

# KOBELCO

## KOBELCO CONSTRUCTION MACHINERY CO., LTD.

**Tokyo Headquarters:** 5-5-15 Kitashinagawa, Shinagawa-ku, Tokyo 141-8626 (5th floor, Osaki Bright Core Bldg.) Phone: +81-3-5789-2111  
**Hiroshima Headquarters (Hiroshima Factory):** 2-2-1 Itsukaichiko, Saeki-ku, Hiroshima-shi, Hiroshima 731-5161 Phone: +81-82-943-5321  
**Okubo Factory:** 40 Yagi, Okubo-cho, Akashi-shi, Hyogo 674-0063 Phone: +81-78-936-1331  
**Ogaki Factory:** 1682-7 Motoima-cho, Ogaki-shi, Gifu 503-0932 Phone: +81-0584-80-0500  
KOBELCO Global Website <https://www.kobelcocm-global.com>

### ●Report subjects

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KOBELCO CONSTRUCTION MACHINERY GROUP  
Thinking of the Future of People and the Earth

# SOCIAL ENVIRONMENTAL REPORT 2017

KOBELCO CONSTRUCTION MACHINERY CO., LTD.



## Message from the President



### Our Aims are to Contribute to Society by Creating New Value and to Achieve Growth

KOBELCO CONSTRUCTION MACHINERY CO., LTD.  
President & CEO

Kazuhide Naraki

#### The New KOBELCO CONSTRUCTION MACHINERY: Further Strengthening Our Business Structure

It has now been one year since April 1, 2016 when KOBELCO CONSTRUCTION MACHINERY (Excavator Div.) and KOBELCO CRANES (Crane Div.) integrated their management organizations to start operations as the new KOBELCO CONSTRUCTION MACHINERY. We have been improving our organizational structure, and reorganizing and consolidating our domestic and foreign business bases in order to extract the maximum potential from this management integration in the form of optimized business management, strengthened product development capabilities, and accelerated global development. Our Excavator Division has recently been experiencing strong sales due to the last-minute surge in demand in Japan before the start of the most recent emission regulations. Looking abroad, we see that while demand is bottoming out in China, the country with the largest demand, and Southeast Asia, demand in India is expanding as the favorable economic conditions there continue, allowing us to predict, in general, that the trend in growing demand will continue mostly from the newly developed nations. Our Crane Division, on the other hand, is seeing the previously healthy domestic market take a downturn while the continued sluggishness of foreign markets, mainly due to energy-related factors, is such that we can only forecast a continued difficult business environment in this area. Although there are constant changes in our business environment, the Excavator and Crane Divisions are working together to mutually improve the strengths and supplement the weaknesses of each other so that the new KOBELCO CONSTRUCTION MACHINERY can further strengthen our business structure and achieve business growth.

#### Creating New Value through our Medium-Term Management Plan

We initiated our new medium-term management plan in the previous fiscal year and it will remain in effect until FY2020. Our mid-term management policy proposes the following two objectives:

- As a challenger in the industry, continue to grow in the global market by promoting differentiation in products, manufacturing, and distribution and services.
- Create new value and contribute to the development of an affluent society through the construction machinery business.

In accordance with this policy, KOBELCO has steadily and consistently implemented measures corresponding to specific issues. During FY2017, we have drastically reconfigured our sales and production systems in China, firmly established a foundation for our large crane business, recognized strengthening of ICT strategies as a major issue, and increased our sensitivity to environmental changes, all while we have been creating new value for our customers.

#### KOBELCO Strives to Meet the Expectations of and be Essential to Society

The KOBELCO CONSTRUCTION MACHINERY GROUP aims to grow together with society through a virtuous cycle that is created by delivering value to society through our daily business operations and having the value we provide accepted by society. In addition to providing disaster recovery support domestically and abroad, and our various actions for environmental preservation at our offices and factories, we have also been focusing on activities that provide direct interactions with the members of local communities. By continuing these activities, we are creating a wide range of linkages with the members of local communities. Additionally, we are equipping the products that we develop and manufacture with eco-friendly technologies such as high fuel efficiency that represents "Low Fuel Consumption KOBELCO".

The KOBELCO CONSTRUCTION MACHINERY GROUP newly established the concept of "Spirit" as a standard of conduct for our employees all across the globe from FY2016. We have added the keywords of "Communication", "Challenge", "Passion", "Uniqueness" and "Innovation" to those of "Simple", "Speedy" and "Open" of our current standard of conduct so that these concepts can be shared by the KOBELCO CONSTRUCTION MACHINERY GROUP across the globe in a manner that surpasses generations, countries and regions. This idea of "Spirit" serves to unite all group employees in striving daily to perform even more valuable activities through our close relationship with society that are befitting of and unique to the KOBELCO CONSTRUCTION MACHINERY GROUP.

By continuing these valuable activities, we hope to create a relationship of mutual trust with society as well as mutual dependence in order to contribute to the development of an even better and more prosperous society. We hope that you will continue to have high expectations for us as we continue to expand these activities that are characteristic of the KOBELCO CONSTRUCTION MACHINERY GROUP.

## Management and Corporate Philosophy of KOBELCO CONSTRUCTION MACHINERY GROUP

The KOBELCO CONSTRUCTION MACHINERY GROUP aims to grow together with society through a virtuous cycle that is created by delivering value to society through our daily business operations and having the value we provide accepted by society.

### Medium-Term Management Policy and Strategy

#### » Medium-Term Business Policy

- As a challenger in the industry, continue to grow in the global market by promoting differentiation in products, manufacturing, and distribution and services.
- Create new value and contribute to the development of an affluent society through the construction machinery business.

#### » Basic Strategies under the Medium-term Management Plan

##### ■ Excavator Business Strategies

1. Increase presence in Europe, the U.S. and upcoming growth areas and establish a solid presence as a global excavator manufacturer.
2. Provide differentiated products and services that competitors cannot match, provide solutions utilizing IT, and become a company that will be chosen by customers and distributors.
3. Make a transformation into a strong enterprise capable of accommodating any changes in the business environment and ensuring stable earnings.

##### ■ Crane Business Strategies

4. Improve operational quality in order to ensure stable earnings
5. Establish a foundation for business growth.

##### ■ Common Strategies

6. Strengthen the cultivation of global human resources and improve global development capabilities through familiarization with the Group's spirit.

## Corporate Philosophy

### » Management Philosophy

Focusing on the needs of users in the field, we dedicate ourselves to satisfying our customers by supplying them with products, services, and information that have true value, while contributing to the creation of a prosperous society.

### » Business Vision

In order to create a recycling-based society that is friendly to people and the environment, we intend to provide our customers around the world with innovative solutions that incorporate our creative wisdom and know-how.

Through activities that maximize customer value, we aim to achieve lasting growth and become a leading global brand.

### » SPIRIT

With a management philosophy that is dedicated to satisfying customers and contributing to society, all of our actions must meet that philosophy.



## Compliance

### INTEGRITY: Our Sincere Commitment

Compliance is a major principle for all our actions and philosophy. INTEGRITY is the most important attitude needed to realize compliance. We must be sincere in our dealings with countries and regions, companies and departments, clients and all of our one-to-one relationships, and we must carefully comply with all rules and manners. Persistence in holding a highly ethical viewpoint and sincere attitude, never yielding to influence or coercion, is the foundation for realizing our corporate philosophy, including our corporate spirit. This philosophy is converted to personal conviction and then realized one step, one person at a time. This is the ideal that we are constantly pursuing.

**CSR Messages from KOBELCO CONSTRUCTION MACHINERY GROUP,  
Thinking of the Future of People and the Earth**

**Message.1**

The KOBELCO CONSTRUCTION MACHINERY GROUP utilizes the know-how gained from our actions regarding environmental issues in order to perform global environmental conservation activities in our own unique manner.

**Message.2**

Based on the concept of "Thinking of the Future of People and the Earth", the KOBELCO CONSTRUCTION MACHINERY GROUP strives to contribute to local communities and coexist in harmony with local residents.

**Message.3**

The employees of the KOBELCO CONSTRUCTION MACHINERY GROUP are valued partners, who share tears, laughter and encouragement, in our effort to achieve a better future.

**Environmental Conservation Activities**

From product development to production, we consistently infuse an awareness of decreasing our environmental impact to achieve eco-friendly manufacturing processes.

