



Pursuing CSR activities through core businesses as our basic principle, we will also engage in social contribution activities that make the best use of Komatsu's strengths to fulfill our responsibilities to society.



Tetsuji Ohashi
President

In FY2011, we stated that Komatsu is committed to contributing to society through core businesses, and we designated our CSR Themes: "Enhancing quality of life" by providing products required by society, "Developing people," which Komatsu has emphasized since its founding, and "Growing with society" by fulfilling our corporate responsibilities in such areas as governance and compliance. In our Mid-term Management Plans, underway since FY2011, we have also clarified and begun to implement worldwide the specific Key Business Activities we will pursue for each CSR Theme. Here are a few examples.

Solving Issues through SMARTCONSTRUCTION

We set out our growth strategies based on innovation in the Mid-range Management Plan "Together We Innovate GEMBA Worldwide," which covers the period ending March 31, 2016. Our goal is to expand business domains by providing new value through our "DANTOTSU" (unique and unrivaled) solutions, in which we take part in managing and raising the efficiency of entire construction projects for customers in addition to providing our products and services.

The most recent example of this strategy is the "SMARTCONSTRUCTION" business launched in Japan in February 2015. This solution service is intended to realize the safe and high-productivity job sites of the future by connecting all information on worksites through information and communication technology. We are promoting SMARTCONSTRUCTION to contribute to the solution of other anticipated on-site issues for customers, including the severe shortage of experienced workers.

In pursuing innovations such as these, Komatsu also values its collaborations with partners and participates in joint projects involving industry, academia and government, as well as industry-to-industry collaboration. By quickly adopting superior technologies from outside the company and promoting them through our business, we seek to promptly respond with solutions and value that address the challenges faced by our customers and by society at large.

Activities for Reducing Electricity and Environmental Action throughout the Value Chain

At the Awazu Plant in Ishikawa Prefecture, one of our main plants, the completion of a new assembly line in May 2014 was followed by the commencement of operations of a highly efficient biomass steam boiler system in April 2015. Using wood chips from forest thinning, the system is capable of using exhaust heat for air conditioning and other purposes in addition to generating power. We expect to meet our FY2015 goal of reducing the annual volume of purchased electricity by approximately 90% compared to FY2010.

These initiatives are already being applied to our plants in Japan, in Oyama, Tochigi and Osaka. Moreover, about half of the improvements actually implemented at Komatsu have been selectively adopted by business partners that manufacture our components. Many of these companies have already reported reductions in their electricity use, and we believe we can contribute to raising the competitiveness of our business partners through this initiative, which facilitates the reform of their production processes while reducing their environmental footprint.

Reducing CO₂ emissions is another area that requires not only in-house action but also a response based on an understanding of the entire value chain. The KOMTRAX remote vehicle management system installed in our products is capable of monitoring how construction equipment is being used at customer job sites, providing us with a tool for proposing fuel-efficient operations. This system also enables Komatsu to gain an accurate grasp of the volume of CO₂ emitted at the operating sites where our products are used. Our calculations have shown that operations at customer job sites account for approximately 90% of the volume of CO₂ emitted by our products throughout their entire life cycle, from production to disposal. We will continue to develop products that minimize environmental impact and will strive to reduce CO₂ emissions throughout our value chain.

Pursuing Social Contribution Activities Unique to Komatsu

While our basic principle is to "Contribute to society through core business," we also aspire to fulfill our social responsibilities by engaging in social contribution activities that make the best use of our strengths.

Led by our local subsidiaries, Komatsu engages in human resource development and local community support activities that meet local needs in countries around the world. In undertaking these social contribution activities, it is important to focus on those that address issues faced by the local community, to join hands with good partners, and to participate consistently. We aim to engage in social contribution activities that are unique to Komatsu by making use of the know-how accumulated in our businesses and through the participation of our employees, and to enhance the value of these activities by sharing related information across the Group.

We will continue to pursue basic activities for safety, the environment, compliance and quality assurance by bolstering our corporate governance and by having all employees share in the KOMATSU Way in order to enhance our business performance, improve our business foundation, and fulfill our social mission in a balanced manner.

We are also actively participating in initiatives such as the United Nations Global Compact and the WBCSD, to take responsibility for doing our part in the world as a global corporation.

July 2015

Tetsuji Ohashi, President



Komatsu participates in the UN Global Compact (UNGC). For more information on the relationship between UNGC's Ten Principles and Komatsu's activities, please see page 4.



Komatsu participates in the World Business Council for Sustainable Development.

Contents

Message from Top Management	01
Our Approach to CSR	03
CSR Themes and Key Business Activities	03
Incorporating CSR into Management	04
Comparison with Global Principles	04
Dialogue with Our Stakeholders	05
Organization to Promote CSR	05
Opinion of an External Stakeholder	06
Major Achievements and Mid-range Issues	07
CSR Theme ①	
Enhancing Quality of Life	09
-Providing Products Required by Society-	
Innovation and CSR Special Story	
-Introduction to SMARTCONSTRUCTION-	09
Occupational Safety and Health	11
Komatsu's Relationship with the Environment	12
Reducing CO ₂ Emissions in Manufacturing Operations	13
Environmentally-friendly Products and Services	14
CSR Theme ②	
Developing People	15
Diversity Initiatives Special Story	15
Enhancing Work-Life Balance	17
Strengthening Our Gemba Capability	18
CSR Theme ③	
Growing with Society	19
Corporate Governance	19
Risk Management	20
Compliance	21
Support for CSR Initiatives of Business Partners	22
Social Contribution Activities	23
Community Based Social Contribution around the World	
- CSR Activities and their Background in India Special Story	23
Disaster Relief for Flooding in Chile Special Story	25
Developing People Needed by the Community	27
Clearing Anti-Personnel Landmines and Reconstruction Support	28
Corporate Profile	29
External Evaluations	29
Editorial Policy	30

Our Approach to CSR

Komatsu will fulfill its responsibility to society by following its basic policy of contributing to society through core business and by engaging in social contribution activities that take advantage of Komatsu's strengths.

CSR Themes and Key Business Activities

We pursue the following three CSR Themes in our efforts to contribute to society through core business, and Key Business Activities are designated for each theme to reflect our latest mid-term management

plan and social issues. As for our social contribution activities, we set themes under which Komatsu can apply technologies and know-how which we have accumulated in our core business.

Contributing to Society through Core Business

Enhancing Quality of Life Providing Products Required by Society	Developing People	Growing with Society
<ul style="list-style-type: none"> Providing products and services that contribute to infrastructure development and improve quality of life Improving productivity, safety and efficiency, and enhancing energy conservation through innovation Improving environmental efficiency at operation sites and facilities, such as plants Reducing our impact on the environment throughout the product life cycle Enhancing safety for society, customers, employees and business partners 	<ul style="list-style-type: none"> Enhancing our employees and suppliers through the KOMATSU Way Enhancing our employees and distributors through brand management 	<ul style="list-style-type: none"> Engaging in dialogues with our stakeholders Strengthening our corporate governance and compliance Promoting compliance with environmental, labor, human rights and social norms within the Group and among business partners

Social Contribution Activities

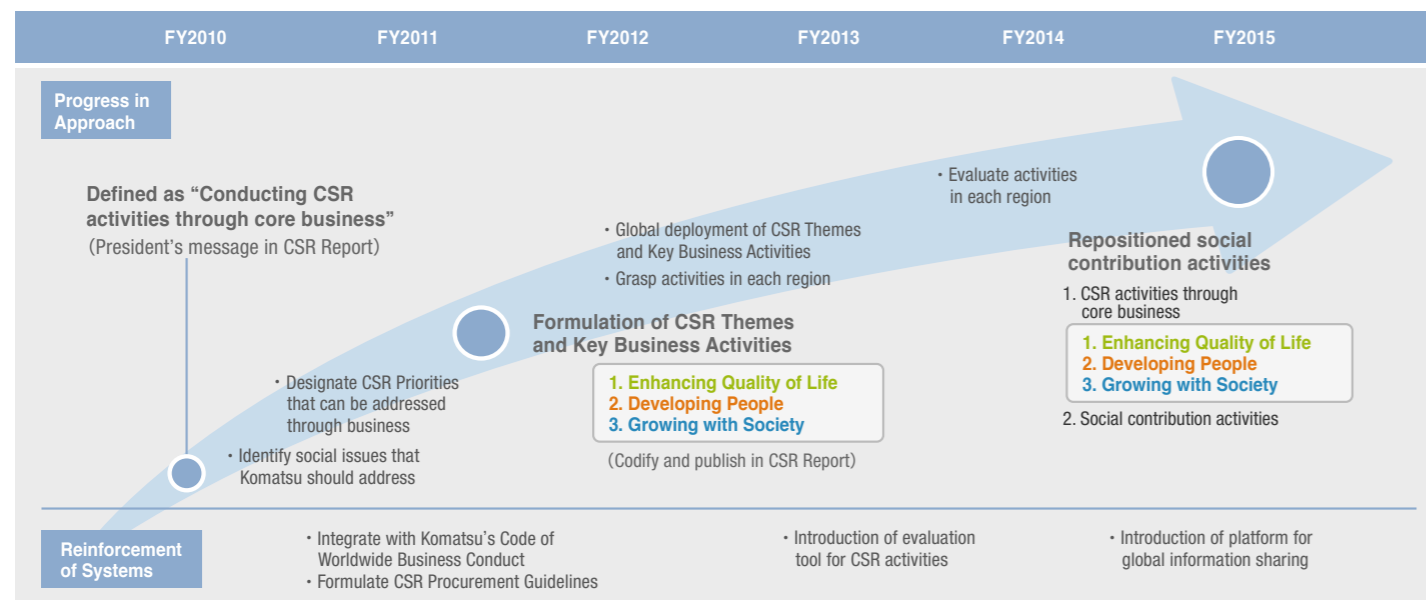
<ul style="list-style-type: none"> Donating or offering free rental of equipment that is needed by society Conducting activities for energy saving, reducing environmental impact and enhancing safety 	<ul style="list-style-type: none"> Contributing to human resource development in local communities Developing the next generation 	<ul style="list-style-type: none"> Providing social contributions through the use of our core technologies and resources (e.g., disaster relief and activities to remove antipersonnel land mines) Contributing to the local communities where we do business
--	---	---

Formulation Process and Review of Komatsu's CSR Priority Issues and Themes

Komatsu conducted a materiality analysis to determine its CSR Priority Issues and Themes with the support of Business for Social Responsibility (BSR), a U.S. nonprofit organization, as a third party. During this process, we identified a set of CSR Priorities, consisting of social issues important both to Komatsu's business and to our stakeholders, as issues Komatsu should address on a global scale.

Through repeated internal discussions related to these priority issues, we identified the three CSR Themes.

As we developed these activities, we realized that in addition to undertaking CSR activities through our core business, it was also important to engage in social contribution activities in the local communities in which we operate. Consequently, we revised our approach in FY2015 and repositioned separately CSR activities through core business and social contribution activities.

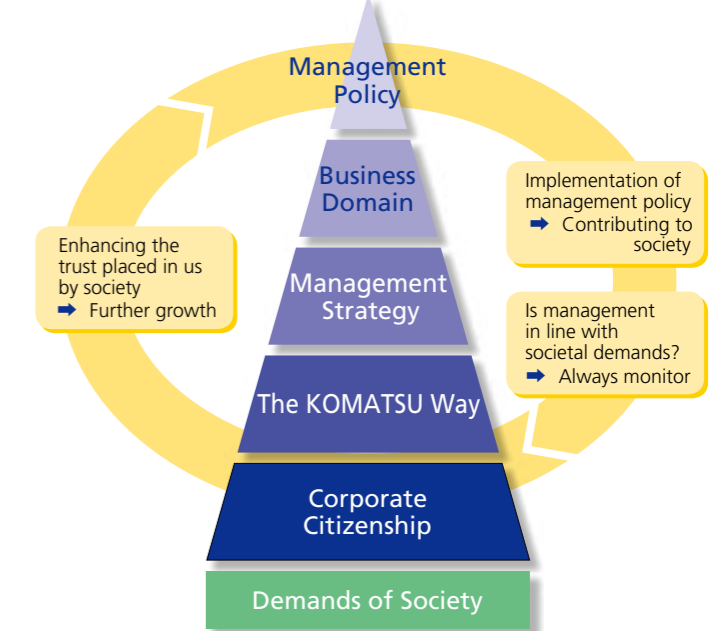


Incorporating CSR into Management

Having clearly defined our CSR themes and key activities, we constantly confirm that Komatsu meets public expectations and requirements throughout the conduct of our business and we deepen 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 our social contribution activities, we pay due consideration to prevailing issues in the regions where we operate and think through how we can apply our strengths to undertake "activities with a human face" that are uniquely associated with Komatsu.

CSR and Management Cycle



Comparison with Global Principles

Items Komatsu has identified as being its own CSR priority issues are in line with the international standards such as ISO26000 core subjects/issues and the United Nations Global Compact. In order to take more concrete action, we have incorporated these standards into our

internal guidelines, "Komatsu's Worldwide Code of Business Conduct" and the "CSR Procurement Guidelines," which we request that our business partners follow as well.

ISO26000 core subjects /issues	UNGC 10 Principles	Komatsu's CSR Priorities	Incorporation into Komatsu's Internal Guidelines	
			Items of Komatsu's Worldwide Code of Business Conduct	Items of Komatsu Group CSR Procurement Guidelines
Organizational Governance		<ul style="list-style-type: none"> Corporate Governance Compliance Compliance with social norms including business partners 	<ul style="list-style-type: none"> "Quality and Reliability" of organizational structure, business operations, employees and management Emphasis on corporate governance Observe business rules 	
Human Rights	Human Rights Principle 1 Principle 2	<ul style="list-style-type: none"> Respecting human rights Compliance with social norms including business partners Development of local communities Disaster relief Improving local residents' quality of life 	<ul style="list-style-type: none"> Respect each employee's fundamental human rights Achieve a balance between work and personal life 	<ul style="list-style-type: none"> Respect human rights
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 Compliance with social norms including business partners 	<ul style="list-style-type: none"> Dialogue with employees or their representatives Shall not tolerate child labor or forced labor Promote equal opportunities for employment and eliminate discrimination/harassment in the workplace Realize a safe and comfortable work environment 	<ul style="list-style-type: none"> Never get involved in any child or forced labor Create a work environment where there is no discrimination or harassment Build up an occupational health and safety operational structure Establish a fair and just personnel system
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 	<ul style="list-style-type: none"> Provide products, services and systems that are environment-friendly, safe and innovative Environment protection Komatsu Earth Environmental Charter Declaration of Biodiversity by Komatsu 	<ul style="list-style-type: none"> Reduce environmental impact, manage chemical substances and build up environmental management systems
Fair Operating Practices	Anti-Corruption Principle 10	<ul style="list-style-type: none"> Corporate governance Compliance Compliance with social norms including business partners 	<ul style="list-style-type: none"> Fair competition Discontinuation of any inappropriate business transactions or practices Appropriate sociality Fair and proper relationship with governmental agencies 	<ul style="list-style-type: none"> Engage in free and fair competition and business transactions Never accept inappropriate cash, gifts or favors
Consumer Issues		<ul style="list-style-type: none"> Products that enhance safety Responsible marketing and customer care Environment-friendly products Remanufacturing 	<ul style="list-style-type: none"> To always think about the needs of customers and to strive to provide products, services and systems that are safe, environment-friendly and innovative Environment protection 	<ul style="list-style-type: none"> Never accept inappropriate cash, gifts or favors
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 	<ul style="list-style-type: none"> To realize and fulfill CSR as a corporate citizen Groupwide social contribution (5 Principles for social contribution) 	

Dialogue with Our Stakeholders

Creating a Variety of Dialogue Opportunities

Engaging in dialogues with our stakeholders is essential for determining the relative effectiveness of Komatsu's management and business in

meeting social needs. Every department that has direct contact with our stakeholders is creating opportunities to lay out our company's current situation, receive feedback, and engage in useful discussions.

