

KOMATSU

Developing
People

Enhancing
Quality
of Life

Growing
with
Society

CSR & Environmental Report

2018 Digest

KOMATSU

Komatsu Ltd.
2-3-6, Akasaka, Minato-ku,
Tokyo 107-8414, Japan
<https://home.komatsu/en/>
CSR Department
Environmental Affairs Department
Phone: 81-3-5561-2799
Fax: 81-3-3505-9662



The main text of this pamphlet was printed on paper made with wood from forest thinning "Morino Chonai-Kai" (Forest Neighborhood Association)-Supporting sound forest management

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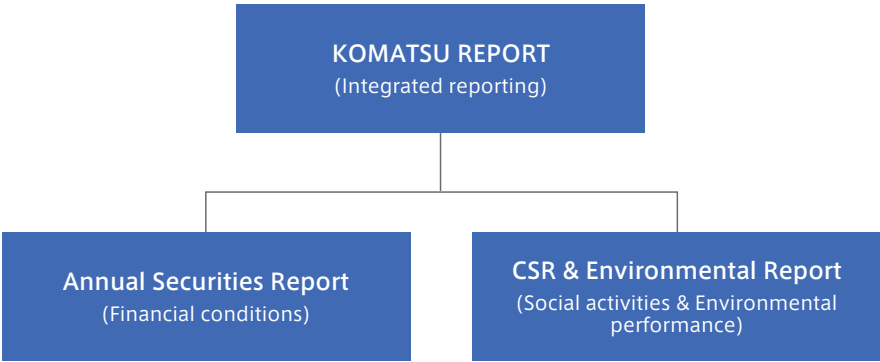
Developing People Needed by the Community

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Editorial Policy

The Komatsu Report is a concise report created annually, focusing on the most vital information concerning the Komatsu Group's corporate activities. This CSR & Environmental Report is a compilation of Komatsu's initiatives in the realm of CSR and environmental issues. A comprehensive report regarding Komatsu's CSR activities can be seen from our website.

Organization of Komatsu's Annual Reports



• KOMATSU REPORT <https://home.komatsu/en/ir/library/annual/>

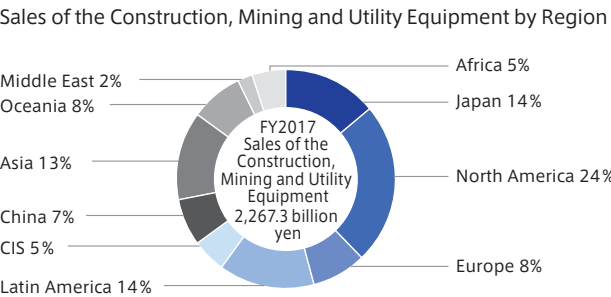
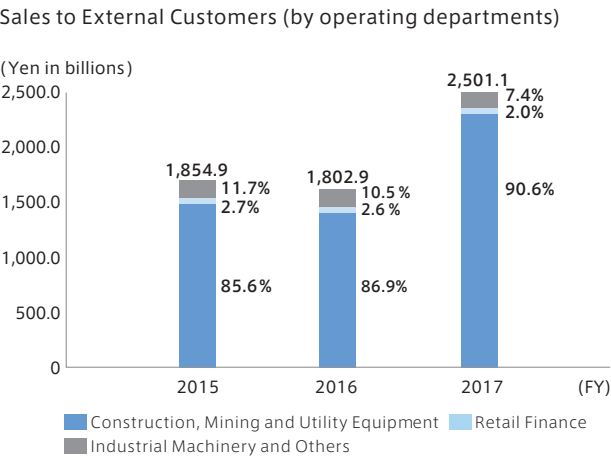
• CSR & Environment (Website) <https://home.komatsu/en/csr/>

CSR & Environmental Report 2018 covers data for the period from April 2017 to the end of March 2018, with some non-periodic information on continuing efforts. Quantitative information included in environmental portion has received an independent practitioner's

assurance from Deloitte Tohmatsu Sustainability Co., Ltd., an affiliate of the Deloitte Touche Tohmatsu LLC. (Information assured by an independent practitioner can be viewed on our website.)

Corporate Profile

Company Name	Komatsu Ltd.
Established	May 13, 1921
Head Office	2-3-6, Akasaka, Minato-ku, Tokyo 107-8414, Japan
President and Chief Executive Officer	Tetsuji Ohashi
Main Businesses	Manufacture and sale of construction and mining equipment, utilities, forest machines and industrial machinery.
Common Stock	• Consolidated 67,870 million yen • Non-Consolidated 70,120 million yen • Total Number of Shares Issued and Outstanding 971,967,660 shares • Number of Shareholders 149,459
Net Sales	Consolidated 2,501.1 billion yen
Komatsu Group	Komatsu Group consists of Komatsu Ltd., and 266 other companies. • Consolidated Subsidiaries 227 • Companies accounted for by the equity method 38 • Komatsu Ltd. 1 • Total 266
Number of Operations	• Manufacturing Operations of Construction, Mining and Utility Equipment (Number of Operations) : 93 • Sales Operations of Construction, Mining and Utility Equipment (Number of Operations) : 100
Number of Employees	• [Consolidated] 59,632 • [Non-consolidated] 10,465



Contributing to the development of a sustainable society through efforts geared towards ESG

Management with an emphasis on ESG

In FY2017, we expanded our mining equipment business by welcoming a major mining equipment manufacturer in USA, Joy Global Inc.(now Komatsu Mining Corp.), into the Komatsu Group.

Responding to ESG (Environmental, Social, Governance) issues, we seek to develop solutions that utilize our unique strengths in ICT and IoT. These include measures like " SMARTCONSTRUCTION " and the " Autonomous Haulage System(AHS)". We have made efforts to enhance safety and productivity of jobsites while simultaneously reducing the burden on the environment.

FY2018 is the final year of our three-year mid-range management plan "Together We Innovate GEMBA Worldwide - Growth Toward Our 100th Anniversary (2021) and Beyond - ". As we move towards 2021, we plan to focus on "Growth Strategies based on innova-

tion", " Growth strategies of existing businesses", and "Structural reforms designed to reinforce the business foundation " to accelerate growth. By linking these management strategies with ESG activities required by society, we hope to build a brighter future that marks the celebration of our 100th Anniversary in 2021 and beyond.

Furthermore, we aim to contribute to the "Sustainable Development Goals (SDGs)", a collection of common objectives established by the international community, to further strengthen our ESG efforts. Through extensive discussion among our management team, we selected five SDG goals that were most relevant with our business operations. By focusing on these goals, we believe we will be able to comprehensively contribute to the advancement of the SDGs.

SDGs highly relevant with our business

SDG Goal 8 : Decent Work and Economic Growth

SDG Goal 9 : Industry, Innovation, and Infrastructure

SDG Goal 11 : Sustainable Cities and Communities

SDG Goal 13 : Climate Action

SDG Goal 17 : Partnerships for the Goals

Symbolic social and environmental activities

This "CSR&Environmental Report 2018" consolidates all non-financial information into a single report. We have highlighted three symbolic social/environmental activities in special stories , which relate to the actual locations of our business operations.

Nurturing the Next Generation

The spirit of "coexistence with local communities" and "human resource development" is of particular importance to Komatsu's management principles. Through the perspective of "people" rather than "products", we intend to convey our business philosophy that has been inherited since our foundation over a century ago to today, and beyond.

Leading the Way at Awazu Plant

Energy resource is indispensable for our business operations. With this in mind, we have worked closely with local communities to come up with ways by which our electricity consumption should be managed considering desirable form of our environmental efforts. Actual cases can be explored through power reduction activities at our Awazu plant and its biomass cogeneration facility.

Fostering Community Growth in Cambodia

Since 2008, we have been supporting anti-personnel landmines removal and reconstruction activities in Cambodia. We would like to report the local daily activities that are carried out alongside our partners, hoping to create a safe and comfortable living environment for villagers in Cambodia.



Tetsuji Ohashi, President and CEO

Creating new value with our customers

It goes without saying that the quality and reliability of products is important for any manufacturer that deals with machines. However, it is my belief that businesses focusing solely on quality and reliability will become difficult to sustain in the long run. Through thorough dialogue with our customers, we wish to envision the future they seek to realize together, which should lead

us to genuine "New Value".

How will the future change? What roles will company, industry and society take? We believe deepening such discussions will enable us to materialize products, services and solutions that are in need, and to further promote activities toward value creation.

Actions based on SLQDC

In today's society where the impact of corporate responsibility has become more significant than ever, it is critical for every individual employee to be fully aware of "corporate social responsibility". This applies not only in the narrow sense of complying to law, but also in broader sense of following business and societal rules in general, thus allowing us to meet the level of trust demanded from society.

Whenever our employees face uncertainty or confusion in making decisions, they are advised to use the "SLQDC" as a frame of reference. The "SLQDC" is an acronym for Safety (safety and health), Law (general compliance with the law/compliance with environmental regulations), Quality (quality and reliability), Delivery (timing), and Cost. I believe safety and health should always come first in day to day operations, whether it is an internal/affiliated entity or not.

Finally, Komatsu considers "corporate value" to be the total sum of trust given to it by society and all its stakeholders. Through constant adherence to this guideline, we will further strengthen our efforts towards ESG in

order to reach the targets set by our March 2019 mid-range management plan and the 100th anniversary in 2021, and beyond. In addition, while actively participating in initiatives such as the United Nations Global Compact and World Business Council for Sustainable Development (WBCSD), we will fulfill our responsibilities as a global company for society and the environment.

July 2018
Tetsuji Ohashi
President and CEO



Komatsu has signed the United Nations Global Compact (UNGC). Read p.9 for more information about the ten principles advocated by UNGC and how they pertain to Komatsu's initiatives.



Komatsu has joined the World Business Council for Sustainable Development (WBCSD).

Part of our DNA

Nurturing the Next Generation

Long after one's official work at Komatsu ends, the company's founding spirit of commitment to community growth lives on in each employee and the lives they touch.

Komatsu's founder, Meitaro Takeuchi, established the company nearly 100 years ago in Komatsu City, Japan, to sustain area residents dependent on the depleted Yusenji Copper Mine he previously managed. Inspired by the leading-edge technologies he saw in Europe, Takeuchi began focusing his efforts on developing industrial technologies and the resources to create them, locally.

He knew the importance of education," said Akinori Maeda, who worked at Komatsu for 42 years. "He knew the Yusenji Copper Mine would eventually be depleted, and he had a vision of what to do - how to move society forward."

Akinori Maeda, who retired from Komatsu in 2004 and now volunteers at the company's Komatsu-no-Mori site for children and families, said he and other retirees feel a connection to Takeuchi's vision through their work

teaching local children about science and nature.

"Our motto is to teach children while we enjoy ourselves," said Susumu Yoshida, who retired from the company in 2000. "We use the site's Genki-Satoyama nature preserve to help knowledge take root." Ranging in age from 65 to 93, the members of Yoshida's Komatsu retiree group are all connected in some way through familial ties. Yoshida's father worked at the company, and now his son is also "a Komatsu man."

These close family and business connections are common in Ishikawa Prefecture, Japan; home to Komatsu-no-Mori, the KOMATSU Way Global Institute and the company's manufacturing plants in Awazu and Kanazawa.

To see these connections continue to grow and thrive nearly 100 years after Komatsu's origin is a fitting tribute to Takeuchi, who founded Komatsu Ltd. with a passion for developing people.

"We have grown with the company," said Junji Kawasaki, head of the Kushi neighborhood district association. "Community and company growing together. From the viewpoint of human development, Komatsu is fulfilling that connection to the founding principles. Person to person, an exchange is built."

As set forth in The KOMATSU Way, the company's guiding principles handed down through generations, the core of Komatsu's founding philosophy includes contributing to the sustainability of local economies through technology development and job creation.

For Masayuki Itao, the president of Itao Iron Works, a Komatsu supplier, the company has been influential in both aspects. Itao's grandfather and father both worked at Komatsu before founding and incorporating, respectively, Itao Iron Works. Itao went through a three-year Komatsu training program at the company's Osaka



Kouji Orimoto, a lecture of Komatsu-no-mori

plant, during which he and the other trainees "received a lot of support from senior members of Komatsu," he said.

Learning about process management, machine engineering, sales and production systems "laid the foundation for the rest of my career," Itao said, "Komatsu has a real commitment to training its employees."

Some of the people he was in training with went on to become the next generation of Komatsu leadership, who he then continued to work with through his work at family's company.

"Having colleagues and business associates that started at the same time as me and went through the same training has been very valuable," Itao said. "We share the same mentality."

It's a mentality that relies on the Monozukuri spirit essential to Komatsu. Though it literally translates as "manufacturing," Monozukuri encompasses teamwork activities performed by all members of the Komatsu family, including internal divisions and external partners. It includes the wisdom collected and shared by all. "In order to maintain quality, it's important to learn from senior members," said Tadahiro Naka, who spent 50 years as a welder at Komatsu before retiring. He now instructs high school students, teaching them the welding trade senior members of the company taught him.

"I succeeded in this business because of the enthusiasm from older generations," he said. "Those who are motivated can learn quickly. I was told, 'Don't fear making mistakes. The gembu should always be the best place to improve.'"

Though technology has changed significantly over the years and the welding shop he once ran at Awazu is now automated in some areas, the wisdom collected from years past remains invaluable.

"There are robots doing some of the work now," Naka said. "But it is indispensable to still have the basic understanding of how to do things. It enables the best use of cutting-edge technologies."

"The desire to share Monozukuri learning inspired Kouji Orimoto, who retired from Komatsu in 2009 after 45 years at the company, to start offering free science classes for children at Komatsu-no-Mori. Starting in 2011 with 20 retirees, Orimoto and his peers each came up with topics they could teach and developed a curriculum.

Classes are held at the Waku-waku Komatsu Kan, a recreation of the company's original head office building, which features classroom space upstairs, and a children's museum and play area below. The facility was built at a former Komatsu plant site, in honor of the company's 90th anniversary in 2011.

"We want the children to work at Komatsu someday," Orimoto said. "Through Monozukuri learning we share with them about quality, reliability and manufacturing craftsmanship."

An average of 240 students in grades 3 through 6 attend science classes at Komatsu-no-Mori each year. They recently added an advanced class for select 5th and 6th graders. The program's retiree instructors also volunteer at other schools approximately eight times a year.

In advance of a Japanese educational mandate set to take effect in 2020, the Komatsu-no-Mori instructors also started coming up with ways to teach the children about programming.

They use basic models of the company's hydraulic excavators and mining trucks that students can program to move; incorporating Komatsu's end products with foundational learning.

For Mr. Yoshida, getting the chance to nurture the next generation at a place where the original Komatsu factory once stood has a certain romance to it.

"We want kids to come and be interested in science and nature," he said, "to blossom."



Yoshinobu Hirai, a retiree teaching juvenile

CSR Theme and Key Business Activities

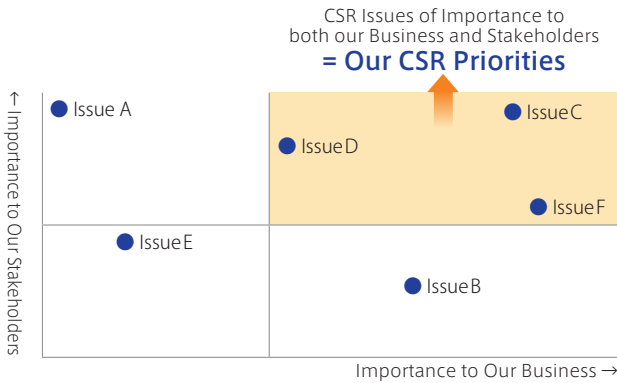
Putting together Komatsu's CSR focus areas

In 2009, we assessed our CSR activities in terms of their valuation and meaning through a societal perspective, and were proud to recognize that every one of our activities has contributed in a meaningful manner to societal needs. We are aware of the need for reliable fulfillment of our social responsibilities, and thus believe that it is necessary to first determine what both society and Komatsu considers to be of the most value. Through these determinations, we formulated our CSR material issues in.

Evaluating CSR issues

We evaluated CSR issues based on the degree of importance to our business shown on the horizontal axis, and the degree of importance to our stakeholders shown on the vertical axis.

The social issues placed in the top right quadrant are considered to be the social issues (=CSR material issues) of importance to both Komatsu's business and stakeholders. Out of those, Komatsu's CSR material issues were determined. By focusing on these material issues, we believe we can maximize our social contribution by leveraging our core strengths as an equipment manufacturer.



Formulating CSR Themes and Key Business Activities

Based on our priorities, we identified three material CSR themes, and through dialogue with BSR (Business for Social Responsibility), a third party non-profit organization based in the U.S.

Komatsu's CSR Themes

- Enhancing Quality of Life
- Providing products required by society-
- Developing People
- Growing with Society

the mid-term management plan as “activities through our core businesses”. In addition to its main business, Komatsu believes it is the responsibility of a business to engage in “social contribution activities” in the local community where business is conducted. Komatsu is engaging in the following social contributory activities that make the most of the know-how developed in our main business.

In order to achieve our goals for each of the three areas, we have determined priority activities that align with

CSR Themes	Key Business Activities	
	Activities through the core business	Social Contribution Activities
Enhancing Quality of Life - Providing products required by society -	<ul style="list-style-type: none">• Provide products and services that contribute to the development of infrastructure and improvements in quality of life• Improve production/safety, as well as promoting efficiency and energy conservation through innovation• Improve environmental efficiency at operation sites and facilities• Reduce the environmental load throughout the product life cycle• Improve safety (for customers, society, employees, business partners)	<ul style="list-style-type: none">• Promoting environmental efficiency & safety through initiatives not directly related to the business• Providing products, services, know-how required by society for free of charge
Developing People	<ul style="list-style-type: none">• Human resources development through the KOMATSU Way (employees, business partners)• Human resources development through our Brand Management initiative (employees, distributors)• Respect for employees, diversity	<ul style="list-style-type: none">• Support the development of people in local communities• Development of next generation
Growing with Society	<ul style="list-style-type: none">• Engage in dialogue with our stakeholders• Strengthen our corporate governance and compliance• Promote compliance with environmental, labor and social norms within our group and among business partners	<ul style="list-style-type: none">• Disaster Relief• Social Contribution utilizing core strength and know-how

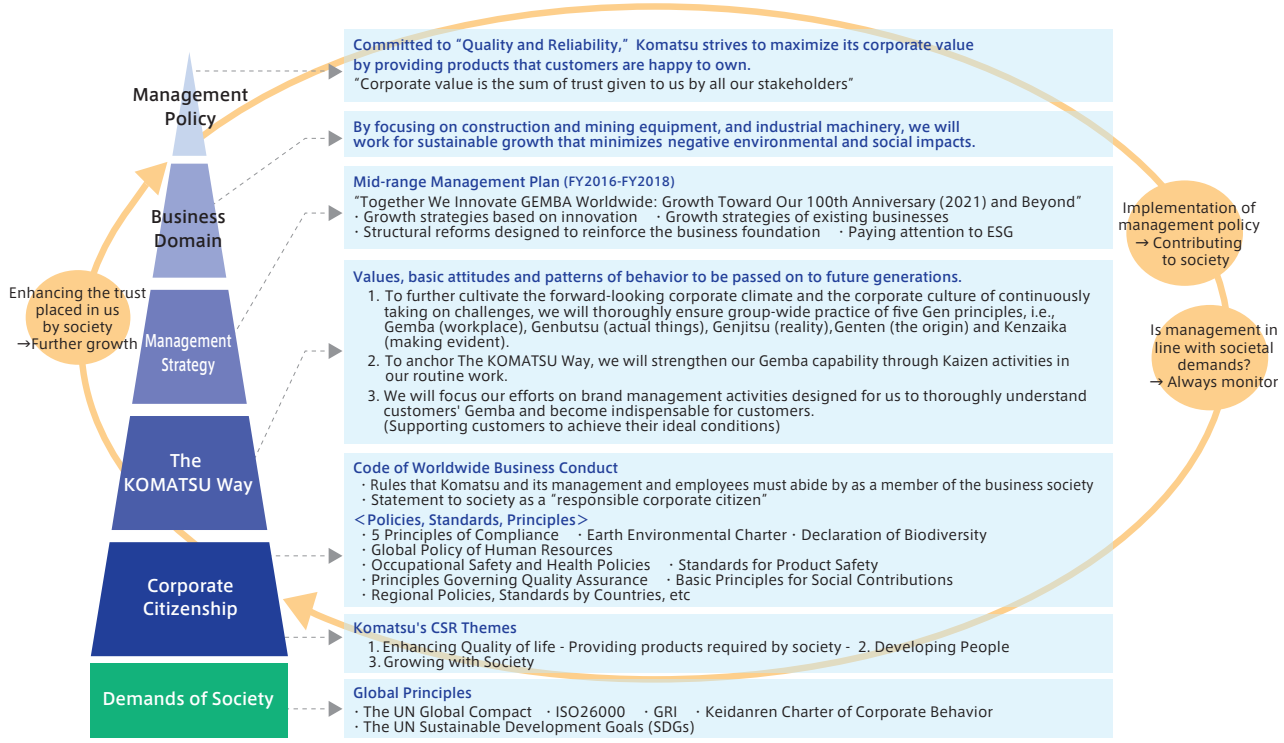
Incorporating CSR into Management

Having clearly defined our CSR themes and key activities, we consistently confirm that Komatsu meets public expectations and requirements throughout the execution of our business activities, while deepening our understanding of material issues through dialogues involving stakeholders inside and outside the company. Thus, we seek to earn the trust society has placed in us as we pursue sustainable growth.

