retaliation by an individual is a violation of this Code, even when the retaliator believes that the whistleblower acted in bad faith. Any Komatsu Member who believes he/she is retaliated against for taking one of these actions is encouraged to report the matter immediately to one of the aforementioned Hotlines.



## **C. STATEMENT OF COMPLIANCE**

All Komatsu Members shall submit signed statements to their respective top management, that they will comply with this Code in their respective job capacities and behave in compliance with “Five Principles of Compliance.” The form will be specified and provided separately.

Top management of Komatsu companies shall certify that they fully understand this Code and will conduct their respective business operations in compliance with this Code. Management shall submit these signed statements to the CEO of Komatsu Ltd. in a separately designated form.

## **D. REVISION**

This Code shall be reviewed periodically, and shall be revised if so approved by the Compliance Committee of Komatsu Ltd. Copies of the new Code will be distributed, either physically or electronically, to all Komatsu Members at the time of each revision.

## **E. CONFLICT**

No provision of this Code is intended to conflict with any agreement between Komatsu and any labor union. If the terms of this Code conflict with any such agreement, the agreement between Komatsu and the labor union will prevail. Additionally, no provision of this Code is intended to change any work rule that applies to members of labor unions at any of our facilities.