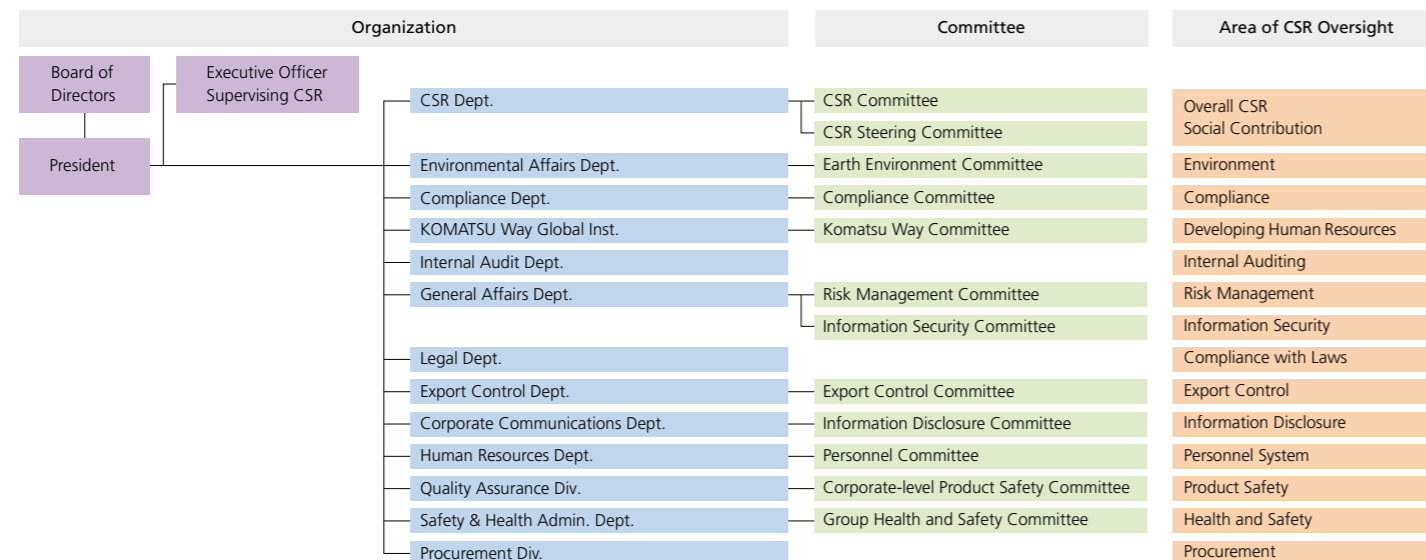
Stakeholders	Purposes	Examples of Meetings and Activities	Frequency
Customers	Collaborate to realize customers' goals and fulfill corporate responsibility	Brand Management Activities	Daily
	Collaborate to resolve issues in society and in the regions we operate, participate in local activities		Daily
Business Partners	President explains business performance, policies and strategies	Various meetings for Midori-kai	3 times a year
	Conduct safety patrols and provide opportunities such as for support of efforts for obtaining certification		As needed
Sales Distributors	President explains business performance, policies and strategies	Distributor meetings in each region (U.S., Europe, China and Southeast Asia)	Annually
Employees	President explains business performance, policies and strategies	Meetings with the president	Semiannually
		Sharing Q&A session content with global employees via the intranet	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 the Chief Technology Officer	Komatsu Science and Technology Collaboration Council	Biannually
Investors	CEO and CFO explains business performance, policies and strategies	IR Meeting in Japan, U.S. and Europe	Japan: Daily U.S. and Europe: Annually
	Respond to inquiries and SRI surveys		Daily
Individual Shareholders	CEO and CFO explains business performance, policies and strategies	Shareholders Meeting	2-3 times a year, held in major cities in Japan
	Plant tours and explanation of operations	Plant tours for shareholders	About twice a year in Japan

Organization to Promote CSR

The CSR Department reports directly to the president, and the CSR Committee chaired by the president provides opportunities for top management to take part in regular discussions on the direction of Komatsu's CSR strategy. Policies for each activity and related issues are discussed by the CSR Steering Committee, which mainly consists of executive officers in supervisory positions and is entrusted with governance functions particularly with respect to the implementation of

social contribution activities.

Our CSR activities are one and the same as our daily business activities, and we engage in them through dedicated divisions and committees organized at all Group companies. With respect to our major overseas subsidiaries, we communicate with staff responsible for CSR activities on a daily basis and share information in an effort to bolster our organization and promote CSR activities in each region.



Reinforcement of Our CSR Systems

Evaluation Tools for CSR Activities

We evaluate new initiatives to determine whether they are beneficial both to Komatsu's business and to our stakeholders. Particularly with respect to social contribution activities (donations), we have been monitoring their effectiveness as CSR activities since FY2013 by using the Check Sheet we created to assess quantitative effects from these two perspectives and by having the CSR Steering Committee, consisting of executive officers involved in CSR, evaluate the content.

Opinion of an External Stakeholder

Progress in Komatsu's CSR Activities and Focus on Contribution to Local Communities



Mr. Dunstan Allison-Hope
Managing Director, Advisory Services,
Business for Social Responsibility (BSR)

Komatsu joined BSR in June 2010, and our initial partnership with the company involved establishing strategic priorities and creating an approach to Komatsu's most important sustainability issues. An updated version of these priorities are shown in the materiality section of this report.

Since then, BSR has worked with Komatsu to make progress on these priorities and address new stakeholder expectations that have arisen in recent years.

For example, during 2014 we worked with Komatsu to undertake a corporate-wide human rights impact assessment to identify potential risks and opportunities in Komatsu's key business units and geographies.

BSR concluded that Komatsu's overall human rights risk profile is "medium-low risk." This is due to the fact that Komatsu's main risks are upstream in the supply chain and downstream through product misuse by its customers.

Komatsu also has several opportunities to advance human rights through its business, particularly through its mining business working

Global Information Sharing

Until recently, we regularly conducted questionnaires to collect information on the CSR activities we have undertaken around the world. In FY2015, we launched a bulletin board on our corporate intranet to provide daily updates and facilitate information sharing globally.

We plan to increase the amount of practical information available on the bulletin board toward developing it as a work-ready tool for staff on the frontlines of our CSR activities.

in local communities to provide skilled jobs and increased economic benefits.

During 2012, BSR engaged internal Komatsu stakeholders and global mining companies to identify how Komatsu can most effectively meet the CSR expectations of key mining sector customers. The review emphasized the importance of understanding local regional expectations, and the role of Komatsu's product innovation to address environmental impacts that directly influence the local social license to operate, such as air emissions, dust, and noise.

It was for this reason that an engagement between BSR and Komatsu to review the company's social contribution program resulted in an emphasis on local contribution activities. BSR also facilitated a stakeholder engagement for Komatsu at its Osaka plant.

During this time we have witnessed Komatsu make progress in other areas, too. For example:

- Conducting regular CSR Steering Committee meetings, with senior Komatsu executives setting CSR direction for Komatsu;
- Developing an internal global network on CSR by identifying CSR representatives from major subsidiaries, and sharing leading practices;
- Implementing a new CSR procurement guide, including conflict minerals; and,
- Establishing ambitious energy saving objectives at major manufacturing plants.

Komatsu has a clear grasp of its CSR priorities, risks, and opportunities.

However, as a global company operating and selling in many markets, the main challenge now is implementing CSR strategies at the local level. This implies increasing the capacity of local staff to address CSR issues. It also means ensuring CSR factors are effectively integrated into company policies and procedures, especially in higher risk regions and organizational functions.

Major Achievements and Mid-range Issues

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

CSR Themes and Key Activities	Concrete Initiatives	Mid-range Issues and Targets for Themes
1. Contributing to Society through Core Business		
<p>Enhancing Quality of Life —Providing products required by society—</p> <ul style="list-style-type: none"> • Providing products and services that contribute to infrastructure development and improve quality of life • Improving productivity, safety and efficiency, and enhancing energy conservation through innovation • Improving environmental efficiency at operation sites and plants • Reducing environmental impact throughout the product life cycle • Enhancing safety for society, customers, employees and business partners 	<ul style="list-style-type: none"> ■ Working for society through core business ■ Innovation and CSR (P.9) <ul style="list-style-type: none"> - ICT solutions for construction work (SMARTCONSTRUCTION) ❶ - Creating and providing value through open innovation ■ Introducing environmentally-friendly products and services (P.14) <ul style="list-style-type: none"> - Construction equipment that is compliant with the latest emission standards ❷ - Highly fuel-efficient forklifts - Laser cutting machines that significantly reduce electricity use ■ Plants with unrivaled environmental performance and productivity (P.13) ■ Responding to environmental risks ■ Taking measures to maintain biodiversity at business units and facilities ■ Reducing environmental impact throughout the product life cycle <ul style="list-style-type: none"> - Promoting the “Reman” business - Raising the recyclability of construction equipment ■ Reducing environmental impact in procurement and logistics <ul style="list-style-type: none"> - Support for business partners for acquiring certification (P.22) - Promoting an initiative to reduce electric power consumption by 50% at business partners (P.22) - Reducing CO₂ emissions in logistics ■ Occupational health and safety <ul style="list-style-type: none"> - Zero accidents with the participation of all employees (example of Chinese initiative) (P.11) ❸ - Response to and report on accidents ■ Promoting safety activities at business partners (P.22) <ul style="list-style-type: none"> - Support for acquiring Occupational Health and Safety Assessment certification - Promoting safety patrols 	<ul style="list-style-type: none"> ■ Growth strategies based on innovation (from the Mid-range Management Plan) <ul style="list-style-type: none"> - Promote the SMARTCONSTRUCTION business - Promote the development of DANTOTSU (unique and unrivaled) products, including open innovation ■ Environmental Action Plan (for detailed data, please refer to the Environmental Report) <ul style="list-style-type: none"> - Environmental management (strengthen the environmental management system, education and training, audits for overseas subsidiaries, reporting) - Research and development (ensure compliance with emission standards, improve the fuel efficiency of products, use biodiesel fuel, improve the recyclability rate, promote reuse and recycling) - Manufacturing (energy conservation, effective utilization of resources, risk management, improvement of the greenery rate) - Production reform through an initiative to reduce electric power consumption by 50% - Launch initiative at the Oyama, Tochigi and Osaka plants - Promote kaizen activities at business partners ■ Environmental Action Plan (for detailed data, please refer to the Environmental Report) <ul style="list-style-type: none"> - Procurement and logistics (support for business partners for acquiring certification, shift to means of shipping with low environmental impact, promotion of returnable packing containers, reduction in shipping distance and improvements in shipping efficiency) - Sales and after-sales services (encourage distributors and rental companies to reduce their environmental impact) ■ Create a healthy and safe workplace <ul style="list-style-type: none"> - Eliminate accidents accompanied by lost worktime/fatal occupational injuries across the entire Komatsu Group, including the overseas subsidiaries - Promote the Five-Year Health Development Plan to develop a corporate health culture (Japan)
<p>Developing People</p> <ul style="list-style-type: none"> • Enhancing our employees and suppliers through the KOMATSU Way • Enhancing our employees and distributors through brand management 	<ul style="list-style-type: none"> ■ Promoting the KOMATSU Way <ul style="list-style-type: none"> - Educating employees through the KOMATSU Way - Developing local nationals for top management positions (P.15) - Enhancing human resources at our manufacturing sites and distributors (P.18) ■ Supporting human resource development at our business partners (P.22) <ul style="list-style-type: none"> - Holding “Management Salons” for younger managers at business partners ❹ - Activities for enhancing technical capabilities ■ Promoting brand management initiatives 	<ul style="list-style-type: none"> ■ Further encourage the adoption of the KOMATSU Way <ul style="list-style-type: none"> - Conduct education by rank and compile case studies rooted in each region with a particular focus on overseas Group companies ■ Establish brand management initiatives
<p>Growing with Society</p> <ul style="list-style-type: none"> • Engaging in dialogue with our stakeholders • Strengthening our corporate governance and compliance • Promoting compliance with environmental, labor, human rights and social norms within the Group and among business partners 	<ul style="list-style-type: none"> ■ Engaging in dialogue with our stakeholders <ul style="list-style-type: none"> - Dialogues with our stakeholders (P.5) - Communication with shareholders and local communities ❺ - Communication with business partners (P.22) ■ Efforts on governance, compliance and risk management <ul style="list-style-type: none"> - BCP training and other efforts (P.19) ❻ - Conducting CR (compliance risk) audits - Education on compliance and Komatsu's Worldwide Code of Business Conduct ■ Promoting CSR activities at business Partners (P.22) <ul style="list-style-type: none"> - Activities based on the CSR Procurement Guidelines - Support for business partners for acquiring environmental certification - Support for business partners for acquiring Occupational Health and Safety Assessment certification 	<ul style="list-style-type: none"> ■ Engage in continuous communication with stakeholders ■ Continuous efforts on governance, compliance and risk management <ul style="list-style-type: none"> - Formulating and implementing anti-corruption guidelines - Enhancing the BCP/information security system throughout the Group - Improving the CR Audit Technique and increasing the operation level ■ Continuous support for business partners
2. Social Contribution Activities		
<ul style="list-style-type: none"> • Pursuing activities unique to Komatsu in the following 6 areas <ul style="list-style-type: none"> - Development of local human resources - Disaster Relief - Local Community Support - Academic Studies and Academia-Industry Collaborations - Environment - Culture and Sports 	<ul style="list-style-type: none"> - Development of local human resources (support for a construction equipment operator training school in Liberia) (P.27) ❷ - Support for disaster reconstruction (response to flooding damage in Chile) (P.25) - Clearing anti-personnel landmines and reconstruction support (P.28) - Support for local communities (technical welding support for a technical school) (P.23) - Support for local communities (activities in Japan that support agriculture and forestry) - Activities by the Women's Judo Team 	<ul style="list-style-type: none"> - Maintaining efforts on the development of human resources and support for local communities that meets local needs - Supporting disaster reconstruction to meet the needs of the affected areas - Enhancing the value of Group activities through global information sharing - Expanding collaboration with the Flower Association of Japan