In order to know the demands of society, we seek to adhere to not only various international guidelines such as GRI Guidelines and the Keidanren Charter of Corporate Behavior, but also to international standards

such as the United Nations Global Compact- 10 Principles and ISO 26000, as well as international goals for SDGs (Sustainable Development Goals). In addition, we will understand social issues through interactive dialogue with stakeholders and will carry out exclusive efforts.

In our social contribution activities, we pay due attention to prevailing issues in the regions where we operate while carefully considering how we can apply our strengths to undertake "activities with a human face" that are uniquely associated with Komatsu.



Comparison with Global Principles

What Komatsu considers to be material issues are listed in our CSR Priorities, each of which are in line with international standards such as the ISO26000 and the United Nations Global Compact.






ISO26000 core subjects /issues	UNGC 10 Principles	Komatsu's CSR Priorities
Organizational Governance		<ul style="list-style-type: none">• Corporate Governance• Compliance• Collaboration with business partners to comply with social regulations
Human Rights	Human Rights Principle 1 Principle 2	<ul style="list-style-type: none">• Respecting human rights• Collaboration with business partners to comply with social regulations• Development of local communities• Disaster relief• Improving local residents' quality of life
Labour Practices	Labour Principle 3 Principle 4 Principle 5 Principle 6	<ul style="list-style-type: none">• Equal employment• Safety and health• Human resource development• Collaboration with business partners to comply with social regulations
The Environment	Environment Principle 7 Principle 8 Principle 9	<ul style="list-style-type: none">• Environment-friendly products• Environmental efficiency (facilities, such as plants, and operation sites)• Remanufacturing

ISO26000 core subjects /issues	UNGC 10 Principles	Komatsu's CSR Priorities
Fair Operating Practices	Anti-Corruption Principle 10	<ul style="list-style-type: none">• Corporate governance• Compliance• Collaboration with business partners to comply with social regulations
Consumer Issues		<ul style="list-style-type: none">• Products that enhance safety• Responsible marketing and customer care• Environment-friendly products• Remanufacturing
Community Involvement and Development		<ul style="list-style-type: none">• Development of local communities• Disaster relief• Improving local residents' quality of life• Human resources development

Komatsu's CSR and SDGs (Sustainable Development Goals)

In light of the emphasis on corporate efforts towards ESG (Environmental, Social, Governance), Komatsu announced the Mid-range Management Plan in April 2016 which stated that Komatsu places emphasis on ESG. In incorporating ESG into the Mid-range Management Plan, we re-examine the relationship between Komatsu's business and CSR initiatives, reveal the direction we are currently taking, and how Komatsu's CSR activities link to the SDGs (Sustainable Development Goals) adopted by the United Nations as a common goal aimed at by the international community.

Co-relation between SDGs and Komatsu Business/CSR

SDG Goals	Komatsu Business/CSR	SDG Targets (which have strong ties with Komatsu business)
 Decent work & economic growth	<ul style="list-style-type: none">● We strive for increased employment and job creation in regions where we operate by utilizing our human resource and skills development know-how cultivated in our business.● We place top priority in providing a safe and rewarding workplace for our customers' employees worldwide.	<ul style="list-style-type: none">· Achieve full and productive employment and decent work· Reduce youth not in employment, education or training· Achieve higher levels of economic productivity through diversification, technological upgrading and innovation· Improve resource efficiency in consumption and production
 Industry Innovation & Infrastructure	<ul style="list-style-type: none">● We enhance productivity, safety and reduction of the environmental impact of our customers' business by providing innovative and environmentally sound business solutions.● We collaborate with business partners and stakeholders, including our customers, towards advanced technology contributing to sustainable infrastructure and energy/resource development.	<ul style="list-style-type: none">· Develop resilient infrastructure to support economic development and human well-being· Promote inclusive and sustainable industrialization· Upgrade infrastructure with greater adoption of clean and environmentally sound technologies and industrial processes· Encouraging innovation and sustainability increasing the number of research and development workers per 1 million people and public and private research and development spending
 Sustainable cities	<ul style="list-style-type: none">● We contribute to bringing industrial vitalization and enhancement of quality of life through our Dantotsu(Unrivaled)Products, Services and Solutions which accelerate sustainable infrastructure development and urbanization.● We support development of cities resilient to natural disasters and provide disaster relief Komatsu equipment and core business skills.	<ul style="list-style-type: none">· Provide access to sustainable transport systems (infrastructures, including roads)· Enhance inclusive and sustainable urbanization· Reduce the environmental impact by waste management· Reduce the number of people affected by disasters
 Climate change	<ul style="list-style-type: none">● We commit to reduce carbon emissions and environmental impact throughout our value chain.● We increase efficiency and reduce energy use through innovation.	<ul style="list-style-type: none">· Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters· Raising capacity for effective climate change-related planning and management focusing on women, youth and communities
 Partnerships	<ul style="list-style-type: none">● We engage with stakeholders to understand societal needs and take action.● We foster actions complying with social, environmental and working condition norms including our business partners.● We work towards social solutions through open innovation, academic-industrial collaborations, and partnering with customers, distributors, suppliers and local communities.	<ul style="list-style-type: none">· Enhance regional and international cooperation on and access to science, technology and innovation· Enhance knowledge sharing through a global technology facilitation mechanism· Enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships

● Enhancing Quality of Life ● Developing People ● Growing with Society

SDGs (Sustainable Development Goals)
The SDGs, officially known as The 2030 Agenda for Sustainable Development is a set of 17 goals with 169 targets covering a broad range of sustainable development issues, which was adopted at the United Nations General Assembly in September, 2015.

Organization to Promote CSR

Organization	Committee	Area of CSR Oversight
President and CEO	Executive Officer Supervising CSR	
CSR Dept.	CSR Committee	Overall CSR・Social Contribution
	CSR Steering Committee	
Environmental Affairs Dept.	Earth Environment Committee	Environment
Compliance Dept.	Compliance Committee	Compliance
KOMATSU Way Global Institute	Komatsu Way Committee	Developing Human Resources
Internal Audit Dept.		Internal Auditing
General Affairs Dept.	Risk Management Committee	Risk Management
	Information Security Committee	Information Security
Legal Dept.		Compliance with Laws
Export Control Dept.	Export Control Committee	Export Control
Corporate Communications Dept.	Information Disclosure Committee	Information Disclosure
Human Resources Dept.	Personnel Committee	Personnel System
Quality Assurance Division	Corporate-level Product Safety Committee	Product Safety
Safety & Health Admin Dept.	Group Health and Safety Committee	Health and Safety
Procurement Div.		Procurement
Business Coordination Dept.	IR Steering Committee	Investor Relations (IR)
		Corporate Governance
Subsidiaries / Offices		
Business Division		Implementation of CSR

Dialogue with Our Stakeholders

Stakeholders	Purposes	Examples of Meetings and Activities	Frequency
Customers	Collaborate to realize customers' goals and fulfill corporate responsibility	Brand Management Activities	Daily
	Collaborate to resolve issues in society and in the regions where we operate, and participate in local activities		Daily
Business Partners	President explains business performances, policies and strategies	Various meetings with Midori-kai	3 times a year
	Conduct safety patrols and provide opportunities such as for support of efforts for obtaining certification		As needed
Distributors	Explanation by the President on business performance, policies and strategies	Distributor meetings in each region	Annually
Employees	Explanation by the President business performance, policies and strategies	Meetings with the President Shaing Q&A session content with global global employees via the intranet	Semiannually As needed
	Dialogue with the labor union and employee representatives to improve the workplace environment	Regular Meetings between Management and Labor Union	As needed
Local Community	Explanation of initiatives related to operations, the environment and safety	Meetings with residents of the local community near the plant	As needed
	Activities to resolve local issues based on employee suggestions	Voluntary activities by employees	Daily
Industry-Academia Collaboration Partners	Exchange of ideas and opinions between representatives such as university professors and our Chief Technology Officer	Komatsu Science and Technology Collaboration Council	Biannually
Investors	CEO and CFO explanation of business performance, policies and strategies	IR Meeting	Japan: Daily USA and Europe: Annually
	Respond to inquiries and SRI surveys	SRI Surveys	Daily
Individual Shareholders	CEO and CFO explanation of business performance, policies and strategies	Shareholders Meetings	2・3 times a year, held in Japan
	Plant tours and explanation of operations	Plant tours for shareholders	About twice a year in Japan

External Evaluations

Commendations from Assessment Bodies



External Evaluations for CSR Activities (FY2017)

2017

April	Certified as SBT (Science Based Targets)
July	Selected for inclusion in the FTSE Blossom Japan Index Component
July	Selected as a MSCI Japan ESG Select Leaders Index
July	Selected as a MSCI Japan Empowering Women Index

September	Listed on the Dow Jones Sustainability Index list of companies
October	Certified as CDP "Climate Change" and "Water" A List Company
December	Chosen to be a Euronext Vigeo World 120 index
December	22st IR Excellent Business Prize awarded








2018

February	Ranked fourth (among 1,413 firms) in the 12th "CSR Firm Ranking" compiled by Toyo Keizai Inc.
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March	Chosen on the "Nadeshiko Brand 2017" list, or a list of firms supporting active promotion of women
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Major Achievements and Mid-term Plans

Komatsu's CSR themes, concrete initiatives of key business activities, and mid-term issues and targets are as follows.

	Contributing to Society through Core Business			Social Contribution Activities
CSR Theme	Key Business Activities	Major Achievements for FY2017	Mid-term Issues and Targets	Major Achievements for FY2017
Enhancing Quality of Life	Providing products and services that contribute to infrastructure development and improvement of quality of life	Solution Business SMARTCONSTRUCTION - Partnership to increase the safety and productivity of construction sites - Expansion of launching construction equipment that respond to comprehensive applications of ICT "i-Construction" advocated by Japan's MLIT	Fostering the enhancement of SMARTCONSTRUCTION as a core business Sales expansion of ICT intensive machines in Japan, USA and Europe	Support for Agriculture with ICT ・Promotion of rice field flattening and direct sowing cultivation by multifunctional ICT bulldozers    
	Improving productivity, safety and efficiency, and enhancing energy conservation through innovations	Autonomous Haulage System (AHS) 10th anniversary of commercial introduction	Optimization of mining machine operations, and expanding scope of remote and unattended operations Reinforcement of global presence in quarry and cement production business	
	Improving environmental efficiency at operation sites and plants	Tier4 Final Compliant Models Released Reduction in CO2 Emissions of Construction Equipment	Expanding lines of environmentally compatible models 25% of CO2 reduction per work volume (New models to be sold in FY2025 as compared to FY2007)	
		Reduction of CO2 emissions in manufacturing in; Japan -39.2% (compared to FY2000)	Japan -57% (in FY2020 compared to FY2000)	
		Overseas -26.2% (compared to FY2010)	Overseas -32% (in FY2020 compared to FY2010)	
	Reducing environmental impact throughout the product life cycle	Reduction of water consumption in Japan: -42.7% (compared to FY2010)	Japan -40% (in FY2020 compared to FY2010) Overseas -10% (in FY2020 compared to FY2010)	
		Implemented reducing electricity usage project to suppliers (93 companies)	Follow-up action to suppliers that could not achieve the targets	
		Water risk seminar for suppliers: Distribution of the best practice booklet related with water usage reduction (to 93 member firms of the Midori-kai)		
	Enhancing safety for society, customers, employees and business partners	Cardiopulmonary resuscitation training for all domestic Komatsu Group employees	All employees receive course training (Domestic employee attendance rate as of the end of FY 2017: 91.5%)	
		Promoting the Five-Year Health Development Plan in Japan (Lifestyle diseases, cancer, Tabaco and mental health)	Continuation of the Five-Year Health Development Plan	
		Safety patrol in suppliers' sites (97 companies)	Continuation of safety patrol in suppliers' sites	
Developing People	Enhancing our employees and suppliers through the KOMATSU Way	Employee trainings (non-consolidated); Average hours per FTE: 58 hours	Continuation of Employee Training	Local HR development in the area of construction equipment and manufacturing ・Komatsu and Cummins collaborative program Komatsu-no-mori (science class provided by retired employees and flower fostering) ・52,000 visitors (FY2017) 
		Average spent per FTE: JPY 255 thousand		
		Continued QC instructor trainings to oversea subsidiaries	Developing national employees as in-house KOMATSU Way instructors Conduct surveys on understanding of The KOMATSU Way	
		Full-scale "Asia Training & Demonstration Center" in Thailand	Continuation of manufacturing skills development world-wide	
		Manufacturing skill competition (181 participants from 11 countries)		
		QC circle competition (94 cases from 14 countries)		
	Development of employees and distributors through Brand Management initiatives	Improvement and expansion of Brand Management activities	Continuation of improvement and expansion of Brand Management activities	
	Respect for employees, Diversity	Enhancement of employees' work-life balance (Average days of paid leave taken per year: 19.4 days)	Continuation of enhancement of employees' work-life balance (less than 2,100 working hours per year, and at least 18 days of paid leave taken per year)	
		Holding female employee exchange workshops	Promoting female employees (Ratio of employees in management positions: 8% in April 2019, 10% in April 2021)	
		Continuation of Career plan training for female employees	Continuation of creating workplaces that provide a sense of fulfillment such as activity of Business Creation Center	
Promoting employment of persons with disabilities (Employment ratio : 2.50%, non-consolidated)				
Growing with Society	Engaging in dialogues with our stakeholders	Shareholders' meeting (December, 984participants)	Continuation of communication activities	Disaster relief ・Assistance to America in Hurricane disaster areas Clearing anti-personnel land mines and reconstruction support ・1,735ha landmines removal in Cambodia. Total removal count 1,360 landmines, Road construction 61.8km, Ponds constructed 46, Schools constructed 8 (cumulative total). ・200ha Cluster bomb removal in Laos. Total removal count - 1,436 bombs ・Visiting lectures in Japan approximately 50 times, about 4,500 people  
		Plant tours for individual shareholders (September to March, 526 participants)		
		Techno Center tours for individual shareholders (August, 212participants)		
		Meetings for Individual Investors (11 cities in Japan, 1,045 participants)		
		Plant Fairs (8 plants in Japan, 56,350 visitors)		
		President meeting with employees and sharing Q&A session contents with global employees		
	Strengthening our corporate governance and compliance	Establishment of Komatsu Mining Corp. (April 2018)	Improve efficiency by integration, technological innovation, and strengthening of development capabilities	
		Conducting compliance and risk audit (575 offices)	Improve efficiency by integration, technological innovation, and strengthening of development capabilities	
		Conducting compliance training (17,800 employees)		
		Information provision through "Everybody's Compliance" (147 issues, March 2018)		
	Promoting compliance with environmental, labor, human rights and social norms within the Group and among business partners	Conducting safety patrol (99 suppliers)	Continuation of individual activities based on "CSR procurement guideline"	
		Implementation of electric power consumption reduction activities (96 suppliers)		
		CSR training (23 suppliers), Subcontracting Charges Law Training (312 participants from 181 suppliers)		
		Information provision through "CSR Bulletin" (118 issues, cumulative total)		

Part of our Way

Leading the Way at Awazu Plant

Since 1938, our Awazu manufacturing plant in Japan's Ishikawa Prefecture has been a key supporter of local business and industry. One of the largest out of nine Komatsu Mother Plants worldwide, Awazu is a standard-setting facility for Komatsu operations. The first bulldozers in Japan were manufactured there, and today it is the lead facility for small to mid-sized equipment such as dozers, hydraulic excavators, wheel loaders, motor graders and transmissions. In recent years, Awazu has worked to become a sustainable community partner, as well.

Following the 2011 earthquake that left millions in Japan temporarily without electricity, Komatsu leadership began to look for ways to reduce electrical consumption and become less dependent on the traditional power grid. The decision was made to consolidate two outdated plants at Awazu into one new assembly plant that was designed to cut electric power consumption drastically while supporting new business in the community.

By combining leading-edge design with alternative energy sources, Awazu's new assembly plant, built in 2014, reduced electrical power consumption by 90 percent.

To pull off this exciting feat, Komatsu worked with local business partners to ensure the work supported the



Awazu plant in Ishikawa Prefecture

surrounding community, as well.

Now, customers, suppliers and local school groups frequently request tours to see the facility's innovative capabilities.

"It's such a small town, but Komatsu has a big presence," said local business owner Masayuki Ito, president of Ito Iron Works, a Komatsu business partner. "We are proud to have Awazu here."

One of the facility's primary energy reduction mechanisms, a biomass power generation system, has created a microindustry in Ishikawa Prefecture; sustaining new jobs and the creation of new equipment.

"This was an important aspect of the overhaul of Awazu's facility," said Yoshihiro Toi, manager of the Manufacturing Engineering Department, "We created a property that was not only environmentally sustainable, but that could help sustain the surrounding community as well."

"Since entering into an agreement with Komatsu in 2014 to supply the necessary woodchip fuel for Awazu's biomass cogeneration system, the local KAGA Forest Association has developed a full woodchip production business that supports the area's forestry industry. The woodchips are burned at Awazu plant's Woody Biomass Power Generation facility to produce high-pressure steam that generates electricity, as well as hot and cold water used in heating and cooling the plant.

To secure water resources for agricultural use and cut down on the amount of waste timber clogging up area streams and rivers, the Forest Association collects and cuts down trees from southern Ishikawa Prefecture to preserve balanced forestry environments.

This work is very important for the health of the area's natural resources, but at least 30 percent of the resulting timber was unusable for construction or commercial purposes.

Now, that resource plays a crucial role at Awazu, as leftover timber is turned into woodchips that fuel biogenerative power.

"The logs that were not used before now have a purpose," said Masaaki Shimizu, senior managing director of the KAGA Forest Association. "They help create energy and also new jobs."

Komatsu worked with local manufacturing firm Tagami Ex Co. Ltd. to develop special equipment which satisfies Awazu's woodchip needs. Yoshimichi Tagami, chairman of Tagami Ex, said that Komatsu's partnership was necessary to grow the local forestry industry.

"We are very appreciative that Komatsu is paying attention to the forestry industry," said Yoshihiro Tagami, president of Tagami Ex. "An entire local industry is benefitting."



Chipping equipment developed by Tagami Ex

When approached by the company about developing the woodchip equipment, Tagami initially thought they wouldn't be able to support the level of business Komatsu sought to provide. But the Komatsu teams were passionate about making it work and collaborated with Tagami's teams to develop the new equipment required. That commitment as not only a business partner, but as a supporter of sustainable technologies, led to mutual success.

"It's very motivating for us, for our work," Tagami senior added, "to know the chips our machines produce are used for conservation-related activities."

"Opting to rely on biomass power at Awazu was a strategic decision that involved considerations far beyond ease and cost. But it was a choice that brought the community along on the journey, in keeping with Komatsu's founding spirit."

"Biomass facility is very tough to control in terms of operation," said Norio Mitani, project manager of the Woody Biomass Power Generation facility. "You have to have a certain level of raw materials to make it work. And you have to think of profitability, too. It's much easier to just use fuel oil boilers. It's tough, but we wanted to contribute to the community and forestry conservation."

In keeping with the communal spirit of the project, younger generations of Komatsu employees led the design, planning and implementation efforts for the changes at Awazu. More senior employees then reviewed the suggestions and they would meet together to make decisions.

Another key way they were able to reduce energy consumption was to only heat and cool the three meters immediately above and below the shop floor. Typical facility design would have wasted energy heating and cooling the entire 18 meter height of the facility. But at Awazu, air is rotated through the six-meter loop above and below the floor using a system of fans, pumps and radiators that leverage the underground water supply and geothermal energy, requiring very little electricity.