**CSR of KOBELCO CONSTRUCTION MACHINERY GROUP**

The KOBELCO CONSTRUCTION MACHINERY GROUP continues to pursue earth and human friendly activities from the perspective of construction machinery manufacturing and also the standpoint as a company. We have implemented an organizational structure for CSR activities, and all group members have got involved in the CSR activities in accordance with the activity policies.

**Social/Regional Activities**

Striving to our goal of being a company with an essential role in creating a bright future, we are continuously performing support activities in close linkage with and with mutual support of local communities.

**Connection with Stakeholders**

By proactively sharing information, we are deepening mutual understanding, and contributing to the overall development and expansion of all of our business operations. We are also striving to improve our workplace environment.manufacturing processes.

**》》 CSR Activity Policy**

- The KOBELCO CONSTRUCTION MACHINERY GROUP carries out conservation efforts targeting the global environment in our own unique manner.
- The KOBELCO CONSTRUCTION MACHINERY GROUP strives to contribute to local communities and coexist in harmony with local residents.
- Together with our employees, the KOBELCO CONSTRUCTION MACHINERY GROUP continues to actively pursue the creation of a better future.

**》》 Basic Policy of Group-Wide Environmental Management**

**Basic Policy for Further Enhancing Corporate Value Through Group-Wide Environmental Management**

Aiming to be an advanced environmental business enterprise, the KOBELCO CONSTRUCTION MACHINERY GROUP shall fulfill its corporate social responsibilities and raise its corporate value by putting the following three principles into practice:

- (1) Reducing the environmental impact from production
- (2) Contributing to the environment through products, technologies and services
- (3) Maintaining a relationship of trust and collaboration with society at large

**Our Activities**

Environmental Conservation Activities	Special Feature		<b>KOBELCO Environmental Technology: Created by Focusing on the Next Generation</b> KOBELCO products are equipped with various highly environmentally friendly technologies focusing on improving work procedures and safety, and have evolved according to the concept of "Terrestrial Construction Machinery" that can be operated in various work scenarios across the globe. We have become a leader of this generation by further optimizing the efficiency of our workers and achieving a high level of environmental performance by focusing on the future of the global environment.	▶ page 05
	Products			
Social/Regional Activities	Production		<b>Contributing to the Environment by Thoroughly Eliminating Wastefulness Day-by-Day</b> Through actions such as reducing power consumption from conversion to LED lighting, introduction of electronic manifests, utilizing paint not containing organic solvents, and improving our product distribution, we are implementing energy-saving actions and reducing waste to decrease CO2 emissions at all of our production bases. We are also constantly striving to reduce our environmental burden by instilling a strong awareness of environmental preservation in processes related to manufacturing and transportation.	▶ page 09
	Educational Support		<b>Interacting with Children for a Bright Future</b> We are proactively carrying out activities to support children's education due to the importance we place on growing together with the local communities while generating a sense of closeness with these same communities. Our school visits in various areas include activities such as giving science classes on the subject of hydraulic excavators and rescue robot challenges with the goal of inspiring children to become interested in construction machinery and science by giving them an opportunity to interact directly with and study machinery.	▶ page 11
Connection with Stakeholders	Interaction		<b>Mutual Support of Local Communities to Create a Better and More Affluent Society</b> We are continuously performing support activities based on the direct participation of our employees in every area where the KOBELCO CONSTRUCTION MACHINERY GROUP is operating. Through participation in community development events, and various activities such as cleanup and beautification, and forest maintenance activities, we are able to increase and enrich our interactions with all local residents and contribute to the creation of a better and more affluent society.	▶ page 13
	Customers and Business Partners		<b>Expanding Communication Circles for Mutual Enhancement of Positive Qualities</b> We have set up various types of opportunities to enhance communication with our customers and business partners (clients and suppliers), through dealer meetings and production liaison conferences, as means to share information and create relationships of mutual trust. We are strengthening our linkages through mutual understanding and learning from others in order to promote prosperity that exceeds the bounds of our group and extends to the entire industry.	▶ page 15
	Workplace		<b>Creating Workplaces that Enhance Job Satisfaction for Every Employee</b> We are proactively implementing measures with consideration for a work/life balance so that all employees feel enriched both mentally and physically. We are also creating workplace environments that support the full active participation of all employees by promoting diversity, enhancing our employee training system, and similar actions with the aim of these various activities being internal revitalization and improved technical capabilities.	▶ page 16

## Special Feature I ▶ Environmental Performance of Excavators

# Environmental Performance of Excavators is Constantly Advancing

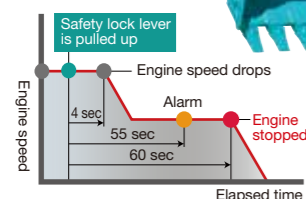
Since our founding, the KOBELCO CONSTRUCTION MACHINERY GROUP has constantly striven to develop state-of-the-art environmental technology. At KOBELCO, we are very proud of the environmental performance of our hydraulic excavators through achievements such as low fuel consumption performance that is among the best in the world, low noise generation that is considerate of the surrounding environment, and the development of environmental engines that provide clean exhaust gas, and we plan to continue to improve such positive performance.

### Low Noise

Complies with the basic values of "Ultra-low noise type of construction machinery" as approved by the Ministry of Land, Infrastructure, Transport and Tourism. (Application submitted)

### AIS (Auto Idle Stop)

The engine is stopped when the safety lock lever is lifted up. This eliminates wasteful idling during standby, thereby saving fuel and reducing CO<sub>2</sub> emissions as well.

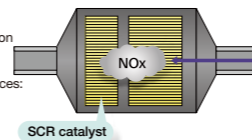


Approx. **88% Reduction** NO<sub>x</sub> emission  
(Compared to SK200-9 model)

### Satisfies 2014 Exhaust Gas Regulations

The engine exhaust system is equipped with an urea SCR\*1 system that breaks down NO<sub>x</sub>\*2 into harmless nitrogen and water. The combination of this system with exhaust-gas after-treatment devices\*4 that thoroughly collect and incinerate PM\*3 provides extremely clean exhaust gas.

- \*1. SCR: Selective Catalytic Reduction
- \*2. NO<sub>x</sub>: Nitric oxide
- \*3. PM: Particulate matter
- \*4. Exhaust-gas after-treatment devices: DPF or DOC



Approx. **12% Reduction** Fuel Consumption  
(Compared to the H-mode of SK200-9 model)

### Pursuing Even Lower Fuel Consumption

We have achieved improved fuel consumption performance in all modes in comparison with previous models by introducing a new boom/arm regeneration that efficiently controls the hydraulic flow and reducing pressure loss. We have achieved an approximate 38% reduction in fuel consumption over the past 10 years.

Approx. **22% Reduction** CO<sub>2</sub> Emission  
(Compared to Eco-Mode of the SK200-8 model)

The fuel consumption of our machines has been reduced, thereby decreasing CO<sub>2</sub> emissions, by the continuous development of low-fuel consumption functions such as our unique hydraulic system and AIS. CO<sub>2</sub> emission of the new model (10 model) has been reduced by approximately 22% in comparison with the 8 model.

### The Collision Reduction System (K-EYE PRO)

We have newly developed the collision reduction system (K-EYE PRO) equipped with an automatic stop function. This system includes a function that detects nearby persons and objects not only when the machine is moving but also when only rotating, and decelerates or stops operation when a person or object is detected nearby. It also enables operation in a direction where no hazards are detected even after stopping in order to improve work procedures and provide safety.

## Interview with a Development Engineer

### Leading the Industry with a Spirit of Challenging Ourselves to be Innovative

#### SK Series 10 Model: Development of Hybrid Excavator 10 Model

Global Engineering Center  
Innovation Promotion Group, Advanced Technology Dept.,  
Design & Development Engineering Div.

#### Takayuki Doi



The leading edge SK Series Model 10 was innovatively developed from the 8 Model, which had become a landmark model thanks to its incredible fuel consumption performance, and it was first introduced in Japanese market in 2016. For this new model, we pursued "Power meets efficiency". In order to achieve a machine that could operate continuously with great durability in all kinds of conditions and environments, we had to make detailed adjustments to match each region. Takayuki Doi, in charge of technical development of electrical systems, talked to us about the full model change for this popular model. "Finding a way to improve fuel performance while also further improving power and durability seemed like an impossible challenge. We had to revise everything from the shape to the layout of parts and wiring in order to provide the necessary capabilities for environments that differ completely in terms of temperature, humidity, dust and method of use." The model first went on sale overseas, where users could not hide their surprise at how the new model could provide advanced energy-saving functions as well as power even in severe working environments.