Enhancing Quality of Life

— Providing Products Required by Society —

Our Initiatives

- Providing products and services that contribute to infrastructure development and improve quality of life
- Improving productivity, safety and efficiency, and enhancing energy conservation through innovation
- Improving environmental efficiency at operation sites and facilities, such as plants
- Reducing our impact on the environment throughout the product life cycle
- Enhancing safety for society, customers, employees and business partners



D61PXi-23 intelligent Machine Control bulldozer launched in June, 2013

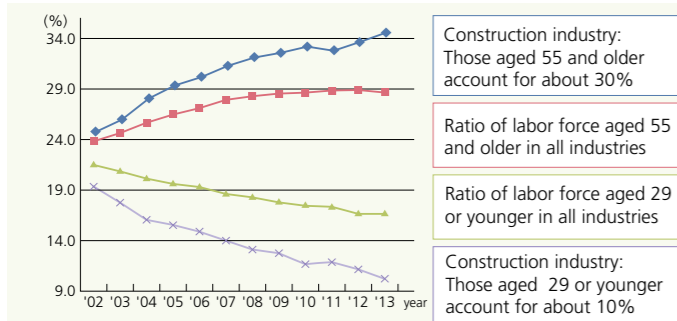
Special Story

Innovation and CSR — SMARTCONSTRUCTION —

Solutions to Social Problems and Sustainable Growth

Today, the Japanese civil engineering/construction industry is facing a critical problem of labor shortage at jobsites; the number of new graduates entering the industry is declining and veteran machine operators are diminishing. This is happening against the backdrop of Japan's

Aging of Construction Industry's Labor force in Japan



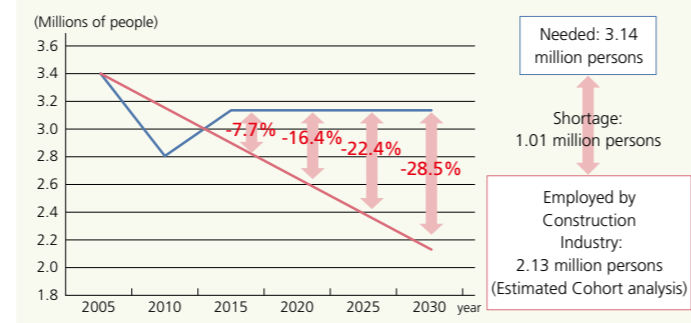
Sources: "Labor Force Survey" by Japan's Ministry of Internal Affairs and Communications and "Current State and Recent Efforts of the Construction Industry" by Japan's Ministry of Land, Infrastructure, Transport and Tourism

aging population combined with a declining birth rate.

While responding to this structural problem of Japanese society, we are striving to offer excellence in jobsite safety, productivity, and reliability to our customers at lower costs.

We are committed to this jobsite of the future. To create such a smart jobsite of the future together with customers and ensure our sustainable growth with them and society, we have begun SMARTCONSTRUCTION first in Japan.

Jobsite Labor Shortage of Construction Industry in Japan



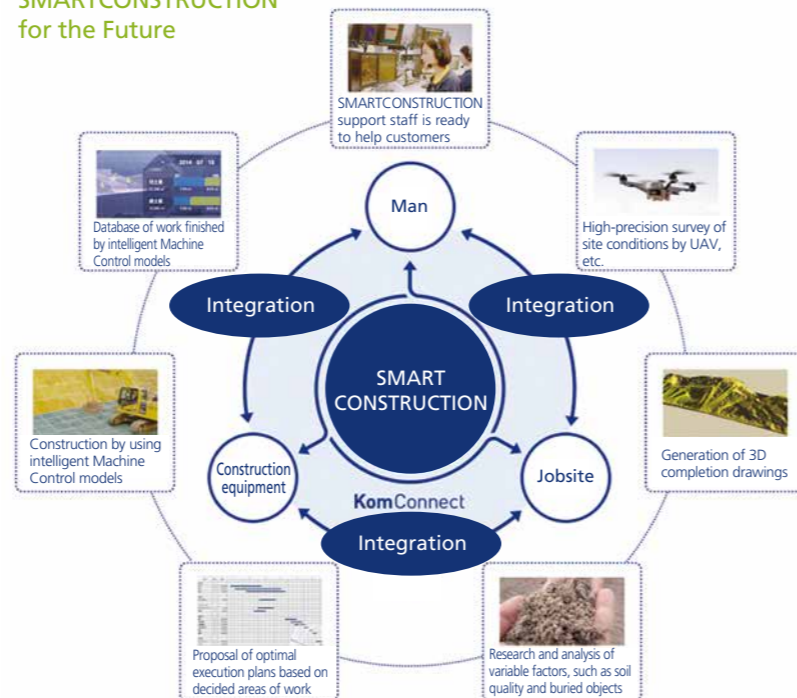
Introduction to SMARTCONSTRUCTION

Since June, 2013, when we launched the D61PXi-23 intelligent Machine Control bulldozers, we have discussed what kind of new value we can provide to customers with our intelligent Machine Control models. They can not only achieve high-precision construction but also shorten the period of construction by streamlining works before and after the construction phase. SMARTCONSTRUCTION packages these benefits with rental equipment.

"KomConnect": Connecting everything on the jobsites

Through ICT, SMARTCONSTRUCTION connects all jobsite information concerning not only construction equipment but also people, machines and the ground, that are involved in construction in all phases from pre-construction to completion. Our "KomConnect" is a cloud-based software service, a platform connecting all the information. By storing a massive amount of information concerning construction activities, we engage in analyses, simulations and proposals. This information can be accessed by all concerned people via the Internet, anywhere, at anytime.

SMARTCONSTRUCTION for the Future



High-precision survey and development of construction plans

When our customers of construction and civil engineering receive a contract for construction and obtain completion drawings from their clients, they survey the jobsites before construction, compare that survey data with the completion drawings to determine what needs to be done and then develop construction plans.

Typically, surveying takes two surveyors who can survey a few hundred points a day. As those points are located a few meters away from each other, the surveyors repeat the same task as they move on the jobsite. In some cases, construction companies compare 2-D survey drawings with completion drawings and then estimate their work, which can often result in big mistakes in actual work volume.

We believe we can propose a new way of surveying by using leading-edge ICT, for example, the use of survey-specific drones made by Skycatch. Under ideal conditions, drones can automatically fly over the jobsites for about 15 minutes at each flight, surveying a few million points a few centimeters away from each other. If needed, we can also laser scan the sites for high-precision 3-D surveys.

While surveying the sites, we receive the contract from customers to convert their 2-D completion drawings into 3-D drawings. The differences between these 3-D drawings and 3-D survey data represent the areas where their work is needed.

"KomConnect" enables customers to have an accurate understanding of the areas, shape and volume of earth to work on, prior to construction work. Then, we transfer these data to intelligent Machine Control machines, set up the machines at job sites, and enable customers to engage in high-precision earthmoving work without stakes*.

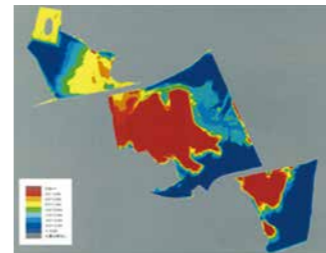


SMARTCONSTRUCTION uses Skycatch-made drone to survey the sites.

*Stakes: Wooden sticks designed to guide machine operators for cutting and filling earth. Placed at equal distances, each stake consists of smaller sticks in horizontal and angled positions for guidance.



3-dimensional drawings based on the surveyed data by Skycatch-made drone



What we have learned from SMARTCONSTRUCTION jobsites

We have already deployed some 350 units of intelligent Machine Control equipment at about 800 construction sites in Japan. Our customers confirm that our intelligent Machine Control models eliminate the need for staking and enable operators with limited experience to perform difficult tasks.

We have learned something new after introducing SMARTCONSTRUCTION. By analyzing data concerning machine positions and operations, we have discovered a difference between veteran and new operators in the amount of time the two groups spent operating intelligent Machine Control models. The difference is attributable to veterans' jobsite know-how accumulated over the years, for example, where and in which direction to start work on jobsites. We would like to accumulate such veterans' expertise in KomConnect and provide it to all operators.

From veteran operators, we have also received a number of better ways of operating our intelligent Machine Control models. In addition to accumulating and sharing veterans' jobsite expertise, KomConnect offers a platform to turn the subsequent Kaizen cycle on construction jobsites.

We also need to listen to customers' ideas and opinions at jobsites where they are progressing with Kaizen, and respond to their needs. At the SMARTCONSTRUCTION Support Center, established in February 2015, we have been increasing the number of members with experience of construction and civil engineering, and making its operation even more responsive to customers' needs by working closely with them at jobsites.

Heading for "Jobsites of the Future"

After completion of construction work, customers will have maintenance work at many sites for a long period of time onward. As all data of construction undertaken by intelligent Machine Control equipment are stored in KomConnect, we are considering a service to make that data available, as needed, to concerned customers and other people. When their completed jobsites are damaged by natural disaster, we can survey the sites by using drones, compare the survey data with the completion data before the damage, and quickly confirm the areas needed for reconstruction. We believe that we should be able to start reconstruction soon after a disaster by remotely controlling unmanned intelligent Machine Control equipment not too far into the future.

All around the world today, people are looking for new value by connecting machines through the Internet. This is the so-called Internet of Things (IoT). With this tailwind of IoT, we are striving to evolve SMARTCONSTRUCTION to an extent that customers, and the world, will call it Innovation.

VOICE

Looking forward to the future of intelligent Machine Control equipment



Mr. Satoshi Tsuchimoto
Kamitake Construction Co., Ltd.
Senior Managing Director and President of Civil Engineering Division

I also operated a D61PXi intelligent Machine Control dozer, and thought it's a good machine. I am responsible for supervising our entire jobsite operations, including machine deployment, operator assignment and troubleshooting. Because this dozer finishes almost all work at one time, the best thing about it is no rework, which means no additional costs. SMARTCONSTRUCTION also enables me to know how much earth is removed and the progress of work, for example, every month. That will be a great help for me to control costs. I think intelligent Machine Control dozers will continue to become popular among more customers, because people with little experience can operate them, and they will finish the work, albeit taking more time than veterans would.



D65PXi intelligent Machine Control dozer at a jobsite of Kamitake Construction.

Occupational Safety and Health

Occupational safety and health is a key area of focus for Komatsu's business operations, and our strong emphasis on workplace safety is demonstrated across all Group companies and business partners.

Our Approach to Safety and Health at the Workplace

Komatsu formulates safety and health policies based on the message from the president and disseminates them throughout the Group. We address occupational safety and work on mental and physical health-care to create a safe and comfortable work environment.

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.

The company has established this occupational safety and health guideline: All Komatsu Group companies, together with all top managers and employees, shall promote occupational safety and health activities so that employees can work in a safe and comfortable work environment in accordance with the policies described below.

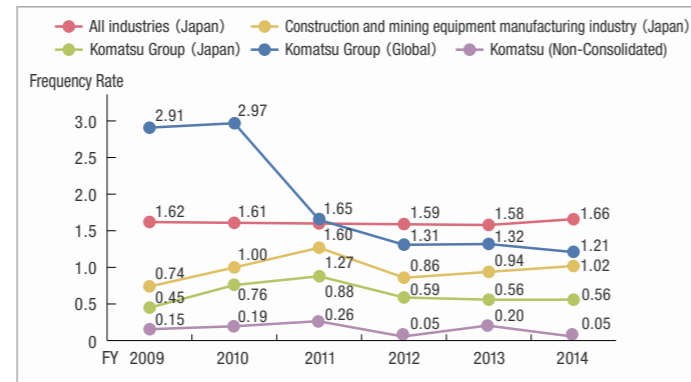
In addition to our existing health management programs, the Komatsu Group is striving to create its corporate Health Culture after the launch of the Five-Year Health Development Plan in FY2014. The goal of the Health Culture is: to look after one's own health and the health of

one's colleagues and to consider and take action on what is necessary for leading a better life. The president announced the "Komatsu Health Declaration" in June 2014 to effectively promote this goal.

▼ For more information please refer to the following website:
<http://www.komatsu.com/CompanyInfo/csr/2015/products/products03.html>

DATA

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. Figures for the Komatsu Group (global) up to FY2012 are the total for Japan and 22 major overseas production plants. Three and six overseas sales companies were added to the scope for FY2013 and FY2014, respectively.
3. The scope of the Komatsu Group (Japan) includes Komatsu production plants as well as Japan domestic dealers, of which for FY2009 and FY2010 includes only construction machinery dealers, and it was then extended to include forklifts in FY2011.

VOICE



Example of Occupational Safety Efforts in China

Ms. Wang Ruomei
 Safety Manager
 Komatsu (Changzhou) Construction Machinery Corp. (KCCM)

Established in 1995, KCCM manufactures medium-sized hydraulic excavators, wheel loaders and industrial machinery. Following the transfer to our new plant in June 2011, we opened a space for accident simulations at the skill training facility that offers about twenty types of simulations, and we are striving to enhance our safety awareness and risk prediction capability by regularly conducting sensory training for all employees.

Under the slogan "Let's pay attention to the smallest signs and seek improvements to create a safe plant," KCCM has sought to identify and eradicate risk factors through efforts that have included "Zero Accident" circle activities, interdepartmental safety patrols, enhanced risk prediction training, and the effective use of the safety diary. Despite these efforts, accidents occurred over three consecutive months beginning with April 2014, prompting us to declare an emergency in June to pursue special safety activities.

As part of these safety reinforcement activities, we consulted with every employee on safety, confirmed the priority management tasks,

re-emphasized the preventive measures for past accidents, and strengthened facility inspections. We sought to raise the level of safety for the entire plant by clarifying potential risk factors and improving our risk countermeasures. During our safety consultations, we spoke with a cumulative total of 668 employees (100% of target employees), clarified 828 potential risks and implemented solutions (completed 100% of the improvements). In addition, we decided to conduct safety consultations on a regular basis.