Komatsu teams also reduced energy demands by designing the new assembly shop to maximize efficiencies.

Productivity per area unit doubled thanks to the inclusion of slowly rotating assembly line floor panels that minimize time wasted moving between tools and areas of the machine. Employees can put their tool boxes on the rotating floor and it will move with them, allowing them to concentrate on their assembly work.

Installing double-sided cranes allowed the facility footprint to be shortened by 30 percent compared to prior designs. The plant's overhead cranes also contribute to the sustainability effort, generating energy (converted into electricity) with every downward movement. The concept was inspired by the energy-saving mechanics of Komatsu's hydraulic excavators.

Even the rollers used in the interior testing facility play a part: generating electricity that feeds back into the plant's power system. Solar panels on the roof add to the self-generated energy that has allowed Awazu to drastically reduce its public power consumption and serve as a shining example of Komatsu's commitment to sustainability.

With its commitment to looking at the big picture, both within the facility and in the surrounding community, Komatsu's Awazu facility embodies the Monozukuri spirit that is essential to the company's long-term success. When we speak about Monozukuri, which literally translates as "manufacturing," at Komatsu we are not referring only to activities on the plant floor. Rather, we define Monozukuri as teamwork activities performed by all members of the Komatsu family, including internal divisions and external partners.

"You cannot limit yourself to your own scope of work," said Chizuru Nakaizumi, who works at Awazu along with her daughter and son-in-law. Her husband also works for Komatsu in China. "You need to understand the overall flow."

Nakaizumi said she is proud to work for a company that cares about the environment and takes its role in the flow of a sustainable society seriously.

"The biomass facility," she said, "has this good cycle of using the trees to support the creation of equipment that then helps take care of the environment."

These innovative "circles of support" in the way we operate and interact with our community and our environment are what has made Awazu plant not just a Komatsu success story, but a sustainability success story.

"The factory was able to grow along with the people in this community," said Mitani. "We were able to grow because of them. So we wanted to return that support. It's our duty. We are a global company with close ties to the community."

Product Safety -Increasing Safety by Innovation-

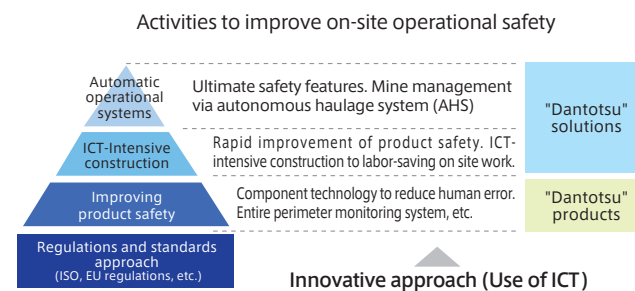
Our innovative processes afford us the ability to consistently conceive valuable ideas in multiple fields, such as environmental design and economic efficiency. Out of these areas, the one which we consider to be of the most importance is that of "Safety".

From providing safe products to the overall safety of our automatic operational systems, we persistently utilize the full scope of our innovation capabilities to find ways in which safety is used to maximize the value of our products to our customers.

On-site Operational Safety

The provision of profoundly safe products is the most important responsibility of any manufacturer. With that in mind, we strive to exceed what is expected of us by going above and beyond the call of duty. On top of meeting all international standards and regulations, we supplement our products with additional safety features that remain unsurpassed by our competitors.

This commitment, compounded with our innovative drive for safety improvement, also allows our customers to achieve the consummate climate of safety within their operations.



Example of Safety Activities

Komatsu celebrates the 10th anniversary of the commercial deployment of Autonomous Haulage System (AHS): Meeting the "100-AHS-trucks-in-operation" milestone inspires plans to accelerate pace of mining automation

In 2005, Komatsu began AHS trials at CODELCO's copper mine in Chile, subsequently achieving the world's first commercial AHS deployment with CODELCO in January 2008. A second successful deployment followed in late 2008 at Rio Tinto's iron ore mine in Australia. To date, Rio Tinto operates AHS trucks in four mines in the Pilbara region of Western Australia. The entire AHS operation is controlled remotely and efficiently from Rio Tinto's operations center in Perth, roughly 1,500 km from the mines. Following the successes of these AHS deployments, Komatsu supported Suncor's AHS testing in a section of their oil sands mine in Canada in 2013.

Today, our Automatic Hauling Systems operate around the clock, hauling three different commodities in six mines across three continents. It has achieved significant milestones in efficiency, safety, and environmental friendliness. By the end of 2017, the AHS recorded a world-leading cumulative total of 1.5 billion tons of materials hauled. With regards to safety, we have found the AHS to be significantly safer than conventional mining methods where even a small truck driving error could cause a serious accident. AHS has created large-scale customer efficiency, reducing load and haul unit costs by more than 15% compared to conventional haulage methods. In addition, the optimized automatic controls of the AHS reduce sudden acceleration and abrupt steering resulting in a 40% improvement of

tire life which reduces the need for replacements and related environmental impacts.

In order to extend the scope of AHS's applicability to operations with manned haul fleets, Komatsu conducted and successfully completed trials of its AHS retrofit kit at Rio Tinto's existing mine in September 2017. The retrofit kit, mounted on a Komatsu electric drive standard truck 830E (nominal payload: 220 tons), enabled the truck to operate in autonomous mode. As a result, Komatsu received an order from Rio Tinto for 29 AHS retrofit kits, to be installed on 830E standard trucks currently operating at Rio Tinto's Brockman 4 mine.

In addition to expanding the AHS retrofit kit to include other main models of Komatsu electric drive standard trucks, Komatsu is planning to enhance the AHS's mixed-operation functions. The planned enhancements will enable manned haul trucks of any make to safely interoperate with Komatsu AHS trucks in a blended fleet operation. Under this initiative, Komatsu has committed to provide mining customers with AHS solutions to meet the growing demand for gradual transitions to fully automated mines.



A standard truck 830E with the AHS retrofit kit running in autonomous mode at Rio Tinto's mine in Australia

Quality and Reliability - Responsible Commitment to Customers -

Komatsu's commitment to quality and reliability is encapsulated within the fundamental principle of "Monozukuri" (manufacturing competitiveness). With this in mind, we are dedicated to maintaining a portfolio of first-class products—both hardware and software—that builds on customer satisfaction. Our basic managerial policies have a strong focus on customer-centricity, creating a manufacturing ecosystem that places customer satisfaction at the forefront of its priorities. We maintain the standards of quality that have become an integral part of our organizational culture through a continuous process of assessment and refinement that takes place across all areas of our production process.

Principles Governing Quality Assurance

1. Putting customers first, being receptive to the views of the customer, and responding appropriately to the customer, thereby earning the customer's satisfaction, are fundamental to the job of every employee and constitute the responsibility of every employee.
2. Complying with international standards and the legal requirements particular to individual countries as a matter of course, and providing products and services that, from the perspective of the customer, have incorporated proper regard for safety and a sense of assurance and that do not easily malfunction, are fundamental to the job of every employee and constitute the responsibility of every employee.
3. Providing products and services that incorporate proper regard for global environmental conservation is fundamental to the job of every employee and constitute the responsibility of every employee.
4. Providing products and services that are creative and provide benefits to the customer is fundamental to the job of every employee and constitute the responsibility of every employee.
5. Giving the customer a sense of safety, assurance, satisfaction, and the ability to use the product for many years to come is a source of happiness for every employee.

Mechanisms for Quality Assurance

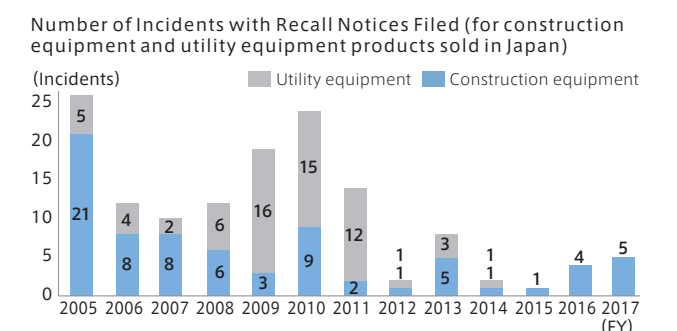
Komatsu employees across all areas of our operations, from product planning to development, manufacturing, sales, and after-sales service, work together as a single cohesive unit to ensure that the products we develop are safe, innovative, and of high quality. Our unique "monozukuri" system enables the creation and subsequent introduction of highly competitive DANTOTSU products into the market, whilst maintaining our significant competitive advantage through goods and services with a wide array of substantial features.

Keeping in line with our commitment to product quality and innovation, a variety of meetings are held at each stage of the development and manufacturing process. Through this meticulous step-by-step process, the product's features are enhanced and refined until it meets the high standards that we adhere to.



System for Dealing with Recalls

We have noticed a paradigm shift in customer concerns in recent years, with a greater focus on product safety and recalls. To meet these new expectations and ensure product safety in our markets, Komatsu is reinforcing its recall-related organizational strength, comprehensive response capabilities, procedures for prompt corrective measures, and proactive information disclosure whilst conducting increasingly rigorous monitoring activities.



Occupational Safety and Health

Occupational Safety and Health is a core component in Komatsu's business operations. In line with this commitment, Komatsu thus enhances safety at the workplace for our employees and business partners.

Our Approach to Safety and Health at the Workplace

Message from the President Concerning Occupational Safety and Health

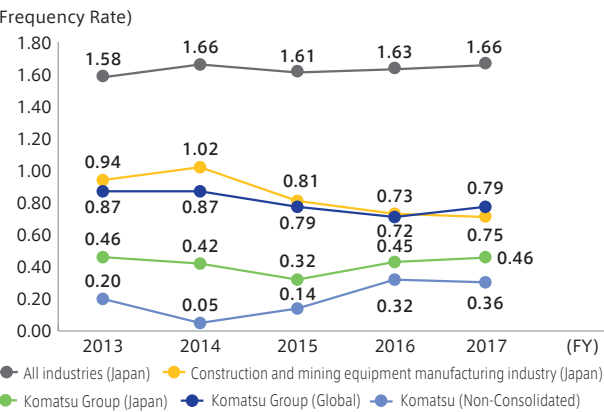
1. The Komatsu Group shall, first of all, strive to ensure a safe and comfortable work environment, and maintain and promote employee health.
2. The Komatsu Group shall promote proactive occupational safety and health activities in order for all employees to achieve the above conditions by working together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

Occupational Safety and Health Policies

(Released as a part of the Komatsu's Worldwide Code of Business Conduct on April 1, 2011)

1. Observe the laws and regulations concerning occupational safety and health as well as internal rules, key items common to the Komatsu Group about occupational safety and health, and particularly items agreed as a result of labor-management consultations in each workplace.
2. Set up targets for activities based on occupational safety and health policies, review their progress, and endeavor to continuously improve and enhance occupational safety and health activities.
3. Carry out occupational safety and health activities in management-and-labor partnership on a full participation basis and keep good communication with stakeholders with regard to occupational safety and health.
4. Identify and evaluate the risk for occupational safety and health of a workplace and take appropriate actions accordingly.
5. Actively promote employees' healthcare management and support the maintenance and promotion of employees' health.
6. Actively promote education, training and qualification acquisition necessary for employees' occupational safety and health activities, and endeavor to develop human resources for safely carrying out their responsibilities in the workplace.
7. Subject to appropriate protection of personal information, publicly offer the knowledge and information about occupational safety and health activities obtained through the business activities in order to secure safety and health in society.

Incidence Rate of Occupational Accidents (Frequency Rate of Lost Worktime)



1. The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) are provided by the Ministry of Health, Labour and Welfare.
2. The scope of the Komatsu Group (Japan) includes Komatsu Ltd. and group companies in Japan.
3. The scope of the Komatsu Group (global) includes "Komatsu Group (Japan)" and overseas production plants.

Educational Training for Labor Safety and Health (in Japan)

Contents	FY2017 Practice
Based on the rules of the Industrial Safety and Health Act, educational training for mental health is conducted. Stress assessments were started in FY2006, and stress awareness training were started in FY2007 and is being held for the employees of all Group companies in Japan	・ Stress assessment/awareness training implemented in 30 companies, with approximately 23,409 employees ・ "Support Letter for the Heart", which is motivational material for management personnel, is distributed every other month to management personnel within the Group.

Education based on Job Levels

Contents	FY2017 Practice
Safety and Health education and mental health education is provided to each level of the company including new employees	New Employees (1 time, 330 people) 3rd year of employment with the company (10 times, 330 people) Hiring experienced individuals (4 times, 105 people) New Assistant Managers (10 times, 307 people) Foremen/Senior Foremen (6 times, 147 people) New Managers (6 times, 188 people)

Pursuing Environmental Management

Komatsu's Relationship with the Environment

Komatsu promotes environmentally-friendly activities throughout the entire Group to realize its vision of "What Komatsu Can Do and What It Must Do" for the environment and sustainable development.

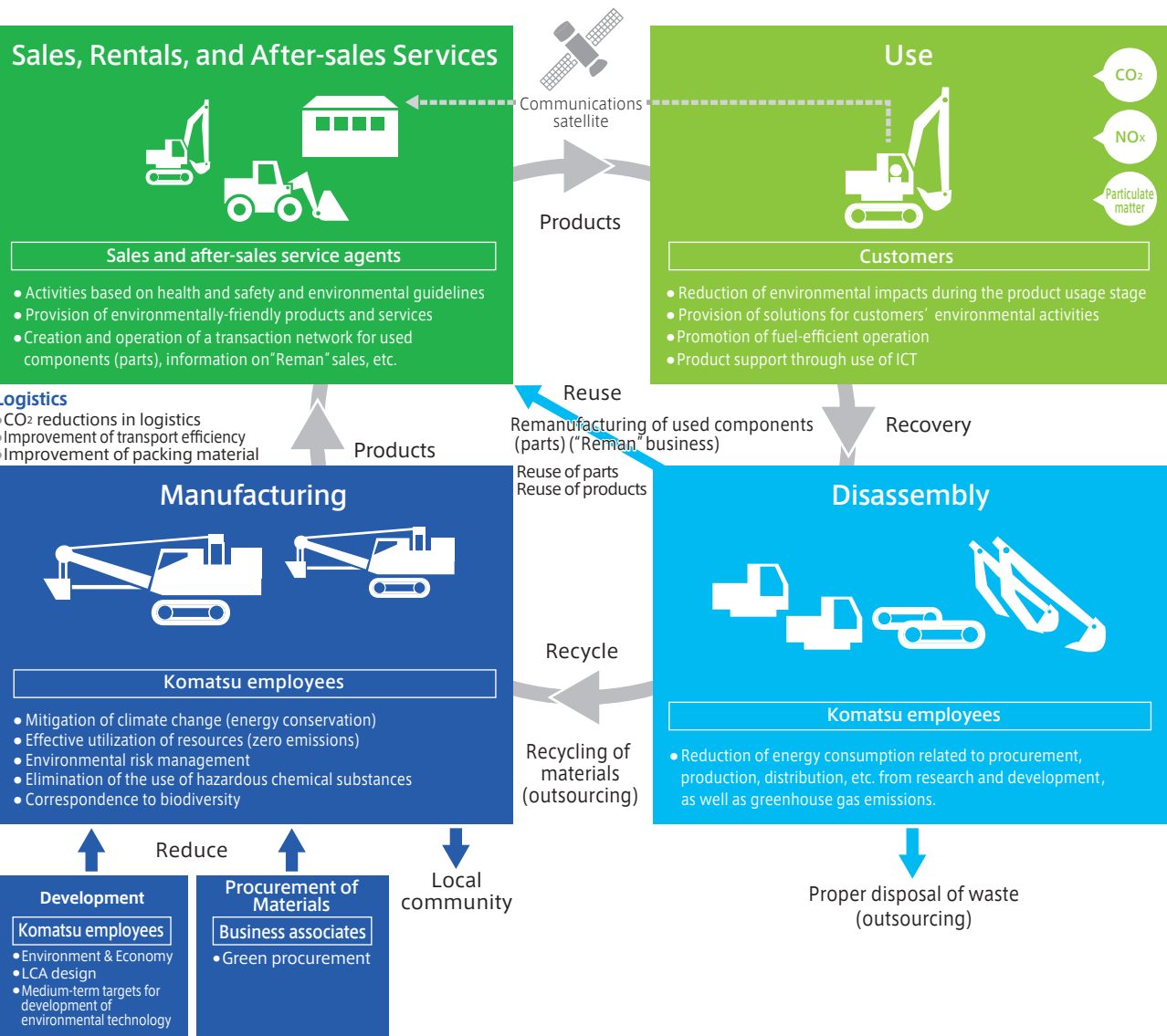
In recognition of the fact that our business activities affect the environment on a regional and global level, we, at Komatsu, have placed the focus on the following four key areas:

1. Climate Change
2. Establishment of a Sound Material-Cycle Society
3. Conservation of Air, Water and Other Natural Resources as well as Management of Chemical Substances
4. Biodiversity

In line with the Komatsu Earth Environment Charter revised in 2010, the Komatsu Group embarks on global initiatives across business areas guided by the fundamental principles of

- Contributions to Realization of Sustainable Society,
- Simultaneous Realization of Environmental and Economic Performance, and
- Observance of Corporate Social Responsibility.

Relationship of the Komatsu Group's Business Activities with the Environment



Komatsu Earth Environment Charter (June 2010 revision)

Corporate Principles

1. Contributions to Realization of Sustainable Society

Mankind must not only promote the further growth of a rich and comfortable society but also pass down this indispensable environment of our planet earth to future generations in a sound and healthy condition. We, at the Komatsu Group, define environmental conservation efforts as one of the highest priority management tasks, and endeavor to contribute to the sustainable growth of society by integrating advanced technologies into environmental conservation efforts in all our business activities. This is represented by our hybrid construction equipment which features a substantial reduction of CO₂ emissions while in operation and by our superior manufacturing.

2. Simultaneous Realization of Environmental and Economic Performance

We are committed to improving both environmental performance and economic efficiency, as a group of

companies working toward superior manufacturing for customer satisfaction. To this end, we constantly take up the challenge of advancing technologies to develop creative products that improve both environmental performance throughout the product's life cycle and the product's economic performance at the same time.

3. Observance of Corporate Social Responsibility

Each company of the Komatsu Group promotes environmental conservation by not only complying with the applicable laws and regulations of the concerned host community, region and country but also by establishing its voluntary standards which consider global and local environmental concerns. Each company of the Group also strives to fulfill its corporate social responsibility by actively participating in local environmental conservation programs and thereby promoting close-knit communication with local communities, while striving to become a company trusted by all Komatsu stakeholders.

Guidelines for Corporate Activity

1. Basic Stances on Earth Environmental Problems

We, at the Komatsu Group, work for sustainable society and earth environment through our global business operations by addressing the following four environmental problems with the stances discussed below.

1) Climate Change

We will reduce the use of energy and emissions of greenhouse gas in all phases of our business activities ranging from research and development, procurement, production and logistics to sales and service as well as in the total life cycle of our products and services.

2) Establishment of a Sound Material-Cycle Society

Through our business processes, we work to minimize the use of natural resources, such as materials and water, promote their re-use or recycle them as much as possible, and expand Zero Emissions from our manufacturing activities around the world. At the same time we ensure the thorough management of waste materials in all our business domains, including our suppliers and distributors.

We also continuously work to increase the recyclability rate of products at the time of disposal.

3) Conservation of Air, Water and Other Environments as well as Management of Chemical Substances

We comply with not only local laws and regulations but also with our established standards concerning the conservation of water quality, prevention of air pollution, noise and vibrations.

As much as possible, we also ensure the thorough

management of chemical substances for use in our business activities, while continuously reducing the use of potentially harmful chemical substances or replacing them with alternative substances for discontinuation of their use.

4) Biodiversity

We recognize biodiversity as one of the important issues concerning the earth environment, evaluate, understand and analyze impact on it in all our business domains, and work on our tasks according to the criteria of the highest impact and/or the most effective actions.

2. Framework of Global, Group-wide Environmental Management System

The Komatsu Head Office, as well as the manufacturing facilities and main companies of the Komatsu Group, already with ISO certifications, will work to maintain and improve their environmental management system, while other manufacturing facilities and suppliers will also work to establish their environmental management systems and reduce their environmental impact.

The Komatsu Environmental Committee develops environmental action plans and common guidelines for the Komatsu Group. Based on these Group-wide plans and guidelines, each division or company sets up its own mid-to long-term targets, develops and implements specific action plans, reviews them regularly and works to continuously improve them.