KOBELCO is also a global pioneer in hybrid excavators. The "SK200H-10", a flagship model that incorporates all the best hybrid technology, was launched in 2016. It was the first 20-ton class vehicle in the industry to use lithium ion batteries. In comparison with conventional capacitors, these batteries improve the electrical storage capacity, durability and assist efficiency. This allowed us to change swinging operation from hydraulic fluid to electric-motor power. Making swinging operations completely electrical provides smoother quicker swinging performance.



Development was started in 2011. Further advancing low-fuel consumption while also increasing power was an issue even for a hybrid machine. The project team focused their attention on lithium ion batteries, which had never been used for passenger vehicles in Japan at that time. The coordination with KOBE STEEL's Kobe Corporate Research Laboratories and battery manufacturers enabled us to proceed with the first domestic development. "We made numerous small batteries and tested them repeatedly while changing various conditions." A few years later, actual on-vehicle testing started. "It was also necessary to perform actual testing under severe environments. We even went to Finland in mid-winter to perform cold climate testing." The final result was the birth of a new technology aimed at achieving new low-fuel consumption without sacrificing power or speed. KOBELCO will continue to create excavators with continuously durable operation that are environmentally friendly even under the harshest conditions.

## TOPICS Hybrid Excavator SK200H-10

### Industry First: Hybrid Excavator using Lithium Ion Batteries

The "SK200H-10", a 20-ton class state-of-the-art hybrid hydraulic excavator and the first in the industry to use large-capacity lithium ion batteries, was launched in Nov. 2016. Research and development of a hybrid hydraulic excavator started in 1999 resulting in the first commercially available machine in 2006. After that, it underwent numerous improvements to achieve even better energy savings and higher performance.

A main feature of the new model is the change from capacitors to lithium ion batteries to provide large electrical storage capacity and continuously powerful assistance. Electricity is stored when no work load is applied and the engine load is reduced by the continuous assistance to the engine when a load is applied to provide performance surpassing all previous models. As a result, this model enables a maximum reduction in fuel consumption of approximately 19% and an approximate 10% improvement in workload. This state-of-the-art model inarguably provides "Power meets efficiency".



\* Numerical data on this page is for the SK200-10. Values vary depending on the model.

## Special Feature II ▶ Environmental and Safety Performance of Cranes

# Protecting the Environment and Safety

We are proud to introduce the G-2 Series equipped with an engine that satisfies the new 2014 exhaust gas regulations and successor to the concept of the Mastertech-G Series that was the first in the industry to be equipped with a variety of energy-saving functions. G-Mode, KOBELCO's developed low energy system, was further advanced in our continuous pursuit of environmental performance.

### ■ IS (Idle Stop) Prevents Wasteful Consumption of Energy

We were the first in the industry to adopt an "Auto Idle Stop (AIS)" function, which induces the engine to stop when the machine is stopped, in 2011. This function automatically stops the engine when the machine is waiting for the next trailer to come and similar circumstances. It provides energy-saving efficiency in various work scenarios such as construction and cargo handling in harbors. The G-2 Series is also equipped with "Manual Idle Stop (MIS)". It allows the operator to stop idling when so desired. There are 14 conditions to stop the engine when AIS is used and nine conditions for MIS in consideration of safety.

### ■ G-Engine 10% Improvement in Fuel Consumption

This function controls the engine speed to operate the engine within the range of good fuel consumption efficiency. Although the winch speed normally drops when engine speed is reduced, the G-Engine allows you to work while maintaining the main and auxiliary winches at maximum speed through pump control. This improves fuel consumption by approximately 10% when performing normal crane work.

### ■ G-Winch Provides Energy Savings and Speed

When operating with no load or a light load, you can use high-speed mode to hoist the winch at the maximum line speed without increasing the engine speed. The G-2 Series improves operating functionality even when swinging or raising/lowering. Operation is limited to when four conditions are satisfied as a safety function.

### ■ New Clean Diesel System Massive Reduction in NOx Emission

The engine is equipped with a new system that reduces harmful substances including those in diesel engine exhaust gas. The combination of the urea SCR system that sprays urea into exhaust gas to separate the harmful NOx into harmless nitrogen and water, and DPF, which provides optimal PM removal, results in extremely clean exhausted gas. This system satisfies the 2014 exhaust gas regulations.

## Interview with a Development Engineer

### Creation of a New Standard for Crawler Cranes

#### Crawler Crane Development of Mastertech G-2 Series

Global Engineering Center  
Electric Control Engineering Group,  
System & Component Development Dept., Development Div.  
**Junpei Yamada**

The full-model change G-2 series was introduced as a successor model to the Mastertech-G Series, an innovative crawler crane created by KOBELCO. G-2 Series is the first model to comply with the 2014 exhaust gas regulations in our crane product range and improved the G-Mode energy-saving function to meet user needs. It is equipped with an abundant amount of advanced top world-class environmental technology.

In order to satisfy the new exhaust gas regulations, which required a severe 20% reduction of NOx, this new model was equipped with a newly developed engine using the urea SCR system that uses urea to separate NOx into nitrogen and water. This is the first time the new engine, originally developed for buses and trucks, is used in construction equipment. Junpei Yamada, responsible for electrical control systems, commented, "In addition to the unique movement of the crane, the increased amount of sensors and other devices made it quite complicated, so developing an engine that matched the machine was the number one issue." More time than usual was spent coordinating with engine manufacturers to handle the great amount of detailed communication and intricate revisions.



The "G-Mode", which had been highly praised by users, had to be updated and further refined. Although the Auto Idle Stop (AIS), the first in the industry, functions to automatically stop the engine when the machine is not operating, a new function was added to allow the operator to manually stop the engine when stopping the machine. Mr. Yamada explained the safety functions as, "Even manual stop does not mean that the engine can just be turned off any time, as there are nine conditions that must be satisfied in order to stop operation in order to ensure safety." There are 14 conditions when using AIS. "G-Mode" also improves performance by allowing the winch to hoist at high speed without unnecessarily operating the engine at high speed. This allows the machine to swing and raise/lower the boom at the same time. "Equipping with numerous features while also maintaining safety was much more difficult than I thought. System development, originally scheduled for one year, took us one and a half years due to having to repeat verification testing many times," commented Mr. Yamada with a wry grin. In addition to these environmental and safety performance features, transportability was improved, making the easy-to-use G-2 Series a new standard for crawler cranes and enabling it to become an industry leader.

## TOPICS Crawler Crane SL16000J / SL16000J-H

### Large-Sized Crawler Cranes of the Largest Class Produced in Japan

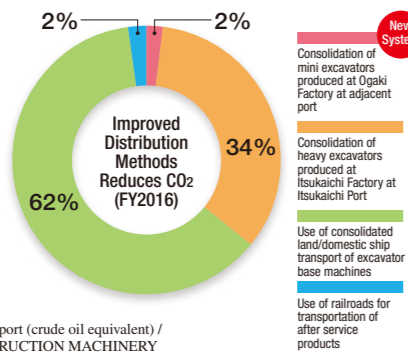
The "SL16000J (max. lifting capacity of 1,000 tons)/SL16000J-H (max. lifting capacity of 1,250 tons)", large-sized crawler cranes, were launched in Japan in May 2016. These crawler cranes of the largest class produced in Japan were launched to meet the Japanese internal demand as one strategy to firmly establish a business foundation amid the increasing global demand for large-sized crawler cranes. As successor models to the prior SL13000 model, they provide massively improved crane capabilities and the environmental performance expected from KOBELCO. They comply with the 2011 exhaust gas standards and have been certified as an ultra-low noise type of construction machinery. Additionally, providing a logical unit configuration and lightweight design, and improving the device layout resulted in the creation of a highly efficient package design and easy assembly/disassembly to improve transportability.