We also implemented special safety education for all onsite staff during the period of activities. We provided repeated training sessions for a cumulative total of 360 staff members until they achieved perfect scores in the confirmation tests (implemented for 100% of targeted staff). In addition, we reinforced our risk prediction activities and re-emphasized pointing and calling. We were able to raise the safety awareness of all employees by posting our slogan for the special safety reinforcement activities and internally broadcasting safety precautions. As a result, we have maintained zero accidents since July 2014.

There are no shortcuts to making safety our top priority and ensuring safety. Ever mindful of the Safety First philosophy, we will continue to raise and strengthen safety awareness among all employees. We are committed to steadfastly pursuing the creation of a truly safe workplace.



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.

Key Areas and Principles

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:

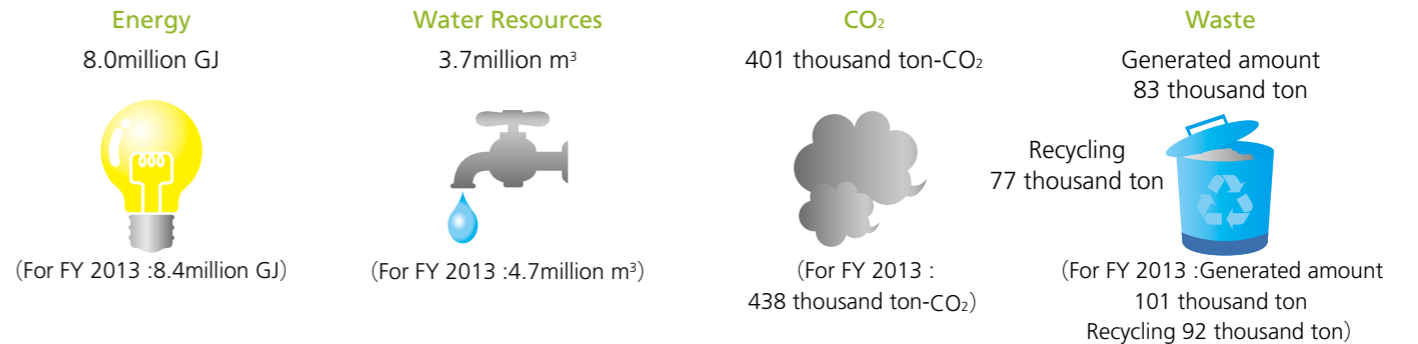
- 1) Climate Change
- 2) Establishment of a Sound Material-Cycle Society
- 3) Conservation of Air, Water and Other Natural Resources as well as Management of Chemical Substances

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

- (1) Contributions to Realization of Sustainable Society,
- (2) Simultaneous Realization of Environmental and Economic Performance, and
- (3) Observance of Corporate Social Responsibility.

Environmental Impact Indicators (FY2014)



[Coverage of Data] Komatsu Group's 32 manufacturing facilities worldwide. For the details of calculating methods, please refer to "Environmental Report" on our Website. <http://www.komatsu.com/CompanyInfo/csr/environment/2015/>

New Mid- and Long-Term Objectives

In 2010, Komatsu set mid- and long-term objectives (2015, 2020) for the production department in regards to CO₂ reduction and started reduction activities. While mid- and long-term objectives for CO₂ reduction is being set for the world at the COP21 in 2015, Komatsu has reevaluated its mid- and long-term objectives thus far (up to 2020) and set new mid- and long-term objectives up to 2030 in order to contribute to the environmental change measures.

Among these objectives, the stringent objectives have been set increasingly in regard to CO₂ reduction particularly in domestic production, taking into consideration the electricity situation after the Great Eastern Japan Earthquake of 2011. Also, in addition to the targets set

for CO₂ reduction, targets will also be determined in terms of production, for our domestic and overseas factories regarding the amounts of waste generated and water input, in order to promote the efficient use of resources.

In addition, mid- and long-term objectives up to 2030 were set for logistics CO₂ for the first time.

Further, in looking at CO₂ generated in the life cycle of construction equipment products, we found that CO₂ emissions during construction equipment use makes up approximately 90% of total emissions. Therefore, fuel efficiency goals for construction equipment products were also set this time, up to 2030, in order to promote CO₂ reduction over the entire life cycle.

Area	Object	Application	Index	Base Year	New Objectives (Reduction Rate)	
					2020	2030
Production	CO ₂	Japan	Improvement rate per unit of production	2000	57%	65%
		Overseas	Improvement rate per unit of production	2010	32%	40%
	Waste	Japan	Improvement rate per unit of production	2010	10%	20%
		Overseas	Improvement rate per unit of production	2010	10%	20%
	Water	Japan	Improvement rate per unit of production	2010	40%	50%
		Overseas	Improvement rate per unit of production	2010	10%	20%
Logistics	CO ₂	Japan	Improvement rate per unit of logistics	2006	32%	39%
		Overseas	Improvement rate per unit of logistics	2011	13%	22%
Products	CO ₂	Hybrid Hydraulic Excavator	Fuel Consumption Reduction Rate	2007	40%	45%
		Normal Hydraulic Excavator (non-hybrid)			20%	25%

Reducing CO₂ Emissions in Manufacturing Operations

As part of our efforts to mitigate climate change, Komatsu has adopted an indicator of CO₂ emissions per unit of manufacturing value with respect to the amount of electricity, fuel gas, fuel oil, and other types of energy used in manufacturing operations, the company established more aggressive mid to long term objectives in FY2013.

CO₂ Emissions

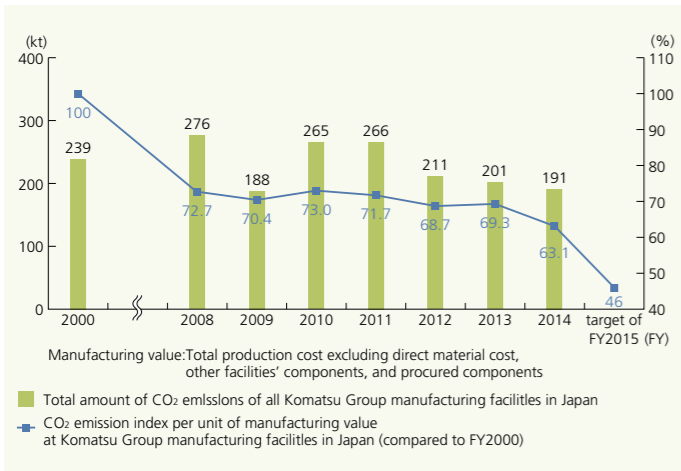
In 2010, to contribute to Post Kyoto Protocol climate change measures, a mid-term goal for 40% reduction compared to 1990 levels by 2015 was established but following the start of activities to halve power consumption, activities are under way to achieve an ambitious 54% reduction compared to FY2000 levels.

Energy-saving activities were undertaken through the establishment and start of high efficiency lines and removal of old lines along with adopting renewable energy and horizontal expansion of various production improvements revolving around the "Company-Wide Power

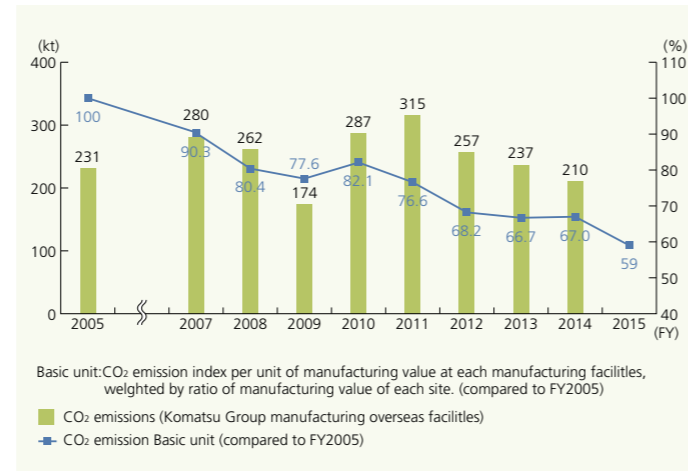
Reduction Project Team" established in May 2012. As a result, the index for the CO₂ emissions per unit of manufacturing value was reduced 36.9% compared to FY2000. CO₂ emissions at Komatsu's overseas manufacturing sites have also been cut 33% compared to FY2005 as a result of fuel conversion and lateral spread of typical improvements across domestic plants.

Komatsu will continue its effort into this fiscal year to achieve further reductions in the CO₂ emissions index by renewing aged buildings of over 40 years with a building that adopts the latest energy-saving technology and by making steady efforts on-site.

CO₂ emissions(Japan)



CO₂ Emissions(Overseas)



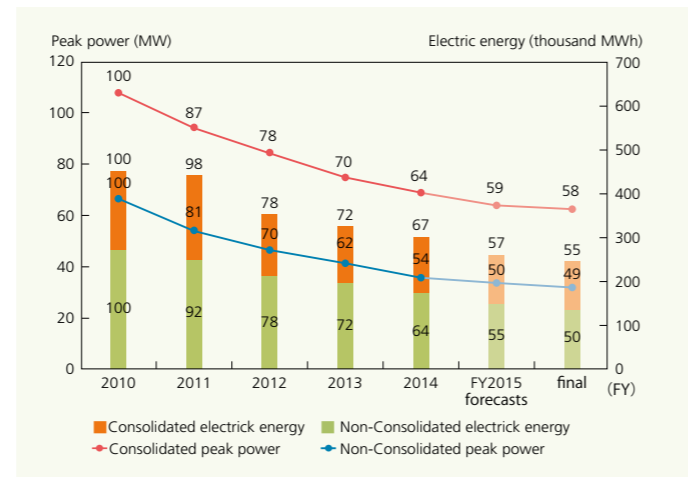
Halving Electricity Usage Project

As part of its continuing effort to reduce environmental burdens by cutting CO₂ emissions, Komatsu has decided to accelerate its pace of power usage reduction by boosting productivity drastically in anticipation of lingering nationwide power shortages in 2012 and after since their outbreaks in the service areas of Tokyo Electric Power Company, Inc. and Tohoku Electric Power Company, Inc. in the wake of the Great East Japan Earthquake in 2011.

Since an ultimate reduction of 50% or more has come into sight after in-depth analyses of electricity usage status, Komatsu is now geared at pursuing a new goal of cutting the peak power 50% from its summer 2010 level while checking its electricity usage to reduce environmental burdens.

The peak power reduction effort has progressed successfully, suggesting that Komatsu's own target reduction of 50% will be attained in FY2015.

Electricity usage change forecasts



Environmentally-friendly Products and Services

Offering products and services that aid Komatsu customers in their environmental efforts can lead to abatement of the environmental loads across Komatsu's value chains.

Large Bulldozer D155AXi-8

"D155AXi-8" is the first ICT construction equipment compliant to the next generation exhaust emission regulations of Japan, USA and Europe. By building in, for the first time, an automatic blade control function to a large-sized bulldozer which bears the large burden of heavy excavation work in land preparation, quarrying and mining, this large-sized bulldozer performs with great effectiveness, making possible an improvement in work efficiency (decreased the fuel consumption rate per amount of work) of approximately 8% compared to models without the automatic blade control.



Forklift Truck FE25-1

"FE25-1" which was introduced to the market in April 2014, is an innovative battery-powered forklift that combines the outdoor capacity (waterproof, dust-proof qualities) and ease of use (rehydration unnecessary as well as rapid recharging capabilities of recharging up to 80% over a one hour lunch break) with the environment-friendliness and economy of a battery-powered forklift.

With the growing interest in "food safety and security", in places such as fishing ports and wholesale market of fisheries products and fresh produce, the FE25-1 is being chosen by many customers for its low operating cost as well as its 'clean' characteristic of not producing any exhaust gas, smells or noise.

Also, in airport terminal warehouses, wood processing industry, wood products manufacture and sales companies, ceramic manufacturers, and cast and wrought iron industries—all of which are outdoor works affected by weather, fugitive dust (sand, etc.), and fine particles that make them unsuitable for battery-powered forklifts—the FE25-1 has been highly rated for proving its outdoor capabilities and low operating cost demonstrated in actual work situations. The cumulative total of domestic orders has already exceeded 700 forklifts.



FE25-1 operating at a fishing port

AC Servo Press H1F200-2

Komatsu Industries Corporation has developed the AC Servo Press "H1F200-2" with improved productivity and energy conservation. This machine stores regenerated electricity in a condenser, and supplies electricity when necessary from the condenser. As a result, the consumption of electricity is decreased by approximately 50% compared to previous mechanical presses. In addition, based on this system, the electricity supply peak can be controlled, making it possible to operate it at the same electrical capacity as past mechanical presses, thereby contributing to energy conservation and decrease in contracted electricity for the user.



We will continue to expand the range of products in the environment friendly H1F series.

FEATURE Hybrid Hydraulic Excavators Surpass 3,000 Units in Sales

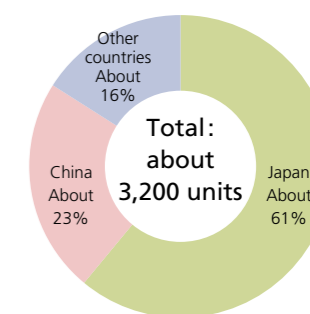
Since 2008, when Komatsu introduced the world's first mass-produced Hybrid Hydraulic excavator (PC200-8E0), the number of units sold has continued to increase, with the cumulative sales total surpassing 2,000 units in FY2012, then exceeding 3,000 units in FY2014.

In FY2013, a model change was made to HB205/215-2, which greatly decreased the emissions of nitrogen oxide (NO_x) and particulate matter (PM). Also in FY2013, in addition to the 20-ton class excavators, 30-ton class excavators were added to expand the model types available for overseas exports to countries such as Australia.

For these hybrid models, a 20~30% cut in fuel consumption has been achieved in comparison to previous models.



Market Share Ratio of Hybrid Hydraulic Excavators (as of the end of March 2015)



Developing People

Our Initiatives

- Enhancing our employees and suppliers through the KOMATSU Way
- Enhancing our employees and distributors through brand management

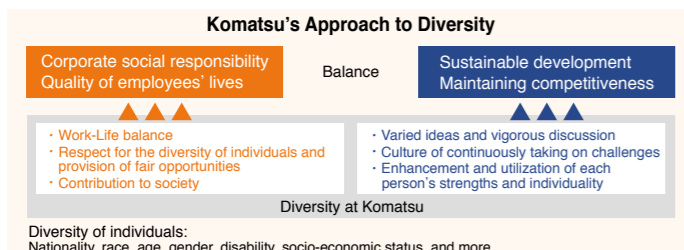


Special Story

Diversity Initiatives

Our Approach to Diversity

The employees who drive our businesses are an indispensable asset of the Komatsu Group. And the motivating force behind DANTOTSU (unique and unrivaled) is generated by employees with diverse personalities seeking to enhance their skills and demonstrate their strengths in an environment of mutual respect. Consequently, by recognizing diversity as a significant corporate advantage, Komatsu respects the basic human rights of every employee and strives to offer career development opportunities that enable each individual to fully demonstrate their abilities with a sense of fulfillment and pride.