3. Environmental Education and Communication

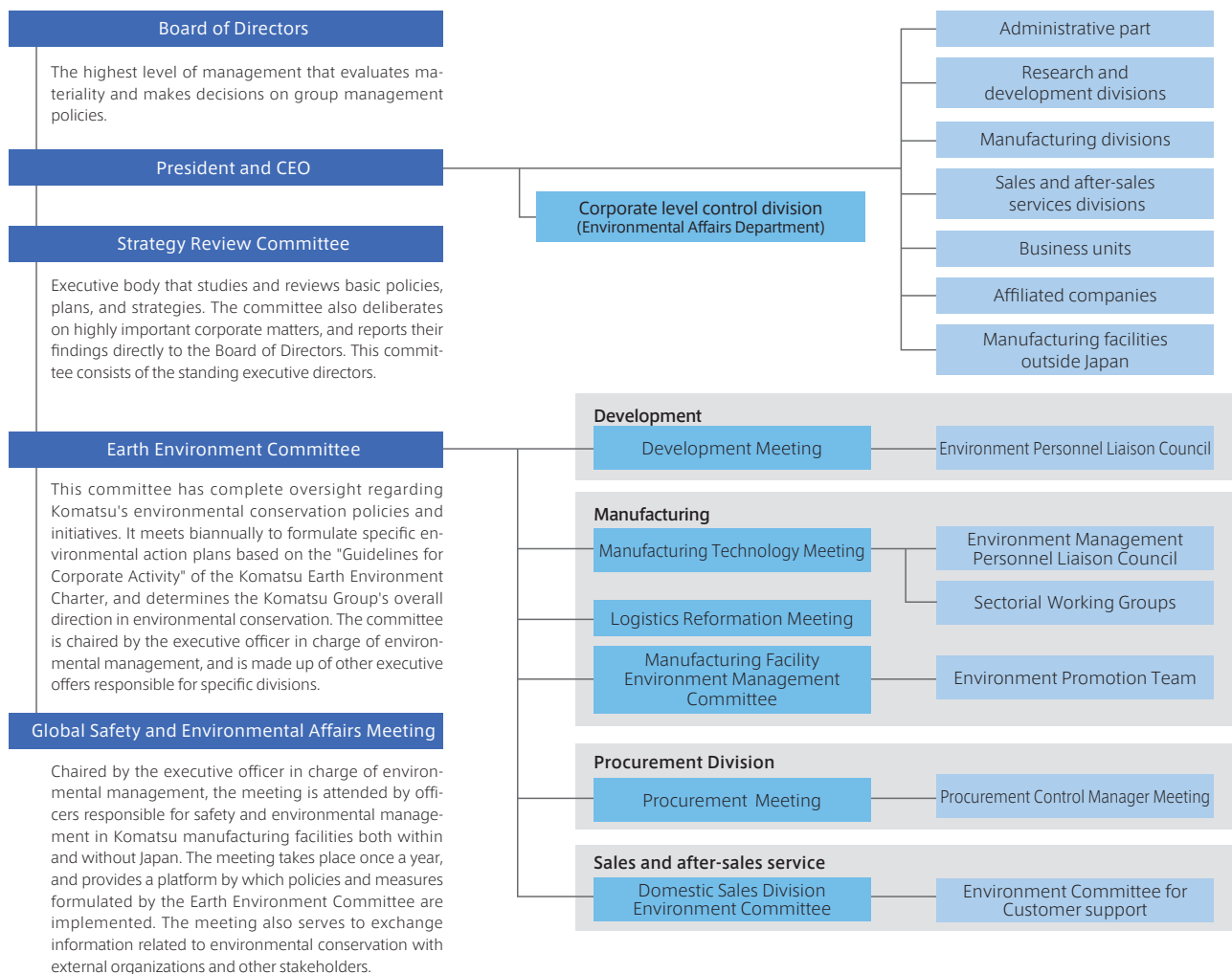
We believe that it is important to enhance the environmental awareness of each and every employee and thereby actively promote environmental awareness and

education programs for all employees.

We will gather environment-related information concerning not only our manufacturing facilities but also other related entities, such as major affiliated companies and suppliers, and strive to disclose such information,

thereby facilitating proactive communication with all our stakeholders, such as customers, employees, local communities and suppliers and further expanding the content of environmental communication.

Organizational Chart of the Environmental Management Structure



Acquiring ISO14001

Komatsu has implemented a Group-wide initiative to acquire ISO14001 certification, an international standard for environmental management systems. The objective is to enhance management quality by strengthening systematic steps towards environmental conservation. Since 1997, several of our domestic and foreign manufacturing facilities received certification. In FY2005, four plants belonging to our parent company, Komatsu Ltd. (Awazu, Osaka, Moo-ka, and Oyama), acquired integrated certification. We further added to this number in FY2007, with our major affiliates in Japan and non-certified non-manufacturing facilities (notably the head Office) receiving integrated certification in May 2008, allowing us to achieve integrated certification as a Group. From 2017, we carried out the same certification ac-

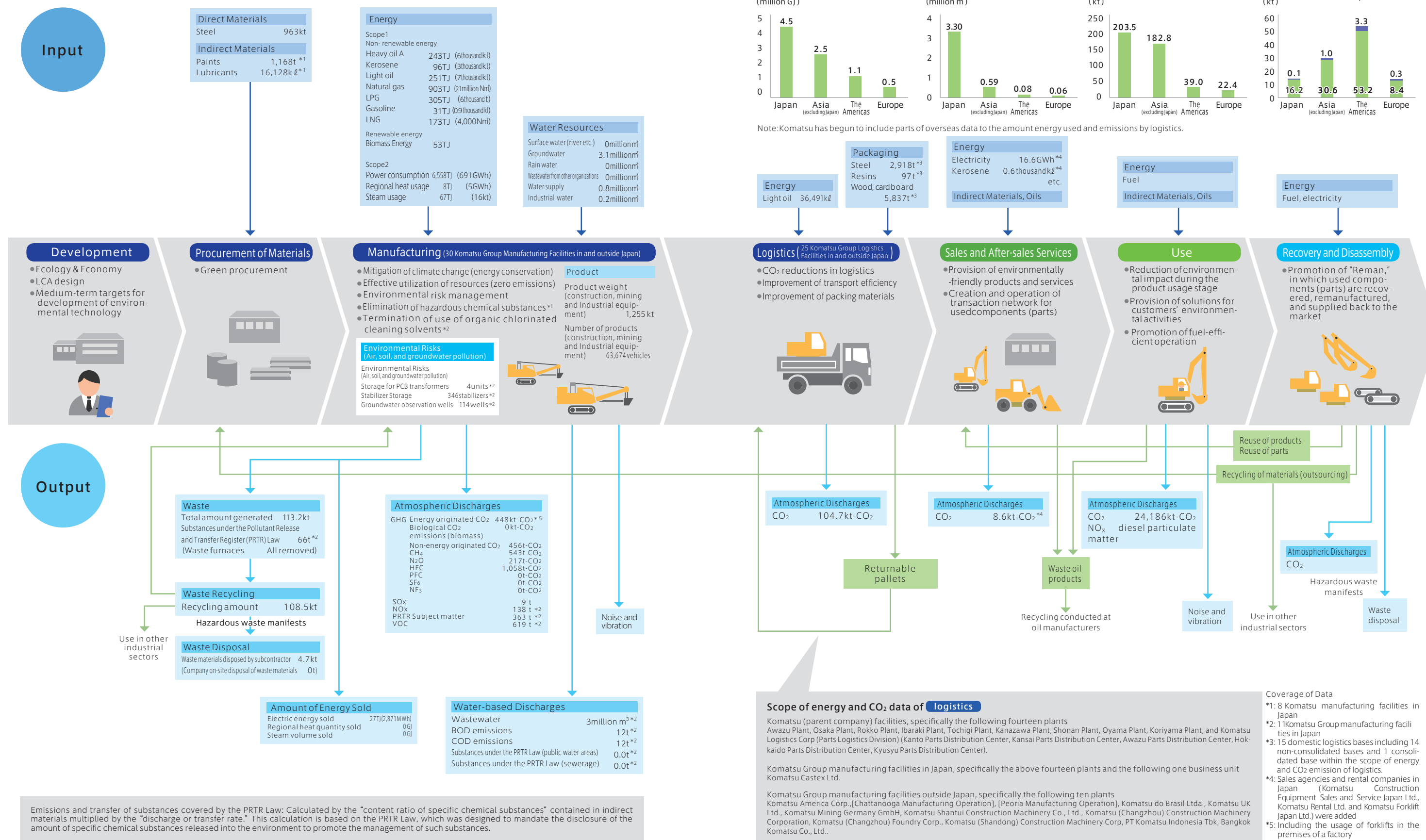
quisition activities for our sales and service divisions, and acquired certification for the 2015 ISO 14001 standards in the Komatsu Construction Machinery Sales and Komatsu Rental divisions in March 2018. As of FY2015, we have achieved certification for 100% of our major production sites situated overseas.



ISO14001 Integrated Certification

Relationship between Business Activities and the Environment

Environmental Impact Resulting from Business Activities of Komatsu Group Companies, including Facilities outside Japan (FY2017)



Environmental Audit

Environmental Audit of affiliate companies in Russia and China

In line with our commitment to environmental conservation, we have been conducting regularly scheduled compliance risk audits of our overseas affiliate companies since 2007.

In 2017, we conducted environmental audits at our affiliates in Russia (KMR) and China (KCF).

Our comprehensive auditing procedure begins with the assessment of a check sheet that our affiliate company completes. We then begin an audit of environ-

mental activities and compliance to legislative regulations, supported by the chief of environmental matters of our main domestic plant. In Russia(KMR), we were able to collaborate with external Russian consultants to obtain a unique local perspective in our auditing.



Environmental Audit at KIPL

Past Environment Audits

Year	Area	Year	Area
2007	China	2013	United States
2008	—	2014	United States and Brazil
2009	Thailand and Indonesia	2015	Thailand
2010	India	2016	India and Indonesia
2011	Brazil	2017	Russia and China
2012	Russia and Czech Republic		

Promoting Environmental Activities at Group Sales and Rental Agencies

Komatsu continues to promote safety and environmental improvement activities for the sales and services departments. In FY 2017, we carried out activities to strengthen the awareness of environmental management and support activities for improvements centered on the company's worksites.

Acquisition of ISO 14001 Certification

To strengthen the awareness of environmental management at sales companies and other companies, we implemented activities to qualify for the international standard ISO 14001 on the environmental management system, as planned at Komatsu Construction Machinery Sales and Komatsu Rental in FY 2017, and have successfully received certification in May 2018. With the integration of three sales companies in FY 2018, we will continue with the process to add a lift business division as Komatsu Customer Support Co., Ltd. so that all sales companies can make unified environmental improvement efforts.

Activities Based on the Environmental Guidelines for Sales Agencies

Last year, we distributed our "Environmental Guidelines" to our sales and rental company sites, which summarized the matters and standards to be followed in the management of waste disposal, waste-water treatment, noise vibration, and other matters deeply related to environmental conservation. This fiscal year, we updated the information regarding the amendment of laws and regulations, and required upper-man-

agement and the representatives in charge of each company to personally visit each site to ensure compliance with environmental guidelines at the different worksites.

Appropriate Discharge of Waste

Our construction machine sales department's waste management system uses unified management for electronic manifests and a centralized management process for consignment contracts and permits to create a system of unified management that allows us to reduce the amount of man-power hours spent on management. We plan to introduce this system to our lift/rental business division by FY 2018.



Environmental education at a group sales agency

Amount of CO₂ Emissions by Scope 3

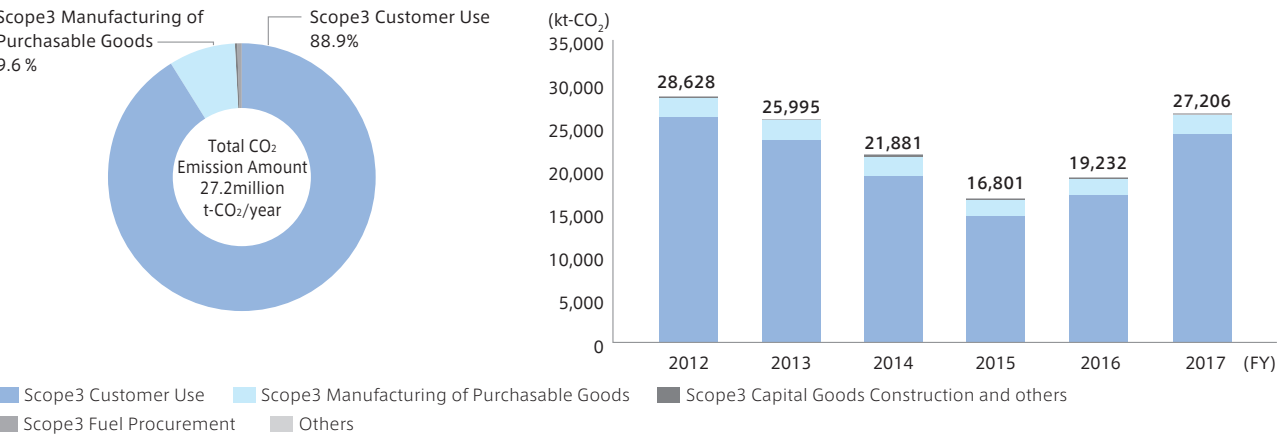
From live data gathered by KOMTRAX, Komatsu has gained perspective on the amount of CO₂ emissions (Scope 3 Category 11) produced by our products manufactured in FY2017 in operation world-wide. The calculation was performed as follows.

Calculation of Emissions from Customer Use

(1) Calculate the following by each model
CO₂ emissions over the life of each model
= (FY2017 Production Volume) × (Fuel Consumption; L/kWh) × (Engine Output; kW)
× (Engine Life; as product life; h) × (CO₂ Conversion Factor)
(2) Calculated for each model in (1) above, Total these values

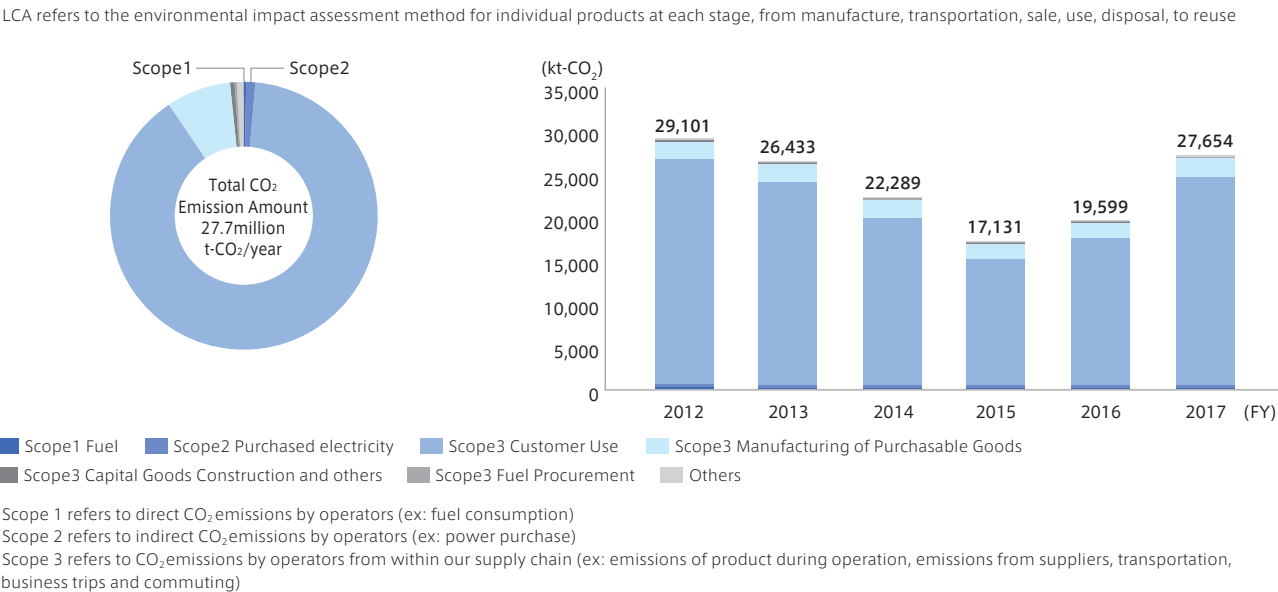
* For models able to collect data on fuel consumption, KOMTRAX collected the actual values of fuel consumption and operating time from representative models of each size. We back calculated data from development for other models.

For others, including the 14 remaining categories, general CO₂ emissions was calculated. The result is shown in the pie chart below.



As evident from the results above, emissions during product use make up approximately 90% of total emissions.

From this, we can see that fuel-efficient products have a significant effect on reducing CO₂ emissions. Komatsu is committed to developing hybrid construction machinery (improving fuel efficiency by 25%) and DANTOTSU products (over 10% improvement in fuel efficiency). In addition to this, we are accelerating the development and implementation of our ICT-based SMART CONSTRUCTION business. In addition, the results of our assessments regarding LCA* (Life Cycle Assessment) can be found in the pie chart below.



Mitigating Climate Change through Products and Services

Tier4 Final Compliant Models Released

In 2017, Komatsu released one vehicle model after another that greatly reduce nitrogen oxide (NOx) and particulate matter (PM) emissions that meet Japanese (Emissions from Non-Road Special Motor Vehicles 2014 Standards), North American (EPA Tier4 Final), and European (EU Stage IV) emissions controls for Hydraulic Excavators, Bulldozers, Dump Trucks and Wheel Loaders. These models are equipped with newly developed next-generation engines that result in construction machinery that are clean and fuel efficient, with excellent durability and reliability. Below are some examples.

ICT hydraulic excavator "PC 200i / PC 200 LCi-11"

Komatsu launched the 2014 off-road law standard compliant ICT hydraulic excavators "PC200i-11" and "PC200LCi-11", alongside a smart construction support contract. We are constantly engaged in the advancement of machine control technology through "intelligent machine control" systems that allow for the control of different components of a machine (boom, arm, bucket etc.). It is controlled by calculating the position of the bucket cutting edge using the Global Navigation Satellite System and correction information and collating it with the construction design data, which allows us to improve on control functions from conventional machines (such as automatic landing assistance). One of our newest functions enables bucket angle retention control, which we are confident will reduce construction time and improve productivity significantly.

Through the adoption of an after-treatment system for exhaust gas, our excavator is able to greatly reduce the emissions of nitrogen oxide (NOx) and particulate matter (PM). It also comes replete with features such as KomVision (a machine peripheral camera system), an auto idle stop system, and an automatic lock system on the locking lever. We are proud to announce the release of this state-of-the-art hydraulic excavator, and are confident in its abilities to strengthen environmental conservation, general safety, and ICT.



PC200i-11

Main Specifications

Item	PC200i-11	PC200LCi-11
Machine mass (kg)	19,800	21,200
Engine rated output net (kW/min ⁻¹)	123/2,000	123/2,000

Medium size bulldozer "D51 PX-24"

Komatsu launched a medium-sized bulldozer "D51 PX-24" that is compliant with the 2014 off-road law standards. This model is equipped with a new generation engine that dramatically reduces emissions of nitrogen oxides (NOx) and particulate matter (PM), Electronically controlled hydraulic transmission controls low speed matching between the engine and HST* pump, two operational modes (P mode and E mode), and an automatic idle stop function, etc., it achieves a high level in both productivity and fuel consumption performance. According to our test standards, using the D51 PX-24 saw an increase in productivity by 10% and a reduction in fuel consumption by 10%. This model comes with a display monitor that adopts a clear, easy-to-see high-definition 7 inch liquid crystal display (LCD), and also supports energy saving operations by displaying eco guidance etc.

* HST: Hydro-Static Transmission



D51PX-24

Main Specifications

Item	D51PX-24
Machine mass (kg)	13,620
Engine rated output net (kW/min ⁻¹)	97.6/2,200

Reduction in CO2 Emissions of Construction Equipment

The main bulk of CO2 emissions produced throughout the lifecycle of our construction equipment is centered on product operation, during which approximately 90% of emissions are produced. We have acknowledged this fact, and are working to reduce these operational emissions through three different initiatives: "Dantotsu Products", "Dantotsu Service", and "Dantotsu Solutions".