## Environmental Preservation Measures

### » CO2 Reduction due to Improved Distribution

We are reducing the amount of CO2 emission by improving our product distribution. Since the introduction of the Authorized Exporters' Program in Oct. 2009, we have been exporting medium and large excavators manufactured in our Itsukaichi Factory from Itsukaichi Port located adjacent to the factory. In comparison with the previous method of exporting from Kobe Port, we have greatly reduced the amount of CO2 emissions generated during product transport to the port. Since FY2016, we have also reduced CO2 emission by exporting our mini excavators manufactured at the Ogaki Factory in a consolidated manner from the port nearest to the factory to decrease the product transport distance. These improvements to distribution resulted in a 3.8% improvement of emission intensity\*1 in comparison with FY2016.



### » Introduction of LED Lighting to Save Energy

We are changing lighting fixtures at all of our factories to LED light bulbs as a part of our energy saving measures. We are currently establishing standard illuminance for each work area and switching to LED lights because they reduce the amount of power consumed in comparison with conventional bulbs. They also contribute to improving the work environment as the illuminance provided by a single bulb is also greater than conventional bulbs. During FY2016, we changed the ceiling lighting of the Fabrication Building, where welding and similar work is performed, at our Itsukaichi Factory to LED, which contributed to reducing CO2. 70 to 90% of the lighting at our Itsukaichi and Numata Factories have been switched to LED.



### » Introduction of Electronic Manifests

In FY2016, we introduced use of electronic manifests at Hiroshima Factory for manifests (Industrial Waste Manifest) that must be used if industrial waste disposal is consigned to another company by the company creating the waste. Although waste management was previously handled using paper manifests, the introduction of electronic manifests has not only rationalized information management, it has also improved and optimized waste disposal, and contributed to reducing costs.

### » Use of Paint not Containing Organic Solvents

Paint used for our products contains volatile organic compounds (VOC) that cause air pollution. We are also implementing measure to increase painting efficiency and decrease the amount of paint used from the perspective of improving the working environment and reducing discarded paint. After reviewing the paint used in FY2016, we adopted use of paint not containing organic solvents for some processes at our Numata Factory resulting in a massive decrease in the amount of hazardous substances generated. We are planning to switch to paint with low organic solvent content at all of our Japanese production bases.



## Environmental Conservation Activities Report

# Life Cycle Awareness for Environmental Preservation

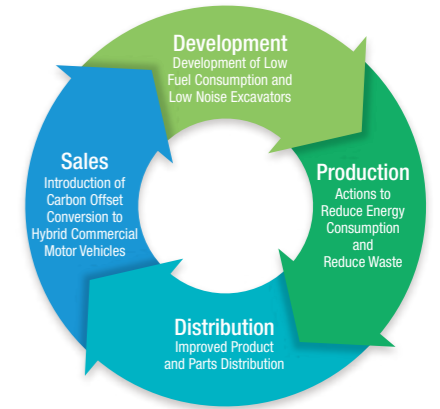
We are implementing environmental preservation measures that not only take into consideration the impact of our products but also the entire life cycle at our production sites. We are striving to implement measures to reduce environmental impact at our factories and promote environmental preservation with an awareness of our local communities.



## Environmental Figures

### » Emission Amounts Associated with Business Activities

The KOBELCO CONSTRUCTION MACHINERY GROUP is carrying out various environmental conservation activities according to the business cycle of development, production, distribution and sales. Our efforts for environmental preservation include measures at each factory to reduce CO2 emission such as those to reduce energy use and waste matter, as well as production and development-related activities that focus on creating products with low fuel consumption and other improved environmental performance. The FY2016 environmental figures for our Japanese production bases are shown below.



#### Hiroshima Factory (Itsukaichi Factory & Numata Factory)

Atmospheric data				Water quality data			Chemical substances										
Item	Facilities	Regulatory Value	(Actual) Measured Value (Max.)	Item	Regulatory Value	(Actual) Measured Value (Max.)	Substance	Amount of Emissions				Amount of Transportation		Main Process/ Purpose of Use, etc.			
						Atmosphere		Public Water System	Soil	Reclamation inside Premises	Sewers	Other than Offices					
NOx	Frame paint undercoat	230	39	COD	—	—	Xylene	94,000	0	0	0	0	26,000	Painting			
	Frame paint finish	230	19					Ethylbenzene	39,000	0	0	0	0		3,100	Painting	
	ATT paint	230	7						Toluene	8,800	0	0	0		0		8,200
Dust and soot	Frame paint undercoat	200	6	Oil content (mineral oil)	35	2.3											
	Frame paint finish	200	5														
	ATT paint	200	5														
Dioxins	Not applicable	—	—	Dioxins	—	—											

Total substances used: 4

#### Okubo Factory

Atmospheric data				Water quality data			Chemical substances							
Item	Facilities	Regulatory Value	(Actual) Measured Value (Max.)	Item	Regulatory Value	(Actual) Measured Value (Max.)	Substance	Amount of Emissions				Amount of Transportation		Main Process/ Purpose of Use, etc.
						Atmosphere		Public Water System	Soil	Reclamation inside Premises	Sewers	Other than Offices		
NOx	Not applicable	—	—	BOD	600	320	Xylene	92,000	0	0	0	0	0	Painting
Dust and soot	Not applicable	—	—					SS	600	33	Ethylbenzene	57,000	0	
				Dioxins	Not applicable	—	—					Oil content	5	0.6

Total substances used: 5

#### Ogaki Factory

Atmospheric data				Water quality data			Chemical substances							
Item	Facilities	Regulatory Value	(Actual) Measured Value (Max.)	Item	Regulatory Value	(Actual) Measured Value (Max.)	Substance	Amount of Emissions				Amount of Transportation		Main Process/ Purpose of Use, etc.
						Atmosphere		Public Water System	Soil	Reclamation inside Premises	Sewers	Other than Offices		
NOx	Not applicable	—	—	COD	1.65(kg/Day)	1.61	Xylene	28,000	0	0	0	0	5,000	Painting
Dust and soot	Not applicable	—	—					SS	40	1.1	Ethylbenzene	27,000	0	
				Dioxins	Not applicable	—	—					Oil content	5	1

Total substances used: 4

**Atmospheric data**  
 \*Regulatory Value: Air Pollution Control Act, prefectural regulations, and Act on Special Measures against Dioxins  
 \*Units: NOx was measured in ppm, dust and soot were measured in mg/m<sup>3</sup>, and dioxins were measured in ng-TEQ/Nm<sup>3</sup>.  
 \*Regulatory values are determined for each facility subject to the survey.  
 \*The value for each of the following substances not listed above is equal to or less than the quantitative limit value (not detected) or the regulatory value.  
 Sulfur oxide, cadmium, chlorine, hydrogen chloride, fluorine, hydrogen fluoride and silicon fluoride, lead, benzene, trichloroethylene, dioxin

**Water quality data**  
 \*Regulatory values: Water Pollution Prevention Act, prefectural regulations, Act on Special Measures against Dioxins or city sewer regulations, and agreed-to-values  
 \*Units: COD, SS, and oil content were measured in mg/l, and dioxins were measured in pg-TEQ/l.  
 \*ND: Being equal to or less than the quantitative analysis limit value (not detected).  
 \*The value for each of the following substances not listed above is equal to or less than the quantitative limit value (not detected) or the regulatory value.  
 pH, BOD, total nitrogen, total phosphorus, phenols, total chromium, soluble iron, soluble manganese, fluoride, copper, zinc, cadmium, total cyanogen, organic phosphorus, lead, hexavalent chromium, arsenic, total mercury, alkyl mercury, PCB, trichloroethylene, tetrachloroethylene, dichloromethane, carbon tetrachloride, 1,1-dichloroethane, 1,1-dichloroethylene, cis-1,2-dichloroethylene, 1,1,1-trichloroethylene, 1,1,2-trichloroethane, 1,3-dichloropropane, thiuram, simazine, thioacetamide, benzene, and selenium

**Chemical substances**  
 \*Unit: kg

### « Listen to our Factory Managers! »

#### VOICE

KOBELCO CONSTRUCTION MACHINERY  
 General Manager, Hiroshima Factory  
**Takashi Takigawa**

#### Increasing the Environmental Awareness of Everyone

Last year, We won in the hand truck group at the Karakuri KAIZEN(improvements) Exhibition. We have participated every year, and feel that the attitude of our employees towards energy has changed. The goal of the Itsukaichi Factory is increased interaction with our local community to become an open factory. I want it to become a warm and inviting factory with consideration for the environment.