Promoting Globalized Management

Approach and Goals

Komatsu has placed top priority on localized management and is developing locally-hired employees into business leaders who will be able to hold top management positions at overseas subsidiaries. Local nationals take leadership positions at our major subsidiaries. For situations where Japanese managers still hold the top local post, our goal is to develop local candidates to whom the baton of executive leadership can be gradually passed. To this end, the primary role of staff with extensive experience at Komatsu (commonly Japanese) provide in communicating the KOMATSU Way—Komatsu's approach to management, technology and skills—in overseas locations and serve as a bridge between Komatsu in Japan and subsidiaries overseas.

Systems and Status in FY2014

Human Resource Development

Since FY2006, Global Management Seminars have been conducted annually for local nationals in executive positions at overseas subsidiaries to present and discuss information including Komatsu's management policies, the KOMATSU Way and business strategies. In FY2014, the seminar was held in October with the participation of eight executives representing subsidiaries in Brazil, Chile, Sweden, Indonesia, Thailand and China. The overall objective has been to deepen understanding of the KOMATSU Way based on Komatsu's corporate history, and of the company's approach to production, marketing and development, so

that participants will be able to clearly convey the information as their own.

We also provide Global Management Training for selected employees toward developing executive candidates capable of holding global leadership roles. About ten general managers with potential are selected every year in Japan as well as top managers at overseas subsidiaries for enrollment in short-term courses at international business schools. In FY2014, seven individuals attended training at the London Business School (England) and IMD (Switzerland).

Management System

In order to effectively promote global management, Komatsu runs various global meetings, including the Komatsu Global Executive Meeting convened for the top management of all Komatsu Group companies in Japan and overseas, management committees for each region and business area, and other meetings for specific purposes, such as the Quality Meeting; Occupational Safety, Health & Environmental Affairs Meeting; and Legal Meeting.

DATA

	FY2009	FY2014
Number of major overseas subsidiaries	40	40
Number of companies with local nationals in top management positions*	22	26

*Executive positions include CEO, COO, president and chairperson

Promoting Women's Careers

Approach and Goals

Komatsu is committed to creating a working environment where female employees are able to demonstrate their capabilities. We actively support the career development of women by setting targets for the number of women hired, the ratio of female employees and the ratio of female managers (on a non-consolidated basis). In Japan, our goal is to increase the ratio of women in managerial positions to above 5% by April 2016.

Systems and Status in FY2014

In 2014, we set up a study group by bringing together labor and management to consider measures for promoting women's careers and encouraging men to participate in childcare. We began offering career planning training for female employees in Japan in FY2014. The training focuses on business units in Japan and targets women who are at least thirty years old but are not yet in a managerial position. Participants review their past work experience and then consider career plans. The training has been conducted at the KOMATSU Way Global Institute in Komatsu City, Ishikawa Prefecture, with daycare provided to

enable employees with young children to participate. We also created the "Corporate Guide for Women" to introduce Komatsu to female job-seekers at universities during recruiting efforts for FY2016. In terms of external recognition, Komatsu was selected as a Nadeshiko Brand company by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a listed company that excels in promoting career development for women. The commendation noted the number of women in managerial positions at Komatsu, including executive officers, and the company's work-life balance initiative for actively promoting employee childcare and nursing care leaves regardless of gender.



"Corporate Guide for Women" for FY2016 recruitment (left) and Nadeshiko Brand logo (right)

DATA

Women at Komatsu (employed at Komatsu Ltd. in Japan)

	FY2012	FY2013	FY2014
Number (ratio) of women employed	942 (9.5%)	1,050 (10.3%)	1,091 (10.5%)
Number (ratio) of women in management positions	50 (3.4%)	55 (3.5%)	64 (4.0%)
Number (ratio) of women in executive positions	2 (4.3%)	2 (4.7%)	2 (4.7%)
Number (ratio) of women hired*	30 (12.0%)	32 (15.0%)	20 (10.9%)

*Note: Data is for Komatsu Ltd. Numbers and ratios represent employees who are new college graduates.

FEATURE

Initiatives to Support Women Working at Japanese Construction Sites

Since the 1990s, the workforce in the Japanese construction industry has continued to shrink due to the aging population and a decrease in the number of new college graduates, which has given rise to concerns about a labor shortage. As a result, there are moves in the male-centric construction industry to increase the number of female workers. Komatsu has launched its own activities to support the advancement of women at construction sites.

So that more women can take part in programs aimed at providing the necessary qualifications for operating construction machinery, we set up a course exclusively for women at the Komatsu School for Construction Machinery Operation. Our particular aim has been to support the Tohoku region, which is grappling with a serious shortage of labor for the ongoing reconstruction work required after the earthquake disaster that struck the area. We launched the initiative at the Miyagi Center and, on five occasions since December 2014, have held courses on forklifts and compact equipment. In addition to preparing facilities and equipment such as locker rooms and gear, we provide childcare services upon request and have earned praise for our efforts from the participants.

We have also addressed the issue of toilets at the construction site by developing a temporary lavatory that is responsive to the needs of women through a joint effort between Komatsu Rental Ltd. and a toilet manufacturer. We are now working to introduce this lavatory to sites where women operate machinery.



Qualification program for women at the Miyagi Center of the Komatsu School for Construction Machinery Operation

Employing Persons with Disabilities

Approach and Goals

Komatsu actively seeks to employ persons with disabilities across the Group. Our goal is to achieve an employment ratio of 2.3% on a consolidated basis (the current statutory employment ratio is 2.0%) for the Group in Japan by April 2018.

In April 2008, Komatsu established the Business Creation Center (BCC) within the Human Resources Department in Japan as a dedicated organizational entity for promoting the hiring of persons with disabilities. Persons with mental or developmental disabilities are employed by the BCC in nine business units in Japan. Advisors are assigned to each business unit to provide training and advice on daily tasks. Each BCC staff member meets with an advisor every six months to discuss goals, instead of simply handling a delimited set of tasks. Linking salary to individual performance assessments, we encourage employees with disabilities to work on their goals toward achieving independence and self-reliance.

Through these efforts Komatsu is not merely focused on achieving a targeted employment ratio; it is seeking to create a workplace that provides a sense of fulfillment for all individuals, and where employees with disabilities work alongside other staff members.

Status in FY2014

The employment ratio of persons with disabilities was 2.58% (for Komatsu Ltd. in Japan) as of April 2015. A total of 94 workers were employed by the BCC at nine business units in Japan. The BCC has expanded to begin taking on work that had previously been outsourced, as well as internal tasks that tend to be time-consuming. As a result, it has helped raise efficiency and reduce costs for the company.

DATA

Employment of Persons with Disabilities

	April 2012	April 2013	April 2014	April 2015
Employment ratio of persons with disabilities	2.06%	2.36%	2.50%	2.58%
Number of BCC locations	8	9	9	9
Number of BCC staff members	59	75	88	94

Note: Data is for Komatsu Ltd.

VOICE



I Have High Expectations for Komatsu's Human Resource Development, the Company's Underlying Strength

Ms. Misato Horie
Vice Chairman
NPO WEL'S Shinkiba

WEL'S Shinkiba is an authorized nonprofit organization whose main purpose is to support the employment of persons with disabilities. It has been assisting Komatsu in its efforts since the end of 2007. Our activities are centered around providing companies with the know-how required to hire persons with disabilities, and we also help with their daily living needs. Working with Komatsu, I have seen the underlying strength of a Japanese company in its approach and efforts to develop people. I have been impressed by Komatsu in creating suitable work and an environment for them as well as thorough training. Komatsu is resolved to foster these individuals so that they become a force of the company. Furthermore, while Komatsu makes use of its know-how in management of special-purpose subsidiaries in managing the BCC, it still positions the BCC as a unit of the company, which I think is the ideal way to advance toward the goal of normalization.



BCC staff, the driving force within the company

Enhancing Work-Life Balance

Approach and Goals

Reducing the total number of actual working hours and implementing related systems are the key aspects for achieving a healthy work-life balance for employees. Komatsu Ltd. has worked in coordination with labor unions on this issue to formulate numerical targets, which are now set at 2,100 or less working hours per year, and at least 17 days of paid vacation taken per year.

Systems and Status in FY2014

In an effort to achieve appropriate working hours, every workplace in the Komatsu Group formulates a concrete action plan for reducing overtime and encouraging employees to take more of their paid annual leave, which in turn allows them to seriously consider and address working hour management on a daily basis. Childcare leave and shorter working hours are contributing factors in the creation of an environment that facilitates productive careers. In 2007, Komatsu was certified by the Japan Ministry of Health, Labour and Welfare to display the Kurumin Mark as a company that is supporting the development of the next generation. We subsequently launched the "Panel on Fostering Future Generations"

to further advance discussions on working conditions. As a result of our continuing efforts to expand our childcare support system, we were again granted use of the mark in 2010.

We have continued these efforts through initiatives such as increasing periods of childcare leave (to a maximum of three years) in 2011, granting childcare leave for employees when a spouse is transferred, and increasing the subsidy for childcare support service expenses through the "Cafeteria Plan" in 2013.

Aside from our efforts to reduce working hours, we are also supporting the achievement of work-life balance for our employees through the "Life Support Leave System" introduced in FY2014. Life Support Leave is separate from regular annual leave, in which employees can take paid time off for personal circumstances such as non-work related illness, pregnancy, childcare and family-care. An employee is allotted five days of this type of annual leave per year and may accumulate up to 40 days of annual leave.

Also, in FY2013 we focused on family-care, and have introduced an allowance that can be received during family-care leave to provide financial support. We have also launched an internal website that publishes information on family-care. Komatsu will continue to work on helping our employees achieve a healthy work-life balance.

DATA

Information on this page is non-consolidated data except for that for some programs, which are intended not only for Komatsu Ltd. but also for subsidiaries in Japan.

Main Programs and Measures Designed to Enhance Work-Life Balance

Program/Measure	Description
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
	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 toward the cost of using childcare services
Care support	Family-care leave program A maximum of three years available to employees taking care of family members
	Part-time work Shortening of working hours by a maximum of three hours per day
	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 sixth grade in elementary 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

Flexible Working Style

- Flexible working hours (core time; 10:00 am–3:45 pm)
- Part-time work (child and other family-care)
- Half-day paid vacation
- Maximum of five consecutive days of paid vacation to encourage employees
- System and facility for supporting childcare (nursery payment and use of in-house nursery)
- Work-sharing (based on negotiation between labor and management as necessary)
- Discretionary work system (employees in development, design and R&D section)
- Telework program (officially introduced in FY2014)

DATA

	FY2012	FY2013	FY2014
Pregnancy leaves	42	41	47
Childcare leaves	74	85	80
Male	7	7	4
Within one week leave	0	0	0
Return and retention rates	100%	98.8%	100%
Family-care leaves	3	4	4

▼ For more information please refer to the following website:
<http://www.komatsu.com/CompanyInfo/csr/2015/people/people03.html>

Strengthening Our Gemba Capability

Enhancing the Technical Capability of Our Manufacturing Workplace

Systems and Status in FY2014

Globalization of Komatsu's production organization is progressing and the manufacturing workplace requires a high level of technical capability. We have designated the third Saturday of every October as "Technical Day" and hold all-Komatsu technical competitions on this day. Participants include employees from overseas subsidiaries and business associates, whose aim is to maintain and improve the Komatsu Group's technical capabilities by mutually dedicating themselves to their studies.

In addition, Komatsu established the Meister system for passing down technical capabilities from the production site in FY2006. Techniques and skills that merit handing down are divided into 9 fields of 15 capabilities, and a First Meister is certified for each capability.

Under Komatsu's Mother Plant System, production plants with product development capability are positioned as Mother plants, which are responsible for overseeing the safety, quality, cost and delivery of overseas Child plants that produce the same products. Meisters are certified for their high level of proficiency in specific technical areas and dedicate their time to guiding and nurturing engineers at plants in Japan as well as at overseas Child plants.

Komatsu is also enthusiastically conducting improvement activities. Every year on the third Saturday of November, we hold the all-Komatsu quality control competitions, and similar to the technical competitions, many people from overseas subsidiaries and business partners in the supply chain participate.

DATA

		FY2012	FY2013	FY2014
All-Komatsu Technology Olympics	Number of participants	211	203	225
	From overseas (10 countries)	50	49	50
All-Komatsu QC Competition	Number of teams	78	76	79
	From overseas (13 countries)	25	21	23
Certified Meisters		41	41	40

Training Centers around the World

Komatsu has 19 training centers in 17 countries. Centers on the map in orange boxes are Mother Training Centers, which handle specialized training including for distributors in other regions.



Services Personnel Human Resource Development

Building a Structure Centered on the Department for Promotion of Distributor HR Development

The services personnel, who support our customers with the operation of our products that they have purchased, play a very important role in Komatsu's "Quality and Reliability." Komatsu puts a lot of effort into the human resource development of our distributor services personnel all over the world. We have two training programs for services personnel human resource development: internal human resource development for services support and distributor human resource development.

We have created an internal training program called "Product Support College" for training our Japanese staff, and the Komatsu Human Resource Development Center for training essential personnel who will be working at future mining sites, and conduct planned training within departments and at overseas sites by rotation.

Distributor human resource development, depending on the content, will be created or supported by the head office, and for the basic courses on products and services, Komatsu provides the curriculum and training materials and conducts the training on site (at the local company and distributors). We also provide advanced courses by inviting senior managers and mechanics to Japan to conduct the training, and technical training provided by the local company's training center (mother training center) for more specialized training. We track each type of training via the LMS (Learning Management System) to continue making sure that we can see and fortify the services personnel's human resource development.

For places that do not have a training system at the distributors, or if there is an urgent need for human resource development, Komatsu finds ways to efficiently develop human resources, such as by establishing a training center in Africa and working with local schools in Russia, Brazil and China to start a construction equipment training course.

To further strengthen our distributor human resource development, in April 2014 we created the Department for Promotion of Distributor HR Development at the Komatsu Head Office. We intend to continue developing our structure for providing long-term support to our distributors by clearly establishing our global development structure and performance appraisal standards in areas such as marketing, parts and services and by offering varied training systems and programs.