Step 1 Reduction of CO2 Emissions through Dantotsu Products

Step 2 Reduction of CO2 Emission by Products through Dantotsu Service (KOMTRAX)

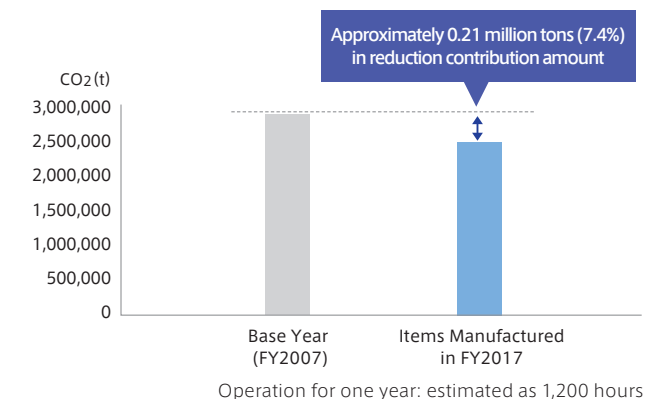
Step 3 Reduction of CO2 Emissions for Overall Construction Work through Dantotsu Solutions (SMART CONSTRUCTION using ICT Construction Equipment)

Reduction of CO2 Emissions from Construction Equipment (Estimate of Amount of Reduction Contributions)

In Komatsu's Mid-term Management Plan (FY2016 - FY2018), we set the goal of achieving a total of 25% reduction by 2025 in CO2 emissions per unit of work from construction equipment, compared to our base year of FY2007. In order to assess our progress towards achieving this target, we have set up a number of key performance indicators, such as CO2 reduction resulting from fuel efficiency, work efficiency, and equipment capability as compared to FY2007. Steady progress has been made, and we found that the machines manufactured in FY2017 achieved a reduction of 7.4% in CO2 emissions as compared to our base year. Constant operation of these machines for

a year (about 1200 hours) would result in an overall reduction of 210,000 tons of CO2, an equivalent of approximately 45% of Komatsu's total manufacturing plant CO2 emission in FY2017.

CO2 emissions for operation time of one year (ton-CO2)



Introduction of the new medium-sized servo press "H2FM series" to the market

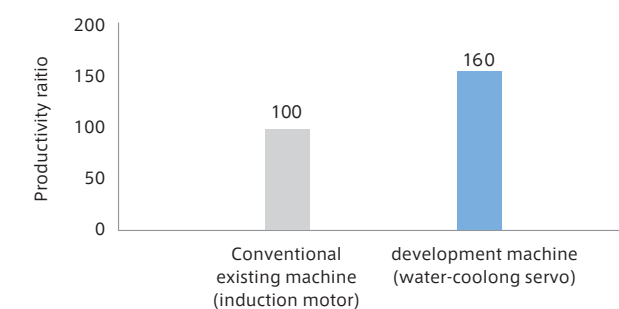
Komatsu Industries Co., Ltd. has developed and introduced a medium-sized servo press "H2FM630" that is compatible with productivity improvement and energy saving. This machine enables high speed pendulum motion operation through the use of a newly developed "water cooled high torque servo motor". When combined with a "High Speed Leveler Feeder" (Coil Supply Unit), complete synchronous operation becomes possible,

thus achieving an increase of about 60% in productivity compared to current mechanical presses. (FIGS. 1 and 2) Furthermore, by adopting Komatsu's proprietary high-capacity capacitor energy storage system (Fig. 3), power consumption can be reduced by up to 55% (compared to a machine that does not utilize the same system). This allows users of our products to contribute greatly to energy saving initiatives.



H2 FM 630 and coil feeder

Development machine productivity



Initiatives to Mitigate Climate Change in Business Operations

Reducing CO2 Emissions in Manufacturing Operations

As a part of our efforts to mitigate climate change, Komatsu set mid and long term objectives in Japan and overseas operations for the amount of electricity, fuel gas, fuel oil, and other types of energy used in manufacturing operations. By using CO2 emissions per unit of manufacturing value as our main indicator, we aim to proactively reduce the amount of CO2 emissions per unit.

We have set an ambitious goal of a 54% reduction compared to FY2000 levels and pursued activities to reduce power consumption and achieved significant success, using the "cutting electricity use in half" activities that followed the Great East Japan Earthquake as an impetus. As a result, in February 2017, we received the "Kanto Bureau of Economy, Trade and Industry Director's Award" as a superior energy management business operator.

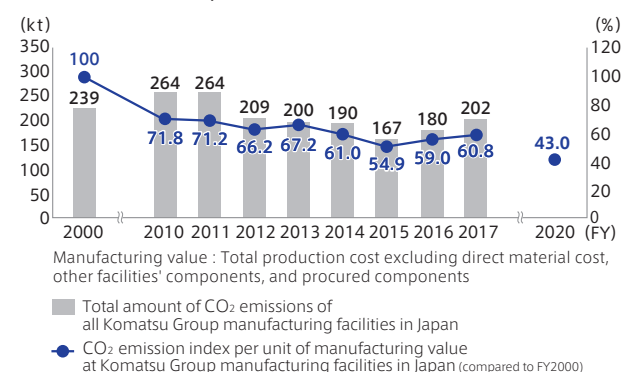
In FY2017, as a result of energy-saving activities undertaken based on the lateral spread of various production reforms, the CO2 emissions per unit of

manufacturing value was reduced by 39.2% compared to FY2000 level, up 1.8 point from the previous year.

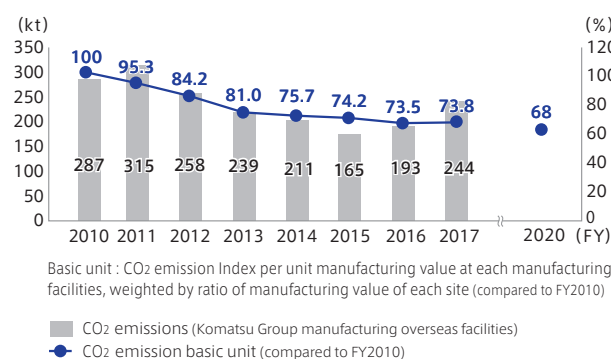
The mismatch between the increase in energy use by production rise and the increase in production cost resulted in the increase of emission per unit. CO2 emission at Komatsu's overseas manufacturing sites have also been reduced by 26.2% compared to FY2010 as a result of fuel conversion and lateral spread of improvement examples from Japanese plants. In addition, the ratio of renewable energy including certificated electricity in power consumption up to 7.2% by installing solar power system at KIPL, India and BKC, Thailand.

For FY2018, to achieve the mid-term objectives, we will add an idea for an improvement and work towards further reduction in CO2 emissions per unit by updating buildings that are over 40 years old to building that incorporate the newest energy-conserving technology and increase the renewable energy such as solar power.

CO2 emissions (Japan)



CO2 emissions (Overseas)



TOPICS Energy saving heat treatment factory (Osaka factory) that separates people and facilities, and takes safety and environment into consideration

In Osaka factory, by concentrating the heat treatment process which had been dispersed in a new heat treatment plant, we improved energy efficiency by 38% (approx. 9,600 MWh/year) by 20% improvement in efficiency of production area and separation of heat source. It is realized. Especially in unmanned areas where heat treatment facilities are consolidated, we are saving energy and eliminating air conditioning and lighting. In addition, by adopting a convex roof, we promoted natural ventilation due to the temperature difference between the upper and lower sides, and we adopted indirect natural lighting from the north face. Meanwhile, we introduced geothermal

air conditioning in the manned area. Since we can expect underground heat of around 18°C throughout the year around the factory, we installed seven boreholes with depths of 100 m and exchanged geothermal energy to improve the efficiency of the water-cooled heat pump air conditioning system. In addition to sending the warm air staying in the upper part of the unmanned area to the manned area for use as a heating aid in winter.

New heat treatment plant



Reduction CO2 Emissions in Logistics

We have now implemented improvements in logistics operations on a globally consolidated basis at all 25 business locations.

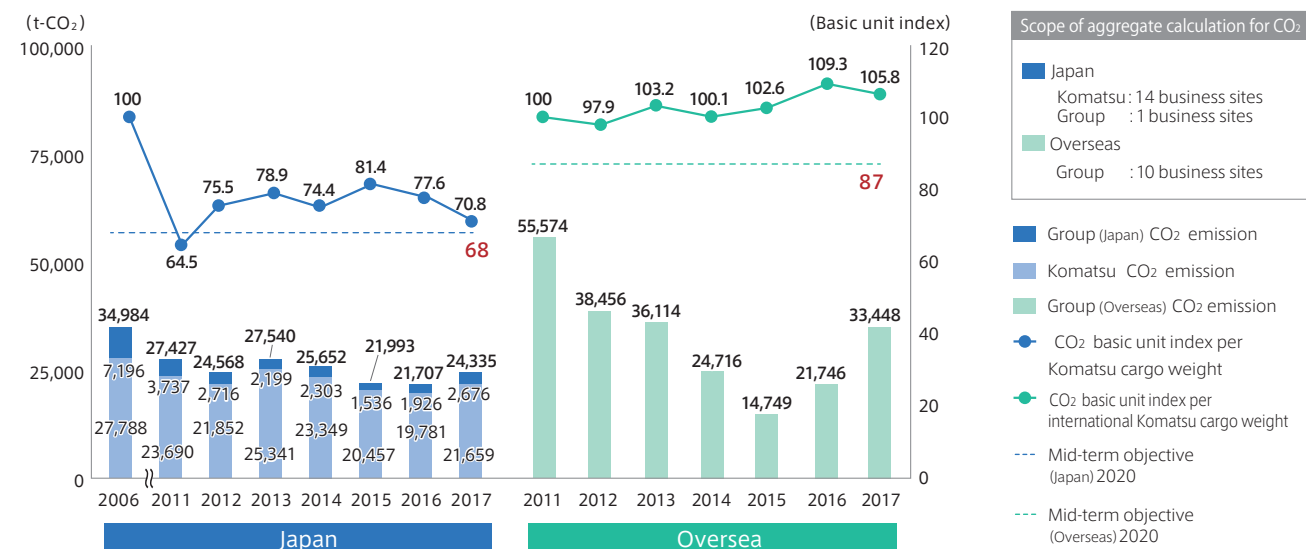
Domestically, we are continuing improvements with an emphasis on decreasing transportation distance through efficient use of the Kanazawa and Hitachi Naka Ports (which are located adjacent to manufacturing plants), as well as improving on long distance

transportation by increasing the use of coastal shipping and railways (modal shift).

As a result, in FY2017 we achieved a reduction of 6.8 point in CO2 emissions per cargo weight when compared to emissions in FY2016.

Our overseas operations also saw an improvement in the reduction of CO2 emissions, with a decrease of 3.5 point when compared to emissions in FY2016.

Global Shipment CO2 Emissions Volume and Basic Unit



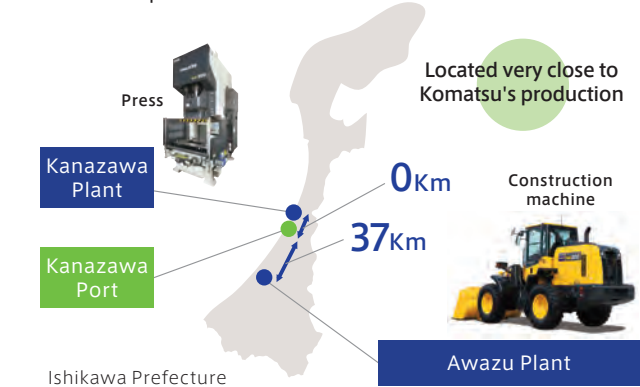
CO2 Improvement for Domestic Transport (Expansion of near port usage of export vehicles)

Based on our vision for Komatsu as a company that is rooted in the local community, we initiated full scale use of Kanazawa harbor in 2008.

We are proud to report that activity at Kanazawa Port has increased dramatically. In addition to this success, we were also able to reduce CO2 emissions by 1059 tons in FY2017.

Though the number of available flights and routes are limited when compared with major ports due to the location of the local port on the side of the Sea of Japan, there are three means by which Kanazawa port can be utilized, each with different characteristics. They are used accordingly depending on the cargo situation.

Positional relationship between Kanazawa harbor and Komatsu improvement initiatives



TOPICS Certified as CDP "Climate Change" and "Water" A List Company

Komatsu was certified as a "Climate Change" and "Water" A list company in 2017 by CDP, an international nonprofit organization that provides environmental information disclosure system. These are given to companies recognized as global leaders in addressing climate change and water resource management.



Promoting Recycling

Development of our "Reman" Remanufacturing Business

Our "Reman" business involves the remanufacturing of used engines, transmissions, and other key components of construction and mining equipment into "Remanned" components. After confirming that these remanufactured parts are possessed of the same quality as newly manufactured components, we inject them back into the market. We currently promote the "Reman business at 12 "Reman" Centers worldwide.

Reman (an abbreviation of remanufacturing) offers the following advantages to customers:

- Quality and performance that matches new components
- Lower cost for "remanned" components
- Reduced idle time for construction equipment because of adequate inventory of "remanned" components
- Resource conservation and waste reduction through reuse and recycling of components

We established PT Komatsu Indonesia (KI) as a global base, which supplies key components for large-size construction machinery and hydraulic cylinders like engines and transmissions. We also established PT Komatsu "Reman" Center Chile (KRCC) in Chile, which supplies components for electric dump trucks.

Additionally, Komatsu established PT KOMATSU REMANUFACTURING ASIA (KRA) in Indonesia to recycle all components of large-size construction machinery exclusively for the Indonesian market.

We have also established individual "Reman" centers for countries that are not part of our global supply chains (China, Russia, India and Brazil, Myanmar etc.).



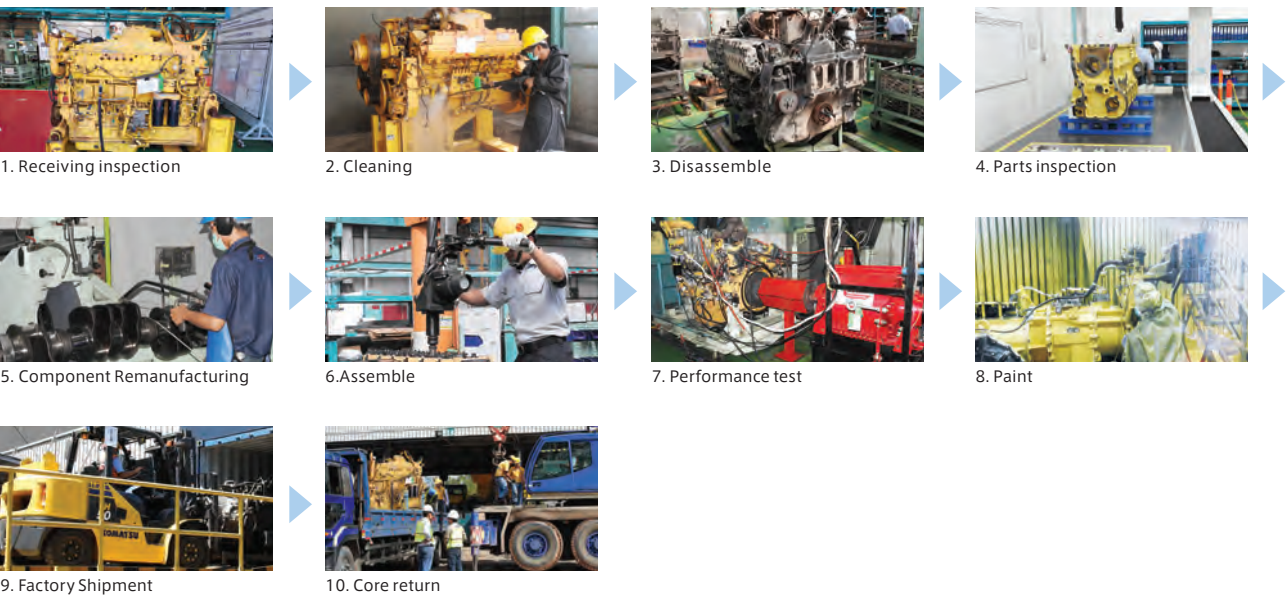
Reman center in Komatsu Indonesia plant

Future Steps

To further increase the reuse rate of used components, the Komatsu Group is reducing the number of disposed parts by:

- Developing parts for remanufacturing, oversized parts, etc
- Developing recycling-related technologies (assessment and measurement for reuse, remanufacturing worn-out parts, cleaning, heat treatment, etc.) to reduce waste components, and thereby further increase reuse and recycling activities.

Reman Process



Effective resource utilization activity in production

Waste

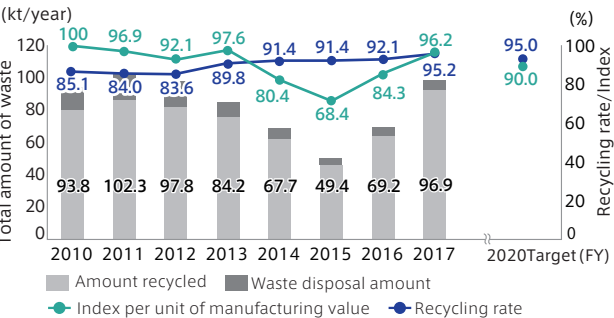
By strict adherence to waste management policies, reducing waste production, separation of waste materials and increased conversion rates of waste materials to resources, we achieved a total reduction of 7.9% of waste generated per unit of production in domestic operations (compared to FY2010). However, due to a temporary increase in waste as a result of the reduction in inventory of roadbed materials and the temporal increase of wood debris due to growth in the production, our waste management performance has worsened compared to the previous fiscal year. Despite these setbacks, we were able to reach a record high of 99.8% in recycling rates.

With regards to overseas operations, we saw an overall decrease of 3.8% in waste generation per unit of production compared to FY2010. Due to an increase in the amount of sand used for quality maintenance, this number is worse compared to our previous fiscal year. Recycling rates for overseas operations reached 95.2%, meeting our goals ahead of schedule.

Amount of Waste Generated in Japan (Data coverage: Komatsu Ltd. and the Komatsu Group manufacturing facilities in Japan)



Amount of Waste Generated in overseas (Data coverage: The Komatsu Group manufacturing facilities in overseas)

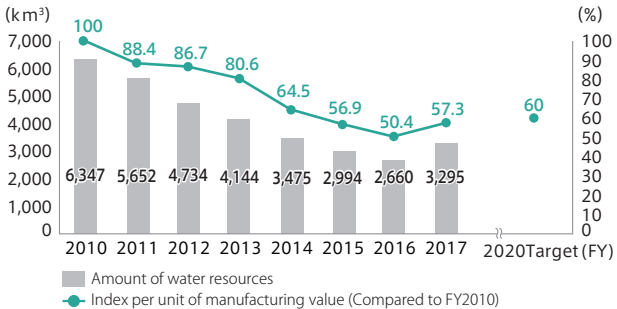


Water Resources

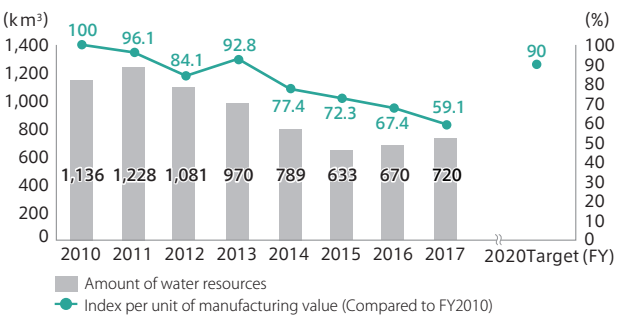
Our water-saving initiatives (reuse of water in processing and elimination of wasteful practices) have shown significant results in our domestic facilities, reducing water use per unit of manufacturing by a total of 42.6% compared to FY2010. These activities mostly took place in the Hokuriku region, which is possessed of a high capacity of groundwater. Despite the fact that we have satisfied our mid-term targets, our water usage worsened by 6.9 points as compared to our previous year. This was due to heavy snowfall in the Hokuriku region, which required the increased usage of groundwater for snow melting activities.

We achieved the mid-term objectives ahead of its original schedule by the effectiveness of our water manage initiatives in our overseas operations (purification of water discharges for recycling and the elimination of wasteful practice), which have reduced water use per unit of manufacturing cost by 40.7% compared to FY2010.

Amount of Water Resources Used (Japan)



Amount of Water Resources Used (Overseas)



TOPICS

Support for Suppliers in Water Consumption Reduction Activities

In order to promote water consumption reduction activities amongst our suppliers, we have promoted the development of our water use reduction initiatives to major outsource suppliers.

We continued our efforts towards water consum-

ption reduction in FY2017 by selecting ten model companies for inspection.

In FY2018 (with the exception of model enterprises), we distributed 25 examples of case studies that centered on Komatsu's water use reduction initiatives.