#### VOICE

KOBELCO CONSTRUCTION MACHINERY  
 General Manager, Okubo Factory  
**Keiji Saito**

#### Large-Scale Review of Painting Processes

We are currently implementing the Renewal Project of Okubo Factory. We have been introducing new equipment to change to more optimal painting methods and also we are switching the paints we use. We also changed to use of a metal box for packaging of tools that we provide at product delivery. This eliminates waste, which is not only good for the environment but also pleases our customers.

#### VOICE

KOBELCO CONSTRUCTION MACHINERY  
 General Manager, Ogaki Factory  
**Takeshi Akiyama**

#### Massive Energy Savings from Improvements in Product Distribution

In FY2016, we improved productivity by updating our machining equipment, while also implementing measures to optimize product delivery, reduce the amount of trips made by trucks, and reduce CO2 emission. Our goal for FY2017 is to change to paint that is low in specified chemical substances and organic solvents, and we are already actively taking on this challenge.

## » Activity Philosophy

As a global company expanding our business into various countries and regions, the KOBELCO CONSTRUCTION MACHINERY GROUP is continuously carrying out community-based CSR activities in consideration of the importance of creating friendly relationships and building trust. With the aim of growth through a close relationship with local communities, KOBELCO is carrying out activities that promote interaction with local residents and provide support for their communities. A fundamental element is that the details and methods of such support activities are investigated and determined by our employees themselves who then actively participate in their implementation. These activities allow us to understand local characteristics, and what local residents are thinking and feeling while also providing opportunities for considering the role that the KOBELCO CONSTRUCTION MACHINERY GROUP must assume in society. Additionally, when an earthquake or similar large natural disaster occurs, we contribute donations for recovery support, donate construction equipment needed at the site of the disaster, dispatch equipment operators, and other similar efforts. We are always studying what is needed and what can be done across a wide spectrum in order to carry out activities that contribute to people and society.

The KOBELCO CONSTRUCTION MACHINERY GROUP has been steadily carrying out activity after activity in order to become indispensable to local communities and their members.

## » CSR Fund

The CSR Fund was established in FY2006 in order for the KOBELCO CONSTRUCTION MACHINERY GROUP to support and perform activities that contribute to society, and to actively promote the continuous nature of such activities. The CSR Fund also actively supports activities that contribute not only to local communities but also to society as a whole. The fund supports a wide variety of activities from human resources development to education assistance in all parts of the world. The selected activities are drawn from the suggestions of our employees. Activities within Japan and overseas considered as appropriate for CSR of the KOBELCO CONSTRUCTION MACHINERY GROUP, such as conserving the global environment or contributing to local communities, are provided with financial assistance to support their smooth operation and ensure their continuation.

## » CSR Awards

Every year, the KOBELCO CONSTRUCTION MACHINERY GROUP gives a CSR Award to the most outstanding activity from among all the various CSR activities carried out by our offices or group companies. Numerous activities have been nominated every year since the award was first given in FY2007, with the selection for the award based on the following criteria.

- The activity demonstrates a significant contribution to CSR in areas such as the environment, local community service and human resources development.
- The activity contributes to elevating the prestige of the KOBELCO CONSTRUCTION MACHINERY GROUP and improving brand image through CSR measures.
- The activity prevents an industrial accident or other type of disaster, or it consists of life-saving activities during such accident or disaster.

The conferment of such awards serves as praise and support for the activities while also encouraging others to perform even more of these positive actions. Additionally, the award serves to spread the word about these excellent activities so that they serve as examples for other activities in the future with the aim of cultivating even more excellent activities to invigorate such CSR activities.



School Visit Science Class



Rescue robot challenge for junior high school students

Visiting a neighborhood kindergarten

## Social/Regional Activities Report

# Mutual Prosperity Together with Local Communities Through Constant Interaction

As a member of the local community, KOBELCO seeks to deepen bonds with the local communities and their members to contribute to the revitalization of these communities.

Our goals are to build mutual understanding and trust, as well as growing relationships.



Educational Support for Qingxing Shengang Primary School

## TOPICS.01

FY2016  
CSR  
Award

### School Visit Science Class (Hiroshima, Japan)

Award Recipient: Hiroshima CSR Committee

## Stimulating Science-Focused Human Resources Development Through Construction Machinery



In addition to school visit science class for sixth graders carried out every year, the Hiroshima CSR Committee led school visit classes at the Yamato Museum (Kure City) in FY2016, and also held the Global Science Campus (GSC) featuring lectures for science-studying senior high school students as part of activities in collaboration with Hiroshima University.

In contrast to previous school visit classes, this was the first time trying out the participation of children grades one to six (primary school) at Yamato Museum. As this was directed at children with a wide range of ages, the committee newly created materials with a keen awareness of the need for them to be easily understood and whose contents could be readily communicated in order to provide classes that captured the interest of all the participants. The GSC provided basic knowledge regarding excavators, as well as the requirements of hydraulic mechanisms and design. Participants were also challenged with calculation problems where they had to use their knowledge of science, physics and math to calculate safety and digging forces of excavators. Practical classes on the subject of excavators served as an excellent opportunity to show children how subjects studied at a senior high school can serve a useful purpose in the real world.

These continuously successful activities are being enhanced and expanded with the aim of instilling an interest in science and construction machinery in even more children.

### Passing the Baton of Industry-Academia Partnership to Future Generations

All members of CSR activities have made positive suggestions regarding the GSC, with a great number of students telling us that they "tangibly experienced how subjects studied in senior high school are used in the real world." Given that it is difficult to completely resolve issues in developing science-focused human resources only at the university level, there is strong desire to continue to work in unity with local communities through GSC activities and utilizing the industry-academia partnership.

Associate Professor, Graduate School of Biosphere Science, Hiroshima University Masahide Nishibori

VOICE

## TOPICS.02

### Educational Support for Qingxing Shengang Primary School (Chengdu, China)

## Continuity to Create Strong Bonds with the Local Community



Qingxing Shengang Primary School is located some 25 km to the north of the center of Chengdu City (Sichuan Prov.) where the KOBELCO CONSTRUCTION MACHINERY GROUP has established its base of operations. This program started in 2008 with the reconstruction of the primary school that had been destroyed by the Great Sichuan earthquake that year, with this year marking the ninth year of continuous support activities performed by our three local subsidiaries.

Activities have included the donation of school bags to new students at the beginning of the school year, donation of sporting equipment and school supplies on Children's Day in June every year, and a volleyball exchange tournament together with our employees in local subsidiaries. The activities are mainly carried out by CSR activities members of local subsidiaries with the active participation of employees from our Group to provide sports-related activities. We plan to continue various support activities that are useful for children's education in order to enhance their studies, and sports and music education. The continuous nature of such lively community-based activities serves to further deepen mutual understanding.

### Thankful for Your Efforts from Reconstruction to Educational Support Continuing to the Present Day

I am extremely thankful for not only the reconstruction of our school after the earthquake, but also the activities that have been carried out continuously over the last nine years. I feel it is important not only for children to study but also for their extracurricular activities to be enriched and for them to receive various types of education. If there is an opportunity, I would love to take children to visit the KOBELCO CONSTRUCTION MACHINERY company in Japan.