Growing with Society

Our Initiatives

- Engaging in dialogues with our stakeholders
- Strengthening our corporate governance and compliance
- Promoting compliance with environmental, labor, human rights and social norms within the Group and among business partners

Corporate Governance

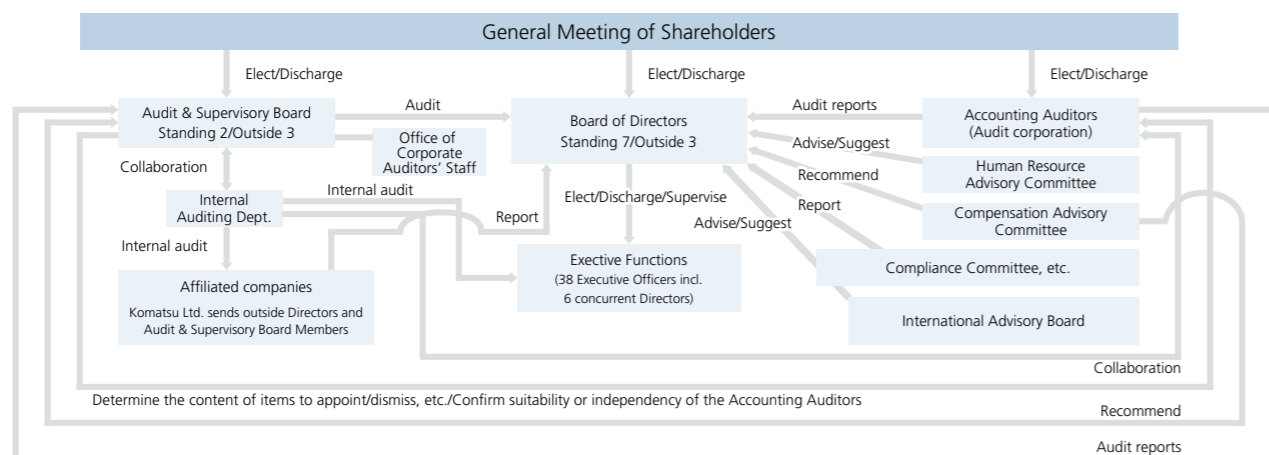
Basic Stance

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 decisionmaking 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.

Organizations and Functions



Organizational Profile

Board of Directors

Komatsu Ltd. holds Board of Directors' meetings periodically once or twice every month as a general rule. 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 10 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 once or twice every month as a general rule, and the Board performs appropriate audits by such means as hearing reports from members of the executive management team on their execution of duties. The Company has also established the Office of Corporate Auditors' Staff to assist the Audit & Supervisory Board Members in their duties. At least half of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

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, and information security problems. The company has adopted the following measures to counter these risks.

Basic Principles and Structure

- 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.

Systems and Status in FY2014

Implementing a Business Continuity Plan for Komatsu

In order to quickly confirm the safety of employees and their families in the event of an accident or disaster, and to be able to continue or quickly restart important business operations, Komatsu has formulated a business continuity plan (BCP). In addition, at our head office buildings and all production plants, we assume the possible occurrence of earthquakes and conduct regular training so that in the event of a disaster everyone will be able to act quickly and appropriately. Furthermore, at our production plants, we are working on seismic strengthening for buildings and equipment, as well as reinforcement against damage from torrential rains, according to the production plant's plans. Also, in case of an outbreak or epidemic of a new type of influenza, we will establish a special committee and take appropriate measures. For our employees we have compiled a manual with information regarding preventative measures and what actions to take in case of infection, and we also provide training sessions to promote a thorough understanding of these measures.

Promoting Risk Management throughout the Group

To reinforce the risk management structure across the Group, Komatsu is establishing channels for risk reporting, creating a risk management manual, and conducting BCP initial response training at the head office and the sales and service locations of each company in order to raise the level of risk management and response to disasters. Additionally, Komatsu is strengthening its Group-wide system for contacting employees during an emergency by introducing safety confirmation systems, broad-area wireless devices, and conducting regular training for safety reporting and communication.

Conducting Compliance and Risk Audits

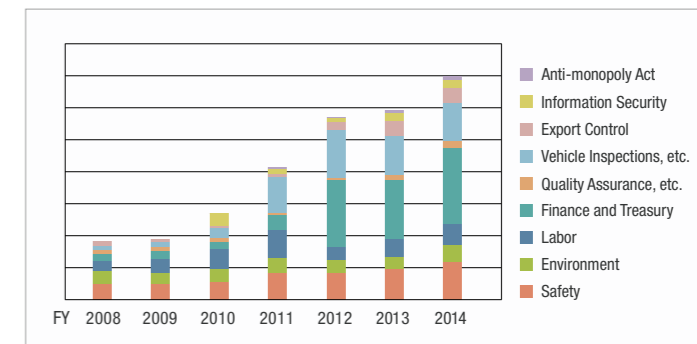
As a part of its risk management activities, Komatsu has been conducting compliance and risk audits (CR audits) since FY2008. These cover areas not included in the J-SOX audits, which are conducted in accordance with the Financial Instruments and Exchange Act of Japan to evaluate internal controls related 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 and overseas affiliates, as well as at sites operated by independently-owned distributors.

The audited items are: 1. Safety; 2. Environment; 3. Labor; 4. Finance and Treasury; 5. Quality Assurance and Recall; 6. Vehicle Inspections and Specific Voluntary Inspections (inspections done on construction equipment, similar to vehicle inspections); 7. Export Control; 8. Information Security; and 9. Anti-monopoly Act.

Through these audits, we strive to raise the control and compliance awareness levels at each company and in every department. Going forward, we would like to improve our case-by-case audit method and raise the operational level of CR audits as a part of risk management functions.

Implementation of Compliance and Risk Audits



Strengthening Information Security

Komatsu is developing an information security structure for the entire Group, placing the Information Security Committee at its center. As one sphere of this structure, the company distributes an Information Security Guidebook to all employees. In conjunction with this, it provides education and awareness-raising activities based on the Guidebook, with the belief that raising individual employee consciousness of information security is essential. The company is developing a structure to protect information from being falsified, leaked or lost, even in cases of negligence or outside intrusion. In addition, it is conducting information security audits to ensure that these measures are working effectively and to detect and address any problems.

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 with the help of external experts conducted a human rights risk assessment for all of its construction/mining equipment and forestry machinery businesses worldwide in 2014, referring to 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. They also pointed to the need for Komatsu to move beyond its current assessment efforts toward evaluating the activities of partner companies, such as parts suppliers and our network of distributors that provide products and services to our customers. In light of the results, we intend to continue implementing the necessary measures.

Compliance

Promoting Compliance

Following the principle that compliance is a top priority, Komatsu will ensure that it fully understands and complies with business rules while promoting structural improvements.

Frameworks for Promoting Compliance

To make certain that the entire Komatsu Group complies with the rules of the business community, Komatsu has appointed at the head office an executive officer 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.

Komatsu's Worldwide Code of Business Conduct

The company has formulated Komatsu's Worldwide Code of Business Conduct (established in 1998 and revised eight times to date) as a compilation of best business practices to be observed by officers and employees of Komatsu Group companies around the globe. The code addresses items such as free and fair business practices, appropriate relationships between the company and its employees, endeavors for the global environment, the handling of information, and the establishment of an internal control structure. The text of the code has been released to the public in its entirety. Komatsu considers CSR as a key responsibility and Komatsu's Worldwide Code of Business Conduct clearly conveys its policy of giving full weight to CSR. The pillar of Komatsu's compliance activities is based on constant repetition of the following process, outlined in the Code of Worldwide Business Conduct: (1) Formulate and revise the Code, (2) Implement the Code, (3) Determine the Code's current status, and (4) Address inadequacies.

Process for Compliance Activities

(1) Formulate and revise the Code:

Formulate the Code as a foundation for compliance activities and revise the Code (currently in its ninth edition) as required to reflect social change.

(2) Implement the Code:

Implement the Code through education that corresponds to employee rank and their respective duties, and by communicating information in accordance with the Code.

(3) Determine the Code's current status:

Determine the level at which the Code is being applied by having all business units regularly report on their use of the Code and by conducting audits and enhancing Komatsu's internal reporting system.

(4) Address inadequacies:

Any issues identified during the above activities will be addressed in accordance with the Code and preventive measures will be implemented.

Upholding Thorough Compliance

So that employees remain continuously aware of compliance, the Group is working to raise their consciousness of best business practices by displaying in every Komatsu Group business unit posters 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 consultation offices both internally at Komatsu Group companies and externally at law firms, collectively known as the Compliance Hotlines, 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.

Status in FY2014

No incidents of special note occurred during 2014.

DATA

1. About Komatsu's Worldwide Code of Business Conduct

Established	January 1, 1998
Last revised	April 1, 2014 (9th edition)
Languages	15 languages Japanese, English, Chinese, Spanish, Portuguese, German, Dutch, Italian, Swedish, Indonesian, Thai, Russian, Turkish, Persian, Tamil
Distribution	Global Group employees (more than 29,000) The Japanese and English versions are published on the Komatsu website

2. Compliance Education in FY2014

Japan	
Compliance education	More than 3,000
Code of business conduct education (including e-learning)	More than 18,000
Overseas	Conducted at 24 companies

Support for CSR Initiatives of Business Partners

Approach and Policy

Komatsu's Procurement Policy

Komatsu's basic policy is to produce a product in the area where there is demand for it. Out of the 39 plants that manufacture construction and mining machinery, 27 are located outside of Japan. In following with the manufacturing of machinery at an overseas plant, we are actively working on procuring parts and materials from the same area. Aside from engines and main components that are shipped everywhere in the world from Japan, and a few specific parts that are only supplied by specialized manufacturers, the overseas plants are on their own in terms of procurement, to promote local and optimal procurement for parts such as sheet metal.

CSR Procurement Guidelines

In 2011 we formulated the CSR Procurement Guidelines, which lay out key compliance and CSR information for all our business partners. We have posted the guidelines on our Japanese and English websites and are now making sure that our partners are aware of this information.

▼ For more information please refer to the following website:

<http://www.komatsu.com/CompanyInfo/csr/2015/society/society06.html>

Midori-kai and the State of Our Support of the Organization in FY2014

Komatsu Midori-kai

Komatsu Midori-kai is an organization made up of our business partners, with 164 member companies in Japan, out of which the procurement amount is approximately 75% of domestic purchasing goods. At the regular meetings, where the management members of each company are present, such as the general assembly, general meetings and New Years' special meetings, Komatsu's top executives explain our policies, emphasize the importance of CSR management and request that awareness be raised in regard to CSR management.

In North America, Europe and China, there are Midori-kai organizations made up of Komatsu's major business partners. We hope that these chapters will take advantage of the characteristics of each region to further expand their business activities.

Support to Member Companies

Environment

We are making certain certifications, such as ISO14001 and Eco Stage, mandatory, and directing and supporting efforts to obtain these certifications. In our efforts to reduce electricity consumption, we set a target for reducing electricity consumption by at least 15% from 2010 levels. We are also working to reduce energy consumption among business partners, focusing on implementing Komatsu's initiative (as part of our production system reforms) to reduce electricity consumption by 50% across our business partners.

Safety

We have implemented the Japan Industrial Safety and Health Association's Small and Medium-sized Enterprises Occupational Health and Safety Assessment for 97 companies, with Komatsu bearing the cost of

the assessment fees, to request that each company increase the level of safety on their sites. In addition, we opened safety training centers in each Komatsu plant that our business partners can use so that their employees can experience simulated workplace hazards and be trained to anticipate dangerous situations.

Personnel Development

To develop young top management at our business partners, we hold "Management Salons" as occasions for Komatsu management and young top management to exchange views. With this approach we intend to develop "win-win" relationships with our business partners while aligning our respective management policies and implementing PDCA cycles.

Furthermore, we select model companies as part of our efforts to support our business partners in overall improvement and advance their technological resources by capitalizing on Komatsu expertise toward strengthening their organizational capabilities.

Management System

Checking System for New Business Transactions and Agreements

Komatsu uses a check sheet before it starts doing business with a new supplier, not only to confirm basic conditions related to quality, cost and delivery, but also to verify their efforts in environmental protection and employee education. To conduct a business transaction in accordance with the CSR Procurement Policy, our basic agreement includes clauses pertaining to environmental protection and compliance.

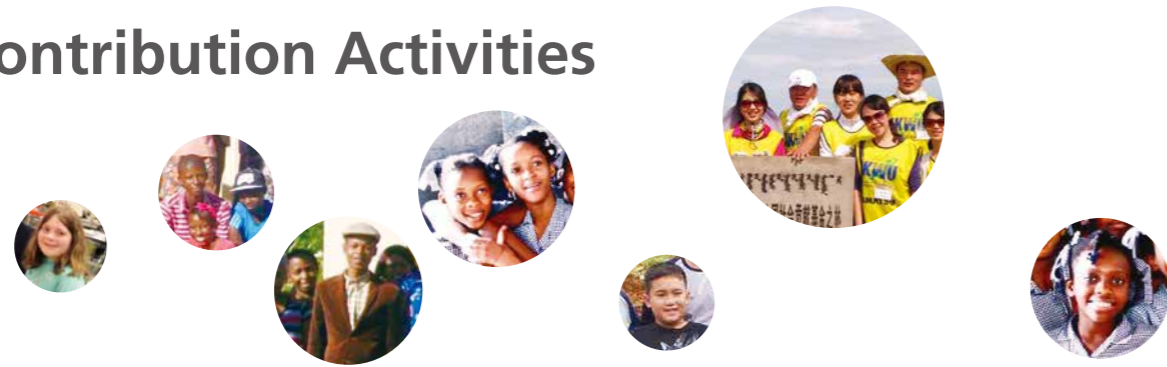
Risk Management Prepared for Natural Disasters

Komatsu is strengthening its risk management system for procurement. Since FY2012, we have conducted assessments in Japan so that we can quickly determine the status of partner companies in the event of a disaster such as an earthquake or tsunami, and be able to continue procurement activities without delay, to minimize the effect on production. In addition to considering prevention measures for each partner company that have higher levels of risk, the procurement staff will be able to consider risks from this aspect when considering new agreements, so that we can heighten the accuracy of the information.

Policy and Actions Regarding Conflict Minerals

Komatsu has adopted a policy of not using conflict minerals 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) from our corporate social responsibility perspective. During the regular meetings we hold with our suppliers at each Komatsu plant in Japan, we explained this policy as well as Komatsu's response to the conflict minerals issue and related requests to our suppliers. With the cooperation of suppliers, we conducted a country-of-origin survey to determine the location of origin of the conflict minerals we use. Looking ahead, we will continue taking steps to prevent the use of conflict minerals from the DRC and its neighbors and thereby restrict funding for military groups. We will immediately discontinue any use of conflict materials that we discover.

Social Contribution Activities



Special Story

Community Based Social Contribution around the World — CSR Activities and their Background in India

Under its philosophy of “being a corporate citizen who is needed in the community,” Komatsu engages in social contribution activities in every part of the globe where it does business. The following report from India describes the efforts of Komatsu India Pvt. Ltd. in that country, one of the world's growing markets.