Feature Article : KMC's Environmental Sustainability Program

Achieving an Environmental Sustainability Program while eliminating environmental risk to business, minimizing our Carbon and Environmental Footprint, establishing a sound material cycling society, conservation of air, water, and waste, implementation of biodiversity projects to promote and sustain environmental wildlife and natural resources.



KMC Global Operations Introduction

Since being acquired by Komatsu in 2017, we have been rebranded Komatsu Mining Corp. and are now part of the larger Komatsu organization, which is based in Japan. The Komatsu Mining Corp. name is more of a legal entity identifier. Through ongoing integration efforts, we are part of and support Komatsu's growing

mining business segment. We continue to support and invest in the Joy, P&H and Montabert brands. Our four leading brands all have long histories of innovation and helping reshape industries. Now as one group we are focused on further innovation to move mining forward.

KMC Longview, Texas Operations Introduction

Komatsu Longview Operation is the mother plant for the P&H Hybrid Wheel Loader and Hard Rock Load Haul Dump (LHD's) product lines. The manufacturing center is responsible for producing a variety of mining products and parts.

Longview has a highly skilled workforce consisting of welding, fabrication, electrical, and assembly trades. The product manufacturing over past 70 years has spanned many industries including material handling, oil and gas, rail, forestry, construction and mining.

Longview's campus is as historic and diverse as its product line, from the distinctive domed buildings to the vast acreage of undisturbed lakes and wetlands.

The culture at the campus is a strong reflection of SLQDC*. The focus is largely process and process improvement. Their Zero Harm Culture has been institutionalized over the past several years. The facility has worked 4 million hours zero lost time injuries and has a medical recordable rate of 0.17 (94% reduction since 2011).

The zero-harm impact carries over into the facility's focus on environmental and social contributions as well. The facility boasts both a strong waste water management program and air emissions containment. The Texas Commission on Environmental Quality hosts delegations of state officials to the facility every year as the state considers it showcase site for the state.



KMC Longview, TX Facility

* SLQDC: Philosophy to prioritize in the order of Safety, Law, Quality, Delivery, Cost.

KMC's Sustainability Program (included as part of KMC's Environmental Compliance Management System)

KMC's global Environmental Compliance Management System (ECMS) also includes our Sustainability Program, which will be the primary focus of the discussion of this Feature Article.

It should be noted that the Longview, Texas Facility is in continuous compliance with all local, state, and federal environmental regulations and is recognized by the regulatory and industrial agencies and communities as a leader in both environmental compliance, presenting no potential threat to human health and the environment, and attaining environmental sustainable achievements. Each Topic of the Sustainable Program is discussed below:

Elimination of Risk to Business

Operations are conducted to minimize air emissions (including Greenhouse Gas Emissions - CO₂e) of potential airborne contaminants; both hazardous and non-hazardous waste management programs are implemented to maximize the amount of recycling and reuse or waste elimination; wastewater discharges are eliminated and storm water discharges are treated with a storm water treatment system with a 99.7% efficiency.

A release from an onsite closed hazardous waste

that mildly impacted the groundwater in the 1980's has been successfully cleaned up and remediated to non-detectable contaminant levels. The facility operations pose no threat to human health and the environment.

Minimizing our Carbon and Environmental Footprint

During 2017, the Longview Facility emitted approximately 5,077 metric tons of CO₂e Scope 1 emissions. Projects implemented to minimize Greenhouse Gas emissions include using clean energy for processes, installing low CO₂ emitting equipment for processes, along with energy conservation measures.

The Scope 2 GHG emissions (GHG emissions produced off-site at the electric company that provides electricity to the Longview Facility) for 2017 were approximately 15,795 metric tons of CO₂e.

The KMC Sustainability Program also looks at reducing priority pollutant air contaminants including VOCs, NO_x, SO₂, CO, and PM. The Longview Facility has a state of the art Regenerative Thermal Oxidizer (RTO) that destroys 98+% of all VOCs emitted from the painting operations.

Implementation of biodiversity projects to promote and sustain environmental wildlife and natural resources

The Longview Operations has a large-scale Biodiversity Program in place which preserves the natural wildlife and nature in conjunction with its water conservation and wastewater and storm water capture, retention, treatment and recycle system to achieve a net provider status of water resources while maintaining continuous compliance and providing a haven for wildlife, flora and fauna. In addition, another Biodiversity Project was successfully completed at the KMC Troutdale, Oregon Facility which eliminated storm water pollutant discharges, reclaim a large portion of the facility storage yard, while also promoting the preservation of the natural wildlife and species indigenous to that area.



Lake LeTourneau Clarification/Retention Treatment Unit - restoration for water fowl and fish

Manufacturing environmental friendly products

The Longview Operations produces a wide array of products which are designed to be environmentally friendly, of which the SR Hybrid Drive Wheel Loaders leading the way. In addition, lower emission engines are used as well as oil hydraulic systems are replaced in applicable locations with electric drive systems. The picture below is an example of how KMC's Longview Facility continues to utilize innovation to ensure that its products are environmentally friendly in the applications they are used in.



"Environmental friendly" SR Hybrid Wheel Loaders

Personnel Policy and Performance Appraisal System

Here at Komatsu, we consider many aspects of our business to be valuable assets. Goods, money, information, and time are all irreplaceable facets of our day-to-day operations. However, the one resource that stands above all others in terms of value would be our employees. We are proud to maintain a culture that places our people at the forefront of our priorities, recognizing the importance of their roles in maintaining the quality of our products and the reputation of our company. Komatsu is thus dedicated to the development of our workforce, striving to foster an engaging work environment that provides opportunities for creativity and challenges to stimulate growth, all the while building on a relationship of mutual trust with our employees.

Global Personnel Policy

1. We shall respect each employee's fundamental human rights, inherent personality, individuality, and legally protected privacy.
2. We shall treat and appraise each individual employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of nationality, race, religion, age, gender, physical or mental disability or other legally protected attributes that are irrelevant to his or her performance. We shall vigorously endeavor to promote equal opportunities for employment and eliminate harassment in the workplace.
3. We shall endeavor to provide employees with workplaces where they can seek a good balance between their private and professional lives, while effectively accomplishing their respective tasks with satisfaction and pride.
4. We shall endeavor to design and administer the system of human resource management in a manner that is most reasonable and persuasive to the employees. We shall make such systems open and clearly explain them to the employees to the maximum extent practicable.
5. Komatsu Group companies shall comply with all applicable laws and regulations governing employee rights in the jurisdictions in which they operate, and faithfully accommodate, wherever applicable, conversations or discussions with employees or their representatives.
6. We shall not tolerate child labor or forced labor.
7. Komatsu Group companies shall endeavor to offer to their respective employees those terms and conditions for employment that are sufficiently competitive in their respective regions.

Diversity Initiatives

Promoting Women's Careers

Approach and Goals

Komatsu actively promotes various measures in order to achieve a desirable level of diversity in the workplace. We have recognized that the lack of female managers compared to male managers in our employ is an issue that must be rectified, and are also providing support for work-life balance initiatives with regard to childbirth, childcare, and nursing care. These include the proactive employment of female employees, as well as the implementation of special opportunities for our female staff to hone and nurture their professional skills. We have set and begun working towards the goal of having a percentage of women in management of 8% by April 2019 and 10% by April 2021.

Systems and Status in FY2017

Komatsu is dedicated to providing multiple avenues for female employees to develop their careers and stay ahead of the competition. Continued from FY2015 to encourage mid to long-term conceptualization of future career prospects, as well the provision of networking workshops for female employees working in manufacturing industries throughout Japan from

FY2017.

We are also engaged in a number of ventures to help acclimatize prospective female employees with Komatsu. These include discussion meetings for different job categories, and holding career and networking events in cooperation with external groups and schools for female engineers.

Komatsu is widely recognized and assured by external groups with regards to our pursuits in diversity. We have been named by the Ministry of Economy, Trade, and Industry, as well as the Tokyo Stock Exchange as a Nadeshiko Brand company for our fourth year running (since FY 2014). These accolades take into account the number of women in managerial positions at Komatsu (including executive officers), our installation of utility facilities at manufacturing sites such as toilets and restrooms in accordance with company-wide guidelines, the creation of an infrastructure which actively promotes the employment and engagement of female talent, thus guaranteeing Komatsu's position as a listed company that excels in the promotion of career development for women.



The KOMATSU Way

Approach of The KOMATSU Way

The KOMATSU Way is a statement of values and standards that all workers at every level of management in the Komatsu Group are expected to meet and uphold. Through these shared principles, employees of the Group will be able to establish a unified framework that transcends nationality and age to enhance workplace (gemba) capability, dynamism, and the quality of work life. This in turn will serve to showcase the strength, reliability, and robust nature of our brand, thus reinforcing the trust placed in the Group by society and our stakeholders. We will further improve on our "quality and reliability".

Status in FY2017

In FY2017, training was held in South Africa for the first time, and Europe and USA of the traditional market. In USA, as a tool to introduce the fact that the KOMATSU Way is being practiced naturally in operations in various parts of the world, we have completed and published the North American version of Komatsu Way experiences collection which was being produced from FY2016. We will further advance the global consolidation of the Komatsu Way by developing the North American version of the experiences collection produced this time as a sample to other regions.

Employee Training Structure

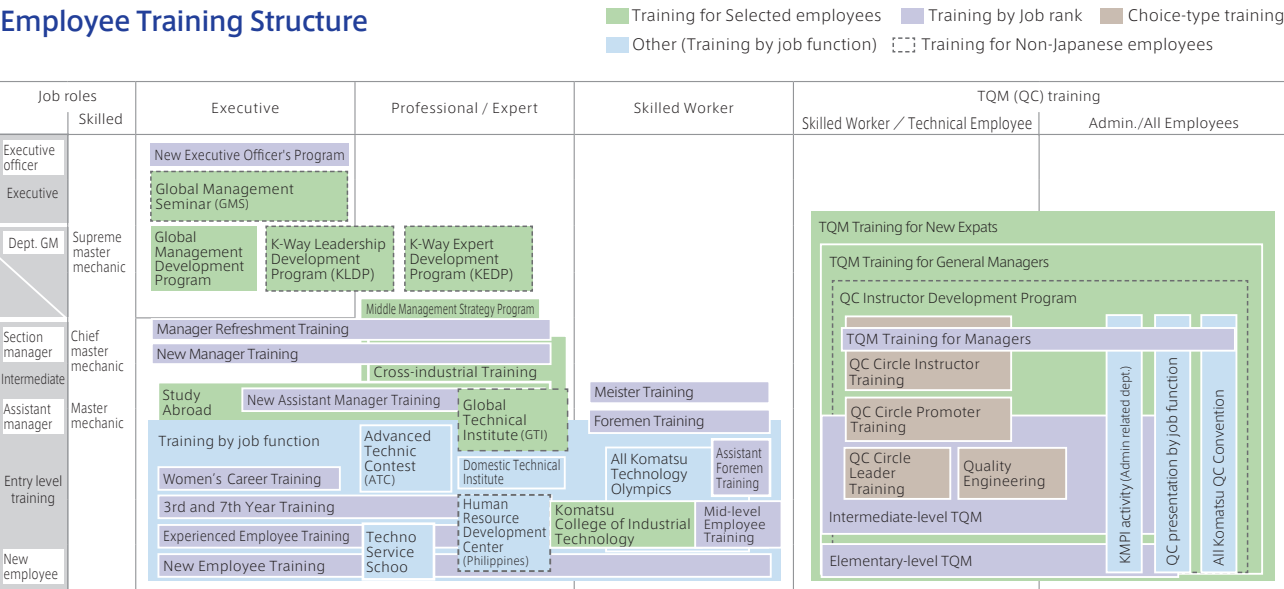
Approach and Goals

Komatsu strives for the sustainable growth of both the company and employees through human resource development. We believe that each employee is responsible for the setting of high individual goals, and the subsequent fulfillment of these goals. Each employee should thus be self-reliant and highly motivated in seeking the knowledge and skills necessary for the fulfillment of personal objectives, while relying on company support through our educational programs. Komatsu supports the career development of

each employee focusing on the education required to company management and employees.

While we promote the education of professionals in a wide variety of proficiencies, Komatsu is aware of the importance for the dissemination of knowledge and skills at every level within the company. Regular explanatory sessions and discussions are convened at Group companies to propagate the KOMATSU way, ensuring that it is incorporated as an integral component of our human resource development on a group-wide scale.

Employee Training Structure



DATA

Employee Training

	FY2015	FY2016	FY2017
Average hours per FTE	96	76	58
Average spent per FTE	JPY244,000	JPY246,000	JPY255,000

* Non-consolidated data for Komatsu Ltd.

Enhancing Work-Life Balance

Past Endeavors and Status in FY2017

The maintenance of a healthy work-life balance is an integral component in bringing the best out of our employees. Studies have shown that individuals who are able to nurture a fulfilling personal life alongside their work commitments are both more motivated and driven, while being able to draw out the full potential of their abilities. With this understanding in mind, Komatsu is working to reduce the total number of required working hours for our personnel while introducing a number of work-life balance systems to improve workplace sustainability.

We are currently engaged in co-operative undertakings with labor unions in order to formulate specific quantifiable targets to reduce the total number of working hours for our employees. These efforts have proven to be highly productive, allowing us to establish commendable goals of less than 2,100 working hours per year, along with the provision of an average of at least 18 days of paid leave per year

for each employee. As of FY2018, we have introduced an "interval system" that enforces a minimum of 10 hours of rest following long periods of work in order to promote a "safe and healthy" manner of working.

In addition, we consider the arrangement of systems for child care leave and short working hours to be a requisite in creating a sustainable work environment. Our efforts to promote work-life balance in the workplace have not gone unnoticed, and in 2007, we were certified by the Japan Ministry of Health, Labour, and Welfare with the "Kurumin" symbol. This prestigious accolade marks us as a company that supports the development of the next generation, and has encouraged us to bolster our already significant commitments.

In addition to child-care leave and the reduction of working hours, we launched the "Panel on Fostering Future Generations", as well as the "Research Group on Solutions against Low Birthrate and Longevity".

Main Programs and Measures Designed to Enhance Work-Life Balance

Information on this page is non-consolidated data with the exception of certain programs, which encompass not only Komatsu Ltd. but also our subsidiaries in Japan.

Programs and Measures		Content
Childcare support	Childcare leave program	Available for a maximum of three years from the birth of the child to the time the child enters nursery school. Also available for a maximum of three years for children up to the third year of elementary school in cases where a spouse is transferred, etc.
	Part-time work	Shortening of working hours by a maximum of three hours per day to allow for care of children up to the third grade of elementary school
	Telework program	Option to work at home in order to care for children up to the third grade of elementary school
	Allowance toward the cost of using childcare services	Allowance toward the cost of childcare for infants up to age two before entering nursery school (10,000 yen/month)
	Nursing leave	Five days for nursing care of one child up to the third grade of elementary school, and ten days for the second child onward (paid leave). Allowance granted to cover the cost of using childcare services
Care support	Family-care leave program	A maximum of three years available for employees taking care of family members (possible to take in installments)
	Part-time work	Shortening of working hours by a maximum of three hours per day (possible to take in installments)
	Telework program	Option to work at home for a maximum of three years in order to provide care for family members
	Care leave	Five days per year for attending to one family member in need of nursing care, and ten days for the second family member onward (paid leave)
Other types of leave	Life support leave	Can be used as sick leave, pregnancy leave, childcare leave or for care of family members. An employee may add five new days of accumulated leave per year. A maximum of 40 days of unused annual leave may be accumulated. Childcare leave may be used for school events for children aged up to third grade in junior high school
	Flexible leave	Provided to encourage employees to take five consecutive days of leave for mental and physical rejuvenation Employees receive an additional five days of annual leave and a travel voucher upon completion of their 15th, 25th and 35th year of continued service
	Volunteer incentive program	Long-term paid leave of up to two years, or short-term paid leave of 12 days per year
	Spousal transfer occupational leave system	Acquisition for up to three years per spousal transfer (Acquisition up to one per employee)

DATA

Parental leave

	FY2015	FY2016	FY2017
Pregnancy leaves	46	57	59
Childcare leaves	89	98	120
Male	9	10	15
Within one week leave	1	1	0
Return and retention rates	96.7%	100%	97.5%

Family-care leave

	FY2015	FY2016	FY2017
Family-care leaves	6	4	4

Paid vacation

	FY2015	FY2016	FY2017
Days granted	20.0	20.0	20.0
Days taken	18.4	19.2	19.4
Ratio	92.2%	95.8%	96.8%

Volunteer incentive program

	FY2015	FY2016	FY2017
Number of program users	92	95	71
Long-term leaves	1	0	0

Strengthening Our "Gemba" Capability

Enhancing the Technical Capabilities of Our Manufacturing Operations

Systems and Status in FY2017

With major advancements in technologies and globalization within our production operations, the need for a high level of technical capability has become all the more relevant. As such, we have designated the third Saturday of every October as "Technical Day", holding technical competitions for employees from all areas of Komatsu. These include personnel from overseas subsidiaries and business associates, who come together to maintain and improve the overall technical capabilities of the Komatsu

su Group through mutual dedication to studying.

In FY2006, Komatsu established the Meister system that focuses on the passing down of technical know-how from production sites. Techniques and skills that we have judged to be worth passing on are divided into 9 fields that each comprise of 15 specific competencies, with a "First Meister" certified for each competency. Under Komatsu's Mother Plant System, production plants with product development capabilities are specified as "Mother Plants".

Service Personnel Human Resource Development

TOPICS

Asia Training & Demonstration Center in Thailand

Komatsu enhances trainings at the Asia Training & Demonstration Center in Thailand to strengthen its training capabilities for distributors in Asia. Training sessions officially began there in November 2016.

Equipped with over 20 different models, the center boasts a wide range of utility, from product and technical training for distributors

to machine demonstrations and trials. Our center even provides operator training for end-customers to promote sales. In FY2017, we welcomed approximately 3,000 agents and customers in total.



Risk Management

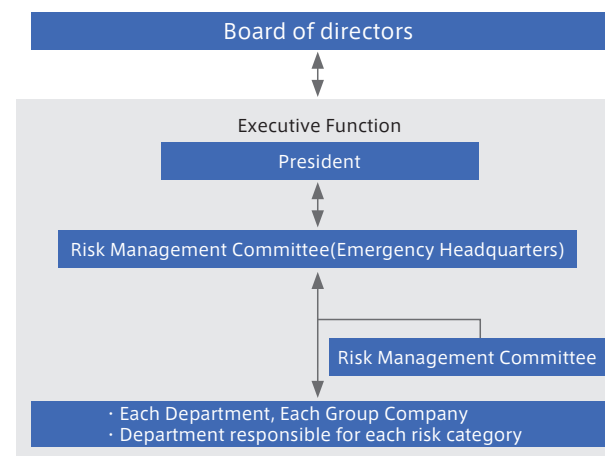
The Komatsu Group recognizes all uncertainties that could threaten the Group's sustained growth as risks, particularly compliance issues, environmental issues, product quality concerns, accidents, information security problems, and elimination of anti-social forces. The company has adopted the following measures to counter these risks.

Basic Principles and Structure for Risk Management

In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

- Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the board of directors.
- Komatsu will establish an emergency headquarters when serious risks occur and implement appropriate measures to minimize damage.

Risk Management Structure



Human Right Management Issues

Komatsu signed the United Nations Global Compact in 2008. In an effort to apply its major principles for protecting human rights, Komatsu utilized the help of external experts (BSR, or Business for Social Responsibility) to conduct a human rights risk assessment for all of its construction/mining equipment and forestry machinery businesses worldwide in 2014 and once again in 2017, taking guidance from the Universal Declaration of Human

Rights and the U.N. Guiding Principles on Business and Human Rights.

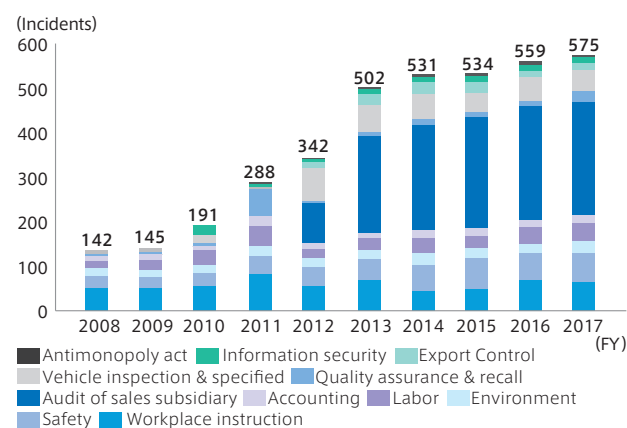
The results showed that the degree of urgency for problems occurring is low, while the degree of effect if a problem does occur is moderate. However, the human rights risk might not be removed depending on the business, area and contractors, so we will respond flexibly as needed.