Principal, Qingxing Shengang Primary School Huaisu Zhao

VOICE

# A Wide Variety of Activities Spread Across Japan and the Globe

## ● List of Activities

### Activities Sponsored by the CSR Fund

- Gifu Hiro Gakuen: Machine sketching day
- Hiroshima KOBELCO CONSTRUCTION MACHINERY Cup: Rescue robot challenge for junior high school students

- Fukuoka Local revitalization activities with the "Go-Anywhere Squad" (Doko-den Iku Tai)

- China (Chengdu) Educational support for Qingxing Shengang Primary School

### Local Activities in Japan

- Hokkaido to Kanagawa School visit activities
- Tokyo/Chiba Hosting of class visits to company
- Hyogo KOBELCO Forest: Forest maintenance activities
- Hyogo Participation in KOBELCO Rugby Festival
- Hyogo Participation in KOBE STEEL Kakogawa Festival
- Hyogo ECOWAY Green Forest: Forest maintenance activities
- Hiroshima School Visit Science Class
- Hiroshima Construction machinery workshop for senior high school students
- Kumamoto Kumamoto Earthquake fund raising activities
- Each Office Local clean-up activities
- Each Office Eco Cap activities
- Each Office CSR booth presentation at exhibitions

### Local Activities Overseas

- China (Hangzhou) Provide drinks to persons cleaning up rivers
- China (Hangzhou) Plants planting activity at neighborhood kindergarten
- China (Hangzhou) Provide rice porridge to neighborhood residents at the Laba Festival (before Chinese New Year)
- China (Hangzhou/Chengdu) Local clean-up activities

### Participation in Local Community Events

- Tokyo Shinagawa Yume Sambashi
- Gifu Ogaki Jumangoku Festival
- Kyoto Kyoto Tanshu Moku-Moku Festa
- Hyogo Construction Friendship Festival
- Mie Summer Eco Fair
- Hiroshima Saeki Ward Residents' Festival
- Ehime Heavy Vehicles Show



Provide rice porridge to neighborhood residents at the Laba Festival (before Chinese New Year) (Hangzhou, China)

Plants planting activity at neighborhood kindergarten (Hangzhou, China)

Local clean-up activities (Hangzhou, China)



Educational support for Qingxing Shengang Primary School (Chengdu, China)

Local clean-up activities (Chengdu, China)



Participation in Construction Friendship Festival (Hyogo)



School visit activities (Hokkaido)



ECOWAY Green Forest: Forest maintenance activities (Hyogo)



Participation in KOBE STEEL Kakogawa Festival (Hyogo)



Hiro Gakuen: Machine sketching day (Gifu)



Ogaki Jumangoku Festival (Gifu)



Local revitalization activities with the "Go-Anywhere Squad" (Doko-den Iku Tai) (Fukuoka)



Kumamoto Earthquake fund raising activities (Kumamoto)



KOBELCO CONSTRUCTION MACHINERY Cup: Rescue robot challenge for junior high school students (Hiroshima)



Hosting of class visits to company (Tokyo)



Eco Cap activities (Tokyo)



Saeki Ward Residents' Festival (Hiroshima)



Local clean-up activities (Kagawa)

For more details, visit our website.



KOBELCO CONSTRUCTION MACHINERY CSR



Our activities that contribute to society:  
<https://www.kobelcocm-global.com/jp/csr/society/>

## ◀ Listen to CSR Committee Members! ▶

### VOICE

KOBELCO CONSTRUCTION MACHINERY (EAST JAPAN) Operations Management Dept., Sales Administration Group

Keisuke Shinada



### I Want to Increase KOBELCO's Experience in Field of Education!

We have been visiting neighborhood primary schools and kindergartens and bringing actual excavators for activities such as sketching, quizzes, digging demonstration, and excavator rides. By giving children such unforgettable experiences, we are increasing the chances of talking about KOBELCO both within and outside of the schools, and making them familiar with excavators. I also feel that continuously carrying out such activities can improve the future employment environment of the construction machinery industry.

### VOICE

KOBELCO CONSTRUCTION MACHINERY (WEST JAPAN) Chubu region Branch Office, Tokai Central Sales Office

Ryosuke Mitsuhashi



### Establishing Regular Activities Through a Community-Based Approach

I have been a member of the Chubu Area CSR Committee for one and a half years. We work to carry out activities that allow for friendly relaxed interaction with local communities and their members. Our main activities consist of hosting a CSR booth at the large-scale exhibition held annually in the fall where we feature exhibits introducing our activities and have amusements for children to enjoy. We also participate regularly in clean-up activities for the Nishi-Chita Industrial Road that is near the Chubu Branch Office.

### VOICE

KOBELCO CONSTRUCTION MACHINERY General Administration Dept., Corporate Planning Div., Ogaki General Administration Group

Kenji Oki



### Contributing to the Revitalization of Ogaki City through Community Exchanges!

The Ogaki Factory is located amidst residential housing and factories of other companies, such that we cannot hope to operate stably without the understanding of the local community. I think we need to highly value the interaction with the local community through annual events held jointly with Shinko Engineering such as the Jumangoku Festival and Machine Sketching Day at Hiro Gakuen. Especially the Jumangoku Festival embodies the fall season in Ogaki in which employees of local companies parade around carrying "mikoshi" (portable shrine). I would like to continue to contribute to the revitalization of Ogaki City through such activities.

### VOICE

KOBELCO CONSTRUCTION MACHINERY System & Component Development Dept., GEC Design & Development Engineering Div., Power Train Control Engineering Group (Okubo)

Norihisa Fukuda



### Currently Drafting our Activities Plan At Monthly Regular Meetings!

The Okubo CSR Committee was newly established in Oct. 2016. We started with neighborhood clean-up activities and are currently creating an activities plan to carry out community-based CSR activities. The plan currently being drafted includes activities such as cleaning up the neighboring beach, establishment of a "green curtain" as a part of factory beautification activities, and science classes during factory trips. Through these activities, we would also like to establish a collaboration plan using the merits located in the Okubo region with the collaboration of the nearby KOBELCO TRAINING SERVICE and PARTS CENTER.



## Customers and Business Partners

Holding seminars and events allowing for friendly social interaction allows for sharing information with our customers, business partners and related companies in order to deepen their trust. We are strengthening our linkages through mutual understanding and friendly competition with the goal of developing and expanding together.

### »» World's Largest Construction Machinery Exhibition

KOBELCO presents booths at various construction machinery exhibitions across the globe in order to publicize our products and technology. In April 2016, we exhibited at "Bauma 2016" held in Munich, Germany, to further bring attention to the KOBELCO brand upon our re-entry into the European market under the concept of "Next Generation Champions". We also had a booth at "CONEXPO-CON/AGG 2017" held in Las Vegas, USA, in March 2017. Under the concept of "BUILT LIKE NO OTHER", we presented our construction machinery that complies with the most recent exhaust gas regulations, products that are wholly unique to KOBELCO, and our latest technology. Our booth was visited by a great number of persons, some with their families, from all across the globe.



### »» Resource Recycling Meeting and Forest Seminar

We regularly hold seminars aimed at providing a wide range of the latest information regarding the forestry and resource recycling industries to persons working in those industries within Japan. The FY2016 Resource Recycling Meeting included presentations of "eMag system", our advanced magnet system, and KOBELCO's leading-edge technology such as our newest hybrid machines, as well as a lecture by Toru Hashimoto, former mayor of Osaka. In addition to our line-up of forestry machines at the Forest Seminar, we introduced a reference exhibition model that meets the actual needs of work sites, which garnered a great deal of interest. Both seminars serve as opportunities for gathering information useful to customer's business operations and enjoy a great reputation as spaces for friendly interactions among all attendees.

### »» Production Liaison Conference

We hold a production liaison conferences every year with companies that work with the KOBELCO CONSTRUCTION MACHINERY GROUP such as our partner companies that supply us with parts. The FY2016 conference saw the participation of 390 persons from 193 companies. It serves to deepen understanding in regards to topics such as the current business environment and demand trends, as well as measures related to our Medium-Term Management Plan and similar topics. The social gatherings at the conferences provide a space for friendly social interaction with management personnel of the KOBELCO CONSTRUCTION MACHINERY GROUP, making it a great opportunity to have candid opinions be heard.

### »» Joint Quality Meetings

The Joint Quality Meeting is held annually at the Itsukaichi Factory with the goal of establishing uniform global quality. FY2016 marked the 11th time the meeting has been held, with some 50 attendees from 10 business bases in five countries. Ideas and opinions were exchanged under the theme of "Manufacturing That Is Resilient to Change" and activities for attaining targets were mutually reviewed in order to respond to massive changes in production and sales of new hydraulic excavators and cranes. Additionally, a Chinese local subsidiary (Chengdu) and the Okubo Factory were presented with a "Quality Award" for obtaining excellent results from their quality improvement activities.



## Connection with Stakeholders

# Forging Links and Building Trust Through Various Support Activities

We are creating spaces for information sharing and communication to promote mutual development and expansion with our business partners.  
We are also actively improving workspaces with consideration for diversity and work/life balance.



## Workplace and Personnel Development

KOBELCO is focusing efforts on improving the workplace environment and human resources development so that employees to feel healthy both mentally and physically, and perform effectively in their jobs. We are making efforts to achieve a work/life balance so that our employees can feel a sense of fulfillment in their work while also being fully active in their family and community, and we are actively striving to promote diversity and enact similar measures to respond to the changes in the world at large. We are also performing activities such as those that stimulate internal revitalization and improve technical capabilities to create comfortable easygoing workplaces and capable human resources.

