

Third Party Opinion

Improving Corporate Value

While writing the Third Party Opinion for THK's CSR Report 2018, I looked through past reports. My first impression was that THK's CSR encompasses all of the company's operations. THK's basic CSR policy states: "In an aim to increase our long-term corporate value and create an affluent society through our business activities, our CSR Policy is founded on our Corporate Philosophy, Corporate Basic Policies, and Action Charter." The business and CSR activities of Komatsu are also one and the same, so there is no need to think of this as something special. Among the Corporate Philosophy, Corporate Basic Policies, and Action Charter, what is most important is whether employees embody and put the Action Charter into practice. Komatsu's equivalent of the Action Charter is the Komatsu Way, which describes the convictions, attitudes, and code of conduct shared among employees all over the world. We believe that practicing the Komatsu Way will allow us to strengthen our company with each generation. Starting with those of us in management, each and every employee must fully understand the social responsibilities of their corporation and act accordingly. This is the role corporations must play in society. In order to establish a sort of "THK Way" that outlines models of behavior and convictions and is easy for employees to emulate, more is required than the one-time creation of THK's current Corporate Basic Policies and Action Charter. It may also be necessary to reevaluate the content itself.

Strengthening the Brand

At Komatsu, we view our corporate value as the degree to which our company is indispensable to our customers. More specifically, we define our corporate value as "the total sum of trust given to us by society and all stakeholders." However, if we do not receive appropriate returns for improving our worth to the customer, there will be no funds for CSR. Komatsu views activities that generate value for the customer—that is, contributing to the achievement and growth of our customers'

business and mission as well as expanding and developing the activities of their customers—as brand management. In that sense, THK and Komatsu are striving for the same thing. The ones who bear the responsibility for creating that corporate value are the employees, distributors, and affiliated companies—not the stockholders. Stockholders are the ones who evaluate the corporate value and express that quantitatively through the sole metric of the stock price. Customers are both evaluators and generators of corporate value. There are many different kinds of customers, from those who have only the slightest connection to THK, to those for whom THK is indispensable. The challenges facing THK going forward will be to determine how to enhance the company to become indispensable to these customers and how much THK can increase the number of customers who help create corporate value.

THK's LM Guide and its other products are rated highly by customers. I regard THK as a corporation that has honestly and sincerely practiced its corporate philosophy of "Providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." Looking at the special features in this report, the very deep relationship THK has with a number of its customers is evident. In recent years, however, technology has progressed at an astonishing pace, and essential products become obsolete in an instant. As a company focused on creation and development, THK's keywords will be the same as those Komatsu has tasked itself with: "Visualization" and "The fusion of hardware and software." Achieving visibility for heavy equipment and construction and storing data will make it possible to differentiate hardware and develop a business that makes platforms for providing data. We are in an era where the visualization of any data the customer wants to see can become a reality. I hope that THK will continuously incorporate new knowledge with the business it has already amassed so that it will become an even more indispensable company to its customers. When it does, THK's CSR activities will be unshakable.



Councilor, Komatsu Ltd.

Masahiro Sakane

Profile: Born in 1941. Graduated from the Department of Engineering at Osaka City University and joined Komatsu in 1963. Became Director in 1989, President of Komatsu Dresser Company (now Komatsu America Corp.) in 1990, Representative Director and Vice President in 1999, Representative Director and President in 2001, and Representative Director and Chairman in 2007. Began current position of Councilor in 2013.

Public offices: Served as a member of the National Strategic Special Zone Advisory Committee, chairman of the Advisory Committee for Natural Resources and Energy, and member of the Council on Overcoming Population Decline and Vitalizing Local Economy in 2014.

Awards: 2008 Deming Prize for Individuals

Publications: *Kagiri-nai dantotsu keiei e no chousen* (JUSE Press), *Kotobaryoku ga hito o ugokasu* (Toyo Keizai), and *Dantotsu no tsuyomi o migake* (Nikkei Publishing)