Conducting Compliance and Risk Audits

As a part of its risk management activities, Komatsu has been conducting compliance and risk audits (CR audits) since FY2008. These cover areas are not included in the J-SOX audits, which are conducted in accordance with the Financial Instruments and Exchange Act of Japan to evaluate internal controls related to financial reporting and identify potential compliance risks within the company, with a particular focus on confirming and evaluating the status of legal compliance. Our internal specialist team conducts the internal audits at Komatsu and its Japanese/overseas affiliates, as well as independently-owned distributors and Midori-kai member companies.

Through these audits, we strive to raise the control and compliance awareness levels at each company and in every department.

Implementation of Compliance and Risk Audits



Compliance

Komatsu considers the maximization of corporate value with the pursuit of Quality and Reliability as a core component of our management principles. The Company believes its corporate value is the total sum of trust given to the Company by society and all our stakeholders.

In order to raise the total sum of reliability, it is necessary not only to improve business performance and to enhance the soundness and transparency of management, but to also become a company that has acquired societal trust. Thus, it is increasingly important for any company to comply with the rules of business society.

Frameworks for Promoting Compliance

To make certain that the entire Komatsu Group complies with the rules of the business community, Komatsu has appointed an executive officer at the head office in charge of compliance, and established the Compliance Department to handle this issue

exclusively. The Compliance Committee, chaired by the president and CEO, deliberates the Group's action policies and important issues while regularly reporting the state of compliance-related activities to the board of directors.

Upholding Thorough Compliance

So that employees remain continuously aware of compliance, the Group is working to cultivate their consciousness of best business practices by displaying business unit posters in every Komatsu Group listing The Five Principles of Compliance (a condensed version of Komatsu's Code of Worldwide Business Conduct). The Group engages in awareness-raising initiatives, with a page dedicated to compliance on its intranet as

well as well-developed compliance-related education and training that corresponds to each employee rank and their respective duties. The Group strives to detect risks early and implement reforms at Komatsu business units and Group companies through monitoring during financial audits and compliance and risk audits. The monitoring covers compliance in highly important areas such as safety and environmental practices.

Internal Reporting System

Komatsu has established the "Compliance Hotline" consultation office both internally and externally at Komatsu Group companies to respond to consultations or reporting from Group company employees that pertain to best business practices or questionable actions. The Group actively encourages consultations and reporting through Komatsu's Worldwide Code of Business Conduct, the Five Principles of Compliance,

and Group companies' workplace rules, making it clear that employees who use the system for appropriate reporting will not be treated unfairly in any way as a result of their action.

Number of Internal Reports

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

With regard to anti-corruption

Number of employees who were dismissed because of conflict with Komatsu's anti-corruption policy (global)	Fiscal Year 2017: Zero
Fines imposed on Komatsu related to corruption / Amount of penalties (global)	Fiscal Year 2017: Zero
Number of employee training sessions on anticorruption prevention (in Japan)	Fiscal year 2017: 11 times Target audience: Approximately 60 (planned to be transferred overseas)
Establishment of internal reporting system related to corruption (global)	Prevention of corruption is specified in "Komatsu's Worldwide Code of Business Conduct" as a key priority issue. If there is any suspicion or concern involving corruption or the violation of business society rules, concerned parties are invited to use the Compliance Hotlines established at the Komatsu Head Office or within each region to report the problem.

Corporate Governance

Basic Stance

We, at Komatsu Ltd., believe our corporate value is the total sum of trust given to us by society and all stakeholders. To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound

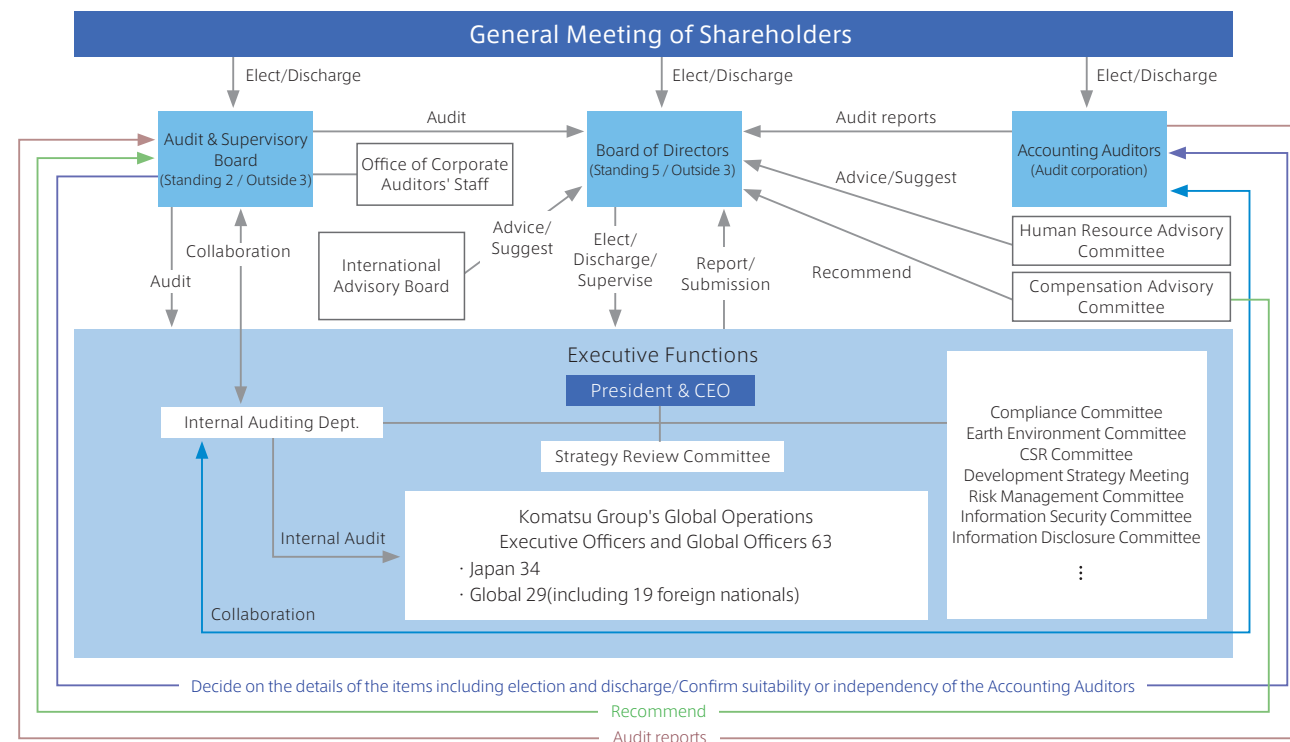
management on a group-wide basis. To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations' activities by holding meetings with shareholders and investors.

Establishment and Improvement of Corporate Governance

In 1999 Komatsu Ltd. introduced the Executive Officer System and has been working to separate management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations. At the same time, we also limit the Board of Directors to a small number of members and appoint Outside Directors and Outside

Audit & Supervisory Board Members. To improve the effectiveness of discussions at meetings of the Board of Directors, we have worked to reform their operational aspect, primarily by putting in place a system to ensure thorough discussions of important management matters and prompt decision making. We have also established the International Advisory Board (IAB) as a means to supplement executive functions.

Corporate Governance of Komatsu



Board of Directors

Komatsu Ltd. holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the 8 Directors on the Board, three are Outside Directors to ensure transparent and objective management.

Audit & Supervisory Board

The Audit & Supervisory Board determines such matters as audit policies and the division of duties among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member attends meetings of the Board of Directors and other important meetings, and audits the execution of duties by Directors. Meetings of the Audit & Supervisory Board are in principle held periodically at least once every month, and the Board performs appropriate audits by such means as hearing reports from members of the executive management team on their execution of duties.

Support for CSR Initiatives of Business Partners

Our business partners are important members of our value chain who supply the materials, parts, and components necessary for the continued operation of our manufacturing enterprise. Komatsu believes that collaborative efforts with our partners in CSR initiatives will contribute significantly to corporate success and subsequent expansion, and thus endeavors to commit to this undertaking.

Our Support for Komatsu Midori-kai in FY2017

Komatsu Midori-kai is an organization that consists of our business partners, with domestic membership totaling a number of 156 member companies. Given the scale of this organization, it comes as no surprise that 75% of our domestic procurement is sourced through these firms. We engage the management of these companies through multiple avenues, such as the general assembly, general meetings, and New Years' special meetings. In these discussions, Komatsu executives take the chance to explain our policies, emphasize the importance of CSR management, and request that awareness be raised with regards to CSR policies.

Midori-kai companies are grouped into 5 different categories by their specific item of production, with each group collaborating with Komatsu to promote CSR improvement initiatives for each of the shared themes of safety, the environment, and state-of-the-art technologies. Case examples regarding improvement in these areas are shared within the companies of the group through a system that promotes the lateral dissemination of information.

Midori-kai organizations are not limited to Japan, but exist in North America, Europe, and China as well. These organizations are made up of Komatsu's major business partners within the region, and take the same steps to improve on CSR activities in accordance to specific regional characteristics.

Policy and Actions Regarding Conflict Minerals

In line with our corporate social responsibilities, Komatsu does not condone the use of conflict materials produced by the Democratic Republic of Congo (DRC), or its neighbors (Angola, Central African Republic, Republic of the Congo, Rwanda, Southern Sudan, Tanzania, Uganda and Zambia).

This policy has been disseminated to our suppliers through our regular Komatsu plant meetings, who have been made aware of our stance and related requirements. Working hand-in-hand with suppliers,

Status on initiatives in FY2017

Safety

As part of the effort to strengthen safety and health activities, we conduct continuous safety patrols for 99 companies, share information on labor accidents, and execute lateral sharing of safety measures through safety activities presentation meetings. These activities have a significant impact on increasing company safety levels, ensuring an appropriate working environment for personnel.

Environment

We enforce the acquisition of a number of certifications, such as ISO14001 and Eco Stage. We are proud to report that as a result of our commitment to this mandatory implementation, all 156 domestic companies within the Midori-kai have received certification.

Personnel Development

We promote the development of young individuals in management positions at our business partners through the implementation of "Management Salons." Through these engagements, Komatsu executives exchange views with their less-experienced counterparts to nurture and guide them in their vocations. This creates a "win-win" situation, allowing us to align our respective management policies and implement PDCA cycles while enhancing the skills of our treasured partners.

we conducted a country-of-origin survey to determine the location of origin of our minerals to ensure that none of them are sourced from areas of conflict.

Moving forward, we will continue to take steps to enforce strict adherence to this policy, which will serve to restrict funding for military groups situated in such areas. Any conflict materials discovered to be within our supplier chain will be immediately discontinued from use.

CSR Procurement Guidelines

(Established on August 30, 2011)

Komatsu Group CSR Procurement Guidelines : What we would like to ask our business partners in the supply chain

1. Operations for Sound Management

1. Build a system or operational structure designed to meet various risks.
2. Establish legal and transparent decision-making processes concerning management.
3. Conduct appropriate accounting procedures, tax filing and settlement of accounts.
4. Place importance on communication with stakeholders (customers, shareholders, business partners, employees, etc.).
5. Ensure that top management will be notified promptly when any abnormal condition develops and that your company will be able to promptly and accurately respond to the situation(s).

2. Thorough Enforcement of Compliance

1. Engage in business operations while complying with the laws and regulations as well as the rules of the Business Community of the host countries and regions.
2. Develop a corporate climate under the leadership of top management, which places top priority on compliance.
3. Build up compliance-responsive operations, according to the scale and characteristics of your company, designed to prevent your company, executives or employees from wrongdoings and to respond to any compliance-related problems promptly when they occur.

3. Product Safety, QCD and Technology Innovation

1. Comply with the laws and regulations concerning product safety and deliver products and services which will offer safety and peace of mind to customers.
2. In addition to maintaining the quality and cost competitiveness of products and services which your company delivers to customers, stand by the agreed upon date of delivery and supply your products in a stable manner.
3. Establish quality control operations.
4. Constantly engage in technology development and provide innovative, safe and environmental-friendly products and services.

4. Considerations for the Environment

1. Continue efforts to reduce environmental impact resulting from business operations.
2. Appropriately manage chemical substances contained in products.
3. Build up environmental management systems such as the ISO14000 series and "Eco Stage."

5. Measures to Respect Human Rights, Appropriate Labor Conditions and Occupational Safety and Health

1. Respect human rights.
2. Never get involved, directly or indirectly, in any child or forced labor.
3. Create a work environment where there is no discrimination or harassment in any aspect of employment.
4. Build up an occupational safety and health operational structure under the leadership of top management and create a work environment where all employees can work in safe and healthy conditions.
5. In addition to establishing a fair and just personnel system, pay attention to human resource development and employee education as well.
6. Give consideration to improving communication between top management and employees.

6. Fair Business Practices

1. Comply with all related laws and regulations and engage in free and fair competition and business transactions.
2. Respect intellectual properties of other parties and work to prevent infringement thereof. Appropriately handle information (including personal information) of your company and other companies.
3. Never accept inappropriate cash, gifts or other favors.
4. Carry out proper foreign trade transactions (goods and technologies) while complying with the related laws and regulations.
5. Never have any relationship with antisocial forces or groups.

7. Social Contributions and Co-existence with the Local Community

1. Engage in social contribution activities based on your company's management principle(s) and support employees' volunteer activities.
2. Place importance on co-existence with local communities which is the foundation of your business, and proactively support the growth of local communities.

* These guidelines will be revised as needed.

Biodiversity

With the establishment of Komatsu's "Declaration of Biodiversity" and "Biodiversity Guideline" in January 2011, Komatsu business units worldwide began activities designed to preserve biodiversity.

Komatsu promotes initiatives to preserve biodiversity on two levels.

First, the Company continues to promote ongoing efforts to reduce the environmental impact of Komatsu's

business activities. Komatsu also considers biodiversity when deciding how land is to be used, such as when building factories.

Second, Komatsu is becoming directly involved in the preservation of biodiversity, and at the same time expanding our "one-site, one-theme activities" to raise employee's awareness of the need to preserve local ecosystems.

Initiatives from Specific Business Facilities

Testing Department Test Engineering Center

Fully utilizing the different aspects of naturally abundant land while maintaining the habitats of rare flora and fauna unique to the local area

Oita's rich natural environment is home to one of our testing sites, where we conduct quality confirmation tests for our construction machines.

We have thus conducted an investigation of animals and plants in FY2011 across each of the four seasons to know the potential impacts on the surrounding area.

We found that the animal and plant species unique to this region have not suffered any negative impacts, and are instead growing and thriving.

We have continued this commitment to biodiversity through a number conservation activities involving the waterside environment and the reparation of devastated forests etc. Of the animals involved in our investigation, we found that the majority of them consisted of birds, amphibians, and insects who inhabited locations near to bodies of water. The conclusion can be drawn that the waterfront plays a pivotal role in the sustainable living of these creatures, which makes it doubly as important for us to ensure the continued quality of water in the surrounding regions. We have made efforts to improve upon these habitats through the use of natural materials in our testing site, which has allowed us to enhance the topography of the area while ensuring that the travel routes of these animals are not compromised.

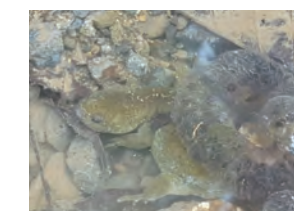
We have worked hard to ensure the maintenance of devastated forest regions near our site to create an ideal "Satoyama" (undeveloped woodlands near populated areas), where natural light is in abundance. This provides plants that are low-growing (such as Kinran) with an environment that encourages their propagation, enabling them to grow and thrive.

In order to ensure appropriate accountability and compliance with our commitment, we have created a distribution map of amphibians and Kinran through yearly censuses. The results from these surveys have proven favorable, with an increase in population statistics across the board. With this success in mind, we will continue to maintain and improve on our

conservation efforts to ensure that the whole test site is managed appropriately.

Komatsu engages external lecturers on a regular basis to train our employees in order to create a culture of environmental conservation amongst our workforce. These training efforts afford personnel at all levels with an understanding and awareness of the importance of biodiversity conservation activities, which has thus far led to excellent results in the maintenance of the environment in our test site. In FY2017, employees will learn the tree cutting method known as "Yamazakura", which will prove extremely beneficial to woodland conservatory efforts. Following this trend of woodland conservation, we also hope to have our employees engage in tree-planting activities for the local community in the future.

Our conservation activities are not limited to within the test site, but encompass much of the surrounding areas as well. We clean the neighboring Onogawa river four times a year, and have established a dedicated corner at a business establishment fair that teaches local residents about the importance of biodiversity.



Salamander



Kinran



Education by external lecturers



Scenery of the Onogawa Cleanup

Environmental Risk Management

Promoting Legal Compliance, and Pollution Mitigation and Prevention

Komatsu Group companies periodically report and archive environmental measurement results, in compliance with the applicable laws and regulations of national and local authorities. In FY2017, there were four minor instances of violations with regards to environmental regulations. All four cases have been summarily dealt with and resolved.

There were no major environmental accidents which might pollute the environment on the boundary of our site during this period.

Addressing Soil and Groundwater Contamination

Komatsu has established guidelines for testing soil and groundwater in our domestic operations, and continues to ensure that appropriate investigative measures are in place to determine strict compliance to laws and regulations regarding the selling, closing, or destruction of business units. Should any contamination be discovered, Komatsu works alongside local authorities to take appropriate measures.

We voluntarily perform investigations on in-operation business units, in order to test for contamination stemming from VOC's in the cleaning solvents that we use.

We have been carrying out surveyance of soil and groundwater for VOC contaminations at domestic

business units since 2005, and have implemented countermeasures at any sites that have been found to be contaminated. Komatsu is committed to the prompt resolution of any issues, and works to ensure that all clean-up processes are executed with speed and efficiency.

Our clean-up of the Oyama plant was completed in FY2009, with clean-up operations for other sites currently ongoing. To assure the quality and haste by which these operations are completed, we continuously assess and refine the effectiveness of our clean-up procedures.

Moving forward, in addition to the management of clean-up operations, Komatsu has committed to ensuring that our off-site outflow of ground water meets regulatory standards through meticulous monitoring systems at the site boundaries.

Status of Soil and Groundwater Cleanup in Japan

Business unit	Cleanup method	Cleanup status
Awazu Plant	Excavation and removal, soil vapor extraction, groundwater withdrawal and aeration, bioremediation	In process
Komatsu Plant (former site)	Excavation and removal, groundwater withdrawal and aeration, bioremediation	In process
Osaka Plant	Soil vapor extraction, air sparging, groundwater withdrawal and aeration, bioremediation	In process

Business unit	Cleanup method	Cleanup status
Shonan Plant	Excavation and removal, groundwater withdrawal and aeration	In process
Tochigi Plant	Excavation and removal, bioremediation	In process

*1 Bio-remediation is a purification process whereby hazardous materials are purified using micro-organisms. This return the soil to a non-hazardous state.
* Investigative surveys revealed zero contamination in the Koriyama Plant, Technology Innovation Center in Hiratsuka, Techno Center in Izu and Field Testing Department in Oita.

Management of Chemical Substances and Pollution Prevention

Reducing the amount of PRTR-related substances

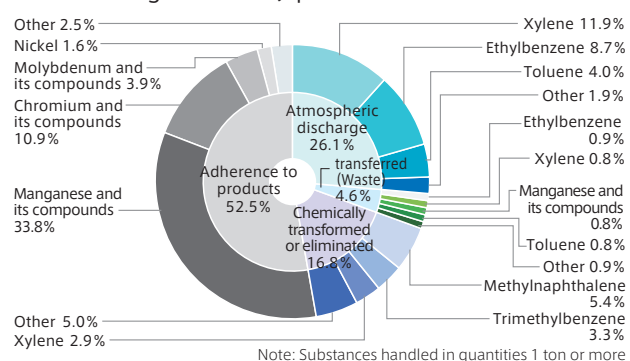
In FY2017 the number of substances specified by PRTR* with a handling volume of 1 ton or more (0.5 tons or more for Class I specified) was 27 with an increase of 4 substances from the previous year.

Out of all PRTR-listed substances, xylene, ethyl benzene and toluene account for approximately 93% of the emissions from Komatsu and Komatsu Group manufacturing facilities. Most of these emissions are released into the atmosphere. In FY2017, the amount of xylene, ethylbenzene and toluene handled has been reduced from 2016, as production is increasing as the switch to coatings and thinners with less PRTR type 1 designated chemical substances progresses. We will continue to make efforts to switch to less paint containing PRTR type I designated chemical substances, thinner, high solids of paint, improve

coating efficiency, and reduce the coating film thickness. Emissions in fiscal 2017 were reduced by about 4% from the previous year.