### »» Promoting Work/Life Balance

"Work Style Reform" measures are being implemented throughout the entire KOBE STEEL GROUP in order to fully enhance the work and life of each individual employee. The KOBELCO CONSTRUCTION MACHINERY GROUP is actively developing and expanding "Work Style Innovation Activities" in order to improve "Individual happiness" and "Corporate happiness" by limiting working hours and making work tasks more sophisticated. These activities center around the following four main efforts:

- (1) Decreased time (Limitations on total hours spent working)
- (2) Meetings in the KOBELCO style
- (3) E-mail in the KOBELCO style
- (4) Reform of work tasks

Specific activities related to these main objectives consist of changing to early-morning shifts, streamlining meetings by implementing smart meetings, making employees aware of and follow the rules of KOBELCO-style e-mail, and assigning personnel to implement reform and improvement of work tasks. We are improving our systems and organizational structure by pursuing new lifestyles and work styles that conform to modern society, and continuously performing and promoting these activities.

### »» Promoting Diversity

Since FY2014, we have made efforts in promoting the active participation of women by holding sessions aimed at raising the consciousness of women themselves and meetings where women employees can exchange opinions with male superiors. We are taking other actions also, such as management training regarding female subordinates for all line managers. We will continue to expand the subjects dealt with, such as the development of human resources of foreigner employees, as a part of our active efforts to create new workplaces in line with modern times.



## »» Human Resources Development

### ● Global Human Resources Development

Amidst the ever-accelerating globalization of business, KOBELCO is efficiently and constantly making efforts to develop human resources with the capabilities needed to have an active role in our global business operations, and to take on and defeat our global competition. We are carrying out training to instill the required knowledge and skills such as the obvious language abilities as well as an understanding of foreign cultures and communication skills, while also continuing to implement efforts to develop global human resources with both off and on-the-job training such as providing opportunities for accruing practical experience by being posted abroad from a young age.

### ● Human Resources Development by Behavioral Abilities Diagnosis and Level

Based on the concept that all results related to work are produced by one's behavior, we have created and implemented a human resources development system centered on "behavioral abilities". By periodically measuring individual behavioral abilities, we can ascertain results in an objective manner. Additionally, we have defined ideal images of each job position level in order to specify ranked goals and provide training so that employees can obtain the needed abilities and skills. We are enhancing our human resources development in order for our employees to rapidly gain the abilities needed to serve on the front lines of our business operations.

### ■ Our Training System

Directors	Top Management Training		
Management	Leader Training	OJT (On-the-job Training)	Language Training
	Development of Business Leader Candidates		
	Assistant Advisor Training		
	Management School		
	Counselor 3rd-Year Training		
Mid-Career Employees	New Management Staff Training	Distance Learning	e-Learning Training
	Instruction Staff 1st Class Training		
	Instruction Staff 2nd Class Training		
Young to Mid-Career Employees	Problem Formation Training	Enhanced Study of Basic Knowledge	
	Fifth-Year Employee Training		
Young Employees	Fourth-Year Employee Training		
	Third-Year Employee Training		
New Employees	New Employee Training (Improving fundamental abilities, certifications/qualifications, etc.)		

## « Listen to Employees of the KOBELCO CONSTRUCTION MACHINERY GROUP! »»

### VOICE

Planning Div.,  
KOBELCO CONSTRUCTION MACHINERY  
Recruitment & Training Group,  
Human Resource Dept.

Yukiko Otani



### Becoming an Industry Leader in Allowing Women to Demonstrate their Full Potential

I have been in management for two years, and at the beginning both I and those around me were extremely conscious of the situation. However, after that, I feel that awareness of the situation in general, including that of females, has changed. As a person responsible for promoting the active role of women, I think we can become the industry leader as a company where females can find fulfillment and demonstrate their full potential in their jobs.

### VOICE

Marketing Business Div.,  
KOBELCO CONSTRUCTION MACHINERY  
Marketing Dept., Excavator Sales & Marketing Div.,  
Crane Marketing Group

Gerard Maloney



### Becoming a Global Company Japan can be Proud of!!

Although this is only my third year in this company, I am really enjoying my current work. As we are a global company, I have many opportunities to interact with overseas customers and related companies. Having to use Japanese in so many settings, such as internal e-mails, makes it a daily challenge for me to properly use the Japanese skills I learned when I was young. "Gambarimasu!"

### VOICE

Kobelco Construction  
Machinery Europe B.V.  
Sales and Field Marketing Department

Yuko Nakanishi



### Workplaces Across the Globe that Enable a Sense of Accomplishment

I am currently in my seventh year of employment at KOBELCO, and from 2016, I have been assigned to a local subsidiary in Europe. Working abroad consists of a wide range of tasks. As there are a large number of female employees of various companies in Europe, we are able to counsel each other when we have problems or concerns, and they serve as an inspiration for me to keep giving my all.



## Compliance

"KOBELCO CONSTRUCTION MACHINERY GROUP Compliance" is a basic standard of conduct for "Persons" exceeding all differences.

### » Compliance Initiatives

The KOBELCO CONSTRUCTION MACHINERY GROUP is completely dedicated to thoroughly implementing compliance in service of major principles of pursuing our corporate philosophy and proper business conduct. "KOBELCO CONSTRUCTION MACHINERY GROUP Compliance" refers to the three goals of complying with laws and regulations, complying with internal rules, and improving our morals and manners. In conjunction with the global expansion of business, we are carrying out activities based on those in Japan to implement this "KOBELCO CONSTRUCTION MACHINERY GROUP Compliance" at overseas group companies. As the differences in regards to terms of laws, social customs, business practices and similar issues are especially important in regards to overseas group companies, we are developing and enhancing these activities to match local conditions.



Training in Thailand (Nov. 2016)

**MESSAGE**  
KOBELCO CONSTRUCTION MACHINERY  
Director, Managing Executive Officer  
**Tasuku Aoyama**

**Adopting an Attitude of Complete Fairness Through Honesty. Solidifying Trust of the Global Community with High Ethical Standards**

In order to continuously respond to the trust placed in us by society, the KOBELCO CONSTRUCTION MACHINERY GROUP places a high priority on compliance as the highest priority issue requiring strict adherence and we are carrying out corresponding activities on a daily basis. While compliance obviously refers to complying with laws and regulations, it also consists of maintaining a highly ethical viewpoint while strongly adhering to an attitude of consistent fairness through honesty. This attitude is based on strong convictions having universal value that are common across the globe as they exceed all differences such as business environment, morals, customs, culture and religion. We are instilling a high awareness of such convictions in the form of compliance to all areas and at all levels of the globally expanding KOBELCO CONSTRUCTION MACHINERY GROUP.

### » Train the Trainer Project (Measure to strengthen compliance overseas)

The "Train the Trainer Project" was launched by the KOBELCO CONSTRUCTION MACHINERY GROUP as a means to strengthen compliance measures overseas.

This project consists of appointing "Compliance Trainers" to serve as leaders in implementing compliance activities at each overseas company of the KOBELCO CONSTRUCTION MACHINERY GROUP as a means of carrying out such compliance activities, including training and manual revisions, in a more pro-active and

robust manner. Administration of the program to train and develop compliance trainers is the responsibility of the newly formed Compliance Planning & Administration Group of the Legal Affairs/Audit Dept.

Contents of the training are adjusted for differences of each country such as laws and regulations, culture, customs and rules so that this "Train the Trainer Project" can serve as the key to more effective and successful compliance activities.