Report from India



Report by

Mr. Subramanian Srikrishn
General Manager, Human Resources & General Affairs Department Komatsu India Pvt. Ltd. (KIPL)

CSR Activities and their Background in India

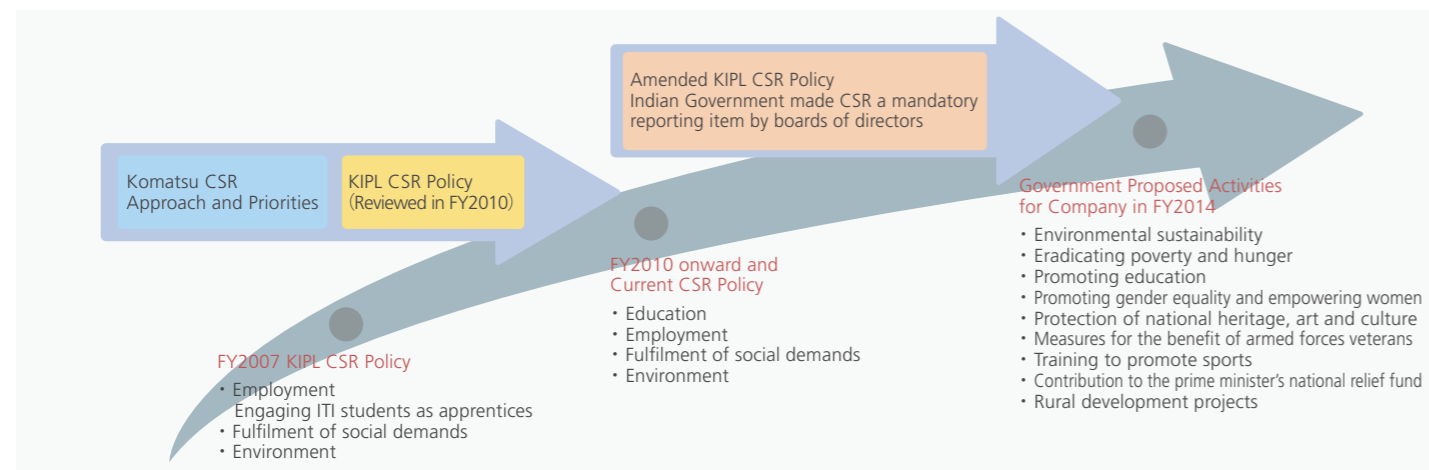
At Komatsu India Pvt. Ltd. (KIPL) we carry out social contribution activities under the CSR policy formulated in FY2007. Following the policy's formulation by the Komatsu head office, we revised it in 2010 and identified four priority categories: education, employment, social demands, and the environment. We conduct our CSR activities under these categories. Over this period, a major change occurred in the environment surrounding our CSR activities; the Companies Act was amended for the first time in 57 years. Under the amended act, passed in August 2013 and enforced in 2014, companies that meet certain conditions are required to conduct CSR activities.

The act specifically stipulates that companies must allocate at least two percent of their net income over the past three fiscal years to CSR activities in areas specified by the act. Companies are also required to establish CSR committees under their boards of directors, formulate policy, promote activities and disclose information. As for the background of this legislation, India is still facing very large social challenges in areas such as the environment, poverty and inadequate infrastructure, despite the rapid economic growth of recent years. It has been said that India is the first country to legally mandate corporate CSR activities.

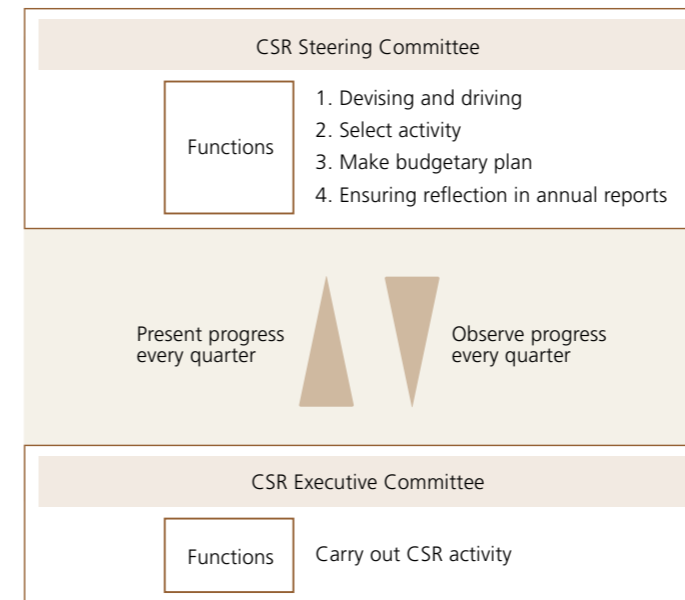
Our Enhanced CSR System and Major Results of Activities in FY2014

Following the amendment to the Companies Act, KIPL enhanced its CSR system. The CSR Steering Committee consists of the president, who chairs the committee, and three directors. The committee is responsible for planning, overseeing the initiatives and selection of activities, determining the budget, and disclosing information about activities in the annual report. The CSR Executive Committee is responsible for the execution of the activities, with the company's Human Resources & General Affairs Department serving as the secretariat. This committee promotes concrete actions while reporting the results of these actions to the CSR Steering Committee on a quarterly basis.

KIPL CSR Policy and Transition



CSR Promotion Structure at KIPL



Results of Activities in FY2014

Education and Employment

- Provided welding technical support to a technical school.
- Sponsored teacher development.
- Welcomed student tours of the company.



Social Demands

- Donated furniture, equipment and stationery following a request from a school.

Environment

- Conducted greening activities.
- Installed solar panels.

Supporting a Welding Training School

One of our major initiatives has been to offer technical support for welding at a local technical school. We have been providing this support since FY2008. Students aged 15 or 16 learn about the technology they will need to find a job. In addition to offering the required materials and equipment for the training, KIPL also dispatches two engineers, who provide about 300 hours of instruction each year. Moreover, we recruit excellent students upon their graduation. These efforts are steadily bearing fruit in terms of actual jobs, as evidenced by the significant improvement in the employment ratio of graduates.



Kakamuthu Educational Trust welding technical school in Chennai

VOICE



Mr. Chitti Babu
President, Kakamuthu Educational Trust

Thank you for offering our students such a great opportunity. I would like to express my deep appreciation to KIPL management for their support. Komatsu donated funds to us so that we could purchase materials and equipment. With KIPL's support, we were able to buy a large quantity of welding electrodes and maintain a safe campus environment. The company also gave 30 books, notebooks and stationery to the students and invited them to a reading competition organized by KIPL. Two KIPL engineers visit the school twice a week to provide the students with technical training in 80 key technical categories. The company has also provided training materials for welding over the past three years. Once again, I am deeply grateful for your support.

Activities in Coming Years

In recent years, people in India have developed high expectations for the social role of companies, particularly since corporate CSR activities have been mandated by law. At KIPL, we will steadfastly implement our current CSR activities while continuing to explore what more we can do, including initiatives outside the Chennai region.

Early on Wednesday, March 25, 2015, a front of bad weather affected the north-central region of Chile, resulting in heavy rainfall in desert areas, overflowing rivers, landslides and severe flooding in cities and towns. That same day, the president of Chile declared a state of catastrophe and a health alert for three northern regions of the country, affecting a population of roughly 1,750,000 people. Komatsu Cummins Chile Ltda. (KCC) responded to the situation and decided to execute its Disaster Relief Program, the activities of which the company has been continuing, as of June 2015. Here we report from an operational point of view on how these activities have been planned and implemented.



Cities and towns that typically see little rain suffered severe damage.



Report by
Ms. Josefina Elissetche Correa (Left)
 CSR Coordinator, Komatsu Cummins Chile Ltda. (KCC)
Ms. Karin Eggers Gutierrez (Right)
 CSR Manager, Komatsu Cummins Chile Ltda. (KCC)

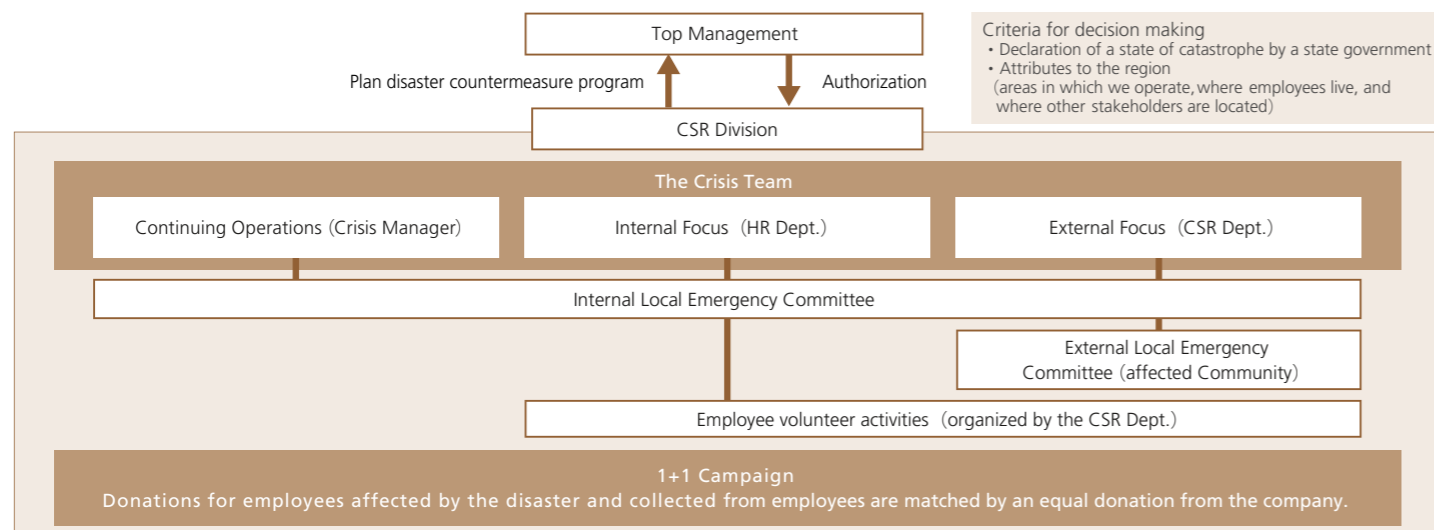
KCC's Disaster Relief Response Framework

Step 1: Activation of the Disaster Relief Program

- The CSR Department validates authorization of the Disaster Relief Program activation. The criteria supporting this decision is:
 - The state has decreed a "state of catastrophe," which corresponds to a constitutional "state of exception," a legal mechanism to deal with situations of political or catastrophic abnormality, in order to safeguard the institutional stability and public order.
 - The catastrophe affects one of our "influence zones," in which we have operations where a significant number of employees live or

- where we have strategic stakeholders.
- Activating the crisis team is done by the corporate crisis management, general management, the CSR Department and HR management
 - The CSR Department activates the internal "1+1 Campaign," which aims to contribute to the workers and come to the aid of people affected by the disaster, the donations from which are matched by the company. This campaign is valued by employees, who see them as opportunities for showing solidarity and support to those affected by the disaster.

Framework of KCC's Disaster Relief Program



Step 2: Gemba

After traveling to the affected area, the crisis team forms a local Emergency Committee, consisting of leaders of the business units affected.

Step 3: Implementation of Work Plans

Stage 1: Critical Days of the Emergency (First two weeks)		
Continuing Operations	Internal Focus	External Focus
- Crisis Manager delivers guidelines related to: 1. Flexibility in working hours for the workers affected 2. Ensuring normal operations of the branch offices in the affected area 3. Monitoring the situation in regard to related tasks and activating emergency plans for operational continuity	- HR Department uploads information about the affected workers - HR Department delivers emergency kits with basic necessities - CSR Department organizes volunteer activities  The "Advance Party" visited the site on March 31, where an employee's house had completely collapsed.	- CSR Department activates the Disaster Relief Program, which aims to mitigate the effects of the disaster and bring in humanitarian work through the presence of our machines and our team - Gemba (visits to the site) - CSR Department supports the identified target town of Los Loros, commune of Tierra Amarilla, a zone of influence of our mining client Caserones de Lumina Copper, which is found within the area covered by our social plan with this mining company - CSR Department holds a meeting with leading authorities in the area as well as the affected community. Their short-, medium-, and long-term needs are identified, and roles and responsibilities are described - CSR Top Management validates the plan with deadlines, a budget and commitments that have been agreed upon - Supplies and support are delivered - Machines are made available - Volunteer Days are activated

Stage 2: Disaster Relief		
Continuing Operations	Internal Focus	External Focus
- Crisis Manager delivers final report on operational continuity	- HR Department implements actions such as: support through the payment of a house for rent to 4 people who had lost their homes or their buildings were declared uninhabitable; a monetary contribution to workers who had lost all their basic appliances; flexible social loans; psychological support; donated money from the 1+1 Campaign - CSR Department organizes volunteer activities	- Volunteer Days are held at the Hostel Los Loros, organized by workers of the Caserones Mine and Cerro Negro Norte Mine - Closing milestone: top management visit to Los Loros marks the completion of the "Plan of Work Equipment." This event starts the normalization step.



On May 13, KCC's top management visited the affected area and talked with local customers and community.



Firefighters in an affected area with Jeffrey Dawes, CEO of KCC (center)

Stage 3: Normalization		
Continuing Operations	Internal Focus	External Focus
	- Conduct employee volunteer activities focusing on children in an evacuation center - Define the roles for full-fledged reconstruction efforts (determine the types of support wanted and the activities to be covered by the state government)	

Stage 4: Rebuilding		
Continuing Operations	Internal Focus	External Focus
	Employee volunteer activities are scheduled (role of the state government is highly significant at this stage)	

Step 4: Internal Communication (plan)

An internal communication plan is formulated to make visible what has been done, emphasizing recognition for those who have participated in the various volunteer activities of the Disaster Relief Program.

Step 5: Closing of the Disaster Relief Program/Evaluation (plan)

At the end of Disaster Relief Program, the process is evaluated and areas for improvement that can be incorporated in the program are discussed.

What We Gained through the Activities

DATA

Volunteering hours*	2,759.8 hours
Total Volunteers	175 people
Beneficiaries of KCC Support: internal workers, Los Loros and San Antonio communities	2,749 people
Total machinery hours*	3,423 hours

*As of the end of June 2015

At the present, June 2015, the area affected by the flood in Northern Chile is gradually returning to normal in terms of basic services: Hospital infrastructure is almost 100% operational, potable water, sewage, and roads are 99% recuperated. In terms of housing, in the month of June the construction of 664 emergency homes were finalized, of which 66 were built in Los Loros. During this month the Master Reconstruction Plan was announced by the Government. This plan will allow proper coordination of public policies to advance the delivery of definitive housing solutions to families affected by the disaster plan. Our mining customer Caserones Lumina Copper has continued to support the Town of Los Loros, either through the debris removal; the channeling of the Copiapo River; carrying out work for the reconnection of the drinking water and sewer repair; and the delivery of basic kits (kitchen, dining room, bunk bed with mattresses, dishwasher, gas cylinder, among others) to families affected by the emergency. July is scheduled to begin a new phase of community work together with our client Caserones, which aims to strengthen local school education in Los Loros.