* PRTR : Law designed to mandate the disclosure of the amount of specific chemical substances released into the environment to promote the management of such substances (The notification system based on the PRTR Law)

Breakdown of the Amount of PRTR-related Substances Released and Transferred from Komatsu Group Manufacturing Facilities in Japan



Reducing the amount of VOC released

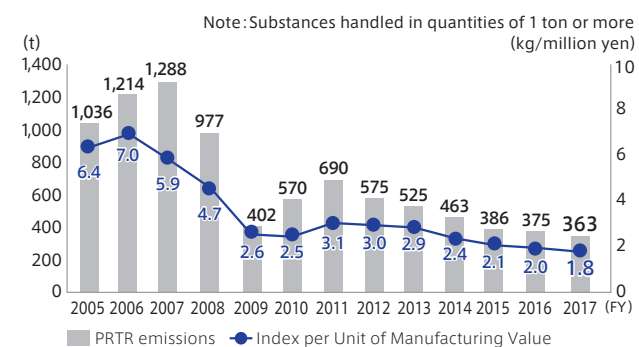
The majority of VOC (Volatile Organic Compounds) emissions are from VOC contained in paint, such as Xylene and Ethyl benzene.

Despite a slight increase in emissions in FY2017, we have managed to maintain a 50% reduction (as compared to FY2005) in the amount of VOC emissions per units of manufacturing value.

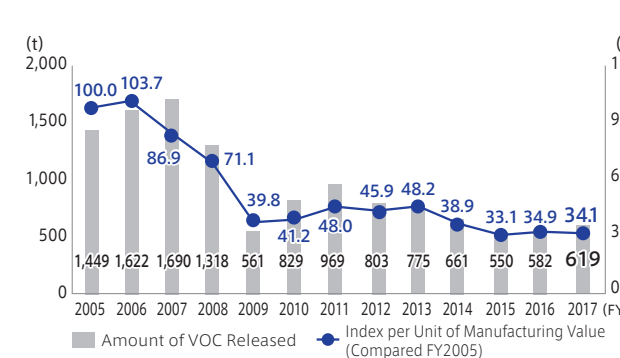


Komatsu Cabtec Co., Ltd.'s Painting Line

Amount of PRTR-related Substances Released into the atmosphere



Amount of VOC Released



Reducing the Use of Substances of Environmental Concern and Complying with the EU REACH Regulation

Komatsu is aware of the harmful environmental impacts that certain materials possess, and has made continuous efforts from an early stage to reduce the use of a number of such substances. These included asbestos, lead, and other such items. In FY1999, we created our own list of banned and limited-use substances, which was based in part on Japanese legislation (Japanese Law Concerning the Examination and Regulation of Manufacture of Chemical Substances Control) that banned a number of chemical materials as well as regulatory measures in other countries.

We have also implemented more stringent measures in the control of substances that raise environmental

concerns. In compliance with REACH*, we began revisions of our FY1999 listing of banned and limited-use substances. We have also collaborated with suppliers to create a regulatory system that strengthens control of potentially harmful materials being used for production. We have rolled this system out in Japan and Europe, with plans to continue implementation in other areas of operation.

Through the use of this system, we identify SVHC (substances of very high concern) in vehicles currently in production and in newly developed vehicles. Furthermore, we also regularly check for new SVHCs to be added to the list.

* REACH: EU regulations for the Registration, Evaluation, Authorization and Restriction of Chemicals

Water Related Risk Management

In accordance with our Earth Environment Charter, the first half of FY2015 saw the Komatsu Group focus on two salient areas:

- Promoting reductions in water-usage (input), and increasing the recycling (circulation) of water.
- Activities centered on water quality conservation

However, in response to the frequency of weather abnormalities and societal demands (2015/1 Water Crisis named as the number one risk at Davos Forum etc.), Komatsu has since established the "Water-Related Risk Evaluation Committee" in the second half of 2015. This committee engages in the study of water-related issues, and conducted a "Water-Related Risk Survey" after half a year of learning. This survey engaged both our domestic and foreign affiliates, seeking to understand business-related water impacts and improve upon Komatsu's water policies.

Results from the Water Related Risk Survey

(conducted at 45 global affiliates/divisions in January 2016)

- Effect of heavy rain on operations/business
- Risk of pollution from drainage
- Effect of river flooding on the supply chain

Our water-related policies for FY2016 onwards have thus been changed to reflect the result of this survey. In addition to the continuation of previous initiatives and activities, we are now newly promoting "Water-Related Risk Reduction Activities" in order to minimize the impacts of water-related risks within our business operations.

Part of our Impact

Fostering Community Growth in Cambodia

In western Cambodia, a land peppered with as many gleaming temples as tin roofs, there's a destructive threat buried just beneath the surface of everyday life: active landmines left from the Cambodian Civil War.

In certain areas - generally known to locals but not secured - one wrong step can mean devastation. The anti-personnel mines still lurking in Cambodia's rural countryside were designed to maim or kill a person. Less common but more powerful are the anti-tank mines, strong enough to destroy heavy machinery.

These areas of danger are overgrown with bushes and trees, as residents have learned where they cannot farm or live safely. But in a country where 90 percent of impoverished residents live in the countryside, most have no choice but to continue to farm the land in and around these areas of threat.

Since 2008, we have been supporting a unique community development project undertaken by the Japan Mine Action Service (JMAS) in cooperation with the Cambodian Mine Action Center (CMAC), to remove these landmines and redevelop villages where families can live, work and play without fear.

By donating special equipment designed by Komatsu engineers to safely remove anti-personnel landmines, we have supported the clearing of about 1,400 mines spread across more than 1,700 hectares of land.

"Before the landmines were cleared," said one female resident in Battambang Province, "it was like a forest. All the people were scared to come into the forest. Now the land is safe for people to live," she said. The woman lives with her husband on a plot of land in one of the redeveloped areas. They farm the land where they built their own home, growing mangos and other food.

As a valued community partner, we work with CMAC and JMAS to respond to local governments' requests to clear areas of known landmine activity. Using a Komatsu

bulldozer to cut brush and a specially designed demining machine, these teams clear areas for residents to live and work.

"We developed these machines special for this [purpose]," said Atsushi Nagira, General Manager, Demining and Reconstruction Project, Construction Equipment Marketing Div., Komatsu Ltd. "Not for sale, but for society."

We first started designing the demining machine in 2002 when redevelopment initiatives gained momentum in Afghanistan and Cambodia. Eager to help unite as global citizens and provide a service to areas in need, we tested the first machine in Afghanistan with support from the Japanese government and later handed it over to a local NGO (non-governmental organization) for use there utilizing Japan's ODA (Official Development Assistance) funds. The machines are modified versions of Komatsu bulldozers, featuring specially designed roller pulverizers in front of the equipment and bulletproof, soundproof operator cabins that keep safe those working to clear the fields. The deminers are painted white, one of the official colors of the United Nations.

In 2008, we joined JMAS in their efforts to build upon CMAC's ongoing manual efforts to remove landmines in Cambodia. The "Project for Developing a Safe Village" in Battambang District includes landmine removal and community reconstruction in areas suffering from the impacts of anti-personnel landmines.

Komatsu provided free of charge a demining machine for removing landmines, and related equipment including a hydraulic excavator and bulldozer for earth excavation and ground leveling work. Today, there are four Komatsu demining machines in Cambodia. Residents who are part of CMAC operate the equipment. When asked what it's like to drive the deminer and detonate deadly landmines, one operator said "this is heavy duty equipment, so it's no problem. We feel very safe."

According to Nagira, "Not only the people, but also our equipment is very tough."



Classroom under study roof with solid floors

Since 2006, the area has seen an 82 percent decrease in landmine accidents. During a March visit to the Battambang Province villages where we are providing aid and partnering with local communities, peace and happiness radiated on residents' faces in areas where the land has been cleared.

"We are so happy and so grateful that the mines are cleared," said the female farmer.

Komatsu has also done much more to empower the villagers than just remove active landmines. Together with these government organizations, community partners and local residents, we are building communities: clearing the land of overgrowth, building or rebuilding roads, and constructing primary schools.

"There is a great need here," Nagira "Many schools are needed and the work must continue after the schools, too. Employing people and giving them places to live." We have now helped redevelop 10 villages in areas previously riddled with active landmines.

Komatsu equipment was used to build local roads for more than 60 kilometers, connecting villages that previously were difficult if not impossible to access during monsoon season. We provided a bridge for one village particularly cut off during monsoon season, and helped build 46 ponds for the villages, which previously had no water supply. And eight new primary schools now serve nearly 600 local students.

"Most students want to go to school and now they can," said a teacher at Chror Narb Phes Komatsu Primary School, built in 2011. "Komatsu's vision and leadership have helped make this project a reality."

Young children in these villages now aspire to become doctors, nurses and teachers because they have a place to learn and thrive.

Older local schools have dirt floors and tin roofs that make the monsoon rains incredibly loud. Some of these schools have to close during the rainiest days as students and teachers cannot hear one another and the ground floods.

At Chror Narb Phes Komatsu Primary School, happy schoolchildren now sit at desks under a sturdy roof with solid floors beneath their feet. Reciting their lessons in unison, they learn math and writing, dreaming of growing up to be like the teachers they so admire.

"Many children's parents are farmers, which is hard work," said one of the school's teachers.

"The students come to school and learn about other jobs. It opens the world to them."

Asked what they wanted to be when they grew up, the children added policemen and carpenters to the list.

Through a cultural exchange with Japanese schoolchildren, the students also experience the kindness of peers thousands of miles away. Classrooms are decorated with Japanese pieces of art such as calligraphy and origami (paper folding), and a library bearing the Komatsu name is comprised of items donated from Japan for the school.

Growing up in areas now free of the threat of landmines, these children will help shape Cambodia's future. Living with their families on redeveloped land distributed to residents free of charge through an application process, this new generation doesn't have to know the fear of trying to make a living on land that is unsafe.

"When we provide aid, we have to enable those we are aiding to be self-sustainable," said Nagira. "The project is to foster people. We must do more than clear the land. We must work with the government ... to make life sustainable."

For the female mango farmer and her husband, the plot of land they received 10 years ago through the Battambang Province Demining and Reconstruction Project is truly special, because it's theirs.

"I'm so happy," she said. "It's a small land but I have my own. I am happy to live here."



Social Contribution Activities

While much of a business's responsibilities lie within the corporate sphere, it is nonetheless equally as important that a business take responsibility for local engagement within the social sphere. Komatsu is thus acutely aware of the importance for "Social Contribution Activities" that help nurture and develop the local communities in our areas of operation. We emphasize themes in our social contributions which utilize the business acumen and know-how that we have cultivated in our business operations. This in turn allows us to make use of our existing expertise to greatly increase the beneficial impact and reach of our contributory activities.

5 Basic Principles for Social Contribution

Aims:

To clarify the responsibilities of Komatsu Group and its employees as members of the local community and guide their activities for social contribution accordingly.

Principles: Activities for social contribution should:

- have continuity;
- contribute to the advancement of public welfare;
- be voluntary (not forced);
- be reasonable to employees; and
- not be designed to advertise our products or services.

Komatsu's Initiatives for the Social Issues

As Komatsu develops business on a global scale, we listen to the opinions of the people who live in each area and conduct support activities to improve the living standards of the people in the local community. We believe that conducting such social contribution activities is the responsibility of those doing business in that area.

USA: Support for housing improvement (Komatsu Mining Corp.)

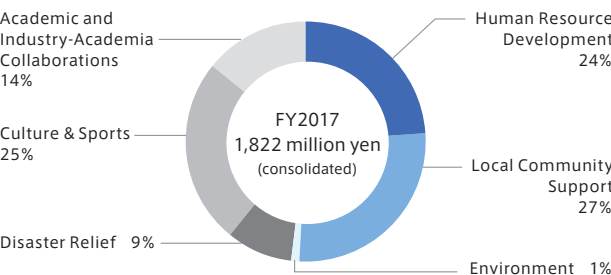
Employees of Komatsu Mining Corp. (KMC) participated in volunteering activities for the Non-Profit Organization(NPO), Habitat for Humanity. Habitat for Humanity is an NPO that aims to support a range of home building and community projects, focusing on practical support that makes a real, tangible difference to the lives of those most in need. We support Habitat for Humanity's efforts in improving and securing housing by setting up sanitation facilities, spreading construction technology, building a community that is strong against disasters, supporting the development of the entire community, and providing building support for houses. A total of 110 KMC employees have participated in tangible activities thus far. In September 2017, 11 employees of Komatsu America Corp. (KAC) came together to jointly support housing improvement near Milwaukee, where KMC headquarters are located.



Support for Habitat for Humanity activities

Social Contribution Expenditures of the Komatsu Group

We have divided and summarized the results of our social contributions into 6 general categories. These can be found in the infographic below:



Oceania: Employee engagement program for community support (Komatsu Australia & Komatsu Mining Corp.)

In Oceania, Komatsu Australia (KAL) is focused on employee engagement activities to support the resolution of local community issues. We shared various challenges that employees are focusing on throughout the company, asking them to come up with potential solutions to these problems known as "DREAM"s. We received a total of 42 entries from employees within a time frame of 3 months (from September 2017), from which 8 winners were selected. These winners were provided with grants from the company, as well as the freedom to carry out their plans independently.

Owing to the diverse nature of these issues, such as "Re-vegetation of salt and soil affected areas back to a healthy eco system" and "Supporting families affected by domestic and family violence", we have also opened up the possibility for collaborative efforts with local NPOs involved in the resolution of such issues.



LIVE YOUR DREAM

Disaster Relief

Assistance to America · Hurricane disaster area

Komatsu America Corp. provided a \$250,000 cash donation to the American Red Cross to support Hurricane Harvey relief efforts.

Komatsu America also matched dollar-for-dollar, all contributions made by Komatsu America Corp. (KAC) and subsidiary-company employees. Subsidiary companies include Komatsu Financial, Komatsu Mining Corp., Modular Mining Systems, Inc., Hensley Industries, Inc., NTC America Corp., Komatsu America Industries, LLC, Gigaphoton USA, Komatsu Forklift USA, Komatsu Equipment Company, Komatsu South-West, F&M Equipment, Ltd., Komatsu do Brasil Ltda., Komatsu Cummins Chile Arrienda S.A. and Komatsu Holding South America Ltda.

Between manufacturing and foundry plants, distributors and other support functions, there are more than 1,000 Komatsu-affiliated staff members and their families in the state of Texas alone.

"Speaking on behalf of the Komatsu family of companies, we have been moved by the stories of loss, courage and comradery coming out of the storm-damaged areas in the wake of Hurricane Harvey," said Rod Schrader, CEO of Komatsu America Corp. "We are pleased to support the American Red Cross in their efforts to help families and communities begin the journey towards recovery and rebuilding," Schrader said.

Clearing Anti-Personnel Landmines and Reconstruction Support

As of 2008, Komatsu has engaged in collaborative efforts with the Japan Mine Action Service (JMAS) to support the demining of anti-personnel landmines. In addition to removing mines, we also provide reconstruction work as part of a community development project.

We started support of unexploded bomb disposal activities in 2016 in Laos.

In Laos, about 36% of the land is riddled with unexploded bombs, many of which are cluster sub-munitions. This is a problem on a massive scale, with children and farmers suffering bomb-related injuries on a yearly basis.

Komatsu plays its part by offering the necessary equipment to UXO-LAO (a Lao unexploded bomb disposal squad) and the Japan Mine Action Service (JMAS) free of charge, alongside engineering support for the machines it provides.

Following the success of the demining machine for anti-personnel landmines we have used komatsu's past experiences and techniques to develop removal machines for processing unexploded ordnance based on hydraulic excavator PC130-8, and continue the disposal activities.



Komatsu's demining machine



Machine developed based on hydraulic excavator (for processing unexploded ordnance)



Lecturing on anti-personnel landmine disposal at an elementary school

Results of Demining and Reconstruction Support Activities in Cambodia (Cumulative)

Item	Result (Cumulative Total by FY2017)
Demined area	1,735ha
Total removal count	1,360 landmines
Road construction / maintenance	61.8km
Schools constructed	8 (about 600 school children)
Ponds constructed	46

Developing People Needed by the Community

When we asked ourselves: "What sort of social contribution activities would meet the needs of regional communities and make the best use of Komatsu's strengths?" We arrived at the answer: "developing people." We are working in cooperation with several entities (such as national and local governments as well as schools), to carry out human resource development programs that are tailored to each region's needs and enable participants to acquire skills that will open up various employment opportunities.

Various Areas and Forms of Support

Developing Human Resources Tailored to Regional Needs Worldwide

Using the know-how cultivated through our core business, Komatsu supports the development of skills in people that are needed not only internally by our company, but by local communities as well.

Expectations for human resources can vary greatly from community to community. At Komatsu, as we do business on a global scale, we try to understand what each community needs and work on providing that support accordingly in various areas and in different forms.

The pyramid graph below shows the different areas in which Komatsu is supporting human resource development. It also shows that the closer you get to the top of the pyramid, the more closely linked the program is with Komatsu businesses. The base of the pyramid shows our active support of activities such as science classes in elementary schools, mainly in differ-

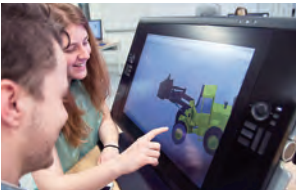
ent parts of Japan, USA and Europe. The next level up is to provide basic education, which is support given to people who cannot or were not able to receive the level of education necessary to find employment, due to circumstances specific to their country or region. We currently run such programs in Chile and South Africa. At the next level, we support universities and vocational training schools in many regions by providing Komatsu's curriculum and equipment, as well as instructors. At the top of the pyramid, we are working with national and local governments and with our customers to develop human resources, particularly in regions where human resource development is a social challenge.

The actual content of the support given includes Komatsu providing instructors and trainers; providing teaching materials, equipment and facilities; accepting apprentices; and various other means through which our daily cultivated know-how can be best put to use.

Support for Developing Human Resources



Dispatching instructors



Providing teaching materials and equipment



Providing facilities and supporting operations



Accepting apprentices

Collaboration with Cummins Inc.

We believe that collaborative CSR activities are more effective than activities conducted alone, due to the sharing of valuable requisite resources and know-how. In promoting social contribution activities in the past, Komatsu has collaborated with entities like NPO organizations that have their own unique know-how of CSR. And in 2016, we have entered into a contract with our business partner, Cummins Inc. of U.S., to collaborate on the development of local human resources. We will globally expand our development of human resources through the comprehensive utilization of each other's resources and best practices.

Trade name	Cummins Inc.
Established	1919
Headquarters	Columbus, Indiana, U.S.
Business segments	Engine, Power systems, Components, Distribution
URL	http://www.cummins.com/

Collaboration program of both companies

- (1) Case of South Africa -

Komatsu supports the technical education program (Technical Education for Communities: TEC) that Cummins is developing in various countries around the world, and has developed various joint programs. Our activities in South Africa, which took place in March 2018, are a good example of this program. Through a three-year program at the local vocational training school Sedibeng College, we aim to develop human resources capable of repairing and maintaining both engines and construction machinery.

The shortage of skilled technicians has become a serious problem all over the world, especially in the manufacturing industry. Due to the massive lack of both hands-on and soft skills, we are currently experiencing a severe labor shortage. TEC provides various tools to vocational training schools for young aspirants to fully acquire the skills necessary for employment and to participate actively in society, building a better country for the future.



Students attending the school



Vocational training school supported by Cummins and Komatsu

Collaboration program of both companies

- (2) Case of Peru -

Komatsu has also developed a TEC program in Peru, South America in collaboration with Cummins. We started a program to support the SENATI (Servicio Nacional de Adiestramiento en Trabajo Industrial) Arequipa (a local vocational training school) from FY 2016, and are working to provide the training of mining and construction machine skills in the 3 year course. While Peru has social issues such as economic disparity and inequality in education, we believe that investments in the mining industry are expected to cause it to expand further. As a result of this, the training of mining and construction machine skills is an urgent issue.

More than half of the mine sites in Peru are located in the southern region, of which Arequipa city is the center. Since many mining companies are developing businesses in the suburbs, graduates who have studied at the school will not need to leave their local communities, even if they are employed in neighboring mining companies in the future. We will continue to make use of our business acumen and equipment to develop support activities that create a good number of job opportunities in the area.



SENATI Arequipa