#### ■ Compliance Trainer Requirements

<p><b>STEP.1 Acquisition of the requisite knowledge</b></p> <ul style="list-style-type: none"> <li>● Corporate philosophy</li> <li>● Laws and regulations related to business operations</li> <li>● Morals, manners and other characteristics unique to the country</li> </ul>	<p><b>STEP.2 Developing, expanding and utilizing this knowledge</b></p> <ul style="list-style-type: none"> <li>● Training and other activities to increase employee awareness</li> <li>● Revision and updating of rules and manuals</li> <li>● Investigations into compliance violations and similar responsibilities</li> </ul>	<p><b>STEP.3 Passing on the requisite knowledge</b></p> <ul style="list-style-type: none"> <li>● Training and development of successors (Handing down of acquired knowledge, techniques and experience)</li> </ul>
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### « Listen to Compliance Trainers from our Local Indonesian Subsidiary! »

**VOICE**  
P & A (Operation)  
**Chandra Wicaksono**

**Easy to Understand Explanation of Compliance Training by Using Case Studies**

PT.DAYA KOBELCO CONSTRUCTION MACHINERY INDONESIA, a group company located in Indonesia, performed compliance training divided by level at the company head office and branch offices as a part of their compliance activities for FY2016. Mr. Trias Nugroho of our company performed internal audits and compliance training at our branch offices while I served as a trainer for compliance training at our head office. I presented numerous case studies for management personnel and this served to be extremely effective in facilitating understanding of the issues.

**VOICE**  
Internal Auditor  
**Trias Nugroho**

**Achieve Thorough Compliance Through a Continuous Training Program**

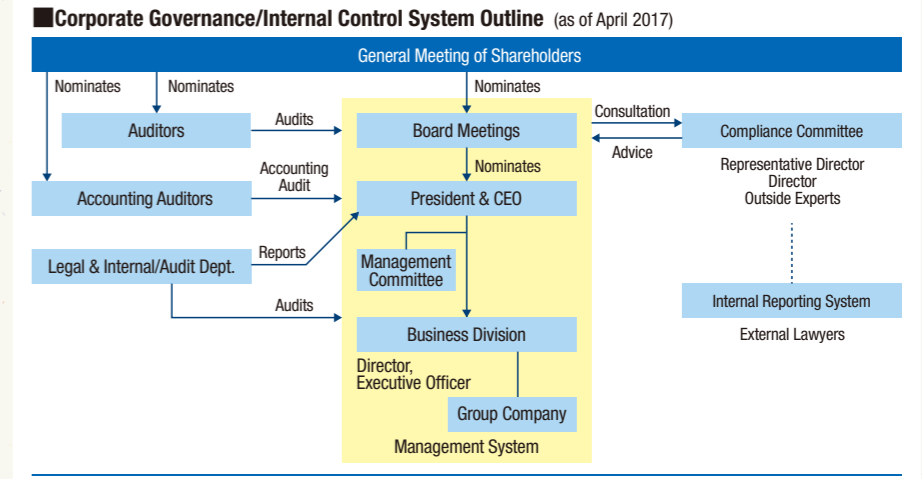
In FY2016, Mr. Chandra Wicaksono and myself were designated as compliance trainers and assigned the role of disseminating compliance. I carried out operational audits at each of our branch offices while also leading compliance training and creating lists of employees in attendance to serve as a record of the program. Compliance training was incorporated into the training programs at the head office and branch offices so that it can be continuously implemented. We are working to strengthen compliance together with the cooperation and assistance of other responsible personnel.

## Corporate Governance

We have established a framework for corporate governance in order to fulfill the social roles and responsibilities of a company, and to perform healthy and efficient management in a fair manner.

### » Corporate Governance Structure

The KOBELCO CONSTRUCTION MACHINERY GROUP has established a corporate governance structure in order to realize fair and efficient management with even greater transparency so as to increase corporate value, and to achieve rapid and appropriate decision-making in regard to business operations. Additionally, we have established an "Internal Reporting System" (a counseling service staffed by external lawyers) as a system for facilitating the cleaning up of problematic areas within the company, and maintaining a healthy and sound business culture. This is a part of our efforts to rapidly and objectively ascertain facts and causes to implement reasonable countermeasures without any delay when any impropriety occurs.



## Outline of KOBELCO CONSTRUCTION MACHINERY GROUP

#### ● Company Outline

**Company Name:** KOBELCO CONSTRUCTION MACHINERY CO., LTD.  
**Founded:** October 1, 1999  
**Addresses of Offices:**  
 Tokyo Headquarters: 5-5-15 Kitashinagawa, Shinagawa-ku, Tokyo (5th floor, Osaki Bright Core Bldg.) Phone: +81-3-5789-2111  
 Hiroshima Headquarters / Hiroshima Factory: 2-2-1 Itsukaichiko, Saeki-ku, Hiroshima-shi, Hiroshima Phone: +81-82-943-5321  
**URL:**  
 KOBELCO Global Website: <https://www.kobelcocm-global.com>  
 KOBELCO Japan Website: <https://www.kobelco-kenki.co.jp>  
**Capital:** 16 billion yen  
**Shareholder Distribution:** 100% held by KOBE STEEL., LTD.  
**Representative:** President & CEO: Kazuhide Naraki  
**Business Operations:** Manufacture, sales and service of construction and transport machinery  
**Number of Employees:** 1,715 (Group total: 6,864) [As of end of March 2017]  
**Sales:** 310.4 billion yen (FY 2016)

#### ● Leading Japanese Subsidiaries

KOBELCO CONSTRUCTION MACHINERY (EAST JAPAN) CO., LTD.  
 KOBELCO CONSTRUCTION MACHINERY (WEST JAPAN) CO., LTD.  
 KOBELCO CONSTRUCTION MACHINERY ENGINEERING CO., LTD.  
 KOBELCO CONSTRUCTION MACHINERY INTERNATIONAL TRADING CO., LTD.  
 KOBELCO TRAINING SERVICE CO., LTD., SASAINAKAMURA CO., LTD., JONAN CO., LTD.  
 TOYOSUGUIE CO., LTD., Y'S YOSHIHARA CO., LTD.

#### ● Overseas Subsidiaries

CHENGDU KOBELCO CONSTRUCTION MACHINERY (GROUP) CO., LTD. (China)  
 CHENGDU KOBELCO CONSTRUCTION MACHINERY CO., LTD. (China)  
 CHENGDU KOBELCO CONSTRUCTION MACHINERY FINANCIAL LEASING LTD. (China)  
 HANGZHOU KOBELCO CONSTRUCTION MACHINERY CO., LTD. (China)  
 KOBELCO PRECISION MACHINERY HANGZHOU CO., LTD. (China)  
 KOBELCO CRANES SHANGHAI CO., LTD. (China)  
 KOBELCO CONSTRUCTION MACHINERY SOUTHEAST ASIA CO., LTD. (Thailand)  
 KOBELCO INTERNATIONAL (S) CO., PTE. LTD. (Singapore)  
 RICON PRIVATE LIMITED (Singapore)  
 PT. DAYA KOBELCO CONSTRUCTION MACHINERY INDONESIA (Indonesia)  
 KOBELCO CONSTRUCTION MACHINERY MALAYSIA SDN. BHD. (Malaysia)  
 KOBELCO CONSTRUCTION MACHINERY VIETNAM CO., LTD. (Vietnam)  
 KOBELCO CONSTRUCTION EQUIPMENT INDIA PVT. LTD. (India)  
 KOBELCO CRANES INDIA PVT. LTD. (India)  
 KOBELCO CONSTRUCTION MACHINERY AUSTRALIA PTY. LTD. (Australia)  
 KOBELCO CONSTRUCTION MACHINERY MIDDLE EAST & AFRICA FZCO. (UAE)  
 KOBELCO CONSTRUCTION MACHINERY U.S.A. INC. (USA)  
 KOBELCO CONSTRUCTION MACHINERY EUROPE B.V. (Netherlands)  
 KOBELCO CRANES EUROPE LTD. (England)

**Editorial Notes**

**To All Company Personnel**

KOBELCO CONSTRUCTION MACHINERY  
CSR Promotion Group,  
General Administration Dept.

This "Social Environmental Report 2017" was created under the theme of "People" by collecting the opinions of numerous persons working within and outside of our group. In the "Message from the President", company president & CEO Kazuhide Naraki explains the idea of "Spirit" that has been newly adopted from FY2016 to represent the standard of conduct for our employees all across the globe. This idea of "Spirit" serves to unite all group employees across generations, countries and regions, in striving to perform even more valuable activities through our close relationship with society that are befitting of and unique to the KOBELCO CONSTRUCTION MACHINERY GROUP. Additionally, we interviewed personal responsible for the development of excavator and crane systems and components in order to inform readers about the inner workings of the development of our highly-lauded environmental performance technology, and present our environmental measures from a completely different perspective. We plan to widen the circle of our activities as we continue to implement and enhance our current activities with the aim of creating a relationship that allows us to grow together with members of the local communities where we do business.