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 arrive 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 employment opportunities.

Various Areas and Forms of Support

Developing Human Resources Tailored to Regional Needs Worldwide

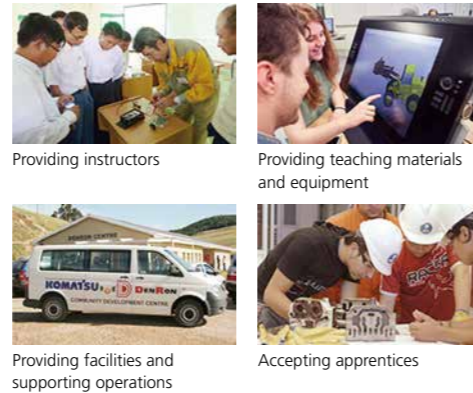
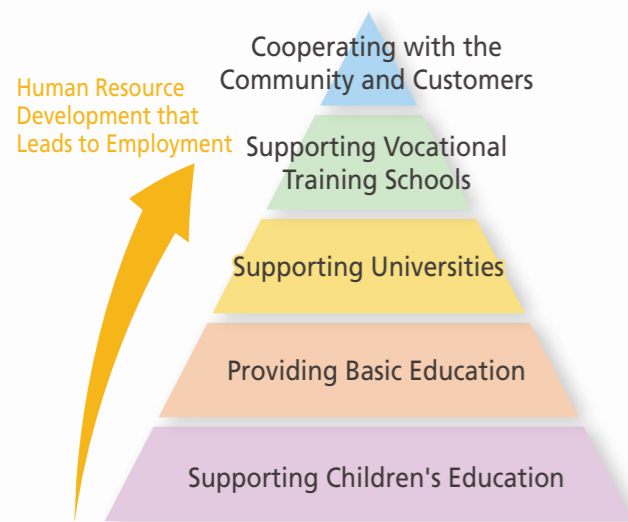
Using the know-how cultivated through our core business, Komatsu is supporting development of the kind of human resources that are needed, not only internally by our company, but for local communities.

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 different parts of Japan, the U.S.A. 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 the 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 the daily cultivated know-how can be put to best use.

Support for Developing Human Resources



Activities in FY2014 Support for Developing Construction Machinery Operators in Liberia

In line with higher expectations for economic growth, there is a pressing need to develop construction machinery operators for required infrastructure improvements in the West African nation of Liberia. Although the country was severely affected by the spread of Ebola virus disease (EVD) in FY2014, Komatsu has been supporting the training of construction machinery operators at a facility that was jointly constructed by the Japanese government and the UN Industrial Development Organization (UNIDO) and opened in June 2014, just before EVD began to spread.

Before it opened, four instructors from the facility visited Japan in May 2014 to learn about basic operations and maintenance of construction machinery at Komatsu. After returning to Liberia, they had to wait until the spread of EVD was contained before getting back to work. During that time, they supported the construction of a sanitary facility in Monrovia, Liberia's capital, applying the skills they had acquired in Japan. In the meantime, Komatsu continued to support them, including by responding to their technical questions by email.

The construction machinery donated by Komatsu arrived in Liberia in April 2015. The machinery, alongside the expertise of the young instructors, is contributing alongside the cooperation of local dealers to the quality of training at the school, where the class has restarted. Komatsu will continue to provide its support with the cooperation of local distributors, including the training program itself, until the facility can be operated on its own.



Training for instructors carried out at the Komatsu Techno Center in Shizuoka Prefecture

Clearing Anti-Personnel Landmines and Reconstruction Support

Since 2008, Komatsu has partnered with the Japan Mine Action Service (JMAS), a certified NPO, to support demining activities in areas of Cambodia and Angola that suffer from damages caused by anti-personnel landmines, which also includes reconstruction work as part of this community development project. The demining machines and construction machinery, developed using our company's technical expertise and manufacturing knowledge, are being put to full use in this endeavor.

We demined about 1,000 ha of land in Cambodia and constructed 33 km of roads in seven villages, bringing the total number of operating hours for the machines and machinery introduced in 2008 to over 6,000 hours.



Komatsu's demining machine



Road construction

At the Mabubas reservation in Angola, which has become a safe area due to demining, the city rebuilding plan is moving forward.

In Cambodia, construction of the sixth elementary school under this project was completed in March 2015. Currently, more than 400 elementary school children attend these schools. We help make the area a much safer place through demining and road construction to revitalize the regional industry and build elementary schools for future generations. These support activities, as contributions to peace and development, can only be provided by Komatsu.



Construction of the sixth Komatsu elementary school was completed in March 2015.

Komatsu employees visit schools in Japan to give lectures and share details about these activities with younger generations, from elementary school children to university students. After a lesson at a senior high school, one student commented that he had a clearer picture of what he should do to realize his dreams, while another said she wanted to find out how she could become a person who in some way contributes to society. We will continue to offer visiting lectures to inspire young people by example, helping them to take an initial step toward promising futures.



Visiting lecture at a senior high school

DATA

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

Item	Results (Cumulative Total by FY2014)
Demined area	1,007 ha
Road construction	33km
Schools constructed	6
School children supported	414

Corporate Profile

Company Name

Komatsu Ltd.

Main Businesses

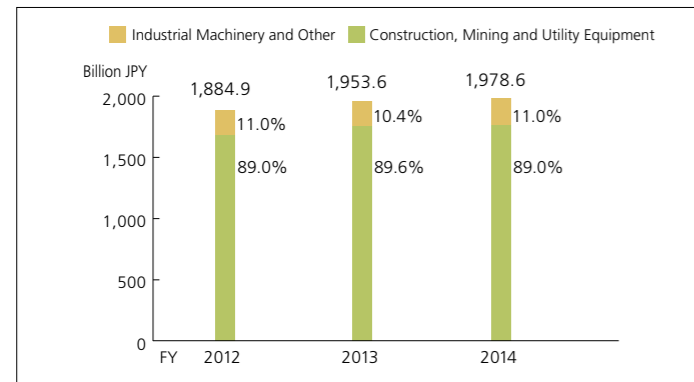
Manufacture and sale of construction and mining equipment, utilities, forest machines and industrial machinery

Head Office

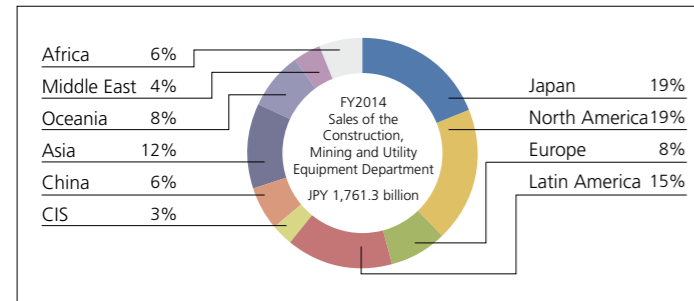
2-3-6 Akasaka, Minato-ku, Tokyo, Japan

Net Sales (Consolidated)

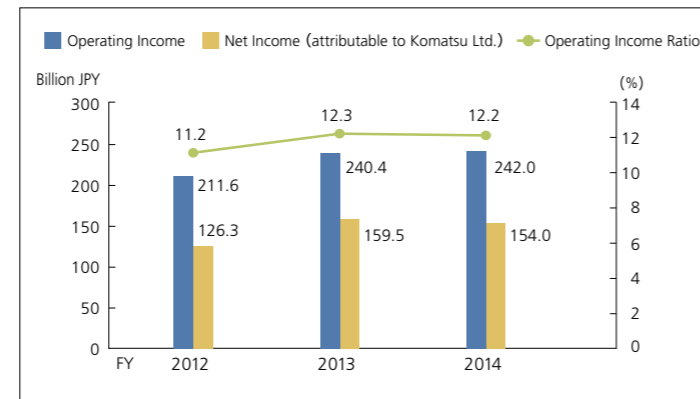
Sales to Outside Customers (by operating departments)



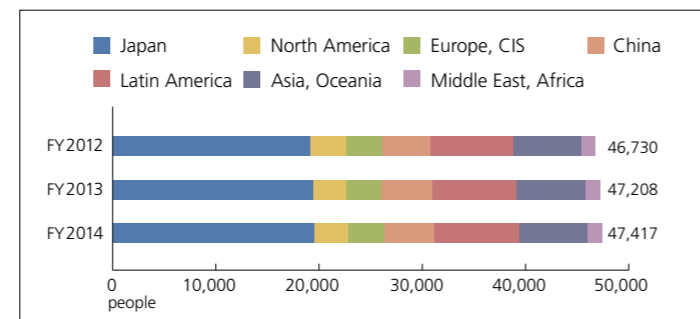
Sales of the Construction, Mining and Utility Equipment Department by Region



Income and Income Ratio



Number of Employees by Region



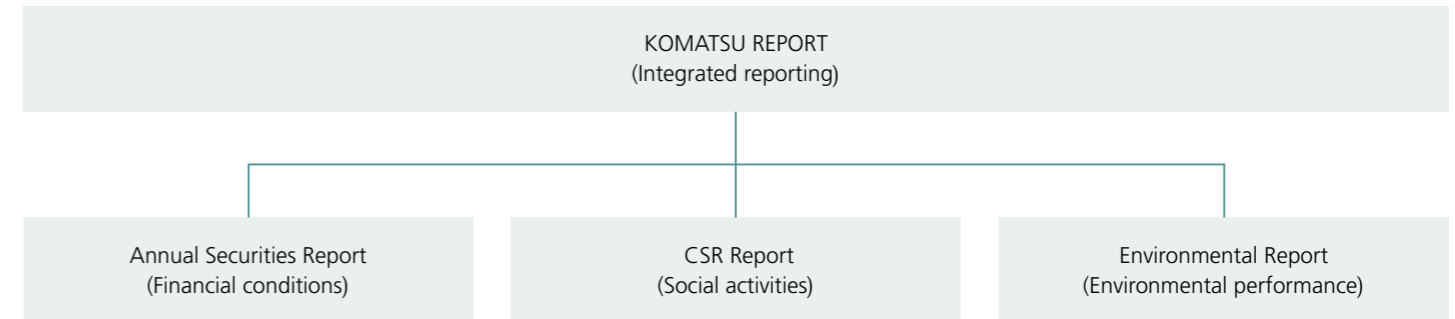
Number of Operations

- Number of Komatsu Group companies (includes Komatsu Ltd.): 177
- Number of production operations for the Construction, Mining and Utility Equipment Department: 39
- Number of distributors for construction and mining equipment: 215
- Number of distributors for forklift trucks: 147

Editorial Policy

We at Komatsu Ltd. prepare KOMATSU REPORT annually by focusing our attention on the most important information and expressing it in a concise manner. Concerning financial conditions, environmental conservation and corporate social responsibility, we prepare the respective reports in more detail and disclose information therein.

Organization of Komatsu's Annual Reports



- The "CSR Digest" is an abridged report of our CSR activities. Komatsu's website will give you comprehensive information on our CSR activities. We also disclose "KOMATSU REPORT" as an integrated report and "Environmental Report" as a report of our environmental activities.

KOMATSU REPORT:

<http://www.komatsu.com/CompanyInfo/ir/annual/html/2015/>

CSR Report:

<http://www.komatsu.com/CompanyInfo/csr/2015/>

Environmental Report:

<http://www.komatsu.com/CompanyInfo/csr/environment/2015/>

- These reports principally cover data for the period from April, 2014 to the end of March 2015, with some nonperiodic information on continuing efforts.
- Date of most recent previous report is July 10, 2014. We disclose these reports every July and next issue will be published in July, 2016.
- These reports contain Standard Disclosures from the GRI Sustainability Reporting Guidelines. You can see a list of the Standard Disclosures and their location in our report from our website.
<http://www.komatsu.com/CompanyInfo/csr/2015/outline/outline10.html>

External Evaluations

Commendations from Assessment Bodies



- Selected for inclusion in the Dow Jones Sustainability World Indices (DJSI World and DJSI Asia Pacific), SRI indexes developed by S&P Dow Jones Indices (U.S.) and RobecoSAM (Switzerland)



- Selected for inclusion in the index of companies recognized for their contribution to sustainable development by NYSE Euronext and Vigeo



- Selected for inclusion in the listing of SRI issues developed by Morningstar



- Rated as "Prime" among 35 machinery companies in the December 2009 social responsibility ratings by Oekom, a Germany-based independent CSR assessment company



- Selected as a leading company of the CDP Japan 500 Climate Performance Leadership Index (CPLI) and Climate Disclosure Leadership Index (CDLI) by CDP



- Selected as one of 40 "2014 Nadeshiko Brand" companies by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange
- Selected as one of 15 companies excelling in ESG by the Tokyo Stock Exchange as part of its "+YOU" project supporting Japanese economic growth

External Evaluations for CSR Activities (FY2014)

Year	Month	Event
2014	August	Received the Minister of Education, Culture, Sports, Science and Technology Award of Merit in the 12th Industry-Academia-Government Collaboration Awards for Connective Innovation
	September	Selected for inclusion in the Dow Jones Sustainability Indices (World and Asia Pacific)
	October	Ranked 1st in the Machinery sub-group (out of 20) in the Securities Analysts Association of Japan's "2014 Awards for Excellence in Corporate Disclosure"
	October	Selected by CDP for "Climate Performance Leadership" and "Climate Disclosure Leadership" in the CDP Japan 500 report for 2014
	November	Ranked 17th overall (out of 538 companies) under the "NICES" company rating system by Nihon Keizai Shimbun, Inc.

Year	Month	Event
2015	January	Ranked 8th (out of 419 companies) in the Manufacturing Sector in Nihon Keizai Shimbun's 18th Environmental Management Survey
	January	KFL Series fiber laser cutting machine received the Japan Machinery Federation Chairman's Award in the 2014 Energy-Efficient Machinery Award
	February	Ranked 23rd (out of 3,800) in the Nikkei Business "Excellent Companies"
	March	Ranked 1st (out of 624 companies) in the IntegreX survey
	March	Ranked 5th (out of 1,305 companies) in Toyo Keizai's 9th "CSR Company Ranking"
	March	Selected as a "2014 Nadeshiko Brand" company that excels in promoting career development for women
	May	Selected for inclusion in the "Euronext Vigeo World 120" index